<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Talent retention: an interpretive study of talent’s pull-to-stay post-acquisition – a multiple case study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Author(s)</strong></td>
<td>Holland, Denise</td>
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<td><strong>Publication Date</strong></td>
<td>2015-12-17</td>
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PhD Thesis

Talent retention: an interpretive study of talent’s *pull-to-stay* post-acquisition – a multiple case study.

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**Department:** Management

**Submission date:** December 2015
Declaration

I hereby certify that this material, which I now submit for assessment is entirely my own work and has not been taken from the work of others save to the extent that such work has been cited and acknowledged within the text of my own work.

Signed:

Date:

Word Count: 80,000
Acknowledgement

One does not go through a PhD journey alone and there are countless people that helped me along the way however, there are a handful that must be mentioned.

First of all to my husband and mentor Joe and my daughter Jane without whose unconditional love and support I would not have achieved the end goal. My supervisor Professor Hugh Scullion who allowed me the space to explore while guiding me through the process with the utmost of professionalism. A special mention has to go to the participants across the five subsidiaries in my study who generously gave of their time and allowed me access to areas that added significant value to my research. To my GRC at the J.E. Cairnes School of Management NUI Galway. To Maureen Maloney for her support, advice and friendship during the three years. To Dr. Deirdre Curran who had an innate sense of intuition as to when I might have been hitting a wall and who would call me as I was about to pick up the phone to her. To my wise and funny sister Adrienne who was there every step of the way with me. Last but not least to my Dad who passed away towards the end of my journey and whom I dearly miss.
Abstract

Despite the advances in Mergers and Acquisitions (M&A) research over the last 40 years, there has been little change in the failure rates and the human side of the deal is noted as one of the main causes of failure. Bridging the themes of strategy and management, this study addresses a gap in the research on talent management within the context of M&A. Taking a process approach by breaking down the complexity of the acquisition into three stages of transaction, transition and integration, a multiple case study research strategy is pursued by means of a qualitative interpretative approach. To address the question of what factors determine the attachment of talent post-acquisition, this multiple case study focuses on five acquired subsidiaries within three cross border acquisitions. Taking a perspective on talent at an individual level, across functions and within a variety of organisational levels, we are presented with a unique insight into the M&A world of talent as it unfolded for them through the acquisition process. Influenced by Rousseau (2001), this study takes a step back and considers the circumstances in which psychological contracts are maintained or revised during the acquisition process itself, where emotions can run high. A talent retention framework is developed based on the findings of this research. This framework combines three stages of the acquisition process; the building blocks of the psychological contract and organisational embeddedness of fit, links and sacrifice as they related to talents pull to stay with an organisation post-acquisition. This research highlights two implications for practice, 1) the use and application of the talent retention framework, and 2) recommendations for change in the HR due diligence process.
Contents

Chapter 1. Introduction ................................................................. 12
  1.1 Research objective and research question .................................. 13
  1.2 M&A - a rich and interesting field to study .............................. 13
  1.3 High failure rate of M&A linked to the human side of the deal ....... 15
  1.4 The Human side of M&A - against a backdrop of talent shortages .... 16
  1.5 The need to focus on talent retention ...................................... 17
  1.6 Differentiating retention from turnover .................................... 19
  1.7 Influence of Senior and Middle Management ............................. 21
  1.8 Subsidiary role .................................................................. 22
  1.9 M&A a staged process ......................................................... 24
  1.10 Conclusion .................................................................. 26

Chapter 2. Literature Review ........................................................... 28
  2.1 Strategy behind M&A ............................................................ 28
  2.2 Transaction stage ................................................................. 31
    2.2.1 Due Diligence ............................................................... 34
  2.3 Transition stage ................................................................. 37
    2.3.1 Cultural influences on talent retention ............................... 38
    2.3.2 Organisational culture, climate and identity ....................... 42
  2.4 Integration stage ................................................................. 45
  2.5 Talent .......................................................................... 48
    2.5.1 Talent Identification ....................................................... 50
  2.6 Employee response to M&A ................................................... 54
  2.7 Talent management and retention strategies ............................... 56
  2.8 Enablers of talent retention .................................................... 61
    2.8.1 Communication ............................................................. 61
    2.8.2 Psychological Contract ................................................... 63
    2.8.3 Organisational embeddedness and retention of talent .......... 69
    2.8.4 Parallels between organisational embeddedness and psychological contract building blocks .............................................. 72
    2.8.5 Embeddedness a predictor of employee retention ............... 72
  2.9 Subsidiary Perspective .......................................................... 74
  2.10 Key Themes .................................................................. 77
2.10.1 Research focus on the entire acquisition process ........................................... 77
2.10.2 Managing talent from identification to retention ............................................. 78
2.10.3 Enablers of talent retention ............................................................................. 79
2.11 Conclusion .......................................................................................................... 81

Chapter 3. Methodology ............................................................................................ 82
3.1 Taking a position ................................................................................................. 82
3.2 Ontological position ......................................................................................... 83
3.3 Epistemological Position ................................................................................... 85
3.4 Qualitative Research Design ............................................................................. 89
3.5 Multiple case study research strategy ............................................................... 90
3.6 Limitations of case study .................................................................................. 93
  3.6.1 Interpreting an already interpreted world ...................................................... 94
  3.6.2 Generalisation .............................................................................................. 94
  3.6.3 Subjectivity .................................................................................................. 95
3.7 Justification for case selection ........................................................................... 96
3.8 Gaining access to research sites ....................................................................... 98
3.9 Research Context ............................................................................................... 99
  3.9.1 Dutch ........................................................................................................... 99
  3.9.2 MedPk ......................................................................................................... 100
  3.9.3 L10N International ..................................................................................... 101
  3.9.4 BSW ........................................................................................................... 102
3.10 Methods for data gathering .............................................................................. 103
  3.10.1 Interviews .................................................................................................. 103
3.11 Interview Schedule ......................................................................................... 105
  3.11.1 Analysis of interview data ......................................................................... 109
  3.11.2 Document analysis .................................................................................... 111
3.12 Triangulation ..................................................................................................... 112
3.13 Conclusion ......................................................................................................... 114

Chapter 4. Research Findings .................................................................................. 115
4.1 Medical Packaging Subsidiaries ....................................................................... 115
  4.1.1 Strategy behind the deal ............................................................................. 115
  4.1.2 Transaction stage ....................................................................................... 115
  4.1.3 Transition Stage ......................................................................................... 117
4.1.4 Integration ............................................................................................................. 119
4.1.5 Talent Retention ................................................................................................. 121
4.1.6 Talent Retention Strategies ............................................................................... 122
4.2 BSW ....................................................................................................................... 127
  4.2.1 Strategy behind the deal................................................................................... 127
  4.2.2 Transaction Stage ......................................................................................... 127
  4.2.4 Transition Stage ............................................................................................ 129
  4.2.5 Integration ....................................................................................................... 131
  4.2.6 Talent at BSW ............................................................................................... 132
  4.2.7 Talent retention strategy ............................................................................... 133
  4.2.8 HR Policies ..................................................................................................... 136
  4.2.9 Strong Performance Management Culture .................................................. 137
4.3 L10N International ............................................................................................... 142
  4.3.1 Strategy behind the deal................................................................................ 142
  4.3.2 Transaction Stage ......................................................................................... 142
  4.3.3 Identification of talent ................................................................................ 145
  4.3.4 Transition ....................................................................................................... 145
  4.3.5 Integration ....................................................................................................... 148
  4.3.6 Talent Retention Strategy ............................................................................ 151
  4.3.7 High employee turnover L10N Europe ......................................................... 153

Chapter 5. Findings on the psychological contract building blocks ..................... 155
  5.1 PC Building blocks of the Medical Packaging Group ...................................... 156
    5.1.1 Pre-employment experience of Medical Packaging subsidiaries .......... 156
    5.1.2 Re-recruitment: Active promise exchange Medical Packaging subsidiaries ........................................................................ 158
    5.1.3 Early socialisation Medical Packaging subsidiaries ................................ 159
  5.2 PC Building Blocks of BSW .............................................................................. 163
    5.2.1 Pre-employment experience BSW ............................................................ 163
    5.2.2 Re-recruitment: Active promise exchange BSW ................................... 164
    5.2.3 Early socialisation BSW .......................................................................... 166
  5.3 PC Building Block at L10N International ......................................................... 168
    5.3.1 Pre-employment experience of talent L10N International .................... 168
    5.3.2 Re-recruitment stage and active promise exchange L10N ................. 169
    5.3.3 Early Socialisation L10N International ................................................... 172
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4 Conclusion</td>
<td>175</td>
</tr>
<tr>
<td>Chapter 6. Research Findings on Organisational Embeddedness</td>
<td>177</td>
</tr>
<tr>
<td>6.1 Organisational Embeddedness BSW</td>
<td>178</td>
</tr>
<tr>
<td>6.1.1 BSW Fit</td>
<td>178</td>
</tr>
<tr>
<td>6.1.2 BSW Links</td>
<td>181</td>
</tr>
<tr>
<td>6.1.3 BSW Sacrifice</td>
<td>184</td>
</tr>
<tr>
<td>6.2 Organisational embeddedness Medical Packaging subsidiaries</td>
<td>186</td>
</tr>
<tr>
<td>6.2.1 MedPk Fit</td>
<td>186</td>
</tr>
<tr>
<td>6.2.2 MedPk Links</td>
<td>186</td>
</tr>
<tr>
<td>6.2.3 MedPk Sacrifice</td>
<td>188</td>
</tr>
<tr>
<td>6.2.4 DutchPk Fit</td>
<td>189</td>
</tr>
<tr>
<td>6.2.5 DutchPk Links</td>
<td>191</td>
</tr>
<tr>
<td>6.2.6 DutchPk Sacrifice</td>
<td>192</td>
</tr>
<tr>
<td>6.3 Findings Organisational Embeddedness L10N International</td>
<td>193</td>
</tr>
<tr>
<td>6.3.1 L10N USA Fit</td>
<td>193</td>
</tr>
<tr>
<td>6.3.2 L10N Europe Fit</td>
<td>193</td>
</tr>
<tr>
<td>6.3.3 L10N USA Links</td>
<td>195</td>
</tr>
<tr>
<td>6.3.4 L10N Europe Links</td>
<td>196</td>
</tr>
<tr>
<td>6.3.5 L10N International Sacrifice</td>
<td>197</td>
</tr>
<tr>
<td>6.4 Conclusion</td>
<td>198</td>
</tr>
<tr>
<td>Chapter 7. Discussion and Conclusions</td>
<td>201</td>
</tr>
<tr>
<td>7.1 Framework</td>
<td>202</td>
</tr>
<tr>
<td>7.2 Discussion</td>
<td>203</td>
</tr>
<tr>
<td>7.2.1 Talent retention starts with M&amp;A Strategy</td>
<td>204</td>
</tr>
<tr>
<td>7.1.2 Defining Talent</td>
<td>207</td>
</tr>
<tr>
<td>7.1.3 Talent Identification</td>
<td>210</td>
</tr>
<tr>
<td>7.1.4 HR Due Diligence</td>
<td>212</td>
</tr>
<tr>
<td>7.1.5 Building the foundations of the psychological contract</td>
<td>213</td>
</tr>
<tr>
<td>7.1.6 Organisational Embeddedness</td>
<td>220</td>
</tr>
<tr>
<td>7.3 Conclusions</td>
<td>223</td>
</tr>
<tr>
<td>7.4 Implications for management</td>
<td>225</td>
</tr>
<tr>
<td>7.5 Limitations</td>
<td>229</td>
</tr>
<tr>
<td>References</td>
<td>254</td>
</tr>
</tbody>
</table>
## List of Figures

<table>
<thead>
<tr>
<th>Figure No.</th>
<th>Description</th>
<th>Page no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.</td>
<td>Influencing factors on why executives stay or leave adapted from Krug, 2009b</td>
<td>20</td>
</tr>
<tr>
<td>Figure 2.</td>
<td>M&amp;A Growth Strategies adapted from Gomes et al., (2013:10)</td>
<td>30</td>
</tr>
<tr>
<td>Figure 3.</td>
<td>Medical Packaging pre and post subsidiary structure</td>
<td>99</td>
</tr>
<tr>
<td>Figure 4.</td>
<td>Post subsidiary structure L10N</td>
<td>101</td>
</tr>
<tr>
<td>Figure 5.</td>
<td>Initial Coding on Psychological Contract and Embeddedness</td>
<td>109</td>
</tr>
<tr>
<td>Figure 6.</td>
<td>Initial Coding on Talent Management and Talent Traits</td>
<td>110</td>
</tr>
<tr>
<td>Figure 7.</td>
<td>People and Performance Model</td>
<td>123</td>
</tr>
<tr>
<td>Figure 8.</td>
<td>Talent Matrix</td>
<td>125</td>
</tr>
<tr>
<td>Figure 9.</td>
<td>Operations, People and Process Review Leadership Grid</td>
<td>139</td>
</tr>
<tr>
<td>Figure 10.</td>
<td>Performance Development Summary</td>
<td>140</td>
</tr>
<tr>
<td>Figure 11.</td>
<td>Teams and Committees at MedPk</td>
<td>187</td>
</tr>
<tr>
<td>Figure 12.</td>
<td>Talent Retention Framework</td>
<td>202</td>
</tr>
</tbody>
</table>
List of tables

<table>
<thead>
<tr>
<th>Table No</th>
<th>Description</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Overview of the subsidiaries selected for the study</td>
<td>97</td>
</tr>
<tr>
<td>2</td>
<td>Interview schedule for DutchPk and MedPk</td>
<td>106</td>
</tr>
<tr>
<td>3</td>
<td>Interview schedule for L10N Europe</td>
<td>107</td>
</tr>
<tr>
<td>4</td>
<td>Interview schedule for BSW and L10N USA</td>
<td>108</td>
</tr>
<tr>
<td>5</td>
<td>Overview comparison of L10N Europe v BM London</td>
<td>194</td>
</tr>
</tbody>
</table>

List of appendices

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Description</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>BSW HR Due Diligence Template</td>
<td>231-233</td>
</tr>
<tr>
<td>B</td>
<td>Medical Packaging HR Due Diligence</td>
<td>234-235</td>
</tr>
<tr>
<td>C</td>
<td>L10N HR Due Diligence Template</td>
<td>236-237</td>
</tr>
<tr>
<td>D, D1, D2,</td>
<td>Email trail Director Operations L10N Europe to VP Operations HQ &amp; Management acquirer</td>
<td>238-240</td>
</tr>
<tr>
<td>E</td>
<td>BSW HR Integration Strategy template</td>
<td>241</td>
</tr>
<tr>
<td>F</td>
<td>Presidents Letter – Announcement of the acquisition by PAK</td>
<td>242</td>
</tr>
<tr>
<td>G</td>
<td>Joint Leaders Letter to L10N Employees</td>
<td>243</td>
</tr>
<tr>
<td>H</td>
<td>Appendix H BSW Retention Plan Template</td>
<td>244</td>
</tr>
<tr>
<td>I</td>
<td>USCo Corporate Governance Guidelines (ref page 6)</td>
<td>245</td>
</tr>
<tr>
<td>J</td>
<td>List of case documentation data analysed during the course of the research</td>
<td>246-253</td>
</tr>
</tbody>
</table>
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A</td>
<td>Mergers and acquisitions</td>
</tr>
<tr>
<td>VP</td>
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<tr>
<td>SW</td>
<td>Software</td>
</tr>
</tbody>
</table>
Chapter 1. Introduction

Mergers and acquisitions (M&A) have been studied over the last 40 years and viewed through different lens within the field of management. They provide a rich and interesting field for study and regardless of industry, motivation or strategy behind the deal, they affect great numbers of employees. M&A can be fast paced with deals closing within months or slow and tedious, taking years to complete. They usually involve corporate officers, boards of directors external advisors and talent from both target and acquirer organisations. Opportunistic, risky and exciting, M&A are complex change environments that breed uncertainty with evidence of high failure rates. The spotlight is frequently shone on the human or ‘soft’ side of the combination in the post-acquisition period, which is often characterised by high turnover in management talent. Over the years, there has been significant emphasis researching why employees leave an organisation, with little focus on why they might stay. In a world challenged by global talent shortages, the high cost associated with M&A and the costs in replacing lost talent, compels one to study talent retention. Rather than study the forces that induce talent to leave, this study is interested in the factors that determine the pull-to-stay for employees labelled as ‘talent’. Therefore, the overall aim of this research is to present an understanding of talent retention and related HR policies and strategies during the process of a cross-border M&A.

This chapter is broken up into a number of sections starting with the research objective and research questions. Next, we address the paradox of M&A as an interesting field of study despite high failure rates there is significant growth in M&A globally. This discussion is followed by a need to focus on the human side of M&A against a backdrop of talent shortages which is followed by a discussion on talent retention. We then discuss the role of top and middle management in the success of deals and the role of acquired subsidiaries. Following on from this we address the opportunity of studying the process of an M&A and the need to break down the complexity in order to study talent retention. The chapter concludes with a compelling case to study talent retention and argues that the human side of the deal is as important as the financial aspects.
1.1 Research objective and research question

The overall aim of this research is to progress an understanding of talent retention and related HR policies and strategies during the process of a cross-border M&A.

Research Question:
What factors determine the attachment of talent to an organisation post-acquisition?

Sub-question:
- How is talent defined and identified and what retention strategies and policies are addressed during the transaction, transition and integration stages of an acquisition?

1.2 M&A - a rich and interesting field to study

Since Vanderbilt’s acquisition of the Nickel Plate Railroad in 1878 (Geisst, 2004), M&A have remained a consistent and growing part of business (Schweiger, 2002) and since the beginning of the twentieth century the world has witnessed a number of M&A waves. The first wave was driven by the Automobile industry between 1918 to 1930 (Scherer and Ross, 1990), the conglomerate wave of the 1960’s and 1970’s was driven by a combination of economic factors and legislation in the USA (Town, 1992 as cited by Geisst, 2004). The mega-merger wave which peaked in the 1980’s was influenced by a number of large industries with over-capacity and a need to reduce costs. The globalisation wave of 1992-2000 witnessed significant growth in the volume and value of deals and was spring-boarded by the IT industry (Gugler et al., 2012). The current wave is driven by the desire to move quickly, under pressures from markets to grow and enhance competitiveness (UNCTAD, 2000:2). Each of these M&A waves were influenced by different drivers, however the one common factor was, that these completed deals affected tens of millions of employees (Buono and Bowditch, 1989) making it a compelling context within which to study talent management.

M&A provide a rich and interesting field for study (Haleblian et al., 2009) and despite the risks associated with cross-border acquisition and the documented high
failure rates (Porter, 1985; Marks et al., 2001; King et al., 2004; Cartwright and Schoenberg, 2006) they remain “established tools of corporate strategy” (Grant Thornton, 2011:5). M&A are interesting as they present us with a paradox (Weber, Tarba, and Bachar, 2011); a track record for failing to meet expectations (King et al., 2004), yet there is evidence of continuing expansion through acquisition. The recession did not deter investor interest in acquisitions, putting pressure on organisations to restructure (Sinkovics et al., 2011). Acquisitions worldwide reached $3.5 trillion in 2014, which represented a 47% increase over 2013 (Thompson Reuters, 2014:1). This growth is set to continue as CEO’s have access to large cash reserves, favourable credit terms and opportunities to expand reach geographic reach in emerging markets (KPMG, 2014).

M&A have been studied from strategic, human resource, organisational and financial perspectives (Porter, 1985; Hitt et al., 2001; King et al., 2004; Zollo and Meier, 2008). Paths that M&A research has taken extends from strategic management (Porter, 1985; Bower 2001), organisational theory (Larsson and Finkelstein, 1999) to the human side of M&A (Buono and Bowditch, 1989, Marks and Mirvis 1998; Birkinshaw et al., 2000; Marks, 2006; Weber and Drori, 2011). Shimizu et al., (2004), argue that research in the field has not kept up with the pace of M&A growth. Despite the last 35 years of research there has been little improvement in success rates and we still lack a thorough understanding as to why (Stahl and Voigt, 2008). Marks and Mirvis, (2011), suggest that organisations should be learning from past mistakes and perhaps there is a failure in getting the messages of academic research to practitioners. Some question whether the research is incomplete (Cartwright and Schoenberg, 2006), while others argue that there is a “gulf” between different management disciplines (Faulkner et al., 2012). Haleblian et al., (2009), argue that there is a lack of co-ordinated theory across disciplines and that knowledge on the acquisition process is punctuated by critical gaps. This gulf needs to be addressed by bridging the divide between strategic, organisational and human resource management (Cartwright et al., 2012).
1.3 High failure rate of M&A linked to the human side of the deal

M&A are seen as complex and challenging strategies (Hitt et al., 2012) and are considered to be an attractive way of strategically expanding market share, acquiring new products and technologies (Gomes et al., 2011), building scale, gaining access to lower cost operations (Towers Watson, 2010), building a market position quickly (Bower, 2001), and acquiring talent (Schuler and Jackson, 2001; Towers Watson, 2009). PWC’s survey of global CEO’s found that “over $1 trillion in cash sits on corporate balance sheets” and 26% of those surveyed plan to expand market share through cross border M&A (PWC, 2013). Despite this growth, Hitt et al., (2012) conclude that there is a spectacular high failure rate, as it is difficult to extract value from these deals. While each of the disciplines who have viewed M&A through different lenses have contributed to our pool of knowledge, it is argued that we still do not know the extent to which M&A effect organisations (Meglio and Risberg, 2010).

Failure has been predominately measured in financial terms and the only winners in the acquisition game appears to be the target company shareholders (Inkpen et al., 2002; King et al., 2004). Hitt et al., (2001) argue that there are many reasons for failed M&A and that poor due diligence is one of them. Furthermore, they state that the time required for thorough due diligence is being compromised by pressure to close deals quickly. Success or failure can mean different things depending on whether the research focus is strategic, financial, or human resource based. Weber and Tarba, (2012), argue that many mergers fail for a want of a systematic assessment of culture differences between the acquirer and the acquired. Evans, Pucik and Björkman, (2011), argue that a lack of shared vision as to where the combined company should go is a major reason for failure. The reasons behind these high failure rates and the conditions under which M&A fail remains unclear (Weber, Tarba and Reichel, 2011). However, the spotlight is often focused on the failure to manage the human side of the deal (Buono and Bodwitch, 1989; Larsson & Finkelsten, 1999; Birkinshaw et al., 2000; Marks and Mirvis, 2011). According to Bruner, (2002) successful M&A depend on the chosen strategy and the ability of two firms to integrate post-acquisition and cautions caveat emptor, that the acquirer “must prepare to be disappointed” (Bruner, 2002:65).
1.4 The Human side of M&A - against a backdrop of talent shortages

Influenced by globalisation, shifts in demographics and the demand for employees with specific competencies and motivations, organisations today are faced with serious talent shortages (Deloitte, 2010; McDonnell et al., 2010; Schuler et al., 2011a; Vaiman et al., 2012). Against this backdrop of global talent shortages, a key challenge for multinational firms operating globally, is in developing, maintaining and sustaining the talent pipeline (Stahl et al., 2012). For buyers whose primary motivation is the acquisition of talent, retention will be high on the corporate agenda as the departure of this talent will affect the outcome of the deal (Ranft and Lord, 2000). Mellahi and Collins (2010), argue that managing an effective talent management system is fraught with challenges and considering that M&A are complex change environments this puts additional challenges on the talent management systems of acquirer and target organisations. As talent is a pivotal element of global success and it is increasingly difficult to retain, it is important for multinational enterprises to get to grips with talent management (Scullion and Starkey, 2000; Tarique and Schuler, 2010). The talent management literature has been criticised for falling short on identifying what organisations should do to manage talent effectively (McDonnell et al., 2010). Cross border M&A more complex scenarios than with domestic deals (McDonnell et al., 2010), which presents with more complex talent management challenges, From an organisational and people perspective it is critical to understand the strategic drivers behind an acquisition, and how they relate to structure, staffing, systems, skills and culture (Croyle and Johnsey, 2007).

More often than not there is too much emphasis on the integration process rather than the people related aspects of the deal (De Haldevang, 2009). Weber and Drori (2011) suggest that the human side of M&A is seen as less important than the financial side. Yet, M&A are devised, strategised, approved and executed by people and the success of an M&A is dependent on these people (Harding and Rouse, 2007). CEO’s, boards of directors, top management teams, legal and financial specialists, and operational management are involved at different levels and stages of the acquisition. Despite this ‘human’ involvement it is suggested that the human side of M&A is one of the main contributors to failure (Buono and Bodwitch, 1989; Larsson & Finkelsten,
One of the casualties is the extremely high turnover of acquired management, with losses of up to 32% of senior managers expected in the first year, leading to erosion of leadership talent (Krug, 2009a).

HR complications on the human side of the deal include, the acquirer having to high an expectation of the capability of the acquired management team and not being prepared for the loss of people and reduced productivity (Briscoe, Schuler and Tarique, 2012). It is difficult to predict what influences employee reactions to M&A (Seo & Hill, 2005) but what is known is that they create an air of uncertainty. As mentioned previously M&A failure rates are high and from a HR perspective reasons cited for failure include: cross cultural management issues (Buono and Bowditch, 1989; Hubbard and Purcell, 2001; Duncan and Mtar, 2006), badly planned and managed integration (Haspeslagh and Jemison, 1991; Nalbantian et al., 2005; Marks and Mirvis, 2011), incompatibility of people and cultures (Briscoe, Schuler and Tarique, 2012), lack of senior management focus on HR issues (Lafforet and Wageman, 2009) unmet employee expectations (Haspeslagh and Jemison, 1991), damaged or broken psychological contracts (Morrison and Robinson, 1997; Kiessling et al., 2012); loss of top management (Walsh, 1988; Cannella and Hambrick, 1993); mismanaged or lost talent and poor transition management (Schuler and Jackson, 2001).

Despite the vast knowledge built up over the last three decades research on the retention and motivation of talented employees is a neglected area in the HR focused M&A literature (Stahl and Mendenhall, 2005) and it is the intention of this study to address this gap.

1.5 The need to focus on talent retention

Employee retention is a critical issue for organisations (Allen et al., 2010) and numerous studies have focused on employee turnover (Walsh, 1989; Marks and Mirvis, 1998; Krug and Hegarty, 2001; Krug, 2009) with little focus in the literature on what compels employees to stay with an organisation (Hausknecht et al., 2009). Retention is a key element of talent management (Schuler, Jackson and Tarique, 2011) and despite the hype about talent management (Collings and Mellahi, 2009)
“there is little evidence that firms do talent management in an effective way” (Mäkelä et al., 2010:134). The ability to extract and grow value from an M&A is often dependent on retaining the target organisation’s human capital and scholars are starting to see that this is a difficult task (Kiessling et al., 2012). The cost of replacing a talent can be considerable (Cannella and Hambrick, 1993; DeVos et al., 2009). However, Ballinger et al., (2011) argue that the true cost of losing talent is not known. In addition to the cost of replacing those who leave is the problem of lost knowledge at many levels of the organisation, including expertise and client relationships (Mitchell et al., 2001). It is argued that “the real but unmeasured costs from losses of customer service continuity or critical impact knowledge are never calculated” (Holton et al., 2008:236).

If one takes a knowledge based view of an acquired firm then critical individual expertise and skills are key to the success of an M&A, where knowledge is a valuable commodity which can create or improve an organisation’s competitive advantage (Ranft and Lord, 2000). These authors suggest that the gap left by these critical individuals departure, can be detrimental to the team left behind impacting the collective human capital. According to Brahma and Srivastava, (2007), those with the most marketable skills are the most likely to leave first. So the question needs to be asked as to who is responsible for talent retention? DeVos et al., (2009) propose that HR management has a key role to play in developing retention strategies. Frank and Taylor (2004), argue that front-line management play a pivotal role in the retention of talent through demonstrating fairness, trust and respect critical for motivating and retaining employees. Towers Watson (2012), suggest that a number of different resources should be involved in talent retention, however, they found that the responsibility of retention usually falls to HR and business unit managers.

Retaining talent is seen as both an ‘art and science’ and a clear retention strategy creates a clear picture of the talent required to execute a successful post-acquisition combination (Allen, 2013). Talent retention during an M&A is not a once off activity; it is an on-going process even after successful integration (Towers Watson, 2013). Therefore to mitigate the risk of talent loss, Galpin et al., (2012) recommend that a risk assessment should be carried out on identified talent to determine why
these resources are critical, what motivates them and what actions are required to minimise their loss. It could be argued that talent identified prior to the deal as critical to retain should be treated as newly recruited resources in the newly combined company (Galpin and Herndon, 2007).

Retention profiles are found to differ depending on whether the employee is a high or low performer and it is suggested that retention activities should be tailored to specific groups (Hausknecht et al., 2009). The role of different factors across different cultures also deserve mention as increasingly social responsibility is seen to increase an employee’s pride in the organisation they work for, increasing employee morale (Tymon et al., 2010). In a study carried out in India these authors found that “intrinsic rewards around social responsibility of the employer, pride in the organisation, performance management practices, and manager support” were important indicators of retention and voluntary turnover (Tymon et al., 2010:119).

1.6 Differentiating retention from turnover

It is important at this stage to differentiate between retention and turnover. Talent retention and talent turnover are different constructs and need to be distinguished from one another (Cardy and Lengnick-Hall, 2011). These authors suggest that an inverse relationship exist between the two and that poor retention strategies result in higher turnover. They state that “efforts to reduce turnover are motivated by reducing and avoiding cost...[whereas] efforts to maximise retention are consistent with concern for employees and the desire to make the organisational environment as ‘sticky’ as possible to keep employees” (Cardy and Lengnick-Hall, 2011:214). While voluntary turnover can help weed out unproductive or poor performing employees, there is evidence that it does influence organisational effectiveness (Reiche, 2008). According to De Haldevang (2009), alignment with strategy will foster greater commitment, productivity and retention of key staff. Cappelli (2000a) argues that it is the market that will determine the movement of key employees and he concludes that we need to rethink talent retention strategies. The reason an employee leaves is not necessarily the same as why an employee stays (Steel et al., 2002) and those that depart may be low performers, less motivated or qualified (Boudreau, 2010). Employee turnover is the most frequently reported human capital metric (Boudreau,
2010). However, HR management should have less focus on employee turnover and more focus on influencing “who leaves and when” (Cappelli, 2000a:104). Weeding out low performers (Axelrod et al., 2002) will allow HR management to focus on the development and retention of A and B players to execute and deliver an organisations strategic objectives (Becker et al., 2009) increasing the possibility of a successful M&A outcome (Evans et al., 2010). One common factor of acquirers who have achieved successful integration post-acquisition is the fact that they identified talent early and targeted them for retention (Harding and Rouse, 2007). Talent is a valued and privileged group who may wish to reciprocate the organisation who invests in their human capital resulting in higher levels of job satisfaction, performance, motivation and commitment (Bethke-Langenegger et al., 2011). Multinational organisations that excel in managing talent are likely to retain and sustain a competitive edge (Stahl et al., 2011). According to Krug (2009b), talent retention issues are intensified in cross border acquisitions as there are more cultural issues to be addressed. He outlined five influencing factors behind executive’s decisions to stay or leave an organisation post-acquisition presented in Figure 1. He highlights individual characteristics of status and autonomy as having positive influences on executive retention, while age and seniority had a negative influence. Additionally, he found that international experience of the acquirer had a positive influence on executive retention (Krug, 2009b).

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<tr>
<th>Factor</th>
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<td>Individual characteristics of the executives</td>
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<td>Firm Characteristics</td>
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<td>Pre-merger performance</td>
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<td>Structure of the target firm’s industry</td>
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**Legend:** + influences executives to stay, – influences executives to leave post-acquisition.

**Figure 1.** Influencing factors on why executives stay or leave adapted from Krug, (2009b:91)
Retaining top talent from an acquired firm can send a powerful message to the employees as to how they will be treated (Harding & Rouse, 2007). It’s not just the top management that should be looked at, but which departments/functions house the talent that the acquirer may need to retain (Ranft & Lord, 2000; Harding & Rouse, 2007). Regardless of the industry they are employed in key individuals can be seen as ‘knowledge banks’ and these individuals are not necessarily located in the top levels of the organisation (Ranft & Lord, 2000).

1.7 Influence of Senior and Middle Management

As a result of the growth in M&A activity strategic staffing is seen as a critical concern for corporate HR and the quality of top management is a key influence on the success of international business (Scullion and Starkey, 2000). A decisive element in the success or failure of an M&A is management competence (Stahl and Mendenhall, 2005). M&A present employees with a variety of challenges in adapting to a new environment leading to resistance, damaged psychological contacts leading to intentions to leave post-acquisition (Cartwright and Cooper, 1990). Much of the HR literature on M&A has focused on employee responses with emphasis on reduced motivation, dissatisfaction, stress, resistance to change and employee turnover (Sinkovics, 2011). Important elements of an M&A are the outcome of the deal and the factors that influence integration, including the dynamic between senior management from both the acquirers and acquired organisations around “capability, decisions making and culture” (Haleblian et al., 2009:490).

M&A can create long term instability of acquired company’s senior management (Krug, 2009b). However, research on the human side of M&A has tended to focus on senior management as being representative of the whole organisation (for example Walsh, 1988; Schweiger and Weber, 1989; Krug and Hegarty, 2001; Aguilera and Dencker, 2004; Kiessling and Harvey, 2006). McDonnell (2011) suggests that with respect to talent management there is too much focus on leaders with a risk of losing out on the potential that other positions may have especially in achieving corporate objectives. It is accepted that senior management of subsidiaries are key interfaces between HQ and their own business units (Chung at al., 2006). However, Meglio and Risberg (2010) contend that there is limited research on the role of middle
management despite their key role in the integration process. Once the deal is announced middle management play a significant role in the implementation process (Balogun, 2003). By supporting their teams to deliver and by managing their own uncertainties, middle management keeps the “business running” (Balogun, 2003:78).

Middle management are seen as pivotal change agents who facilitate formal and informal communication during times of change and communication which are seen as critical in managing the psychological contract (Guest and Conway, 2002). However, it is suggested that conflict between middle management from both the acquired and acquiring organisations “driven by self-interest” can lead to integration failure (Meyer 2006:397).

Going beyond the bias and domain of top management research (Meglio and Risberg, 2010) the views and perceptions of multiple levels of management will provide a more rounded view of the world of talent retention post-acquisition. This study will include the views and perceptions of managers from three levels: front line, middle and senior management levels from a cross section of functional departments.

1.8 Subsidiary role

Cross border M&A involve the integration of different business units and subsidiaries from different countries and it is argued that national context has an influence on how employees respond to M&A (Edwards and Edwards, 2011). The degree of integration of an acquired firm will depend on the combination structure chosen by the acquirer and this will have implications for management (Marks and Mirvis 1998), which may ultimately affect talent retention. For example a separate holding will require little or no integration with full autonomy of line management (Marks and Mirvis 1998). A managed subsidiary will involve centralised planning and co-ordination of line management while full integration is required for merged or consolidated companies (Marks and Mirvis 1998). Diversified companies “who promote cultural pluralism” among their divisions execute a “modest degree of integration...protecting the boundary of the subsidiary and limiting intrusions by its corporate staff in order to succeed” (Marks & Mirvis 2001:85). However, diversified companies are likely to have less integrated talent systems (Scullion and Starkey, 2000). This preservative type of combination is characterised by the interaction of its people through work on joint initiatives and projects where they share and exchange knowledge and experience (Marks & Mirvis 2001).
There are convergent and divergent perspectives with regards to cross-border acquisitions (Barmeyer and Mayrhofer, 2008). With the divergent perspective focusing on organisational, national, and business values which are seen as “deeply integrated in a society...where adapting to change from the outside will be resisted” (Briscoe et al., 2012:390). Whereas the convergent perspective suggests that over time organisational, national and business values from different countries will become similar (Barmeyer and Mayrhofer, 2008). Cross-border M&A involving business units from different countries can be difficult to manage at an operational level (Barmeyer and Mayrhofer, 2008) and understanding intercultural differences will allow for better management judgement in predicting future behaviour (Barmeyer and Mayrhofer, 2008) preventing the serious loss of talent. Retention problems post-acquisition can be compounded by competition between subsidiaries (Collings & Scullion, 2009). According to Mellahi and Collings, (2010:144): “Providing subsidiary talents with opportunities for advancement is one of the most effective incentives for retaining and motivating talents”. However, they argue that talented individuals may be stopped from reaching their full potential within an MNC because it would not be in the interests of the subsidiary managers to lose them (Mellahi and Collings, 2010). Research on communication issues between acquired subsidiaries and their new parents could provide interesting and valuable data (Quah and Young, 2005). Talent management decisions are complicated by “structural, geographical and social...types of distance” which is compounded by lack of visibility, subsidiary management’s self-interest and poor use of HR information systems (Collings & Minbaeva, 2012:16). An acquirer’s HR management policies can have a strong influence on acquired subsidiaries (Faulkner et al., 2002). However, while there is evidence of convergence on some policies, implementation may be different at each subsidiary as influenced by the local working environment (Bjorkman et al., 2008). Weber and Tarba (2010) argue that post-acquisition integration literature has neglected the HR practices of the acquirer and address the possibility that acquirers may change their own HR practices in integrating the newly acquired company.
1.9 M&A a staged process

M&A literature divides the acquisition process into different stages for example Aguilera and Dencker (2004) propose pre-announcement, pre-merger and integration stages. While Schweiger and Lippert, (2005) work within an interconnected framework of transaction, transition and integration stages. Briscoe Schuler and Tarique, (2012) include a pre-combination stage which involves due diligence; combination planning, signing of the deal and post-combination implementation. These authors argue that HR has a key role to play in all three stages and that problems arising in stage three leading to frequent “unwinding” of the combinations should be anticipated in stages one and two (Briscoe, Schuler and Tarique, 2012). Weber and Drori (2011), argue that is important to study both pre-merger and post-mergers stages; this is supported by Gomes at al., (2012) who argue that research focusing on combining both the pre and post-M&A stages is scarce and in need of attention. This study proposes to build on the transaction, transition and integration stages (Schweiger and Lippert, 2005) covering both the pre and post-merger stages as they relate to the retention of key talent.

Schweiger and Lippert, (2005), identify three distinct stages to the M&A process: transaction, transition and integration. According to Schweiger, (2002) the transaction stage is when negotiations take place, where as much information is gathered on the strategic, financial, legal and organisational elements of the business being targeted for acquisition. Valuations, synergy estimates and due diligence form the core of the transaction stage. However, the human element of an acquisition is so critical to the outcome of the M&A that it must be addressed early on in the process (Croyle and Johnsey, 2007). Schweiger,(2002) argues that there is little or no evidence of research focused on the human resource side of the transaction stage of M&A.

It is recommended that HR activity should be looking at the differences in HR practices between the acquirer and the acquired, identifying key talents and assessing the culture of the target at the transaction stage. (Schweiger and Lippert, 2005). When looking at the M&A in terms of a process flow, the output from the transaction stage such as synergy potential, HR due diligence and the identification
of talent provides the inputs for an integration road map where ‘roadblocks’ such as political, technical or cultural issues are anticipated (Schweiger and Lippert, 2005) which all can influence employee retention. Within the theme of process flow, a prerequisite to talent retention is talent identification which is a key part of the HR due diligence (Schweiger 2002).

The next stage in the M&A process is the transition stage which starts after the deal has been signed and the deal is announced (Schweiger and Lippert, 2005). Gomes et al., (2013:16), argue that there is no agreement as to the boundary of the acquisition process and they see the signing of the deal as a pivotal moment that puts a marker at the pre and post-acquisition stages. Marks and Mirvis (1998:248-249) see the transition stage as “a path to an unknown state...involving a break from the past...which can be psychologically challenging”. However, the transition stage can provide an opportunity for renewal and a chance to make a fresh start but more often than not this does not happen as employees resist the changes (Marks and Vansteenkiste, 2008). Schweiger and Lippert (2005) propose that critical knowledge from both companies is captured at transition stage to maximise the potential of a stronger combined organisation emerging from the integration, where key talent are retained and motivated. Integration design and planning must take place during the transition stage of an M&A, where both organisations will decide on what to integrate and who to retain and to prepare for the challenging task of establish transition teams (Marks and Mirvis, 1998). McDonnell (2011) argues that a primary task for an organisation is to identify critical roles for effective execution of the business strategy and then identify who is best to put into those roles. Before any integration is considered we need to understand the strategic logic behind the deal (Stahl et al., 2005) as decisions made by senior management needs to address what talent is required for the implementation process to maximise expected synergies (Weber and Drori, 2011).

According to Weber and Tarba, (2012:291) “it is far easier to close an M&A deal than to implement it”. Integration is a process whereby the acquirer and acquired establish a decision-making framework within the context of a two-way relationship where transfer of policies, practices and procedures are decided (Mtar, 2010). Executives have come to realise the importance that people and integration play in
the success of an acquisition and once the deal is signed and announced the real challenge begins (Schweiger, 2002). Schuler and Jackson, (2001) conclude that at a HR level, primary elements of integration must include communication, retention of talent and cultural integration (Schuler and Jackson, 2001). Integration of two companies HR management systems is likely to cause a lot of uncertainty from a national (Edwards and Edwards, 2011) and organisational context (Aguilera and Dencker, 2004). The identification and retention of talent during an M&A is critical for a positive outcome (Schweiger, 2002; Schweiger and Lippert, 2005) and failure to manage and successfully integrate can lead to loss of talent which can materially damage a business and its operating results (Cisco, 2011). Core to the integration process is integration leadership & planning, speed, communication, employee retention and culture (Knilans, 2009, De Haldevang, 2009). According to Weber, Tarba and Bachar, (2011), there has been little focus on M&A integration approaches with few current empirical studies.

Influenced by and considering the strategic, organisational and human resource side of M&A, this study takes a process approach as proposed by Greenberg et al, (2005), where the M&A process from start to finish is broken down and the output from one stage becomes the input for the next stage. Few studies have used a process approach and the interconnectivity between the transaction, transition and integrations stages of an acquisition presents a suitable framework within which to study talent retention. Influenced by and considering the strategic, organisational and human resource side of M&A, using a process approach as they relate to the retention of talent, will provide a better understanding of talent retention in an M&A environment.

1.10 Conclusion
M&A are complex phenomena that provide a rich and interesting field of study from a human resource perspective, and there are a number of challenging opportunities for further research on this human side. With roots going back to March and Simon’s (1958) model on voluntary turnover; Lewin’s (1951) field theory and Blau’s (1964) research on social exchange, this researcher is interested in exploring talent’s pull-to-stay post-acquisition. Taking a new perspective of talent management within the context of M&A, the research is influenced by the seminal work of Mitchell and Lee
(2001), who developed the theory of organisational embeddedness, and Rousseau’s (2001) work on the building blocks of the psychological contract. While there has been considerable research focus on employee turnover in terms of their departure from an organisation, there has been less emphasis on why employees stay. This presents an opportunity to build on existing research in the field of talent management and to explore the world of talent, as not a lot is known about what distinguishes key people in an M&A environment or what motivates them to stay post-acquisition. This research responds to a call to bridge the gap between “themes of M&A strategy and management” (Cartwright et al., 2012:99) and is influenced by both the ‘hard’ elements of strategic fit of the acquired organisation as they relate to talent retention, and the soft factors associated with the integration of the two companies.

This leads us to the literature review chapter, which aims to provide a comprehensive review of the critical factors in relation to talent retention in the context of cross-border M&A.
Chapter 2. Literature Review

The following chapter aims to provide a comprehensive review of the critical factors in relation to talent retention in a cross-border merger and acquisition (M&A) environment. The chapter starts with an overview on the strategy behind M&A and is followed by a discussion of the three stage acquisition process model. The three stages of transaction, transition and integration (Schweiger and Lippert, 2005) provide the foundation on which to build on the retention of talent within a cross-border M&A environment. As talent form the core of this study the next section discusses what we mean by the term ‘talent’, how talent may be identified and the challenge of talent management and retention strategies. As talent retention is linked to M&A strategy the next section discusses employee responses to the changes that M&A bring about. The final section of the chapter identifies and debates three enablers of talent retention, namely: 1) communication, 2) the psychological contract and 3) organisational embeddedness. We conclude with a summary of the key themes that emerge from the literature which forms the basis of the framework for the research.

2.1 Strategy behind M&A

“The design of good M&A transactions take root in good strategy…[and] M&A is one of the tactical instruments of strategy” (Bruner, 2004:175). Within the field of strategic management M&A have been researched as a method of diversification, focusing on the reasoning behind and potential for different M&A growth strategies and the effects of those decisions (Larsson and Finkelstein, 1999). Strategy is about "looking ahead" (Bruner,2004:123) and firms can grow inorganically through different strategies for global expansion such as strategic alliances, cooperative agreements, international joint ventures (IJV’s), foreign direct investment (FDI) and through M&A (Kogut, 1991, 2002; Hennart and Reddy, 1997; Brouther and Brouthers, 2000; Child et al., 2001; Reuer et al., 2004; Villalonga and McGahan,2005). According to Bruner (2004) choosing inorganic growth depends on the need for a business relationship, the need for control and the need to manage risk exposure. Motives for inorganic growth includes “mature product lines, regulatory or anti-trust limits, value creation through horizontal and vertical integration,
acquisitions of resources and capabilities and value creation through diversification” (Bruner, 2004:139). M&A are “established tools of corporate strategy” (Grant Thornton, 2011:5), however, little is known as to when an organisation should choose an alliance or an acquisition (Wang and Zajac, 2007).

More than 35 years ago Salter and Weinhold (1979) studied the strategic relationship between the acquirer and the target firm and suggested that relatedness was evident in functional skills such as R&D, production, marketing and distribution. Relatedness is where an acquirer and target firm share similar products, markets, and/or technologies (Lubatkin et al., 1999:59). Gomes et al., (2013) propose that growth strategies that involve relatedness refer to strategic similarities in terms of products, methods of production and markets with classifications that include horizontal, vertical and concentric M&A. Different types of M&A represent different strategic synergy potential, and according to Larsson (2005) the more related that the acquirer and target are the greater their strategic potential when joined together. Related acquisitions are often used to spread geographic diversification of the firm (Hitt et al., 2001). However, it is argued by some that relatedness makes no significant difference to the performance of an M&A (Chatterjee and Lubatkin, 1990; Seth, 1990) whereas others argue that over the long-term related acquisitions do create more value than unrelated acquisitions (Child et al., 2001). “Relatedness does, however, serve only as an indication of potential synergies. To realise synergies, the parties need to work out how the combined resources will be deployed in the merged firm” (Meyer and Altenborg, 2008:510) as evidenced in the 1999 deal between Swedish and Finnish firms of Telenor and Telia.

Child et al., (2001:9) contend that “M&A are the most important strategy decisions companies will ever make” and there are a variety of typologies identified in the M&A literature (Angwin, 2001). In the late 1970’s the Federal Trade Commission (FTC) established a typology which includes horizontal, vertical, product extension, market extension and conglomerate (Angwin, 2012). Larsson and Finkelstein, (1999:22) classified M&A into “horizontal, vertical, product extension, market extension, and conglomerate types”. In a study of over 1,000 deals of over $500 million in value completed between 1997 and 1999, Bower (2001) identified 5 distinct types of M&A 1) overcapacity tough consolidation of mature industries; 2)
geographic roll-up of competitors in geographically fragmented industries; 3) new product or markets; 4) R&D substitutes and 5) the industry convergence M&A where new industries emerge through exploiting the erosion of industry boundaries (Bower, 2001:94). Gomes et al., (2011) use a typology originally introduced by Kitching (1967) and includes horizontal, vertical, concentric and conglomerate growth strategies (Figure 2). There is little research on linking the strategic intent of a deal and the implications on the structure and integration of the combined organisations post-acquisition (Napier, 1989; Bower, 2001).

**Figure 2.** M&A Growth Strategies adapted from Gomes et al., (2013:10).

A reverse acquisition strategy is pursued when an acquirer have little or no knowledge of the target company’s market, industry or technology and they may lack the resources or expertise to grow this side of the business then it may be prudent to pursue a reverse acquisition strategy. This type of acquisition strategy would seek to retain target talent and preserve the firm’s tacit knowledge (Weber, Tarba and Reichel, 2011). From related to the unrelated acquisitions the variety of M&A types raises a number of challenges for employees in terms of how it will affect their daily working lives in confronting the uncertainties that come with these forms of extreme change.
2.2 Transaction stage

“The thrill of the chase blinded pursuers to the consequences of the catch” (Jemison and Sitkin, 1986:107). The transaction stage of an M&A is where negotiations between the acquirer and the target firms take place, and is a process clothed in secrecy with organisational ‘firewalls’ in place to prevent leaking of information (Bruner, 2004). This stage is characterised by the gathering of information on the strategic, financial, legal and organisational elements of the business being targeted for acquisition (Schweiger, 2002). When the deal looks eminent Bruner (2004) recommends that information should be disclosed to prevent the risk of leaks which would require reactive rather than proactive management of the unfolding events. Critical to the outcome of the M&A is the human element which must be addressed early on in the process (Croyle and Johnsey, 2007).

Pre-deal negotiations can influence top managements perceptions about working with the acquiring management team after the deal is completed which can lead to high turnover rates (Walsh, 1988; Marks and Mirvis, 1998; Krug and Hegarty, 2001). At the transaction stage one of the most serious mistakes that an acquirer can make is to overestimate the quality of the target organisations management team (Gomes et al., 2011). However, given the challenges MNC’s face with talent shortages (Tarique and Schuler, 2010), an equally serious potential error is to underestimate the potential of the target’s talent which can lead to lost experiential knowledge that may be critical to the organisations competitive advantage (Zander et al, 2012). We do know that there is a particularly high turnover of management talent post-acquisition (Walsh, 1988; Krug, 2009a). However, little is known about what focus on talent retention takes place during the initial stages of the M&A process. Efforts to retain talent at the transaction stage include financial incentives such as stock options and golden parachutes (Bruner, 2004); mentoring and support programs (Schweigner, 2002). However, for retention of talent required in the short term, that are necessary for the transition to the new organisation, enhanced severance and outplacement packages have been effective to secure an extended stay with the organisation (Schweigner, 2002).
The transaction stage is dominated by teams of legal and financial experts (Jemison and Sitkin, 1985; Schweiger, 2002; Lafforet and Wageman, 2009) and this puts more focus on strategic rather than organisational fit (Jemison and Sitkin, 1986). Strategic fit is important as this “directly reflect(s) the espoused purpose of the acquisition” (Jemison and Sitkin, 1986:108) nevertheless, the driving force of business strategy is talent management and understanding which roles will make the most strategic contribution to the deal is vital (McDonnell, 2011). As it is the combined talent of both organisations that will execute the deal (Galpin, 2010b), a focus on organisational fit and identifying talent at this early stage is not only important it is necessary. Research focused on the human resource side of the transaction stage of M&A is sparse (Schweiger, 2002) and retention practices applicable to acquired talent remain under-researched (Ahammad et al., 2012). If an organisation is unsuccessful in retaining or replacing critical talent Schweigner and Lippert (2005) argue that the deal should be terminated. ”Retention strategies depend on the type of M&A” (Buono and Bowditch, 1989:224) the strategic objective of the deal, the degree of post M&A change (Marks and Mirvis, 1998) and the organisational design of the combined firms (Gomes et al., 2011). Horizontal M&A are focused on increasing market share by eliminating the competition within the same industry (Bruner 2004). Synergies are achieved through economies of scale which typically focus on cost reductions (Schuler and Jackson, 2001; Gomes et al., 2011) putting pressure on head-count decisions (Buono and Bowditch, 1998), making employees vulnerable (Meyer, 2008) which can lead to intention to leave the firm (Krug and Hegarty, 2001). The integration strategy of a horizontal M&A is typically absorption where the acquired company will be culturally assimilated into the acquirer organisation and where a new management team is put in place (Marks and Mirvis, 1998). Conglomerate M&A are seen as involving a diversification strategy adding new products or unrelated businesses to its portfolio (Gomes et al., 2011). There may be little or no integration and the focus will be on preservation (Bruner, 2004) maintaining a high level of organisational autonomy where talent retention will be high on the agenda, as “the primary task of management is to keep the source of the acquired benefits intact” (Child et al., 2001:26).

To ‘lock in’ key talent a retention and re-recruiting policy addressing both financial and non-financial incentives needs to be agreed before the deal is announced and a
risk assessment carried out on potential talent loss (Galpin and Herndon, 2007; Galpin, 2010). It is important to look at the talent in both companies, Galpin (2010:148) recommends making a list of talent; analysing the risk and impact of their departure; identifying what engages these employees and developing a retention action plan. The action plan should include organisation wide HR practices and employee/manager engagement factors which Galpin (2010a) calls macro and micro actions. Cappelli (2000a), argues that regardless of retention strategies, it is the demand and supply of labour that will be a key influence on the movement of employees. He proposes that organisations should outsource required skills to avoid talent retention problems (Cappelli, 2000). However, this has implications on competitive advantage as it could be argued that this unique knowledge would be disperse externally. Cardy and Lengnick-Hall, (2011) propose that employees should be treated as internal customers of the organisation and that management should focus on “proactive approaches to [talent] retention rather than reactive responses to turnover” (Cardy and Lengnick-Hall, 2011:213). Treating talent as internal customers puts a focus on their requirements, suggests that evaluating how the organisation delivers on these requirements is core to a sustainable relationship with an emphasis on achieving client satisfaction.

While there is evidence of high turnover rates post-acquisition (Krug, 2009a), not everyone chooses to leave (Holtom et al., 2012). Holtom et al., (2012) consider M&A to be an organisational ‘shock’ in the workplace and how employees experience this ‘shock’ may not be the same for each individual. According to Schweiger (2002), information to aid in understanding the implications of the differences and similarities between the acquirer and the target are essential to the integration process. According to Schein (1990) cultural compatibility issues not addressed until after the deal is signed can lead to cultural ‘indigestion’ and difficult integration. Operations management become entrenched in the process of integrating the two firms and from their perspective the major cultural challenges include reassuring their teams, encouraging and supporting interest in the cultural differences and embracing the cultural changes (Stahl et al., 2005). Key activities during the transaction stage include assessing the culture of the target, guiding behaviours and attitudes of all human resources involved in the process and assessing the key target people Schweiger (2002). Human due diligence forms the basis for the development
of an organisation structure supporting the goals of an acquisition and without it
increases the risk of losing talent (Harding and Rouse, 2007).

2.2.1 Due Diligence

Due diligence “informs the entire acquisition process” (Bruner, 2004:210) and is
defined as “acting with proper prudence or reasonableness...where information is
shared with the consent of the seller” (Picot, 2002:156). Due diligence is a dynamic
process involving an objective, independent assessment of the target company,
helping the acquirer to better understand the value and risks of the acquisition
(Angwin, 2001) and if carried out effectively will go beyond the financial aspects,
covering the human side of the deal (Hitt et al., 2001). Hitt et al., (2001) argue that
due diligence is key for ensuring deal success and should not be used to discover
why a deal should not happen. If due diligence is carried out correctly it should
identify issues that could de-rail the deal e.g. financial ‘window dressing’ or
inaccurate reports on the capability of the management team (Angwin, 2001).
Schuler and Jackson (2001) argue that due diligence on both the hard and soft issues
can significantly influence the success of an M&A. Galpin (2010a) suggest that the
output of the due diligence process will form the input for integration.

There is limited research in the due diligence process of cross-border M&A (Shimizu
et al., 2004) and along with the due diligence efforts of tax, finance, and accounting,
HR due diligence is seen as significant to the outcome of the deal (Deloitte, 2009).
While a lot of attention is given to the financial due diligence where the acquirer is
looking for “truth through the financial numbers” (Angwin, 2001) it is argued that
the people issues are not given the same attention (Lafforet and Wageman, 2009).
HR due diligence “lays the ground work for smooth integration” and neglecting to
carry it out can result in lost talent (Hardy and Rouse, 2007:125). A critical output of
the due diligence process is an assessment of the feasibility of post-merger
integration (Hitt et al., 2001), which should include the identification and assessment
of talent (Marks and Mirvis, 2011). According to Marks and Mirvis, (2011) the
acquirer needs to know if the target company will be compatible and propose that
pre-deal assessment should extend to a behavioural due diligence combining the
assessment of talent, organisation structure and culture. However, according to
Zander et al., (2012) an assessment of cultural fit as part of the due diligence is not as
easy as those who advocate its necessity. Due diligence can be very difficult with cross border M&A characterised by differences in tax systems, accounting practices, legal structures (Hitt et al., 2001; Bruner 2004) and language barriers (Greenberg et al., 2005). Language issues during the due diligence stage can include both national and technical language barriers when the buyer is attempting to assess resource issues hindering integration plans (Greenberg et al., 2005). In some countries gathering information about people can be seen as intrusive or suspicious leading to trust issues (Evans et al., 2010) compounded by the risk of exposure to liabilities due to ethical issues (Bruner, 2004). Differences in legal systems can seriously affect the timing and depth of due diligence, with the burden of due diligence investigation falling on the buyer under Anglo-Saxon legal systems while Civil code countries have a more relaxed approach Bruner (2004). From a HR perspective due diligence in CB M&A should focus on cultural differences between the organisations, business practices and most importantly the “adequacy of management and monitoring of foreign operations” (Bruner, 2004:223).

A prerequisite to talent retention is talent identification, which is a key element in planning an integration road map (Schweiger 2002) and the process of HR due diligence is the starting point, taking into consideration political, technical and cultural issues (Schweiger and Lippert, 2005). Human due diligence informs the proposed structure of the new organisation and forms the basis for development of a combined culture (Harding and Rouse, 2007). If human due diligence is not carried out there is a danger of significant loss of talent just after the deal is announced (Harding and Rouse, 2007) and it is not an easy task to predict which employees are most likely to leave (Shapiro, 2007). There is a need to balance demonstrated value of the M&A against the need to identify, retain and engage talent for which a firm may have paid a premium and who are the most value to the business. (Shapiro, 2007). According to Evans et al., (2010) due diligence that is planned in advance addressing critical aspects of the business strategy is essential to a successful deal and suggests that in determining whether the ‘fit’ of the target with the acquirer will require both HR and cultural due diligence.

Knowledge of what contributes to M&A success or failure could be enriched if due diligence properly considered the critical people and organisational issues. However,
more often than not there is a ‘rush’ to get the deal signed increasing the risk of failure (Briscoe, Schuler and Tarique, 2012). “If the numbers look good any doubts about organisational or cultural differences seem to be scoffed at and dismissed” (Marks and Mirvis, 2011:163). Values, norms and behaviours are core to any HR system and HR due diligence should cover topics such as organisation structure and management, compensation and benefits, HR IS, labour relations and HR policies (Evans et al., 2010). HR due diligence can aid the decision process around talent retention by exposing capability gaps, weak points in the organisation and differences in managerial style (Harding and Rouse, 2007). Evans et al., (2010), recommend that a human capital audit is critical to the outcome of the deal as there may be weaknesses in the management team that must be addressed before the deal is signed. A human capital audit investigation seeks to answer a number of questions around unique competencies, comparing talent between the two organisations, identifying the existence and strength of social relationships, reviewing the target company compensation philosophy and carrying out a background check on the management team (Evans et al., 2010).

HR managers are perceived as not being involved at a time when their participation would be most constructive (Deloitte, 2009) with CEO’s marginalising the HRM function at the early stages of the acquisition process (Aguilera and Dencker, 2004). Perhaps HR professionals lack knowledge of the business their company operates within (Antila and Kakkonen, 2008). Galpin and Herndon (2007) suggest that historical bias is at fault and not HR management’s ability to play a key role in the process. Miles and Bennett (2008) suggest that as a result of misplaced confidence on the part of senior management, HR management are excluded from key roles within the M&A process. This was evident in the DaimlerChrysler merger where senior managers underestimated the complexity and challenges of the talent management aspect of the merger (Kühlmann and Dowling, 2005). A critical output from the due diligence process should be the development of an outline talent map that provides the basis for talent retention and this should be completed quickly (Evans et al., 2010). However, the best placed people to carry this out are lines managers with the support of the HR function (Galpin and Herndon, 2007).
There is little evidence in the research literature on the role and process of HR due diligence and its link to retention of talent and this research aims to help fill this gap in our knowledge. Shimizu et al., (2004:347) recommend that further research is required in order to “gain a better understanding of the proper measures of the value of human capital” which may contribute to decisions around which employees should be kept with the company post-acquisition.

2.3 Transition stage

Once the deal is signed the challenge of transitioning from two organisations into one begins and decisions on whether or not, and how to integrate emerges (Schweiger, 2002). A transition “is a path to an unknown state” (Marks, 2006:386); poses a break from the past and is a discontinuous process that requires simultaneous and interactive changes (Marks and Mirvis, 1998). Much of the research has focused on the process of integration. However, Schweigner, (2002) suggests that the transition stage is where the integration planning process begins, this is supported by Bruner (2004) who argues that the integration strategy must be first addressed prior to the actual integration. Ashkenas et al., (1998) refer to this stage as foundation building which includes strategy formulation, acquisitions integration plan and launch. The integration plan and transition structure that will drive the implementation are the main elements of the transition (Schweiger, 2002: 139) and if not managed properly can affect the outcome of the deal (Marks, 2006) resulting in the loss of talent (Schweiger, 2002). A transition structure can vary according to type of acquisition and is a temporary system which provides support for the harmonisation of both organisations during implementation (Marks and Mirvis, 1998). Not all M&A require or undergo a transition structure. However, Marks and Mirvis, (1998) are strong advocates of this process as it allows for employees from different layers of the organisation to work with their counterparts, each getting exposure to the different cultural and managerial styles and creating opportunities for ‘cross pollination’ of knowledge (Harzing ,2001).

According to Galpin and Hendron, (2007), the talent focus at this stage should be on those that will have the greatest business impact and potential if they were not retained. While this stage of the acquisition process can be unsettling for target employees (Buono and Bowditch, 1989), it can be a time for rejuvenation at all
levels of the organisation (Marks, 2006). Transition teams work best when both the acquirer and acquired organisation is represented allowing the sharing of knowledge and the development of formal and informal communication networks (Harzing, 2001). Sharing common problems is one way of shattering stereotypes and building trust (Marks and Mirvis, 1998). As “it is difficult for any manager to drive in two lanes at the one time” (Mirvis and Marks, 2000:37) it is important to recognise and differentiate the transition structure from the core business structure and clearly communicate to all involved that its function is to “support the management structure in moving from pre-combination to post-combination phase…requiring the support of senior management” (Marks and Mirvis, 1998:147). This creates opportunities for relationship building and informal network development early in the process which “helps smooth operations” in the organisation (Allatta & Singh, 2011:1101). To maximise synergies it is important to maintain a positive productive environment at the transition stage, making sure that talent is retained and motivated to focus on the integration process (Schweigner and Lippert, 2005; Weber and Drori, 2011). However, not all employees “make it to the new reality” failing to adapt to the newly combined organisation (Marks, 2006:386). The role of the HR team at this stage should be focused on guiding behaviours and laying the foundation for a co-operative environment where the acquirer’s team should be trained in how to interact with target team (Schweigner, 2002). With cross border M&A consideration needs to be given to differences in HR policies and practices, the language skills of the acquired talent with a focus on potential cultural and legal incompatibilities (Briscoe, Schuler and Tarique, 2012). In terms of the employee psychological transition, it is at this stage that employees may feel most vulnerable and at risk of considering intentions to leave the company (McGreevy, 2003).

2.3.1 Cultural influences on talent retention

“It is far easier to close an M&A deal that than to implement” (Weber and Tarba, 2012:292) and one of the most cited reasons for failure is cultural incompatibility (Chatterjee et al., 1992; Cartwright and Cooper, 1993; Cartwright, 2008) with cultural integration being the most difficult challenge (Stahl et al., 2005). The greater the cultural differences, the less attractive the partner will be seen with a higher likelihood that employees will perceive the M&A as a negative move (Teerikangas, 2012). Zander et al., (2012) argue that hastily formed perceptions of an
organisation’s culture pre-acquisition can ‘cast a long shadow’ and result in lost talent effecting the competitive advantage of the newly combined organisation. Within the context of cross-border M&A, culture can include national (Vaara, 2003) organisational (Chatterjee et al., 1992; Weber and Drori, 2011), professional (Sirmon and Lane, 2004) and industry sector elements, making a complex environment more challenging to manage from a HR perspective. (Stahl & Voigt, 2008). When cultural differences are not managed effectively it can lead to stressed employees (Schweiger and Denisi, 1991), resistance to accepting the changes required for successful integration (Larsson and Finkelstein, 1999) and a high turnover of top managers and talent (Krug and Hegarty, 2001; Krug, 2009a). Cultural fit is seen as a critical determinant of the success of an M&A and while there is a strong interdependence between cultural fit and the integration of the combined organisations it also depends on the extent and level of integration (Duncan & Mtar, 2006). Schein (1990:111) defines organisational culture is very fitting to an acquisition context:

“a pattern of basic assumptions…invented, discovered, or developed by a given group… as it learns to cope with its problems of external adaptation and internal integration…that has worked well enough to be considered valid and, therefore… is to be taught to new members as the correct way to perceive, think, and feel in relation to these problems”.

This can be applied to a given group or organisation as culture manifests itself in the “observable artefacts, values and basic underlying assumptions of an organisation” (Schein, 1990:111). While both national and organisational cultural differences influence identity-building in M&A (Vaara, 2003), organisational cultural differences are seen as being more central when compared to national cultural differences as they “can lead to more severe inter-unit social conflict” (Vaara et al., 2012:5). National culture is defined by Hofstede (1986:25) as the “collective programming of the human mind which distinguishes the members of one group from another”. However, this essentialist view of a shared system of values (Hofstede, 2001), does not consider the influence of context (Viegas-Pires, 2013). Taking an interpretive view of national culture Viegas-Pires, (2013) who was influenced by d’Irbarne, (2009), defines culture as “a shared context of meaning…using the same symbolic categories to make sense of reality …not attaching value to the same reality” (Viegas-Pires, 2013:360). Schneider et al., (2013:372) argue that while national culture has an impact on organisational culture,
its impact is “influential not determinant”. Weber and Tarba, (2011) argue that national culture presents more of a challenge than corporate culture as it deeply ingrained in an individual’s consciousness. Cross cultural management is an important but often under researched aspect of M&A (Weber and Tarba, 2011). However, the bulk of empirical research has focused on the impact of culture on the outcome of the deal with ambiguous findings (Stahl and Voigt, 2008; Vaara et al., 2012). Conflict and stereotyping invoking a ‘them versus us’ attitude are one of the consequences of cultural differences (Vaara et al., 2012:2) that can get out of control if not managed (Schuler and Jackson, 2001). Very et al., (1996) argue that managers need to find a balance between the conflicting demands of strategy and culture, finding it difficult to implement global corporate strategy while giving recognition to the different administrative and operational systems.

While there has been significant attention paid to culture in the literature over the last 20 years it has been mainly in the post-merger integration stage of the M&A process, and more attention should be paid to the other stages (Weber, Belkin and Tarba, 2011). With cross border M&A the potential for conflict comes from differences in organisational cultures leading to lost opportunities for sharing resources and knowledge in the pursuit of achieving the synergy objectives of the deal (Weber, Rachman-Moore and Tarba, 2012). Stahl et al., (2007:668) view cultural differences as “assets and liabilities” and suggest that differences in culture can facilitate positive learning through capability transfer. However, “an organisation cannot succeed with multiple incompatible cultures” (Marks and Mirvis, 2011:165). These authors also argue that some variance in culture can be positive to the development and successful outcome of an M&A (Marks and Mirvis, 2011); this is supported by Chakrabarti et al... (2009) who found that different cultures perform better in the long-term. The relationship between an organisation and its employees is subject to adjustment as M&A can force an identity change of “who we are” as an organisation (Larson and Luthans, 2006:75). “Beliefs, values and expectations about organisational life…guide employee attitudes, interactions and decisions” during the M&A process (Buono & Bowditch, 1989:147). Schein (1997) puts forward the notion that culture is taught to new employees joining an organisation and it can be argued that in the context of an acquisition a cultural assessment of the target company is necessary to determine what may need to be ‘taught’ to employees from both the target and
acquirer before closing a deal (Schein, 1990) contributing to a smoother integration (Hardy and Rouse, 2007).

Assessment of cultural compatibility is not given the attention that it deserves during the due diligence process (Cartwright and McCarthy, 2005; Galpin et al., 2012). Corporate culture is a critical HR factor for M&A success (Applebaum and Gandell, 2003) therefore, before carrying out HR due diligence it is important to understand the purpose of the deal, including which culture and organizational structure the combined company will adopt (Hardy & Rouse, 2007). A strong organisational culture evolves over time and is not transferred easily to an acquired business unit (Cartwright and Cooper 1996). According to (Barkema et al., 1996), cross border M&A require a double layered acculturalization, as the acquirer needs to focus on both national and organisational cultural differences. “Cultural forces are powerful…if we don’t understand the operations of these forces, we become victim to them” (Schein, 2010:7). Stahl et al., (2012b:416) conclude that the acquiring organisation must understand both their own culture and that of the target organisation including the “institutional contexts if the post-acquisition integration is to be successful”. In an analysis of multiple levels of culture and post-M&A integration, Viegas-Pires (2013:361), argues that there is a difference between “the culture of an organisation… and culture within an organisation”. He supports Schein’s (1990) view that organisational culture is a deliberate construction of company norms and values by senior managers (Viegas-Pires, 2013). Whereas, culture within an organisation evolves over time influenced by the recruitment of new human resources and the subcultures that develop within it (Viegas-Pires, 2013).

On this basis one could argue that in an M&A situation the culture within the newly combined organisation will evolve to another level influenced by a rich pool of new human resources. However, the most difficult aspect of the relationship can be tempered by whether the acquirer or target organisation’s culture will dominate post-acquisition “as it learns to cope with its problems of external adaptation and internal integration” (Schein, 1990:111).

Applebaum and Gandell, (2003), argue that during the transition stage, the acquirer must respect the past of the acquired organisation and in parallel help employees move forward. When an acquirer does not pay due respect to where employees have
come from in terms of “who they are”, negative attitudes and resistance can ensue (McGreevy, 2003). Cultures clashes are seen as a significant deterrent to successfully combining two organisations during the M&A process (Buono and Bowditch, 1989; Cartwright and Cooper, 1996; Schuler and Jackson, 2001; Stahl and Voigh, 2008; Weber, Tarba and Reichel, 2009). Even if a good culture fit exists between the target and the acquirer it will not be enough for a positive outcome without a strategic climate where senior management communicates what the organisations goals are (Schneider et al., 2013) supported by HR integration and follow through on communication (Cartwright and McCarthy, 2005). Kleppestø (2005) proposes that we should not focus on the cultural material rather on how this cultural material can be used in the process of post-acquisition integration. Ellis et al., (2011), argue that differences in organisational cultures challenge the integration process and should be noticed in the early stages of the acquisition by decisions makers who should tend towards caution when applying routines from their own past experiences of acquisitions. Changes brought about in the workplace as a result of an acquisition can cause uncertainty about the future and managers responding in ‘crisis’ mode compound the problem (Denisi and Shin, 2005). “Culture perpetuates and reproduces itself through the socialisation of new members entering the group” (Schein, 1990:115). In an acquisition this socialisation process needs to start with the re-recruitment of the target employee into the new organisation (Galpin and Herndon, 2007). Schein (1990) proposes that organisations will likely recruit employees who have the right fit to the organisation, which lends weight to the argument that cultural due diligence is significant in determining target employee v acquirer organisational fit. If talent has a positive perception on the ‘merger identity’ in an environment where they feel no threat to their current identity then they will demonstrate commitment to the integration process (Denisi and Shin, 2005; Bartels et al., 2006).

2.3.2 Organisational culture, climate and identity

Schneider et al., (2013) posit that there is a connection between organisational culture and organisational climate presenting researchers with two useful perspectives in understanding employee experiences in the workplace. Organisational culture is defined as “what is typical of the organization, the habits, the prevailing attitudes, and the pattern of accepted and expected behaviour” (Drennan, 1992:3). Kotter (2007:103) simply states it as “the way we do things
around here”. Schein (1990:111) proposes that culture is cognitive in that “the perceptions, language, and thought processes that a group comes to share will be the ultimate causal determinant of feelings, attitudes, espoused values, and overt behaviour”. There are three levels of culture proposed by Schein (1990) which include observable artefacts, values, and basic underlying assumptions. Artefacts are the outer layer of an organisation, its symbols and are reflected in the language, stories and physical organisational space (Schein, 1990; Schneider et al., 2013). Values are the espoused beliefs that influence why employees go about their daily work and underlying assumptions are the core values of the organisation which are not necessarily reflected in the employee’s reality (Schneider et al., 2013). It could be argued that talent may initially be influenced by the outer layer of the acquiring organisation in a positive or negative way.

“Organisational identity is a psychological state reflecting the underlying link or bond that exists between the employee and the organization and, therefore, potentially capable of explaining and predicting many important attitudes and behaviours in the workplace” (Edwards, 2005:207). Organisational identity is described by Denisi and Shin, (2005) as attributes that employees use to describe what is core, distinctive and enduring about the organisation they work with and in the case of an acquisition they will often resist developing a new identity. Weber and Driori (2011:83) propose that “organisational identity is a multi-dimensional construct that transcends social, professional, and individual categories”. Bartels et al., (2009:115) propose three types of determinants of organisational identity during an M&A: 1) individual gender, age and length of service; 2) characteristics of the acquisition process including a sense of continuity, and communication about the deal, and 3) pre- or post-merger organizational characteristics such as pre-merger identity, communication style, climate, and perceived organizational characteristics. M&A create a danger zone for target company organisational identity (Cartwright, 2008) as depending on the extent of the integration, the acquirer may absorb the essence of the target firm and redefine ‘who they are’(Van Knippenberg et al., 2002). Feelings of injustice and a sense of loss can ensue (Marks and Mirvis, 1998). However, there is evidence that employees can develop strong identification with the new organisation resulting in higher job satisfaction and increased intentions to stay with the company (Cartwright, 2008).
Within the context of an M&A different elements of identity have their roots in the pre-merged companies (Weber and Driori, 2011) and employees who feel a sense of continuity between their pre and post-acquisition processes and practices accept the acquisition faster than those who do not (Van Knippenberg et al., 2002). An employee is said to incorporate the organisational identity of their employer into their own social identity when they perceive the extent to which the organisation values their contribution and cares for them (Rhoades and Eisenberger, 2002; Zangenczyk et al., 2011). When employees perceive that what they stand for conflicts directly to what the organisation stands for they will mentally separate themselves from that organisation (Kreiner and Ashforth, 2004). Employees perception of their organisational identity becomes damaged (Zagenczyk et al., 2011) and changed perceptions can lead to intentions to leave the organisation (Sinkovics, 2011), suggesting that employees are inclined to “dis-identify with their organizations in response to relational psychological contract breach” because they perceive that the organisation does not value their contributions (Zagenczyk et al., 2011:278). Bartels et al., (2006:S61) found “no evidence for a negative relationship between pre-merger workgroup identification and expected post-merger identification” and this could be explained by employees ability to continue with elements of their ‘old’ identity making the transition to the newly combined organisation easier. Employees who strongly identify with the post-acquired organisation “who feel valued and supported” (Van Dick et al., 2006:S77) are more likely to stay connected with the new organisation and less likely to withdraw. Managers must foster an environment of continuity of work routines and genuine non-manipulative communication to help build up post-acquisition identity (Van Dick et al., 2006). Organisations recognise that managing employee organisational identities unlocks motivational possibilities (Kenny et al., 2011) and use corporate culture to promote strong identification with corporate objectives. An acquisition can threaten the premerger group identity of an organisation. However, if there is little change perceived by the target employees their organisational identity is more likely to be preserved and will be transferred to the newly combined organisation (Van Dick et al., 2006).
“Culture shapes behaviour...it does not determine it” (Schreyögg, 2005:115). It is important to understand that at an individual level employees have a perceived organisational identity and positive organisational identity will foster feelings of self-esteem and a sense of purpose (Denisi and Shin, 2005). These authors propose that an employee’s organisational identity must be managed for a positive acquisition outcome (Denisi and Shin, 2005). During the integration stage of an M&A new identities are established and Weber and Drori, (2011) believe that there is a need to further understand the role of culture as it is linked to the new organisational identity formed post-acquisition as identifying with the newly combined organisation can moderate the effects of culture clash leading to reduced talent turnover (Weber and Drori, 2011).

2.4 Integration stage

The integration strategy should be agreed before any public announcement of the deal as it is at this stage when the transition plans are converted into reality (Bruner, 2004). Schweiger and Lippert (2005) propose that the integration process should result in a stronger and more competitive organisation, capable of achieving the strategic objectives originally set out at the deal stage. However, this can depend on whether the integration takes a “low road” where the acquirer forces its processes and rules on the acquired organisation or a “high road” which allows the acquired organisation autonomy and time to integrate (Birkinshaw et al., 2010). According to Bruner (2004:902) the best integration practitioners are those that integrate with “speed, determination and good communication”. However, Gomes et al., (2011) argue that integration should be customised for each deal.

“The most frequently cited reason for lack of success is failure to integrate” (Nalbantian et al., 2005:46). The best financial, operational and technical people are usually assigned to the transaction stage of an M&A. However, once the deal is signed these resources rarely stay through to the integration stage treating the combination of the two organisations almost as an afterthought (Galpin, 2008). There is agreement amongst academics and practitioners that the integration stage is critical to the success of M&A (Larsson & Lubatkin, 2001; Zollo & Singh, 2004 Bjorkman, Stahl, & Vaara, 2007; Weber, Tarba and Reichel, 2011; Stahl et al., 2012a). Substantive research has been carried out over the last 30 years on the
integration stage as it relates to human side of M&A. Integration is usually associated with the human resource function of the organisation (Lakshman, 2011:606) and key to its success are getting people on board (Haspeslagh & Jemison, 1991). Integration is rife with HR problems such as stress, negative attitudes, low morale, and high turnover among top management, cultural conflict, power struggles, communication issues, employee resistance and loss of talent (Buono and Bowditch, 1989; Cartwright and Cooper, 1996; Very et al., 1996; Brahma and Srivastava, 2007; Weber, Tarba and Reichel, 2011; Briscoe, Schuler and Tarique, 2012). Perhaps if HR professionals were more involved at the earliest stage of the acquisition process there would be higher levels of retained talent. However, according to Rees and Edwards (2009), HR can be marginalised during the acquisition process which Galpin and Herndron (2007), argue is due to historical bias and not on HR’s ability to contribute. These authors do caution that HR managers need to demonstrate that “they understand M&A transactions and what the business needs at the various stages of the deal process” (Galpin and Herndron, 2007:51), demonstrating an understanding of the strategic rationale behind the deal by being able to convert that strategy into achievable operational, organisational, and talent outcomes that contribute to a successful outcome (CFO, 2010). Antila and Kakkonen, (2008) agree that in order to be considered for involvement in international M&A, HR professionals need technical and professional knowledge of HRM coupled with a sound knowledge of the business their company operates in. While there is varying opinions with regards to the value that HR contributes to M&A deals there is agreement that managing the HR elements of the deal are key contributions towards maximising the value of the deal (CFO, 2010). “HR’s challenge is to seize the opportunity to own the organisational and human capital elements of a transaction while providing guidance and council to line mangers and deal professionals” (CFO, 2010:13).

Problems with integrating different cultures during cross border M&A are frequently cited as the root cause of failure (Marks & Mirvis, 2001). Different integration approaches have different managerial implications and a high level of integration requires a focus on culture and people issues (Stahl et al., 2005). Post-acquisition integration research has reported that the best people tend to be the first to leave the company post-acquisition (Marks and Mirvis, 1985; Bower, 2001; Brahma and
Srivastava, 2007). Even the most carefully designed integration plans can fail and according to Marks and Mirvis, (1998) ‘merger syndrome’ can manifest itself in the form of personal stress leading towards intentions to exit the company. Gomes at al, (2013) propose that the context of an acquisition should influence the integration strategy. “Integration is like pulling off a bandage...slow and painful, or...fast and painful...but it will be painful” (Galpin, 2008:60). Integration strategies determine the extent and speed of integration (Bower, 2001), yet according to Homburg and Bucerius, (2006) a successful outcome will depend on the external versus internal relatedness between both organisations. Stahl et al., (2013) agree that relatedness has a role to play however, they argue that speed may not necessarily be of advantage and propose that the relationship between the pace of integration and performance is very much dependent on the integration approach. Speed of integration can create an atmosphere of real change playing the role of “catalyst for broader-level changes within the merged organisation” (De Haldenevang, 2009:14). M&A bring about changes that distract employees; Mayer and Kenney (2004) found that speed minimises the distraction and argue that integration must be carried out with speed in a professional manner while reassuring the employees during the process. Empson (2000), suggests that target employees are now aware of the acquisition and can anticipate upcoming changes. Bower (2001) supports this view and advocates a fast integration approach due to the ever-changing environment. Galpin, (2008) suggests a speedy but controlled integration will reduce time spent focusing on employee ‘me’ issues and reduce uncertainty and control any losses in productivity. Ranft and Lord, (2002) found that a slower pace of integration allowed for a period of learning within both social and organisational contexts, but cautioned that too slow a pace can have serious negative consequences.

Cross border M&A provide both acquirer and acquired talent with opportunities for international exposure (Krug and Nigh, 2001). International experience fosters a greater understanding of cultural differences (Reus and Lamont, 2009), reducing integration problems associated with cultural integration and minimising the loss of talent (Krug and Nigh, 2001). Acquirers with prior experience of similar acquisitions demonstrate an ability to integrate an acquired firm faster and effectively (Haleblian and Finkelstein, 1999). In cross border M&A, an acquirer may have more restrictive employee autonomy, different hiring decisions, and lower employee mobility
compared to the target (Aguilera and Dencker, 2004) which can slow down the integration process. Ashkenas et al., (2011) suggest that the integration of the two companies should be used as a development opportunity by having employees from both sides work together planning the short term future of the combined organisation. There is a lack of understanding of the variables in post-acquisition integration process (Weber and Diori, 2011), especially when it comes to the talent retention. This researcher intends to address this gap in the research literature.

2.5 Talent

There is an on-going debate about what talent is (Michaels et al., 2001; Ulrich, 2007; Mäkelä et al., 2010; McDonnell, 2011; Meyers et al., 2013). “Talent is essentially a euphemism for “people” (Lewis and Heckman, 2006:141) and according to Mirc (2011:133) “relatively little is actually known about the characteristics of such individuals that make them “key” to the organization. Church and Silzer (2010:213) see talent as being the “lifeblood of organisations…and a key source of competitive advantage”. An M&A provides an acquirer with an expanded pool of talent to choose from (Ashkenas et al., 2011) and during an acquisition key individuals are seen as those “who push forward the emergence of relations between both firms…building up…the new organization and the creation of synergies” (Mirc, 2012:133). Becker, Huselid and Beatty, (2009:7) suggest that talent is “a strategic asset…whose value depends on the future returns relative to the costs of acquiring and maintaining that asset”. Boudreau and Ramstad (2007:2) define talent “as the resource that includes the potential and realised capacities of individuals and groups…including those within the organisation and those who might join the organisation”. High potentials according to Church (2013) are key resources within any talent management system as they represent the future ‘bench strength’ of an organisation’s talent pipeline. However, when evaluating potential talent, the question of “potential for what” needs to be addressed and an employee’s past performance must to be assessed in line with how this question is to be answered (Silzer and Church, 2010).

Who is talent, how do we define it (Lewis and Hackman, 2006) and why is talent critical to an organisation (Galpin et al., 2012)? There is considerable debate within companies about the whole question of talent (Stahl et al., 2011:25) and before
determining who is talent, there is a need for organisations to understand what they mean by talent (Silzer and Dowell, 2010; McDonnell & Collings 2011). Since McKinsey consultants (Michaels et al., 2001) coined the phrase “war for talent” many definitions have been put forward to describe talent. Michaels et al., (2001) suggest that talent is a combination of intrinsic abilities and includes an ability to think strategically, lead effectively, to have an entrepreneur spirit and the ability to deliver results. Bethke-Langenegger et al., (2011:536), argue that talent are part of a highly motivated valued privileged group. Axelrod et al., (2002:80) argue that there are A, B and C players, and suggest that “A players should be invested in, B players should be developed and C players should be “managed out” of the organisation or moved into a more suitable position. Some argue that ‘A players’ are needed by an organisation to execute and deliver the strategic objectives (Becker, Huselid and Beatty, 2009). Mäkelä et al., (2010:134) consider talent as employees who demonstrate “future leadership potential” in MNC’s whereas, Ulrich and Smallwood (2011), suggest that everyone in the organisation could be considered as talent and includes high potentials, future leaders and technical experts. Ready et al., (2010) suggest that talent are those individuals with high potential, self-driven to exceed, have catalytic learning capabilities, with an enterprising spirit and possess dynamic sensors. It is important to focus on “the business impact of losing [talent]…that deems them essential” (Galpin, 2010a:148).

As we turn the corner towards economic recovery retaining these high performers will probably be even more difficult (Collings, Scullion and Vaiman, 2011). Therefore, we should treat talent as ‘internal customers’ (Cardy and Lengnick-Hall, 2011), and find out what their needs are in order to further develop relationships with them. Talent is of little strategic importance if it is not identified, nurtured and used effectively (Mellahi and Collings, 2010:5). After identifying key strategic business roles required to meet the goals of the acquisition, the acquirer needs to identify the talent to fill these positions, as placing the wrong people in the wrong positions can lead to sub-optimal outcomes (McDonnell, 2011). However, since predicting demand for talent is not an exact science this is one area that organisations find difficult to manage and control (Cappelli, 2008).
2.5.1 Talent Identification

Talent identification is an area of talent management in need of more thorough attention and investigation (McDonnell and Collings, 2011). It is argued that identifying the right talent for the right place, at the right time, for the right price is a key challenge for organisations today (Beecher and Woodward, 2009; Tarique and Schuler, 2010; Schuler et al., 2011b). Boudreau and Ramstad, (2007) conclude that talent is costly, takes time to develop and represents a minority within an organisation. In terms of an acquisition, what kind of talent will the newly combined organisation need? (Meyers et al., 2013). Research suggests that organisations have difficulty identifying who and where their talent are located (Collings et al., 2007). With acquisitions this difficulty can be compounded as the contributions of certain employees can be ‘lost in the wash’ through “clouded judgement…historical interpersonal loyalties and a lack of understanding of the strategic objectives of the new organisation” (Zander et al., 2012:216). According to Ashkenas et al., (2011), an acquisition presents an opportunity to assess the whole team and regardless of the strategic intent behind an acquisition, a key part of the HR due diligence has to be talent identification (Schweiger, 2002). In terms of the decision makers one might question the objectivity of those who decide on talent. Influences of the internal politics of management favouring members of their own teams, or influenced by the risk of losing the best people, managers may prevent high potentials from getting wider corporate recognition by excluding them from the talent pools (Mäkelä et al., 2010). Once access is gained by the acquirer, information overload can present with another challenge to talent identification (Vaiman et al., 2012).

Different talent management systems require different implementation strategies (Sparrow et al., 2013). As the pre-acquisition period is dynamic and a somewhat urgent environment, the acquiring management team needs to balance the assessment of accurate talent information with decisions that will influence integration planning and ultimately affect the outcome of the deal (Galpin and Herndon, 2007). It is suggested that HR should support management’s talent decisions through the provision of frameworks within which talent decisions can be made and it is proposed that the anchor points of this framework include “impact, effectiveness, and efficiency” (Boudreau and Ramstad, 2007:48). Impact is where a change in the talent
pool can affect the organisation's strategic goal (Lewis and Heckman, 2006), effectiveness is the extent to which interventions effect talent’s behaviour and efficiency is a measure of the amount of activity generated by the investment in talent (Boudreau and Ramstad, 2007).

While there is a lack of consensus of what talent is, there is however, agreement that the identification of talent at the early stages of an M&A has an important influence on the outcome of the deal (Lewis and Heckman, 2006; Miles and Bennett, 2008; Towers Watson, 2013). It is critical that talent is identified early in the acquisition process as there is evidence of high turnover within the first year of the announcement (Krug, 2009a). Supporting the early identification of talent Towers Watson (2013), argues that acquirers find this challenging as information is limited or there are legal constraints preventing access. HR managers need to understand the connection between the business strategy and the talent of individuals in terms of “who they are …what they stand for” (Sparrow et al., 2004:121). Supporting this view, Lewis and Heckman (2006) believe there must be a connection between strategy and talent and it is necessary for the acquirer to communicate the motivation and strategic intent of the acquisition. Informed employees are less uncertain about the future and less likely to rely on rumours and can lead to positive feelings with regard to the acquisition (Schweiger and Denisi, 1991) and influencing a talent’s decision on whether to stay or leave post-acquisition. Early talent identification ensures that talent to implement the M&A strategy exists in the target company, especially the identification of employees who “are key to sustaining the value of the deal” (Evans et al., 2010:543).

The value of talent may change (Lewis and Heckman, 2006) over the pre and post-acquisition process depending on strategic requirements (Zander at al, 2012). Therefore, employees recognised as talent prior to the acquisition may not be considered as talent in the future of the combined companies, as required skills and knowledge may be different (Mäkelä et al., 2010). During the acquisition process there may be a requirement for short-term versus long-term talent (Schweiger and Lippert, 2005) each contributing to the different stages of the process and ultimately achieving the strategic objectives of the deal. For example the transaction stage may require talent that is knowledgeable about the business including those who are key
to influencing the negotiation process. This type of talent may not be as useful during
the transition stage where operations talent is important or during the integration
stage, where executive management leadership talent is seen as critical (Marks and
Mirvis, 1998; Galpan and Herndon, 2007).

Knowledge of a firm’s talent inventory and strategic intent is important in terms of
knowing which positions are more strategically valuable to the newly combined
company (Becker, Huselid and Beatty, 2009). McDonnell & Collings (2011:58),
propose that a “contingency approach be adopted in identifying talent”. Talent is
seen as those who primarily add value to an organisation, those that possess the
greatest potential to move within the organisation either laterally or upwards
talent includes the “potential for roles to contribute to the organisational strategic
intent” which are pivotal to an organisation. Talent decisions can create a domino
effect through multiple levels of the organisation and according to Collings,
McDonnell and Scullion, (2009:16), “certain positions have a greater impact on
organizational performance than others and it is these positions that should be filled
with the most talented people”. Collings, (2014:61) contends that there needs to be a
change of focus within talent management that “not all roles require ‘A’ players and
that such talent can often be underutilised if deployed in non-strategic roles”. This
could lead to loss of talent during the acquisition process which may ultimately affect
the outcome of the deal.

Talent can be defined differently depending on the context within which talent is
required and acknowledgement of subsidiary talent may be critical to the global
integration of the two organisations and that leadership talent, is critical function
across all organisations (McDonnell and Collings 2011). However, talent isn't just
about leadership as there are other possibilities such as technical, professional and

Ulrich (2007:32), suggests that talent is a ’trifecta’ of “competence, commitment and
contribution”. Competence involves knowledge, skills and values that an individual
applies to their current work and future career planning; commitment is where
employees give discretionary energy to the organisation and contribution is when
employees feel that their needs are met through the organisation giving them a sense
of fulfilment (Ulrich, 2007). Performance appraisal has a bearing on whether an employee will be considered talent and is still seen as an integral part of succession planning, where the rating a person receives feeds into the annual compensation and benefit reviews (Mäkelä et al., 2010). Before a decision on who to include in the talent pool, these authors propose that a two stage process needs to be followed which includes online and off-line stages (Mäkelä et al., 2010). The appraisal review itself is seen as an ‘on-line’ stage completed by the employee’s direct line manager and is considered a backward looking process providing input to the cognitive-based decisions in ‘off-line’ stage (Mäkelä et al., 2010). Decisions on talent can affect sustainable strategic success so talent decisions are typically made at high level talent review meetings (Boudreau and Ramstad, 2009) where talent is reviewed against all strategic and feeder positions. Mäkelä et al., (2010:135), argue that decision makers tend to focus on what is familiar to them and ‘who is on the radar’ which can lead to bias. These authors suggest that a person’s network position can be positively associated with career progression and argue that contacts at high levels of the organisation can be seen to strengthen certain employees (Mäkelä et al., 2010).

The development of HR information systems has helped throw light on individuals who may not have access to these high level networks. According to Yost and Plunkett, (2010:339) “these systems have made it feasible to access the talent mix… across divisions globally”. The talent related data can provide support to decision making in the event of downsizing post-acquisition, were talent may be transferred from a business unit being closed to one that is developing (Yost and Plunkett, 2010). Talent decisions can be influenced by a number of biases in multinational contexts which include cultural and institutional distance, homophily and the national position of the decisions makers (Mäkelä et al., 2010). Cultural and institutional distance can influence decision-makers on how appraisal reviews are viewed or trusted from different parts of the company (Mäkelä et al., 2010). Homophily refers to our tendency to associate with people we see as being ‘like’ ourselves and can be influenced by geographic proximity, demographics culture and behaviour (Mäkelä et al., 2010). Schneider (1987) put forward the concept that people will be attracted to groups within organisations that are similar to themselves and we are more likely to relate positively to those “similar to us rather than people who are dissimilar” (Mäkelä et al., 2010:138).
Decision makers need to be highly informed therefore; discipline is required around preparation for these talent reviews (Boudreau and Ramstad, 2009). The challenge for HR professionals in this environment is to keep the integrity of the talent review process intact by ensuring the quality of the data under review is relevant and should be considered at the same level of importance as financial data (Avedon and Scholes, 2010). Talent identification is not a clear cut process in a normal business environment, and is more complicated in an M&A environment. In an attempt to secure their own positions in the early stages of the acquisition process, managers may get involved in political scenarios where the light is shone on the wrong people. Further compounding the difficulty of talent identification can be the urgency to close the deal. HR management has a key role to play in facilitating the talent identification process, supporting talent decisions, while allowing the acquirer a clear insight into those people who have the competence, and commitment to contribute to successfully achieving the strategic objectives of the deal.

2.6 Employee response to M&A

People are an important element of M&A (Schuler and Jackson, 2001) and are seen as influential in the success or failure of a deal. There are two streams of thought with regards to employee’s response to an M&A. An individual’s experience “is closely bound up with larger-scale aspects of social structure” (Granovetter, 1973:1377) and M&A can be large-scale destabilising events for employees at all levels of an organisation (Kavanagh and Ashkansay, 2006). There is evidence of positive employee responses to M&A on one hand (Krug and Hegarty, 2001; Kusstatscher, 2006; Teerikangas, 2012) and on the other a plethora of negative responses to the uncertainty that M&A bring to the work environment (Buono et al., 1985; Marks and Mirvis, 1998; Schweiger & DeNisi, 1991; Hubbard & Purcell, 2001). Evidence in the literature relating to employee responses is broad, varied and has been addressed in the context of cultural issues (Cartwright and Cooper, 1996; Quah and Young, 2005), human resource management strategy and policies (Faulkner, Pitkethly and Child, 2003); employee perceptions (Sinkovics et al., 2011), expectations and resulting behaviours (Hubbard and Purcell, 2001; Krug and Hegarty, 2001; Kiefer, 2005); broken psychological contracts (Kiessling et al., 2011) poor communications (Mirvis and Marks, 1985;Schuler and Jackson, 2001) and trust issues (Stahl et al., 2012b). Bartley et al., (2007) argue that communication is pivotal
in managing employee responses to an acquisition. Risberg (2001:78) argues that “employees do not interpret the post-acquisition process homogeneously” and it is suggested that employees should be psychologically prepared to help them adapt to the inevitable changes that integration will expose them to (Marks and Mirvis, 2011). It is also important to address the issue of subcultures with an acquired organisation. Schneider et al., (2013:370) asserts that there are people who are immersed in subcultures in organizations who “may have different experiences… even attach different meaning to the same events”. The type of M&A and the extent of the integration are also key influencers on employee responses (Teerikangas, 2012).

A successful M&A outcome depends on support from the employees (Haspeslagh and Jenison, 1991). However, the human side of M&A is fraught with emotion (Ashkenas et al., 2011) which can quickly develop into “merger syndrome” (Marks and Mirvis, 1985). “Merger Syndrome is a fusion of uncertainty and the likelihood of change, both favourable and unfavourable, that produces stress and ultimately affects perceptions and judgments, interpersonal relationships, and the dynamics of the combination itself” (Marks and Mirvis, 2011:164). In a study of a merged airline company, Terry at al., (200:276) found that low status employees “did not identify with the new organisation, engaged in more in-group bias, were less committed to the new organisation and had lower levels of job satisfaction” than their high status colleagues. McGreevy (2003) suggests that employees go through a psychological transition adapting their responses through different zones of protest, disorganisation and reorganisation to new beginnings. Employee responses may be influenced by whether they are directly or indirectly involved in the M&A process and the quality of communication will play a key role in the responses of those directly involved (Bartels et al., 2006). Stahl et al., (2012b:416) suggest that acquirers need to understand that employees of acquired firms who are located in different countries “may react differently to the integration approach”. Hubbard and Purcell (2001) found that employees expectations and responses change during the different stages of the acquisition process ,with job worries evolving into cultural issues and a move from worrying about the ‘me’ to ‘we’ of the acquired team. At an individual talent level M&A can represent opportunities for career development within the new organisation (Krug & Nigh, 2001) or uncertainty and stress manifesting in withdrawal (Allen et al., 2010) and intention to leave (Krug and Aguilara, 2004).
Retention practices should be “consistent with what employees’ value... [and HR managers should] explore their importance as drivers of employee loyalty” (DeVos et al., 2009:46). Kavanagh and Ashkansay (2006:S86) suggest that an atmosphere of psychological safety should be fostered by top management that will allow individuals “to engage in the new behaviours and test the waters of the new culture”.

People are inherently vulnerable when faced with change that affects their careers and their day to day work environment. There is a greater risk with cross border M&A with reactions can ranging from resistance to the changes brought about by the acquisition (Larsson and Finkelstein, 1999), to positive co-operation where employees embrace the changes and drive the newly combined organisation forward (Mirc, 2012). Employee can start with positive motivation at the pre-acquisition stage, shifting towards negativity and uncertainty as the acquisition process progresses (Teerikangas, 2012). Cartwright (2012) concludes that “many individuals at all levels ... decide to leave... as a means of regaining control over their job future”. Employee reactions may be influenced by the type of M&A, its strategy and the implications on the structure and integration (Bower, 2001) whether it brings rationalisation and redundancies, the communication strategy and most importantly the leadership of the combined organisations (Kavanagh and Ashkansay, 2006). In cross border M&A talent can be represented by a diverse range of nationalities critical to a successful outcome. There is a lack of research that focuses on the perspective of the individual talent which make a compelling case for studying the human side of the cross border M&A.

2.7 Talent management and retention strategies

The study of talent management is evolving (Vaiman et al., 2012) and a key challenge for academics over the last ten years has been the lack of a clear definition and clarity as to the aim of talent management (Lewis and Heckman, 2006; Collings and Mellahi, 2009; Scullion et al., 2010; Bethke-Langenegger et al., 2011). With regards to talent management and more specifically talent retention post-acquisition, the last 30 years of research on M&A have confirmed that these are turbulent events that lead to a loss of talent (Walsh, 1988; Cannella and Hambrick, 1993; Marks and Mirvis, 1998; Krug, 2009a). While there is some light at the end of the tunnel through studies of talent management by a number of academics (Cappelli, 2008;
Lengnick-Hall and Andrade, 2008; Becker et al., 2009; Collings and Mellahi, 2009; Tarique and Schuler, 2010) the focus on talent retention and research on the causes of high turnover is scarce (Weber and Drori, 2011). According to Krug (2009a), loss of top management talent is higher with cross-border M&A than with domestic M&A in the first year. Given the extent of the research one would expect that talent retention figures should improve over the years. However, the evidence tell us a different story, as 24 years ago Walsh (1989) found that 26% of top management leave an acquired company in the first year post-acquisition, with 55% exiting in the fourth year and “we do not know why” (Walsh 1989: 319). Cannella and Hambrick (1993) found that 27% of top management in 97 acquired firms studied in the 1980’s departed in the first year post-acquisition. Studying 585 acquired firms during the period of 1980 to 2004, Krug (2009a) established that in the first year post-acquisition 24% of top management left which was 5% lower than in domestic acquisitions (Krug, 2009a:11). However, after three, four and five years rates of top management turnover was higher for cross border acquisitions than domestic deals which suggests that foreign acquirers tread carefully until they have come to grips with the new operation (Krug, 2009a).

Talent management “exists to support the organisations objectives” but there is growing recognition that we need to move away from traditional models of talent management (Cappelli, 2008:77) as many organisations are faced with fast paced changing environments forcing them to adapt in directions that are strategically valuable (Boudreau and Ramstad, 2007). Talent management is developing into a more integrated and strategically driven element of HR management (Avedon et al., 2010) From a global perspective Schuler et al., (2011a) argue that organisations need to stay ahead of the competition by developing new HR policies and continuously assessing global talent challenges by linking an organisation’s strategy to its talent strategy. Boudreau and Ramstad (2005) contend that it is not enough to link talent strategy to the organisations strategy and recommend that a “HR paradigm that connects human capital to sustainable strategic success” is required (Boudreau and Ramstad, 2005:131). Cappelli (2008:74) suggests that “at its heart, talent management is simply a matter of anticipating the need for human capital, and then setting out a plan to meet it”. Companies today are challenged in their efforts to build and sustain a strong talent pipeline (Stahl et al., 2007:3). However, it is argued that
some firms fail to take advantage of the opportunity for strategic success that a
talented team of people can bring to the organisation (Joyce and Slocum, 2012). This
view is supported by Ashkenas et al., (2011) who argue that if talent is not
challenged and developed then the acquirer is losing value on the deal. According to
Stahl et al., (2007) successful talent management programmes are aligned to
corporate culture, linked to strategic business goals of the organisation and focused
on talent retention. However, the starting point must be the business strategy
(McDonnell, 2011). Talent management strategies need to be understood in relation
to the changing strategies of international business (Scullion et al., 2010), and
according to Scullion and Starkey, (2000), there is significant variation in talent
management approaches in different types of international firms. Some suggest that
talent management is about making business strategy work (Ernst and Young, 2010;
Bethke-Langenegger et al., 2011). However, others argue that strategic talent
management practices are only one part of the talent management puzzle (Asag-Gau
and Van Dierendonck, 2011). There is an emotional aspect to talent management and
some argue that with regards to employee retention it is the emotional element of
networked relationships at the workplace that is of the utmost importance (Ballinger
et al., 2011).

In terms of retention practices DeVos et al., (2009:45) found that organisations
“focused more on the factors believed to cause employee turnover than on those
believed to affect employee retention”. Influenced by Price and Mueller (1981) and
Steers (1971), Hausknecht et al., (2009) devised a set of retention factors and tested
these on 24,829 US based employees in the leisure and hospitality sector. The results
indicated that top retention reasons include job satisfaction; extrinsic rewards,
constituent attachments and organisational commitment (Hausknecht et al.,
2009:279). High performers are more likely to cite advancement opportunities and
organisational prestige as reasons for staying whereas low performers cited extrinsic
rewards as being important (Hausknecht et al., 2009). The results of a longitudinal
survey carried out by Deloitte (2010) reported that organisations who claim to have
‘World Class’ talent programs segregate their talent by Y, X, Baby-boomer and
Veteran generations. A meta-analysis carried out by Griffeth, Hom and Gaertner
(2000) established that key predictors of turnover includes job satisfaction,
organisational commitment, job search, comparison of alternatives, withdrawal
cognitions, and quit intentions. However, what do we know of predictors of retention and how can we build on these?

When it comes to enhancing organisational commitment, line managers are pivotal influencers in tying talent to the organisation (Asag-Gau and Van Dierendonck, 2011). Increased organisational commitment can be achieved through relationship building and development between line managers and talent by fostering loyalty through motivating and encouraging key talents (Asag-Gau and Van Dierendonck, 2011). Line managers need to be very close to talent, focusing on their development by stretching them through challenging assignments (Becker, Huselid and Beatty, 2009; Ashkenas et al., 2011). These authors propose the notion that compensation is critical to talent retention as these human resources are ‘upwardly mobile’, will pursue well paid positions across the globe putting pressure on organisations and severely challenging HR departments and retention programmes (Becker, Huselid and Beatty, 2009:191/192). However, there is evidence to the contrary as Cappelli (2000a) refers to compensation packages as ‘golden handcuffs’ which can be matched without difficulty by competitors. Joyce and Slocum (2012) support this notion arguing that “reward systems tend to discourage stretch goals and personal excellence”. Compensation can be either financial or non-financial (Deloitte, 2010) and a recent report highlighted that financial incentives are seen to appeal more to generation X talent (ages 30-44) and baby boomers, whereas non-financial incentives such as company culture and flexible working arrangements were the preference of talent under 30’s /generation Y (Deloitte, 2010). Employee turnover can be voluntary, involuntary and functional or dysfunctional (Allen, 2010) where dysfunctional employee turnover is damaging to the organisation and includes the departure of key talent and top performers. However, the value of the employee will vary according to the business sector the organisation belongs to or where an organisation is in its life cycle. For example an R&D scientist or engineer will be critical to new product development from the product conception, through prototype build right up prior to a new product launch after which time sales and marketing talent may become more valuable as efforts to achieving the strategic growth objectives of the firm become most important at that particular stage. Bethke-Langenegger et al., (2011:532) found that when organisations focus on talent retention there is a positive effect on “job satisfaction, motivation, commitment,
work quality, qualification and trust in leaders”. Whelan (2011) suggests that it's important that talent management should not only be focused on key positions in an organisation but also on the connections between people. This brings us to the topic of social networking, which is increasingly seen as being supportive to talent management initiatives (including talent retention) especially in knowledge intensive industries (Whelan 2011). According to Whelan, (2011) talent management programs design should include retention and succession planning of key people, with a focus on nurturing the networking skills of these talented resources.

In a study involving 70 HR managers across large public and private companies in Belgium, DeVos et al., (2009:50), found that social atmosphere, good relationship with colleagues, job content, financial rewards and career opportunities were cited as reasons to stay and the two most frequently cited reasons for voluntary turnover are issues around financial rewards and a lack of career opportunities. Applying the perspective of the psychological contract a second study examined 5,286 employees’ views on retention and the results pointed to the importance of social atmosphere, followed by career development, and job content (DeVos et al., 2009:54). Stahl et al., (2011) studied the talent management practices of 18 companies and identified a number of key principles that successful organisations use as part of their global talent management programs. The context is important as these principles have a broad application and include alignment with strategy, internal consistency, cultural indebtedness, management involvement, the balance of global and local needs and employer branding through differentiation (Stahl et al., 2011). Retention strategies should include management’s commitment in support of talent management for all employees, enlarging the recruitment source globally; ensuring that managers are accountable for talent retention and rewarding these managers for improvements in retention (Schuler et al., 2011a).

Talent management has implications on the outcome of an M&A as the risk of the loss of knowledge is minimised (Bethke-Langenegger et al., 2011) when talent stays with the newly combined organisation post-acquisition. M&A create uncertainty which can shake the very foundations of a business and in response to this uncertainty, Cappelli (2008), contends that a new approach to talent management is required and suggests that decisions with regards to employee development and advancement should be joint employee-employer decisions. Developing talent is a
not a short term proposition, it is a long term investment (Becker, Huselid and Beatty, 2009; Joyce and Slocum, 2012). This investment in human capital pays off as “talent management with a focus on development has a statistically higher significant effect on an employer’s attractiveness... [as] talented workers are looking for career paths, developmental perspectives and challenging work contents”. (Bethke-Langenegger et al., 2011:535).

2.8 Enablers of talent retention

2.8.1 Communication

“Effective communication is a pervasive challenge in M&A... [however] communication often becomes an afterthought” (Bruner, 2004:879), may depend on national culture (Weber and Tarba, 2010) and can be further complicated by language within acquired foreign subsidiaries (Child, Faulkner and Pitkethly, 2001). Communication is the key when dealing with the people issues in the M&A process (Weber and Drori, 2011) and there are few studies that examine the use of communications throughout the entire acquisition process (Gomes et al., 2013). “An information vacuum leads to uncertainty” (Gomes et al., 2013:21) and the best way to prepare employees for serious change is through open, honest exchange of communication (Hanson, 2001). When employees find out about the acquisition from external sources it is not a good start to the relationship (Denisi and Shin, 2005). Opinions can be shaped by both internal and external communication (Cartwright, 2008) and positive perceptions of an acquisition announcement can influence talent to remain with an acquired organisation (Walsh, 1989; Krug and Hegarty, 2001). 75% of acquisitions fail to achieve their strategic objectives and issues that contribute to this failure include poor communication, lack of a clear vision and management not paying attention to running the day to day operation due to the distraction of the acquisition (Marks, 2006). Communication is one of the key influencing factors behind the outcome of an M&A (Mirvis and Marks, 1998; Schuler and Jackson, 2001; Stahl et al., 2011a), yet research on the role of communication is deficient (Brahma and Srivastava, 2007). “Stakeholders do not like uncertainty” and prolonged uncertainty can lead to negative consequences (Schweiger and Lippert, 2005:36). In times of uncertainty employees will look for communication to reduce their anxieties (Denisi and Shin, 2005; Cartwright, 2008).
De Haldevang (2009) argues that too much emphasis is invested by the acquirer into transmitting the message rather than how the employees will perceive the message and that both informal and formal communication channels are critical in delivering the message. What is needed is “fast and open communication…invested with credibility” Evans et al., (2010:558).

Communication is important during each stage of the M&A process and more especially during the integration process (Allatta and Singh, 2011). M&A are significant change scenarios involving the re-engineering of an organisation and communicating with employees about change minimises anxiety (Kavanagh and Ashkanasy, 2006), and reduces uncertainty (Schweiger and Denisi, 1991). Bruner (2004) proposes that information shared should be on a need to know basis whereas Schweiger and Denisi, 1992 propose that managers should share what they know. Poor communication lays the ground for failure of the deal resulting in lost credibility and destroyed value (Bruner, 2004), poor morale, uncertainty leading to intentions to leave and loss of senior management and talent (Schweiger and DeNisi, 1991). Sinkovics et al., (2011:43) believe that “bad news is considered better...than no news and uncertainty” and according to Stahl et al., (2011b:582), “the quality of communication may be more important in affecting trust than the amount of information provided by the acquirer”. Evidence suggests that there is a direct link between communication and post-merger identification (Bartley et al., 2007). According to Allatta and Singh, (2011:1116). “New communication routines develop slowly and are not entirely enduring” and organizational routines persist even after a major change such as an M&A. In a study these authors established that while new communication lines were established across two organisations when their tasks were interdependent, “workers did not, however, communicate more across firms even when they had similar knowledge bases” (Allatta and Singh, 2011:1116). Each stage of the acquisition process must be managed by the acquirer with attention focused on the continuity and sharing of important information gathered at the pre-deal stage with those responsible for implementing the deal and achieving its desired objectives (Very and Schweiger, 2001).

National language, corporate language, specialist and industry language differences in cross border M&A can be a source of misunderstandings and confusion, hindering
communication (Greenberg et al., 2005). These authors suggest that the actual words used to communicate a message can present with a further challenge in terms of how the words are received, perceived and felt by the employees and each stage of the M&A process can be affected by language differences, obstructing information gathering and information sharing (Greenberg et al., 2005). Early communication is an opportunity to manage the expectations of the employees which will help build support for the deal and streamline the post-acquisition integration. (Bruner, 2004). Kavanagh and Ashkansay (2006) found evidence that ineffective communication can result in employee negative perceptions which in turn seriously affects the employee’s ability to embrace the changes that M&A bring. (Bruner, 2004:880) suggests that “you should reflect on the perspective of your audience as they listen to your message”. Timing is important as the risk of leaks increase with time (Bruner, 2004) which can lead to rumour mongering and gossip (Schweiger and Denisi, 1992). A communication strategy should be prompt and factual, delivered by those most respected in the target company using multiple avenues, for example newsletters, ‘town hall’ meetings and interactive media such as video conferencing (Bruner, 2004).

While there are mixed views on the timing, content and the need for confidentiality at different stages of the process, it is agreed by many that without clear and transparent communication there cannot be proper sharing of information which is needed for a smooth handoff between each of the sets of players at each stage of the acquisition process, ultimately delivering a successful integration with a high retention of talent.

### 2.8.2 Psychological Contract

A legal contract of work defines the terms, conditions, role, responsibilities and compensation associated with a position. With long-term employment the relationship evolves into something more substantial than compensation and pay (Yan, 2000). Mutual expectations around trust, respect and loyalty are added to the mix (Morrison and Robinson, 1997) which are characterised by the “social and emotional aspects” of the relationship between employer and employee (Sparrow, 1998:30). The psychological contract has been described as a “hypothetical construct” (Guest, 1998: 650), as a “set of unwritten reciprocal expectations”
These implicit expectations involve both sides of the employment relationship between an employer and employee (Kotter, 1973). Rousseau (1989) puts forward the notion that the psychological contract is a promise made and an obligation to be fulfilled. Others view the contract in terms of ‘checks and balances’ in terms of what an employee might believe they owe their employer and what the organisation owes them in return (DeVos and Meganck, 2009). Cullinane and Dundon (2006:119) suggest that “perhaps it is time that the psychological contract is recognised for what it is: a social exchange”. There are similarities between theories of social exchange and the psychological contract with both viewing exchange relationships in terms of reciprocity, expectations and returns for effort provided (Coyle-Shapiro and Parzefall, 2008). However, researchers of psychological contract theory give the organisation side of the exchange more consideration, while social exchange researchers are more focused on reciprocity (Coyle-Shapiro and Parzefall, 2008). What is important in for the advancement of both theories is understanding the sources of agreement in the employment relationship and caution that reciprocity is subject to uncertainty (Dabos and Rousseau, 2004), which is further complicated by M&A as they breed uncertainty.

Psychological contracts are subjective, and as such influenced by individual differences (Sparrow and Coopers, 1998; Bellou, 2007). In a review of the psychological contract literature, Cullinane and Dundon (2006) argue that an employee’s psychological contract is unique to an individual and reactions to contract violation and organisational change can result in different responses. This presents a challenge for HR professionals especially in organisations undergoing the forces of change that M&A bring about to the working world of employees. Target organisation employees may feel emotionally affected by the fact that the organisation they work for has been acquired, the outcome of which can result with a breach in their psychological contract (Zhao et al., 2007). Others may not be affected at all even though they were exposed to “the same reality of organisational change” (Tomprou et al., 2012:386). Bellou (2007) argues that with M&A, changes in the employment relationship are expected and strong confident individuals will see an acquisition as an opportunity for personal advancement, while others will only see the negative impacts on their relationship with the organisation. It is argued however, that the psychological contract goes beyond attitude and is more complex given that
there are multiple dimension to it for example the relational or socio-emotional and transactional content (Rousseau, 2001; Zagenczyk et al., 2011).

Motivational forces that drive employee decisions are shaped by events (Maertz and Griffeth, 2004) and when an employee believes that the organisation has failed to discharge its obligations the psychological contract is said to have been damaged (Morrison and Robinson, 1997). Psychological contract breach and violation are not unusual and despite the research over the last 20 years, there is a limited understanding “of why these phenomena occur because researchers have focused primarily on outcomes of psychological contract breach” (Robinson & Morrison, 2000:543). Episodic in nature (Rousseau, 1995:71), the psychological contract is dormant until it is triggered by an event, thus awakening an individual’s consciousness of it (Guzzo et al., 1994). M&A are extreme forms of organisational change which are also episodic, as each stage of the acquisition itself presents with a new version of events, with different players representing both sides of the deal. Each of these stages can influence talent to re-examine their psychological contract, which can result in an abrupt change to their commitment to the organisation (Guzzo et al., 1994). Key to an employee’s motivation to perform is the psychological contract, the terms of which significantly influence an employee’s organisational commitment (Cartwright and Cooper, 1996). Commitment is linked to the concept of psychological presence and engagement (Kahn, 1992) and engagement is defined by Kahn (1990:694) as the extent to which employees will drive and invest themselves “physically, cognitively [and] emotionally” into their roles at work. We need to better understand the interplay between employee psychological contracts and the intention of talented employees to stay post-acquisition. According to Raja et al., (2004), choice, construal, and enactment of personality may influence an individual’s perception of the psychological contract. M&A can be intensely emotional events (Reus, 2012), and emotional state cab trigger perceptions of a contract violation (Morrison and Robinson, 1997; Zhao et al., 2007).

There are suggestions that an employee’s assessment of their psychological contract has implications on their loyalty to the organisation (DeVos et al., 2009). As individuals, employees have free will to choose with whom they work, however, an M&A forces a change of employer without the consent of the employee (Bellou,
2007), and it can be argued that this change can put a strain on the new relationship. Keissling et al., (2012) found that there was a positive relationship between the retention of talent and acquirers “efforts” in developing the psychological contract. This has implications for due diligence and it is recommended that the acquirer should start developing psychological contracts at this early stage if not earlier (Kiessling et al., 2012).

There is a significant body of knowledge on the psychological contract with the majority of research focused on the content and consequences of the contract (Robinson et al., 1994; Porter et al., 1998; Rousseau, 2001). However, research from the employers’ perspective has been largely ignored (Guest and Conway, 2002). Coyle-Shapiro and Parzefall, (2008), argue that the role of the employer in the psychological contract literature is ambiguous and lacking. Communicating the psychological contract needs to be considered especially in the light as to who represents the employer organisation (Guest and Conway, 2002). Perhaps there is a difficulty identifying who actually represents the employer and even more so in the context of M&A. Is it the new CEO, the integration management team, or members of the target company’s management team? DeVos et al., (2009), propose that HR managers are key players in employee retention however, they have been criticised for putting too much emphasis on the causes of turnover rather than retention. Research indicates that it is the managers who are seen as being the agents of the employer organisation (Coyle-Shapiro and Kessler, 2000; Guest and Conway, 2000; Tekleab and Taylor, 2003). Bruner (2004) suggests that line managers are key to strengthening the employee bond and should be trained to manage the psychological contract with each of their team and act in a timely manner to prevent small violations from escalating into breaches. Bellou, (2007) suggests that these organisational agents need to see the employees of the target company as “newcomers”. While Cartwright and Cooper (1996) propose that a new psychological contract needs to be drafted. Kiessling et al., (2012:84) argue that if the acquirer wishes to retain talent post-acquisition then “the psychological contract must be developed or transferred”. Coyle-Shapior and Kessler (2002:925) suggest that organisations need to understand employees’ perceptions of their psychological contract and an attempt should be made to adjust its terms. Given the changing nature of the business environment, Rousseau, (2004), contends that we need to build
flexibility and creativity into psychological contracts. However, as the nature of the contract is idiosyncratic, with different views as to its content and coupled with the role of individual emotions, this would be difficult to get right.

Sparrow (1998) contends that the psychological contract is used by many firms as a management tool; this is supported by Guest and Conway (2002) who found that 36% of UK HR Managers reported that organisations use it to manage the employment relationship (Conway and Briner, 2005:155). To retain talent, we need to take a more proactive approach to managing the psychological contract (Clutterbuck, 2005:363). He recommends that managers should focus on the interdependent core value dimensions of “worth, respect and beliefs” (Clutterbuck, 2005:359). It can be argued that talent may not even be aware of their psychological contract. Depending on who represents the organisation in the relationship, it could be further argued that organisational agents are not aware of its existence and would need to be trained in its use as a management and communication tool. We need to know “what expectations, obligations and promises are most appropriate to the psychological contract concept” (Conway and Briner, 2005:114) and then apply this knowledge post-acquisition. As previously mentioned central to the consideration of the psychological contract as an enabler to talent retention is: who does talent believe to be ‘the other party’ to the contract? In the interest of achieving successful integration and retaining talented individuals, should the acquirer be interested in leveraging promises made and obligations to be fulfilled under talent’s previous relationship with the target organisation? In that respect, communicating the psychological contract “can be as important as its content” (Guest and Conway, 2002:23). Promises are not necessarily oral; rather they can be demonstrated through management action and can be spoken, written or implied. Context, words and actions can signal promises, which create meaning for individuals. Therefore, by deliberate and effective communication of the psychological contract an acquirer can shape the employee relationship with talent (Guest and Conway, 2002). This creates a very interesting scenario, as given that psychological contracts are idiosyncratic and unique to the individual, talent’s response to M&A will be challenging to manage.

identifies a number of features of the psychological contract including voluntary choice where the individual has freely choice to participate; a belief in a mutual agreement, that psychological contracts are incomplete and become more complex with time, and that there are multiple ‘contract makers’. When contracts fail an organisation needs to manage the losses as a result (Rousseau, 2004). A clear distinction needs to be made between promises, obligations and expectations of talent as these are core elements of the psychological contract (Conway and Briner, 2005). A key challenge is “to understand what implicit promises mean” to talent and what roles interpretation and inference play in the generation of these promises (Conway and Briner, 2005:117). An outcome of a successful employment relationship is retention. How an employee relies on and responds to particular sources of information regarding the employment relationship is an important topic where further research is required (Dabos and Rousseau, 2004). Communication during an M&A is important, as messages received and perceived by the employees can be filtered and influenced “by the nature and the health of the psychological contract between each individual and the organisation, and between groups of employees and the organisation” (Clutterbuck, 2005:359). It is important to understand what the pressure points are in the employee-organisational relationship during the M&A process. A three stage acquisition process model will provide a useful platform that will allow us to consider the pre and post-employment experiences which may influence talent’s awareness of their psychological contract.

The psychological contract is a useful framework to study the employment relationship of talent in an M&A context, and it is strongly argued that there is a need to take a step back and focus on the formation of psychological contract (Rousseau, 2001). The concept of the building blocks of the psychological contract fits well with the acquisition process model. This model breaks down the acquisition process into the pre and post-stages of transaction, transition and integration. The first building block of the psychological contract addresses the pre-employment experiences and influences of professional norms on an individual and this relates well to the process model. As talent compare their pre-employment experiences at the target organisation with those under the new ownership, the outcome may either be fulfilment, breach or violation (Morrission and Robinson, 1997; Rousseau, 1995). Loosing talent can be expensive therefore, the combined acquirer and target
organisations need to understand and manage talent’s expectation as emotions and affective reactions can run high post-acquisition and communication has a key role to play here (Guest and Conway, 2002). This study supports the notion that M&A force a change of employer on target employees therefore, it is critical to understand the pre-employment environment of talent, the need to re-recruitment talent into the newly combined organisation and the socialisation of these key resources into the newly combined organisation is critical to their retention (Rousseau, 2001).

2.8.3 Organisational embeddedness and retention of talent

“Most behaviour is closely embedded in the networks of interpersonal relations” (Granovetter, 1985:504) and according to Allen (2006) socialisation tactics influences employee turnover. Originating in the sociological literature, the term embeddedness is used to explain the process whereby social relationships influence economic actions (Granovetter, 1985, Uzzi, 1997). Organisational embeddedness has experienced a surge in interest over the last 10 years (Halbesleben and Wheeler, 2008). As it is still under development (Zhang et al., 2012) it presents us with an interesting perspective from which to explore talent retention. Influenced by Lewin’s (1951) embedded figures and field theory, Mitchell and Lee, (2001:224/225) introduced the term “organisational embeddedness” as a new concept to study the impact of “links, fit and sacrifice” on employee turnover. Organisational embeddedness is linked to field theory which suggests that people develop ‘life spaces’ involving connections to a multitude of networks including work, community, family and social outlets (Mitchell and Lee, 2001). These ‘life spaces’ are characterised by “the psychological environment as it exists for [each] individual” (Allen, 2006:238).

Embeddedness occurs when people become attached to their environments, finding it difficult to leave (Mitchell and Lee, 2001; Halbesleben and Wheeler, 2008). In their study of embeddedness Mitchell and Lee, (2001), determined that the two main influences of turnover are community and organisational based. They found that the impact of the organisational factors “relative to satisfaction and commitment are slightly stronger that community” factors (Mitchell and Lee, 2001:224). Therefore, while community embeddedness cannot be discounted, this study is more interested
in organisational embeddedness and how it may influence employee response to M&A in terms of their intentions to stay or leave post-acquisition. As a composite construct organisational embeddedness consists of three distinct elements of “links fit and sacrifice” (Mitchell et al., 2001a:1104). It is a combination of “psychological, social and financial elements” which influence retention (Zhang et al., 2012:221) the sum of which keep employees with their employer (Ng and Feldman, 2007). Employees with high on the job or organisational embeddedness will be “involved in and tied to projects and people…feel they fit well in their jobs and can apply their skills, and… sacrifice valued things if they quit” (Lee at al., 2004:714).

2.8.3.1 Links

Links are seen as “formal and informal connections between people and the organisation” (Hom et al., 2009:281). Understanding the strength and impact of links (Granovetter, 1973) can help organisations face the challenge of talent retention (Ballinger et al., 2011). The strength of a tie is seen as “a combination of the amount of time, the emotional intensity, the intimacy…and the reciprocal services which characterize the tie” (Granovetter, 1973:1361). The greater the connectivity the stronger the link, with some links ranking higher than others (Mallol et al., 2007). The greater the number of links that talent have within an organisation, the more enmeshed they are likely to be within their role and within the organisation (Mallol et al., 2007; Zhang et al., 2012). However, the quality of links rather than the number may be more important in deciding to stay or leave (Holton et al., 2008; Zhang et al., 2012). In an M&A environment, links can be weakened as a new organisational identity forms through the integration of two organisations. (Weber and Drori, 2011). It is suggested that managerial interventions have a significant role to play in deterring employees to quit (Griffeth et al., 2000) and organisational embeddedness can be influenced by colleagues, teams and line managers (Zhang et al., 2012). These constituent forces in terms of attachment to co-workers cannot be underestimated (Maertz, and Griffeth, 2004). Research is lacking in this area and there are calls for more focus on the social dimensions of employee relationships at work (Felps et al., 2009). These authors found that there was a link between co-worker attitudes and behaviour and an individual’s decision to stay or leave an organisation (Felps et al., 2009). M&A can be described as a ‘shock like’ event to employees (Mitchell and Lee, 2001), and the acquisition event is experienced by all stakeholders. Therefore,
there is merit in pursuing research on the relational factors in terms of the interpersonal ties between colleagues (Holtom et al., 2008), as bonds can be so strong that they factor in talents decision to stay or to leave post-acquisition.

### 2.8.3.2 Fit

Fit it is concerned with an individual’s perception of their compatibility with the organisation (Mitchell et al., 2001). Halbesleben and Wheeler, (2008:243) define fit as “the match between an employee, their goals and values and those of the organisation”, while Ng and Feldman, (2012), state that fit is a match of an employee’s abilities with what the organisation requires. In terms of organisational embeddedness, ‘fit’ is about employee versus organisation match of “interest, values and opportunities for growth” (Mitchell and Lee, 2001:235). While it is acknowledged that cultural fit is a key determinant of the success of an acquisition (Stahl et al., 2005), fit as a component of the embeddedness construct extends conventional research (Hom and Griffith 1995) and gives an opportunity to go deeper on the individual level of the employee-employer relationship. It can be argued that ‘fit’ is also about organisational identity that “transcends social, professional, and individual categories” (Weber and Driori, 2011:83). M&A create danger zones for target company organisational identity (Cartwright, 2008) as depending on the extent of the integration, the acquirer may absorb the essence of the target firm and redefine ‘who they are’ (Van Knippenberg et al., 2002). It is argued that elements of an employee’s sense of ‘fit’ have roots in the target company (Weber and Driori, 2011). Employees who feel a sense of continuity between their pre and post-acquisition identities accept the acquisition changes faster than those who do not (Van Knippenberg et al., 2002). An employee is said to fit the organisational identity of their employer into their own social identity, when they perceive the extent to which the organisation values their contribution and cares for them (Zangencyzk et al., 2011). This can have a positive influence as identifying strongly with the newly combined organisation while feeling emotionally valued and supported can have an influence on post-acquisition retention (Van Dick et al., 2006).
2.8.3.3 Sacrifice
Sacrifice is concerned with psychological, social and monetary cost of leaving the organisation (Mitchell et al., 2001a; Zhang et al., 2012). Involving an individual’s risk assessment of the losses that would occur as a result of leaving their employer, and the greater the perceived loss, the more tied or embedded the individual will feel to their organisation (Ng and Feldman, 2007). The “switching costs” associated with benchmarked compensation and benefit packages, job stability, potential in career development and advancement are considered when weighing up a decision to leave (Mitchell et al., 2001a:1105). There are also other more subtle factors for example the investment in one’s own human capital and knowledge built up within the organisation during tenure that are difficult to quantify (Mitchell and Lee, 2001).

2.8.4 Parallels between organisational embeddedness and psychological contract building blocks
There are a number of parallels between organisational embeddedness and the building blocks of the psychological contract, making it a useful framework to study talent retention. In the context of an M&A, the re-recruitment building block of the psychological contract focuses on building ‘fit’ between target organisation employees and the acquirer (Allen, 2006) and this aligns with the ‘fit’ component of organisational embeddedness. ‘Early socialisation’, the third building block is where the acquiring organisation attempts to embed target employees through socialisation tactics (Allen, 2006), giving them a view into the future. This socialisation process also aligns well with the notion of inter-related connections, within a complex web of attachments that the ‘link’ component of organisational embeddedness presents us with.

2.8.5 Embeddedness a predictor of employee retention
Holtom et al., (2008) argue that embeddedness is a predictor of employee retention across diverse populations, whereas Halbesleben et al., (2008) argue that embeddedness is a predictor of turnover intention. However, as mentioned previously, retention and turnover are different constructs with Cardy and Lengnick-Hall, (2011) suggesting that an inverse relationship exists between them, and that poor retention strategies result in higher turnover. Influenced by Holtom et al., (2008) and Mallol et al., (2007:43), who conclude that the embeddedness model is “a
reliable predictor of employee retention”, this study will focus on talent retention. Allen (2006:254) concludes, that organisations can influence retention by proactively embedding employees in the organisation “through the nature of their socialisation activities” and this fits well with an embeddedness model. Additionally, decisions around intentions to leave post-acquisition can be influenced by colleagues as “embeddedness and job search behaviour of co-workers had a sizable influence on focal actor turnover decisions” (Felps et al., 2009:556). Granovetter, (1985), asserts that embeddedness generates trust developed through personal relationships, where work colleagues can influence certain expected behaviours and this makes people vulnerable. Building on the work of Granovetter, (1985), Allatta and Singh, (2011), suggest that employees can become too embedded in work relationships and become prejudiced by exaggerated loyalty to their colleagues and organisation. In the context of an M&A employees can treat their target organisation colleagues better than employees of the acquirer and resist the changes that integration may bring (Allatta and Singh, 2011).

Building on the concept of re-recruiting target company talent during the M&A process (Galpin and Herndon, 2007), it is proposed that organisations can influence new employee retention by understanding their embeddedness (Allen, 2006). Understanding “how and why new employees make the transition from outsider to participating insider” may help improve talent retention post-acquisition (Allen, 2006:254) In an effort to maintain a positive atmosphere in environments of dramatic change, Holtom et al., (2012) suggest that line managers need to be in a position to anticipate and manage employees understanding of the changes that an acquisition can bring about. This could be achieved through the active involvement of employees in the hope that “creating solutions may help shore up commitment and strengthen links and fit perceptions, thereby maintaining embeddedness” (Holtom et al., 2012:441).

One of the foundations of the Mitchell and Lee (2001) model of voluntary turnover, that provided the springboard for the concept of organisational embeddedness, was the notion that a ‘shock’ was the ignition point that pushed employees to consider decisions about leaving their employer. An M&A can be considered a ‘shock’ to target organisation employees resulting in disorientation and uncertainty. The theory
of embeddedness presents researchers with a new and interesting perspective on studying retention (Zhang et al., 2012) and addresses a gap in the research that focuses on talent retention post-acquisition. As a construct, organisational embeddedness deals more directly with the issue of retention focusing on “why do people decide to stay” as opposed to why they leave (Ghosh and Satyawadi, 2013:303). In terms of understanding what ‘hooks’ talent to an organisation, this study will explore the extent to which embeddedness plays as an enabler to talent retention post-acquisition. Given the high cost of replacing talent in a world challenged by talent shortages, there is a need to bridge the gap between academia and management practice. Adapting elements of the embeddedness concept into HR practices could be valuable in terms of minimising costs associated with the loss of talent post-acquisition.

2.9 Subsidiary Perspective

Multinational companies (MNC) and their subsidiaries are “an increasingly important part of the global business landscape” (Harzing and Feely, 2008:49), as global competition happens on the ground at a ‘local’ subsidiary level (Uhlenbruck, 2004). There are two different perspectives on the subsidiary corporate relationship (Egelhoff and Wolf, 2012), the relationship can be either hierarchical (Drogendijk or Holm, 2011) or hierarchical in nature (Egelhoff and Wolf, 2012). When goal setting and strategy development is controlled by HQ this reflects a hierarchical relationship (Drogendijk and Holm, 2011) where the key decisions are made and controlled centrally at HQ (Egelhoff and Wolf, 2012) and at the extreme end of this relationship the MNC will dominate the relationship and see the subsidiary as a strategic dependent (Clark and Geppert, 2011). However, recent research has shown that there is a shift to a more decentralised heterarchical structure where lateral relationships are important and where the organisation is characterised by the sharing of knowledge rather than the exploitation of knowledge as reflected by a hierarchical relationship (Egelhoff and Wolf, 2012). HRM practices focused and tuned into subsidiaries own operations may be more successful than a set of imposed practices viewed as appropriate by the acquirer in the local environment (Björkman et al., 2007). Clarke and Geppert (2011:396) argue that “local contexts influence the MNE’s evolving strategic and structural characteristics” and can be strongly
influenced by senior managers “political actions...who seek to impress their preferred characteristics on the MNE”.

Wang et al., (2009) propose that subsidiaries play a dual role, on one hand sharing knowledge gleaned at a local level back to HQ and on the other hand enhancing the local economy by providing work and sharing knowledge. It can also be argued that a subsidiary can act as a talent pool providing internationally experienced managers to support the organisations needs globally. Structuring the relationship between target management at subsidiary level and the acquirer’s HQ is a critical task (Doz and Prahalad, 1984; Chung et al., 2006) and cultural backgrounds are an important aspect of the relationship that needs to be noted (Drogendijk and Holm, 2011). Depending on the type of M&A and its strategy, the new parent may seek to align the behaviour of the subsidiary with the corporate culture of HQ, keeping a close eye and minimising opportunities of the subsidiary working against corporate interests (Chung et al., 2006). With regards to acquisitions the parent-subsidiary relationship contains a degree of tension where the parent wishes to exercise control and the subsidiary seeks autonomy (Harzing and Feely, 2008). According to Gomes et al., (2013) successful M&A are characterised by the parent / subsidiary relationship where the parent assigns a ‘leader’ of the new company after the deal is announced. These authors propose that this ‘leader’ may be appointed from outside the group (Gomes et al., 2013:23) and acts as a catalyst in the integration process.

An organisations global talent management programme includes all activities for the purpose of attracting, selecting, developing and retaining the best employees for the most strategic roles on a global scale (Stahl et al., 2007; McDonnell & Collings, 2011). Differences in an organisation’s global strategic priorities as well as differences across national contexts for how talent should be managed in the countries in which they operate must be part of an organisation’s GTM (Scullion et al., 2010:50). According to Mäkelä & Suutari (2009:1004) “managers with global careers can use their social capital to bridge these boundaries”. According to Schreyögg, (2005) serious cultural challenges from a managerial point of view involve the reassurance of their respective teams and the encouragement of learning about the cultural differences of both organisations involved in the acquisition. It is argued by some that culture is not transferable, that it needs to develop and grow over time (Schein, 1997). However, there are instances where culture has been
successfully transferred e.g. Volkswagen and Skoda. Research has shown that communication is pivotal to successful integration (Schweiger and Lippert, 2005). Yet communication relies upon a shared language, and according to Hill, (2002) language is an essential element of national identity. According to Harzing and Feely (2008), little is known about the impact of language on international management and even less about the specific impact of language on HQ-subsidiary relationships. These authors suggest that subsidiary management may not get noticed at HQ if there are language problems. However, if parent company managers do not have a fluency in the language of the subsidiary, these managers could be seen as ‘lacking’ leadership skills and subsidiary management may have an issue with this (Harzing and Feely, 2008).

Acquisitions can rejuvenate organisations, “through the exposure of manageable levels …where organisational learning gains might outstrip the short-term downsides to acquisitions” (Sparrow, Brewster and Harris, 2004:88). These authors state that differences between management teams can create synergies and learning opportunities leading to powerful forces of cognitive change (Sparrow, Brewster and Harris, 2004). Cross border acquisitions allow acquirers to take advantage of local subsidiary talent and tap into the potential of the target firm resources (Uhlenbruck, 2004) especially where the strategic intent is market growth. This can give strength to any global retention strategy as “providing subsidiary talents with opportunities for advancement is one of the most effective incentives for retaining and motivating talents” (Mellahi and Collings, 2010:144). On the negative side it is also argue that talented individuals may be stopped from reaching their full potential within an MNC because it would not be in the interests of the subsidiary managers to lose them (Mellahi and Collings, 2010) to other divisions of the acquiring firm. An acquirer will attempt to realign an acquired subsidiary’s identity with their own (Clark and Geppert, 2011) through the post-acquisition integration process. However, the extent of the integration will be influenced by the strategic intent of the deal (Bower, 2001) and cultural differences may limit the acquirer’s efforts in further developing the subsidiary (Uhlenbruck, 2004). Clark and Geppert, (2011:399) believe that senior management of the acquired organisation may see “local managers as in need of corporate socialisation” while subsidiary managers may perceive the acquiring management team as “invaders...of their organisation”.

76
In the face of shortages of talent on a global scale, and the need for multinational companies to sustain their competitive advantage (Scullion and Collings, 2005), the question of how to manage employees in foreign subsidiaries is recognised as “becoming increasingly important” (Bjorkman et al., 2007:430). Responding to a call for future research that draws attention to the difficulty of developing talent management in different countries (Vaimen et al., 2012), understanding the needs of talent at subsidiary level may be the starting point and the key to talent retention on a global scale post-acquisition.

2.10 Key Themes

A number of key themes have emerged in the literature around talent retention within M&A and are addressed in the following section.

2.10.1 Research focus on the entire acquisition process

M&A are seen as multidimensional and cross disciplinary in nature and yet research has for the most part been one dimensional tending to be single disciplinary based (Pablo and Javidan, 2004). Much of the management research has followed either the pre or post-acquisition period with Weber (2012), arguing that research needs to be concerned with the connections of the different stages of the M&A process. Taking Weber’s lead, what is required is a systematic framework combining the different stages while focusing on the relationships between the variables being studied. This research will study talent retention as a key variable within both the pre and post-acquisition stages of transaction, transition and integration (Schweiger and Lippert, 2005).

Gomes et al., (2013) suggest that the starting point is when the deal is signed however, with regards to talent retention a key influence has to be the strategic intent behind the deal (Schuler and Jackson, 2001). This is the starting point for the study, however, the handoff between strategy and due diligence as they relate to talent retention needs to be addressed. Influenced by, and considering the strategic, organisational and human resource side of M&A this research will take a process approach as proposed by Greenberg et al., (2005), that will explore the links between each of the fragmented and discontinuous stages of the M&A process (Jemison and Sitkin, 1986, 2006) and how they may influence talent decisions.
2.10.2 Managing talent from identification to retention

Over the last 10 years many have lamented the lack of clarity and scope of what talent management is (Lewis and Heckman, 2006; Collings and Mellahi, 2009). Failure to manage and successfully integrate two firms can lead to a loss of talent which can significantly damage a business and defeat the original purpose of the strategic intent. The identification and retention of talent during an M&A is critical for a positive deal outcome (Schweiger and Lippert, 2005). However, not a lot is known about what distinguishes ‘key talent’ in an M&A environment and employees may be “oddly unaware of the talent management dynamics” going on in the background (Dries, 2013:12). Research has focused very much on top management talent and while top managers may be important in the overall scheme of things, in the context of M&A we also need to consider “potential” talent (Collings et al., 2009a). Focusing retention efforts on top management alone may risk the loss of talent at other levels in different functions of the organisation. Acquired employees identified as having future potential are seen as human capital that will require significant investment (Bethke-Langenegger et al., 2011). It is important to ask the question of “potential for what” while taking into account the past performance of the individuals identified (Silzer and Church, 2010) otherwise appropriate development plans cannot be put in place and the opportunity is lost for both the individual and the organisation.

It is hoped that this study will contribute to the already extensive body of knowledge on the human side of M&A and to develop a theoretical model using a multidisciplinary approach. Following the advice of Weber, (2012) this study takes a new direction and focuses on the interconnections of the acquisition process as they relate to talent retention. The literature on talent management is criticised for lacking theoretical foundation, definition and rigour (Collings and Mellahi, 2009; Scullion et al., 2010) and is falling short on identifying what organisations should do to manage talent effectively (McDonnell et al., 2010). Finding out how employees are feeling and establishing what they want, is a step in the right direction for talent retention.
2.10.3 Enablers of talent retention

After considering the literature three main themes are seen as enablers to talent retention: Communication (Denisi and Shin, 2005; Kavanagh and Ashkanasy, 2006; Weber and Drori, 2011; Allatta and Singh, 2011), the psychological contract (Cartwright and Cooper, 1996; Sparrow, 1998; Bruner, 2004; DeVos et al., 2009; Kiessling et al., 2012) and organisational embeddedness (Mitchell and Lee, 2001; Mallol et al., 2007; Holtom et al., 2008).

Communication is seen as being the key to the human side of M&A and when dealing with HR issues in the acquisition process (Weber and Drori, 2011). Opinions can be shaped by both internal and external communication (Cartwright, 2008). As M&A are complex change scenarios characterised by uncertainty, therefore if communication is lacking this can add to the problem (Gomes et al., 2013). Poor communication lays the ground for failure, lost credibility and destroyed value (Bruner, 2004), poor morale, uncertainty leading to intentions to leave and the loss of management talent (Schweiger and DeNisi, 1991). With M&A, employees need to be prepared for serious change and it is argued that this can be achieved through open, honest communication which minimises anxiety (Kavanagh and Ashkanasy, 2006), reducing uncertainty (Schweiger and Denisi, 1991) which can influence talent to remain with an acquired organisation (Walsh, 1989; Krug and Hegarty, 2001).

While there are a variety of views on the timing, content and the need for confidentiality at different stages of the process, without clear and transparent communication sharing of information may be compromised. Not all M&A have a negative outcomes and good communication has a role to play in facilitating a smooth handoff between each of the different sets of players at each stage of the acquisition process, which can ultimately deliver a successful integration with a high retention of talent.

M&A are extreme forms of organisational change that forces a new employer on target employees without their consent. While employees may not necessarily be conscious of their individual psychological contracts, such an event may trigger its consciousness (Guzzo et al., 1994). Considering the social and emotional aspects that the psychological contract presents, it must have an important role to play as an
enabler to talent retention post-acquisition. However, the challenge is to understand what implicit promises mean to talent. Core to this concept as an enabler to retention is the idea of who does talent understand to be the agents to the contract and what roles do interpretation and inference play in the generation of implied promises (Conway and Briner, 2005:117). On the one hand, it may be entirely possible that the general employee population, have no understanding of the concept of the psychological contract and on the other hand it may be an important variable that should be considered by the acquirer. In this case it could be argued that it may be in the best interests of the acquirer to leverage promises made and match the expectations of the employees identified as talent in order to secure fulfilled obligations. Which leads us to ponder as to what HR practices may exist that tap into psychological contracts and how successful might these be in the retention of talent.

Taking the advice of Whelan (2011), a new direction for talent management lies in the manipulation of social networks. The concept of embeddedness is an interesting perspective from which to study talent retention as this is a concept that is still under development. There have been many studies that have focused on why employees leave an acquired organisation while embeddedness deals more directly with the issue of retention as opposed to why they leave. Embeddedness predicts turnover intentions (Mitchell et al., 2001; Haleblian et al., 2009), therefore it can be suggested that by developing an understanding of embeddedness an acquirer may get an insight into what ‘hooks’ talent to an organisation. It can be argued that an acquiring organisation could actively manipulate embeddedness as part of a talent management programme, and influence target company talent to remain with the newly combined organisation post-acquisition.

M&A have attracted researchers from a variety of management disciplines; however, there has been little improvement in the success rates. Perhaps there is a failure in getting the messages of academic research to practitioners or maybe “the research to date is incomplete in some way” (Cartwright and Schoenberg, 2006:S4). Marks and Mirvis, (2011) suggest that organisations should be learning from past mistakes while others argue that past M&A research has a role to play. However, they caution that researchers need to keep up with “the rapidly shifting corporate and global landscapes (Cartwright et al., 2012:103). Influenced by both the ‘hard’ elements of strategic fit of an acquired organisation as they relate to talent retention and the soft
factors associated with the integration of the two companies including the driving factors behind the retention of key talent, this researcher is interested in exploring the human side of M&A.

2.11 Conclusion

Since the first acquisition in 1878 in the USA, the world has witnessed numerous M&A waves which have influenced the working lives of millions of people yet they are prone to failure. M&A are a paradox, as despite the high failure rates and the fact that the reasons for failure are poorly understood, they remain a popular choice for boundary expansion as evidenced by the growth in the number of worldwide deals. Viewed through many different lenses over the last 40 years, M&A are complex phenomena that are exciting, dynamic and paradoxical events and provide a rich and interesting field of study. Despite this considerable research there have been few successes and there is no one definitive answer as to why they fail. Responding to a call to bridge the gap between research on acquisition strategy and management and add to the development of talent management literature, this research is concerned with the issue of talent retention within an environment of M&A.

The next chapter will address the philosophical assumptions underlying the qualitative research design pursued in this study, the process of case selection and the methods used for the collection and analysis of the data.
Chapter 3. Methodology

This chapter is divided into three sections: 1) the philosophical assumptions underlying the qualitative research design pursued in this study; 2) the process of case selection and the approval process for access to the subsidiaries studied; and 3) the methods used for the collection and analysis of the data.

Section one begins with the researcher’s ontological view of the world, assumptions about the nature of reality and the subjectivist position chosen. Supporting the view that knowledge is seen and understood to be something that is interpreted by individuals, forms the core of this section and is a followed by a discussion on an epistemological position and how it affects the research design. As the nature of the phenomena to be studied is the human side of mergers and acquisitions, a positivist belief is rejected in favour of a constructivist ontology. This section concludes with a overview if the limitations of case study design. Section two addresses the process of how the case organisations were selected and the steps taken to gain access to these organisations and the third section of the chapter addresses methods used for data collection and analysis and the importance of triangulation using multiple sources of evidence and the significance of traceability.

3.1 Taking a position

“Research is a continuous journey to find ways to understand reality [regardless] of whether the researchers view of reality is an objective or socially constructed one” (Weber, 2004: vi). Research paradigms are characterised through their ontology, epistemology and methodological ideals which provide the setting for how a researcher views knowledge, how they see themselves in relation to this knowledge and the methodological strategies and designs that are used in the discovery process (Denzin and Lincoln, 2003). It is not the intent of this chapter to explore research paradigms in great detail as positivist and post-positivist positions have their strengths and weaknesses depending on the researcher’s view of reality (Goulding, 2002) and the research questions, however a position needs to be addressed.
Philosophy helps us formulate problems and research questions using “abstract ideas and beliefs that inform our research” (Creswell, 2013:16). As there is a close tie between what the researcher brings to the actual research activity and the framework within which the actual research activity is developed and carried out (Creswell, 2013) “the net that contains the researcher’s epistemological, ontological and methodological premises may be termed a paradigm, or an interpretive framework (Denzin and Lincoln, 2003:33). What is the best way to conduct research has been a long-standing epistemological debate amongst philosophers of science and the path has been paved by confusing and “sometimes incoherent classification of research philosophies” (Mkansi and Acheampong, 2012:132; Bryman and Bell, 2007; Saunders et al., 2007). Adding to this confusion is the on-going debate as to which research methods are used in relation to the research philosophies that underpin them. On Bennett and Elman’s (2006:467) recommendation the following section addresses the interpretive framework outlining the ontological position first, then the epistemological position followed by the choice of research strategy and design.

3.2 Ontological position

“All research is interpretive” (Denzin and Lincoln, 2003:33), directed by “a set of basic beliefs that guides action” (Guba, 1990:17). An ontological position describes a researcher’s assumptions about the best way of enquiring into the nature of the world and establishing the ‘truth’ (Easterby-Smith, 2008). Taking an ontological position of social constructivism working within an interpretivist paradigm, this researcher believes that reality is embedded in the past which cannot be understood without taking into account the actors who make up that reality (Urquhart, 2013). Numerous individual realities influenced by context (Mills et al, 2006) and the nature of the phenomena to be studied in this research is the human side of M&A. It is believed that employees do not interpret the acquisition process in the same way (Risberg, 2001). Their reactions may be shaped by the type of acquisition, its strategy and the implications on the organisation structure and integration of the acquired organisation with the acquirer (Bower, 2001). Furthermore, multiple realities formed through employee interactions with colleagues create a complex web that cannot be understood without considering the role of the actors. These multiple realities are best seen through an ontological lens that will allow this researcher to capture “real
life” as it unfolds, within the context of the integrated process of the three phases of cross border M&A.

An ontological position can be either objectivist where phenomena and their meaning exist independently from the actors or, subjectivist where individuals are directly involved and interact within their social world (Bryman and Bell, 2007). The human sciences cannot be studied in the same way as the natural sciences and the ontological position of this researcher is influenced by Weber’s notion of Verstehen (entering into the shoes of others); symbolic interactionism (where individuals assign meaning to things and change those meanings as they interact with others); and phenomenology (how we make sense of the world around us), (Bryman and Bell, 2007). According to Allen (2006:238) behaviour is linked to the life space of an individual therefore, people cannot be understood in isolation from their context (Lincoln and Guba, 1985:39; Blaikie, 2006). As a research context cross border M&A present researchers with an exciting, dynamic, sometimes fast paced, significant change environment, which can lead to a myriad of aftershocks that can alter how employees view their working world. Studying the actors within this context will allow us to grasp “the subjective consciousness of the participants” (Blaikie, 1993:30/31) and throw light on why they may stay or leave an acquired organised post-acquisition.

Reality is the product of individual consciousness (Burrell and Morgan, 1979:1) and we live and interact with each other in an unstable and ever changing world (Saunders et al, 2007). M&A present a reality where people are inherently vulnerable when faced with the changes in their day to day work environment that come with the integration of two organisations and which may ultimately affect their careers. Is reality objective and independent of our perception of it? (Guba and Lincoln, 1994) no - our mental processes have a role to play (Lee and Lings, 2008). This research supports the notion that “human experience is characterised as a process of interpretation” (Blaikie, 2006:337), where both the researcher and those being researched are critical elements of this interpretation. Therefore, to generate a deeper understanding of the accounts of what exists in the world for the actors, questions have to be asked “about peoples experiences, thoughts and feelings” and the
interpretation of the data gathered will be influenced by the ontological and epistemological positions of the researcher (Willig, 2014:136/137). Positivists would argue that there can only be one reality from which the researcher must stand aloof (Collis and Hussey, 2009). Whereas Weber (2004) argues that while they both appreciate that they bring biases to the research they undertake, interpretivists feel it is important to be transparent about their biases whereas positivist believe that they can be objective in their quest for the truth. This researcher cannot stand aloof, rather she must become immersed in talent’s post-acquisition environment, digging deep into the consciousness of the actors, exploring and evaluating their perceptions and responses in the real life context of their world of work. This leads us to a discussion about the grounds of knowledge and how this researcher might begin to understand the M&A world of talented employees.

3.3 Epistemological Position

According to Denzin and Lincoln, (2005) qualitative research is influenced by post-positivist practices while quantitative research is characterised by positivist practices. How the world is constructed and how knowledge is constructed will greatly influence research design (Urquhart, 2013). There are a number of key debates around the nature of knowledge: must one experience something in order to understand it; do we as humans have free will or is behaviour determined by our environment; and is it more important to gain understanding directly or through scientific methods (Burrell and Morgan, 1979)? According to Blaikie (2007:4) “epistemology is concerned with the nature and scope of human knowledge [and] with what kinds of knowledge are possible”. There are many who would argue “that human behaviour cannot be studied in a detached and logical manner” and that there is no place for positivism in social research, while others cast aside post-positivism as being full of conjecture labelling it as unscientific (Goulding, 2002:13). However, it can be argued that both are attempting to enhance their understanding of their respective worlds using “different genre to describe their research” (Weber, 2004: vi).

Human beings are unpredictable and more so during transformational change events such as M&A, which are too complex to study as ‘numbers’ or equate with the
physical sciences (Saunders et al, 2007). One can argue that we as human beings have free will to make choices and that we interpret and make sense of a situation before deciding on what appropriate action is required to address a specific event. Motivational forces that drive employee decisions are shaped by events (Maertz and Griffeth, 2004) and this study supports the idea that “the employment relationship is voluntary” (Cardy and Lengnick-Hall, 2011:213). Employees can exercise free will in deciding whether to remain with an acquired organisation or leave post-acquisition. Meaning cannot be discovered by standing objectively outside of this M&A world, rather the researcher must play an active role in interpreting and constructing meaning through interaction with those employees identified as talent (Blaikie, 2006).

Haleblian et al, (2009:492) argue that while quantitative studies have provided us with important insights into M&A “they limit scholars’ abilities to get “inside” the phenomenon”. We cannot get to the heart of the actors reality if they are buffered from the researcher through quantitative instruments of inquiry. True reality can only be achieved through the participants providing “slices of their lives” through face to face interaction that qualitative studies allow (Lincoln and Guba, 2003). Haleblian et al (2009) argue that while quantitative based studies provide important insights into the consequences of M&A, they fail to get ‘inside’ a particular event and experience the real life situation as it unfolds and the resulting behaviours (Yin, 1994). The qualitative researcher considers the social world to be complex with multiple trails to the same outcome (Bennett and Elman, 2006) with design decisions that involve “preparation, exploration and illumination…and as the study proceeds, is adapted, changed and redesigned” (Janesick 2003:73).

Interpretivism is seen as a contrasting epistemology to positivism (Bryman and Bell, 2007) and has a number of variants such as conservative, constructivist, critical and deconstructivist (Goldkuhl, 2012). The one thing that positivists and interpretivists agree on is that the social environment of people in their world of work and life are fundamentally different from that of the natural world (Bryman and Bell, 2007). The term social constructivism has been used in conjunction with interpretivism and is a research paradigm that denies the existence of an objective reality (Denzin and Lincoln, 2003; 2005; 2011). It assumes relativist ontology where the world consists
of multiple realities constructed by the mind which are influenced by its context (Guba and Lincoln, 1994). According to Creswell, (2013:24) “individuals seek understanding of the world in which they live and work” where the researcher constitutes knowledge built through social construction of the world (Weber, 2004). With its roots in the intellectual traditions of hermeneutics and phenomenology (Blaikie, 1993:36; Saunders et al, 2007:107) it demands an epistemology that is derived from every day concepts and meanings” (Blaikie, 1993:96). Therefore it can be argued that the M&A process has significant meaning and implications for talent in the context of their everyday working lives. It is especially important in studying talent as they negotiate the complex social environment of M&A, where uncertainty can disrupt the everyday lives of employees during the sometimes stormy seas of the acquisition process. For positivists the socially constructed world is a ‘given’, producing facts and figures in relation to an independent reality (Eriksson and Kovalainen, 2008), whereas with interpretivism the researcher needs to discover the reality of everyday. Research in M&A has been significantly influenced by those from the positivist perspective with an emphasis on finance and shareholder driven strategies in terms of valuations, earnings, return on investment and shareholder value. While this positivist research has contributed in no small way to our knowledge it is time for a change (Meglio and Risberg, 2010).

Core to the interpretivist epistemology is the empathetic position that is developed by the researcher, therefore key to the role is an understanding of the actors and their world (Saunders et al. 2007) seeking explanation through the eyes of the participants as opposed to the “observer of the action” (Burrell and Morgan, 1979:28). Citing Schultz, Blaikie, (1993) argues that positivists “construct social worlds out of the meaning it has for them… [generally] neglecting what it means for the social actors (Blaikie, 1993:101). Positivism assumes that reality is ordered, exists “independently of the researcher and the realities of social science” and these consistencies “can be observed and explained” (Blaikie, 1993:202). Blaikie, (1993:203) argues that ontologically, positivism is deterministic in that “social action and interaction… are the product of…external forces [whereas the interpretivist] ontology posits “that reality is produced and reproduced by social actors”. This study argues that reality is not ordered; that the real life world of the dynamic interaction between the actors within the context of M&A, cannot be studied from afar and knowledge can only be
gained through interpretation of the personal experience and insights of the actors within an interpretivist paradigm. Therefore this study will attempt to understand how meaning is created in the working life of talent in their world of M&A (Burrell and Morgan, 1979).

From an epistemological standpoint, it is argued that a subjective inter-relationship between the researcher and the studied actors is important and the aim is to interpret and understand the phenomena of talent retention within the context of M&A which will also address the interaction among the actors themselves and how this influences their decisions (Creswell, 2013). “Qualitative research stresses the socially constructed nature of reality, the intimate relationship between the researcher and what is being studied and the situational constraints that shape the inquiry” (Denzin and Lincoln, 2005:10). Whereas quantitative research is focused on numbers, quantities and frequencies and is more concerned with a reality that is rational and deductive (Denzin and Lincoln, 2005). Some view qualitative and quantitative research as two distinct cultures “marked by different values, beliefs, and norms” (Mahoney and Goertz, 2006:227). Flick (2014) views qualitative and quantitative research strategies as “separate but parallel. With their application dependent on the issue and the research question”. If the research question is about the subjective experience of an individual or group then as with this study we will follow a qualitative strategy. Data is core to all research however the foundations of the researchers paradigmatic assumptions “will shape how findings are understood” (Locke et al, 2004). Quantitative methods can provide a “snapshot” of a point in time within a social context and have been used in combination with qualitative methods which can add depth to a study (Lee and Lings, 2008). However, quantitative research does not afford the researcher the luxury of reflecting on the data during the study as interpretation of the data does not take place until all the data is analysed (Stake, 1995). With qualitative research important data can unfold as we progress through a study allowing the researcher to look “for patterns of unanticipated as well as expected relationships...all the while realising their own consciousness” (Stake, 1995:41). This unfolding of data can lead to exciting new lines of inquiry that would otherwise be lost in a quantitative study.
The bulk of the research on M&A over the last 20 years has been quantitative (Meglio and Risberg, 2010; Cartwright et al. 2012) covered by the field of management, finance, accounting and economics (Haleblain et al, 2009). Statistical based findings that do not get to grips with unravelling a human understanding of the people side of M&A (Meglio and Risberg, 2010). Seeking to understand the fundamental meanings that employees who are identified as ‘talent’ attach to M&A, this study is committed to the view “that phenomena are created from the perceptions and subsequent actions of the social actors” (Saunders et al. 2007:108). Therefore in order that we can make sense of this world we have to do more than just ‘dip a toe in the water’ we need to immerse ourselves in it and get close to the actors, while allowing for flexibility to the unexpected opportunities will favour a qualitative approach (Silverman, 2004). This study follows a socially constructed ontology and an interpretative epistemology therefore it is necessary to investigate how individual talent interpret, make sense of and react to M&A in their day to day working lives.

3.4 Qualitative Research Design

As highlighted above research in M&A has been dominated by a focus on numbers and performance using quantitative research design (Cartwright et al, 2012) studying independent variables such as diversification and relatedness; relative size of the acquirer v the acquired; prior acquisition experience of the acquirer; (Haleblian and Finkelstein, 1999; Hitt et al, 2009; 2012); methods of payment; and the pre-acquisition performance of the acquired (Hitt et al, 2012). The extant literature has presented studies of post-acquisition outcomes using mainly quantitative methods from different perspectives which have been valuable to extending our knowledge on M&A, however there have been calls for more qualitative research (Gephart, 2004; Cartwright et al, 2012) and it is time for a methodological change using a broader range of research methods (Meglio and Risberg, 2010).

A research design is about the plan for carrying out a study (Creswell, 2013), described as the logic that links the data to be collected with the research question (Yin, 2009). It is a blue print that takes into consideration “what research questions to study…what data are relevant…what data to collect and how to analyse the results” (Yin, 2009:26). A path of qualitative research is pursued when we need to
explore phenomena that close in on real life (Creswell, 2013). Incorporating Denzin and Lincoln’s (2011) definition of qualitative research as being “a situated activity that locates the observer in the world”, Creswell, (2013) stresses the importance of the design that is based on a theoretical framework. He focuses on the importance of the process of research being influenced by the philosophical assumptions followed by the interpretive lens, and then the procedures involved in the study that provides the framework for the approach (Creswell, 2013). This study will follow the process as influenced by Creswell (2013:44) where this researcher will be a key instrument in the research process, using a multiple case study research strategy by means of a qualitative interpretative approach that will build “patterns and themes” from the bottom up using inductive and deductive reasoning (Gummesson, 2007).

To progress an understanding of talent retention and related HR policies and business related strategies within the context of cross-border M&A a qualitative research design using multiple cases will be followed. As a core premise of qualitative research is the focus of the researcher on the meanings that the actors hold about the issue under study, “the final written report will include the voices of participants, the reflexivity of the researcher [and provide] a complex description and interpretation” (Creswell, 2013:44).

3.5 Multiple case study research strategy

Stake (2005:438) argues that “case study is not a methodological choice but a choice of what is to be studied”. Case study research involves the study of a contemporary phenomenon within a real life context and is the preferred method when “how” and “why” questions are being put forward (Yin, 2009:2). A case study research design was chosen as M&A are seen as significant change environments and case studies are “generally more valuable in times of change rather than periods of stasis” (Llewellyn, 2007:62). Meyer (2001) argues that case studies are a perfect fit for the exploration of behaviours that are poorly understood, therefore a case study research strategy is justified here as talent retention in a post-acquisition environment is an under explored area.
An analysis of M&A research carried out by Cartwright et al., (2012) identified only 18 of papers where multiple case studies were used out of a total of 443 papers published in 19 top-tier journals between the periods 1963 to 2009. There are still significant gaps in the research on talent management within M&A which some put done to too much emphasis on theory development at the expense of practical application (Holton et al. 2008). These gaps make the use of multiple case study not only a valid approach but presents an opportunity to dig deeper into the M&A world from a human perspective with a specific focus on talent and talent retention that has practice implications for management.

There are a number of criticisms of case study research, which are seen to lack rigour, have issues around credibility of the execution where there appears to be no standardised procedures and that case study findings are arbitrary and subjective (Flybjerg, 2006; Gibbert and Ruigrok, 2010). In his study of the misunderstandings about case study research Flybjerg, (2006) concludes that the conventional wisdom of critics are wrong. He argues that case studies are criticised for being too narrative and as we cannot predict what is going to happen in the field, that narratives are a sign that a study has unearthed a “particularly rich problematic” (Flybjerg, 2006:237). Following the protocols as proposed by Yin (1994), using multiple sources of data, creating a case study database and maintaining a chain of evidence addresses the issues of rigour and reliability (Trellis, 1997).

“Case study relies on interviewing, observing and document analysis” (Denzin and Lincoln, 2003: 36) where a subjective view of the world is necessary for our understanding of the phenomenon under study (Stake, 1995). This adds value to the data gathered as getting close to the actors to interpret and understand their world, how they react and respond to it is core to answering the research questions. Many see subjectivity of qualitative methods in a negative light, however staying closer to the data contributes to “well done theory building…pattern matching between theory and data” (Eisenhardt and Graebner, 2007:29). This study is structured around a theoretical framework that guided the collection and analysis of rich data (Hartley, 2004).
Case study can be exploratory, explanatory or descriptive in nature (Yin, 2009) and have been used as a method to develop theory across a diverse range of disciplines (Eisenhardt and Graebner, 2007). They have the potential “to generate novel and ground breaking theoretical insights” (Welch et al, 2011:740). Influenced by the anti-positivists of Dilthey, Von Wright and Dray, Stake (1978:6) advocates that with regards to case studies “truth in the fields of human affairs is better approximated by statements that are rich with the sense of human encounter...[born out of] the perceptions and understanding that comes from immersion in and holistic regard for the phenomena”. Yin, (2009:18) defines case study as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context”. This study will use a multiple case study design as “multiple cases can form a stronger platform for your findings” (Yin, 2004:67) while enhance validity (Barratt et al, 2011). Drawing on multiple cases is likely to create more robust study than a single case research and will enable us to draw comparisons (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Yin, 1994).

In the study of the acquisition experiences of employees, the perceptions and experiences of each talent may be different, may change over time and will be influenced by the context or reality as it exists for each individual. Constructivism implies that people create their own reality through interaction and through this interaction views and perceptions can alter the views and perceptions of their reality. Knowledge can be progressed only through the studied actor’s social reality and shared meaning (Erikkson and Kovalainen, 2008). Influenced by this epistemological view focusing on the human side of M&A, this research adopts an interpretive approach to the study, seeking rich descriptions which will provide the building blocks (Remenyi et al, 1998) for narrating and sharing the story of why talent may stay or leave a newly combined organisation.

While case studies can involve multiple views from realism to relativism, they give a possibility to be close to the organisations and people, “enabling inductive and rich description” (Halinen and Törnroos, 2005:1286) and “staying close to the data is the most powerful means of telling the story” (Janesick, 2003:63) allowing the researcher to explore the phenomena within it context. Eisenhardt and Graebner, (2007) argue that multiple cases create more robust theory because they deal with a
variety of sources of evidence. This study was not interested in looking at relationships of people through numbers and waiting until the end of the data gathering to carry out an analysis. We need to understand talents motivations to stay therefore; it is more fitting to look for both anticipated and unanticipated patterns of relationships as they relate to the research questions of the study through a qualitative research design (Stake, 1995). This interpretive study is strengthened by an iterative process where the researcher responded to incidents as they happened during the research process and allowed her to alter initial suppositions (Walsham, 1995).

“Qualitative methods are characterized by a first-handedness in which researchers strive to be at one with their research phenomena in a way that other methods do not require, sanction or even encourage” (Birkinshaw et al, 2011:574) Rather than presenting researchers with static assessments, case study’s strengths lie in their ability to allow us to trace changes over time (Yin, 2009). This lends support to the choice of a multiple case study design that will take a holistic view of the process (Meyer, 2001; Piekkari et al, 2009; Gummesson, 2007). This holistic view will allow us to address the many different elements of talent retention through the three interconnected processes of transaction, transition and integration of cross border M&A which will provide a dynamic backdrop to the study.

3.6 Limitations of case study

As no method is optimised for every research objective there are going to be trade-offs when making methodological choices (Bennett and Elman, 2006) and we need to recognise not only the strengths but also the limitations of our choices. Case studies can be both emotionally and intellectually challenging where the researcher needs to simultaneously balance theory and method (Hartley, 2004). Yin (2009) goes as far as to state that case study demands much more of an individual’s intellect that any other research strategy, therefore it is not for the faint hearted. This following section will address the limitations of case study as a qualitative research design by discussing issues under the headings of generalisability and subjectivity.
3.6.1 Interpreting an already interpreted world

As “all research is an interpretation of an already interpreted world” (Welch et al, 2011:744) where people are constantly involved in interpreting their own social situations. People don’t just react to the social world they also contribute to its meaning (Parkhe, 1993) they develop meaning from their everyday interactions with each other and “have ideas about what is relevant for making sense out [of it all]” (Blaikie, 1993:36). This study argues that the researcher cannot be an external observer like the natural scientists measuring what is seen. It is imperative that to gain a better understanding of human nature within the context of M&A, we must “investigate from within” (Parkhe, 1993:238). The M&A process can be highly sensitive and getting close to the actors to gather subjective evidence in the field (Creswell, 2013) is critical to understanding the human interactions in relation to the management of talent post-acquisition. Central to this subjectivity is the empathetic role played by the researcher (Stake, 1995) who in this case must balance a deep contextual knowledge (Birkinshaw et al, 2011) of the cases being studied with an “understanding of the actors subjective experiences” (Welch et al. 2011:745).

3.6.2 Generalisation

Case studies have been criticised for lack of an set of operational measures and are seen as not being representative ‘sampling units’ therefore the findings cannot be generalised. “Generalisation is about the rationale for transferability involving a leap from the context of investigation to the context of application and since the context of application is never identical to the context of investigation, the leap is a leap of judgement and sometimes of faith” (Robinson and Norris, 2001:303/304). Quantitative research is concerned with the idea that findings can be generalised beyond the scope of the area the research is focused on (Bryman and Bell, 2007) which is sometimes referred to as external validity (Yin, 2009). Denzin and Lincoln, (2003:40) argue that “the search for particularity competes with the search for generalisation”. Stake (1995), argues that case study does not provide a good foundation for generalisation, rather its focus should be on particularisation arguing that it is the uniqueness of case study that provides through thick description an important contribution to learning. It is generally accepted by the qualitative researcher community that findings from a small number of case studies are not
statistically seen as a representative sample that one can generalise from nor is it the intent. However, if a number of cases demonstrate that they support the same theory then they have a broader significance and are seen to be generalizable to theory (Saunders et al., 2007) and are not seen as “generalizable to populations or universes” (Yin, 2009:15). Qualitative research through case study method allows us to study “complexity, context, ambiguity and chaos” (Gummesson, 2007:229). It is the role of the researcher to interpret this complexity, analyse, triangulate and report the findings as if a conduit, enabling the reader to absorb and interpret the findings (Doz, 2011; Creswell, 2013) and perhaps apply them to their own specific situation. It is the intent of this study to further develop theory on the human side of M&A and add to existing knowledge on talent management by offering a unique perspective on talent retention from the point of view of those who are labelled as talent.

3.6.3 Subjectivity

Qualitative research has been criticised for being too subjective, with too much reliance on the views of what is considered to be important, and on the relationships developed between the researcher and those being studied during the course of the research (Bryman and Bell, 2007). “The self is not some virus which contaminates the research….the self is the research tool, and thus [is] intimately connected to the methods we deploy” (Cousin, 2010:10). One of the main objections to case study research is the perception that “the method maintains a bias towards verification, understood as a tendency to confirm the researchers preconceived notions” (Flyvbjerg, 2006:234) which puts a question mark over the value of the findings. Regardless of what research method is used, it can be argued that all researchers have biases and research is not value free (Denzin and Lincoln, 2003).

Given that this research is based on an interpretivist paradigm and a subjectivist epistemology it is expected that both the “knower and the respondent co-create understandings” (Denzin and Lincoln, 2003:35) therefore there is no question that its intent is subjective (Stake, 1995). A study of talent retention post-acquisition requires the researcher to become immersed deeply enough into the study to provide an analysis of the real life context of the actors (VanWynsbergh and Khan, 2007). To be able to “recover and understand [the] situated meanings” (Gephart, 2004:456) of
talent as they negotiate their way through and respond to the ever changing environment of the acquisition process the researcher will need to tap into her own subjective experiences of M&A to make sense of it all. This leads us to a discussion on bias.

3.7 Justification for case selection

As the focus of this research is on talent retention in a cross border post-acquisition environment, it was important that cases chosen met specific criteria therefore purposive sampling was used in the selection of the cases (Flick, 2014). The selection criteria included firms that were subject to cross border acquisition at subsidiary level, had completed the post-integration stage and had demonstrated high levels of talent retention. In terms of the determining the retention period and defining high retention levels the study was guided by Walsh, (1988) and Krug and Hegarty, (2001), who found that target firms can expect to lose up to 66% of their executives within five years of being acquired, and abnormal rates of turnover in cross-border acquisitions can continue for up to ten years post-acquisition (Krug, 2009). It must be noted that consideration was also given to time, budget constraint and access (Seawright and Gerring, 2008), therefore a number of West of Ireland based foreign owned subsidiaries were considered for inclusion in the initial list. The final selection of research sites (Table 1) comprised of five subsidiaries from three different acquisitions located in Ireland, The Netherlands and the USA.
<table>
<thead>
<tr>
<th>Acquirer Name</th>
<th>USCo</th>
<th>PAK</th>
<th>BM Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquirer HQ Location</td>
<td>USA</td>
<td>USA</td>
<td>USA</td>
</tr>
<tr>
<td>Target HQ Pre-deal</td>
<td>UK</td>
<td>The Netherlands</td>
<td>USA</td>
</tr>
<tr>
<td>Subsidiary location</td>
<td>Ireland</td>
<td>Ireland</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>Subsidiary location</td>
<td>Ireland</td>
<td>The Netherlands</td>
<td>Ireland</td>
</tr>
<tr>
<td>Acquirer Ownership</td>
<td>US Public</td>
<td>Irish Private</td>
<td>US Private</td>
</tr>
<tr>
<td>Target Ownership pre-deal</td>
<td>UK Public</td>
<td>Dutch Private</td>
<td>American Private</td>
</tr>
<tr>
<td>M&amp;A type</td>
<td>Horizontal</td>
<td>Vertical</td>
<td>Reverse</td>
</tr>
<tr>
<td>Acquirer</td>
<td>Telecommunications</td>
<td>Food</td>
<td>Legal &amp; Financial</td>
</tr>
<tr>
<td>Target</td>
<td>Telecommunications</td>
<td>Medical Device &amp; Pharmaceutical</td>
<td>Medical Device &amp; Electronics</td>
</tr>
<tr>
<td>M&amp;A type</td>
<td>Horizontal</td>
<td>Vertical</td>
<td>Reverse</td>
</tr>
<tr>
<td>Target</td>
<td>Client Billing Services</td>
<td>Raw Material producer</td>
<td>Legal &amp; Financial Transaction Services</td>
</tr>
<tr>
<td>Target</td>
<td>Software Development</td>
<td>Converter Packaging</td>
<td>Converter Packaging</td>
</tr>
<tr>
<td>Business type</td>
<td>Acquirer</td>
<td>Matrix</td>
<td>Matrix</td>
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<tr>
<td>Business type</td>
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<td>Hierarchical</td>
</tr>
<tr>
<td>Business type</td>
<td>Target</td>
<td>Hierarchical</td>
<td>Hierarchical</td>
</tr>
<tr>
<td>Business type</td>
<td>Target</td>
<td>Hierarchical</td>
<td>Hierarchical</td>
</tr>
<tr>
<td>No. Employed Acquirer</td>
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<td>17,000</td>
<td>5,000</td>
</tr>
<tr>
<td>No. Employed Target</td>
<td>1,500</td>
<td>578</td>
<td>155</td>
</tr>
<tr>
<td>No. Employed at the subsidiary studied</td>
<td>120</td>
<td>85</td>
<td>375</td>
</tr>
</tbody>
</table>

Table 1. Overview of the subsidiaries selected for the study
According to (Eisenhard, 1989:45), less than four case sites would be seen as being ‘‘unconvincing’’ for theory building and recommends between four and ten cases as an appropriate sample. Whereas Meyer (2001) recommends that while a single case may be too limiting, the number of cases chosen must be few as there is a need for “depth and a pluralist perspective”. Multiple cases are more robust allowing for replicating of findings across cases (Yin, 2009), permitting the researcher to draw comparisons (Tsang, 2013). Additionally, as purposive sampling seeks richness of information therefore it was important to find cases that provided balance and for that reason it was decided to include one case that was a polar opposite to the others (Meyer, 2001) in terms of talent retention. This case was selected on the basis that they lost 80% of staff in the Ireland based subsidiary.

3.8 Gaining access to research sites

Using personal business networks to establish lines of communication, the researcher initially targeted senior managers in six organisations to establish the possibility of gaining access. Prior to these exploratory meetings a one page research outline including the research objective was emailed to the senior managers. Advance preparation for the meetings involved gathering business data on each firm including information on the acquisitions they had been party to. What was not known prior to the meetings was the extent of talent retention or talent management practices at each of these targeted subsidiaries. These initial scoping meetings were a valuable source of data as they confirmed the existence of talent management practices and in particular talent retention rates post-acquisition. Following the meetings, three out of the six subsidiaries agreed access; however permission had to be sought at each of the respective headquarters. A further face-to-face meeting was arranged with a senior VP of the packaging multinational who recommended the inclusion of the Dutch subsidiary. However, while she gave permission for access to the Dutch site, this had to be agreed to by the Business Unit Director and a meeting was set up in February 2013 at the Dutch site, after which permission was granted.

Before entering the research sites, three of the five subsidiaries required a Non-disclosure Agreement (NDA) to be signed. Starting in June 2012, it took a total of six months to gain permission to access the subsidiaries. In December 2013, the packing subsidiaries (Cases 1 & 2) were divested of, and permission had to be reapplied for
to the new owners (a US private equity group) who agreed to allow the research to continue.

3.9 Research Context

3.9.1 Dutch

Founded in 1953 by a Dutch family and located in The Netherlands, DutchPk manufactures protective packaging. By 1990 the majority shareholding was between two brothers, one of whom held the position of managing director and the other a silent partner. They expanded into related packaging products for the medical device, electronics, and pharmaceutical industries. By 1996, they employed 500 employees and recorded a revenue of $60m and in that year they acquired a MedPk located in Ireland (Figure 3.)

<table>
<thead>
<tr>
<th>Pre-acquisition structure</th>
<th>Post acquisition structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>DutchPk</td>
<td>Medical Division</td>
</tr>
<tr>
<td>MedPk</td>
<td>DutchPk</td>
</tr>
<tr>
<td></td>
<td>MedPk</td>
</tr>
<tr>
<td></td>
<td>Other packaging subsidiaries</td>
</tr>
</tbody>
</table>

Figure 3. Medical Packaging pre and post subsidiary structure

In 2006, the brothers were approached by the acquisitions director of a US public corporation with a view to acquiring the company. The brothers agreed to the sale off both its Dutch facility and Ireland based subsidiary (MedPk); the primary motivation for selling was the fact that there was “no one in the family interested in taking the reins” (former Dutch owner). The acquiring CEO announced that this acquisition was a good fit for them:
“Because of its solid long-term customer relationships, its technical approach to product development and its reputation for superior quality” (CEO).

This acquisition provided the acquirer with a greater presence in the highly technical field of medical device packaging especially in Europe and the deal was seen as a complementary addition their existing medical packaging business. As required by Dutch law the Works Council were consulted during the transaction, transition and integration stages of the M&A process. The original Dutch owner and managing director signed up to a 5 year retention contract and the CEO of new parent company placed an externally recruited senior VP over the Medical packaging units which included the newly acquired Dutch and Irish units and a number of ‘soft’ material manufacturing subsidiaries in the USA. Today DutchPk has revenue of $50m and employs 220 employees at its Dutch manufacturing facility.

3.9.2 MedPk

Originally established as a family business in 1980 in the mid-West of Ireland MedPk expanded outside of majority family ownership under the Business Expansion Scheme (BES) in Ireland in the 1990’s. It was first acquired in 1996 by the Dutch company (DutchPk) which traded under the name Medical Packaging (Figure 3). The strategic intent behind the deal was to expand market share in Europe by tapping into the growing medical device and pharmaceutical market in Ireland. At the time of this first acquisition DutchPk had circa 60% of the Irish thermoformed packaging market. The managing director of the Irish subsidiary who had been unsuccessfully “head hunted” a number of times over the years by the former Dutch owners was now employed by these new owners. In 2006, together with its Dutch parent company (DutchPk), MedPk was acquired again and this time it was purchased by an East coast US public company with revenue of $4b. The new parent company had been trying to break into the European medical device market and the driving force behind this deal was to expand market share and meet the packaging needs of the global healthcare industry. MedPk currently employs 80 people with a high employee retention rate of 92% since the acquisition in 2006. By 2013, MedPk had circa 88% of the Irish thermoformed packaging market with a revenue of $25m.
3.9.3 L10N International

Prior to being acquired, L10N International was a privately owned US company with sites in Ireland and the USA, providing localisation services to the highly regulated Medical Life Sciences industry. They were acquired by a US privately owned legal services firm BM Corporation with an annual turnover of $1b and the acquisition was classed as a *Reverse Acquisition* (Chairman). This reverse acquisition was to absorb the acquirers New York and London language services departments into L10N USA and L10N Europe respectively (Figure 4)

**Figure 4. Post subsidiary structure L10N**

L10N International was targeted by BM Corporation because of the smart technology they developed that was unique to the localisation industry. This smart technology
was to give BM a competitive advantage and was seen to add value and provide cost efficiencies to the acquirer’s exiting transactional localisation business within the legal/financial service sector. The focus was very much on technical and management talent. The strategic intent of the acquirer was to acquire resources to support a growth strategy that would combine technology, people and cultures positioning themselves “to become one of the world’s premier localization service providers” (President). The plan was to integrate the two companies on the service and technology platform of the target-company and “leverage the strengths of both companies to deliver a richer service offering to customers” (Chairman).

At the announcement of the acquisition the Irish operation L10N Europe, employed 75 highly educated staff including technical linguistics across twelve nationalities with an additional 85 staff of various nationalities in its mid-USA site. The HR and Quality management functions were controlled globally for the total entity out of Irish site, which was also a spring board for recruiting and training resources for transfer to its US parent. L10N Europe lost 80% of the original employees in the 18 month post-acquisition period, with further significant losses of employees recruited to replace those who left. It’s US sister company lost 2 employees during the same period. The post-acquisition integration stage of L10N was a fast paced 60 day integration process that started immediately after the announcement of the deal. This fast paced integration involved the transition of operations from its London office to Ireland and its New York office to mid-west USA. In 2015, less than 1% of the original employees are still working at the Galway facility while 90% of the US team has remained post-acquisition.

3.9.4 BSW

Originally established in Canada in the nineteen eighties providing innovative, software to service providers in the global telecommunications and energy industries. In 1995 BSW established a facility in Ireland. Having been acquired on 3 separate occasions in 1999, 2004 and in 2010, BSW currently employs 200 people at its Irish subsidiary. In 2010, BSW had been suffering from poor financial results due to lost orders and reluctance on the part of network operators to invest in new IT systems. It was acquired by a US public Software Company (USCo) in response to a dramatically changing communications industry. The acquirer needed to expand its
product offering as they had been under considerable pressure to bring its portfolio up to date and the strategic intent was to build scale and expand markets” (CEO Press release). It should be noted that this was the first venture outside of the USA for this acquirer and the acquisition of BSW is considered a horizontal acquisition with evidence there was evidence of high retention as only three employees left post-acquisition with one of them returning within a nine month period.

3.10 Methods for data gathering

The following section will address the various methods used in the data collection and includes interviews and the analysis of documents.

3.10.1 Interviews

Interviewing provides a researcher with a means of tapping into the subjective experiences of people which otherwise may be difficult to access (Peräkylä and Ruusuvuori, 2011; Harding, 2013). The interview is seen as an instrumental dialogue that provides “description, narratives and text” which are interpreted by the researcher (Kvale, 2006:484). Establishing a trust relationship between the researcher and the interviewees was an important aspect of the interview process which started at the very first point of contact (Meyer, 2001). Gaining the approval of top management for access, signing non-disclosure agreements and making the scope of the research known to interviewees helped build trust in this study. Using everyday language during the interview process helped build the relationship between the researcher and the interviewee (Flick, 2014). The use of interview data is seen as a suitable means of informing the research questions; therefore it is important to generate “quality data” from the interview (Roulston, 2010:202). Consequently, planning an outline interview guide and a schedule of interviews is recommended. The interview process can be time consuming, therefore flexibility and responsiveness to last minute changes is necessary (Harvey, 2011; Harding, 2013).

Names of employees considered as talent were provided in the first instance by senior managers at each of the subsidiaries. The HR managers from BSW, DutchPk and MedPk expanded on the list and provided the contact details of those identified. The researcher made direct contact with these employees to secure agreement to
participate in the study and all agreed with one exception. With regards to L10N Europe and L10N USA, the Operations Manager IT Services provided names and email addresses of talent identified by the COO and included those who had stayed and those who had left in the post-acquisition period. It was more difficult to make contact with those who had exited as they were scattered all over the world, however through the use of social media and personal networks contact was made with a number of them who agreed to be interviewed.

Semi-structured interviews provided a springboard for seeking the opinions and perceptions of talent in the context of their M&A experience. The preferred method of interview was face-to-face, as both verbal and non-verbal responses can be experienced providing a strong platform for qualitative research (Creswell, 2013; Harding, 2013). However, alternatives such as telephone interviews and the use of Skype™ video conferencing were useful for interviewing participants with very busy schedules and “convenient for overcoming space and time” (Peräkylä and Ruusuvuori, 2011:529) which also helped to ally costs. Telephone interviews presented the researcher with the challenge of not being able to see an interviewee’s visual responses (Creswell, 2013), however it can be argued that during a telephone interview verbal cues and hesitations can prompt the researcher to dig a little deeper as with face-to-face modes of interviewing (Sturges and Hanrakan, 2004).

The use of both taped and un-taped methods were used during the course of research, as some interviewees were more comfortable in an unrecorded scenario (Harvey, 2011) and it is argued that allowing the interviewee the option made them more comfortable, allowing a truer picture of reality to be captured as a consequence. With regards to interviews captured by a recording device, the transcription process involved different stages. Each recorded interview was first reviewed together with any additional notes taken at the time of the interview and key points noted; this was then followed up by a full transcription (Roulston, 2012). It took an average of seven hours to completely transcribe and review one hour of a recorded interview.
3.11 Interview Schedule

Fifty employees across five subsidiaries were interviewed between February 2013 and October 2014. Participants ranged from C suite executives to middle managers across a wide range of functions including operations, sales, marketing, finance, IT, and HR. The average interview time was one hour and a number of participants were interviewed more than once (Tables 2, 3 and 4). Follow up communication including meetings and emails were used where further clarification was required. The interview schedule was planned in conjunction with participants; however the researcher had to be flexible and responsive to short notices changes in their schedules (Harding 2013).
<table>
<thead>
<tr>
<th>Case No.</th>
<th>Current Position</th>
<th>Interview context</th>
<th>Face-to-face (F)</th>
<th>SKYPE (S)</th>
<th>Conference Bridge (CB)</th>
<th>Telephone (T)</th>
<th>Email (E)</th>
<th>Identified as Talent</th>
<th>Years Tenure</th>
<th>Age range</th>
<th>Nationality</th>
<th>Stayer (S)</th>
<th>Leaver (L)</th>
<th>Acquirer (A)</th>
<th>Returned Joined post-acquisition (N)</th>
<th>Location</th>
<th>Schedule</th>
<th>Total Length of interview (hours)</th>
<th>Follow up interviews/email clarifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&amp;2</td>
<td>Senior VP of Medial Division</td>
<td>CB</td>
<td>N/A</td>
<td>8</td>
<td>45-50</td>
<td>American</td>
<td>A</td>
<td>New York</td>
<td>17/06/2014</td>
<td>1.75</td>
<td>22/07/2014</td>
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<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>1</td>
<td>Business Unit Director</td>
<td>F</td>
<td>Y</td>
<td>25</td>
<td>55-60</td>
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<td>S</td>
<td>The Netherlands</td>
<td>21/02/2014</td>
<td>1.5</td>
<td>17/06/14 &amp; 21/11/14</td>
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<td>Y</td>
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Table 2. Interview schedule Case 1 DutchPk & Case 2 MedPk
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<th>Leaver (L)</th>
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**Table 3. Interview schedule Case 3 L10N Europe**
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Table 4. Interview schedule Cases 4 BSW & Case 5 L10N USA
3.11.1 Analysis of interview data

The analysis of the data involved a number of steps: 1) organising, 2) coding, and 3) interpretation (Sinkovics and Penz, 2011). The first step of organising include setting up different folder structures on a computer to store data and mirroring this folder structure within NVivo10 a Computer-Assisted Qualitative Data Analysis software. The folder structure reflected the five subsidiaries being studied, which were broken down further into sub-folders e.g. interviews and documentation. This established a chain of evidence and facilitated the “storing and organising a large data set in different formats” (Sinkovics et al. 2008:701) allowing for construct validity. It was initially planned to use NVivo10, to support the coding of the data; however after a number of issues with the software it was decided to code manually and use it for content management and traceability purposes. Data analysis started immediately after the transcription of each interview and after non-recorded interview notes were written up. Immersing herself in the data, each interview was reviewed line by line and codes were assigned, initially using coloured markers. The coding scheme was of a priori theoretical orientation (Creswell, 2013) and based on the theoretical framework. The initially coding was broad and required a second pass involving “a data reduction process” (Jonsen and Jehn, 2009) and finally the coding levels was narrowed down into themes that fitted within the theoretical framework (Figure 5 & 6).

Figure 5. Initial Coding on Psychological Contract and Embeddedness
The data analysis was an iterative process going back and forth through previously coded interviews adding value to subsequent interviews during the course of the research as the study progressed. While the interviews were a core element of the data analysis, notes on the interview context were also important in terms of interviewees’ tone, sounds made e.g. sighs, humour, silences and the general atmosphere during the interview which added a deeper dimension to the data. The final stage in the analysis of the interview data was interpreting the themes that emerged for the second pass coding by comparing interviews across the five subsidiaries. This was an exciting part of the process as very clear themes of organisational embeddedness and psychological building blocks emerged.
3.11.2 Document analysis

The legalities that surround an M&A process provide a rich source of documentation that can throw light on an otherwise difficult area to access. Documents construct their own reality providing “proof of events and roles” (Coffey, 2014:374) and are a complimentary strategy to the multiple case research (Flick, 2014). Documents enriched the research and were valuable sources of information used in preparation for interviews (Piekkari et al, 2009); constructing a timeline of the acquisition processes under study; while also corroborating evidence from interview data (Bryman and Bell, 2007). Documents also helped build up a description of the acquirer and the target subsidiaries. Over two hundred documents were analysed during the course of the research including: archived company documents, strategy documents, due diligence records, photographs, diaries, HR documents, emails, a number of historical and real time talent appraisal review documents, press releases and financial reports which are in the public domain (Appendix J). The majority of these documents were of a sensitive nature and provided not only a different angle from which to view the research, they provided objective evidence of the acquisition process itself and aided in the process of triangulation. It is the opinion of the researcher that extensive access to documentation was granted only because a relationship of trust was developed between key informants and as previously mentioned the researcher signed non-disclosure agreements with four out of five of the subsidiaries. All company brands and logos, individuals and company names were ‘black lined’ out of the documents used for the research.

It is important to mention that during the course of the research MedPk and DutchPk were divested by PAK and acquired by a private equity group. It was unknown how this was going to affect the study, therefore in November 2012 three key informants (BUD DutchPk, BUD MedPk and the Global IT manager) were asked to keep an events diary during the divestiture process. Diaries provide an opportunity for researchers to gain insights into individual's reflections of events where the researcher might never have an opportunity to otherwise access (Lewis et al., 2005). The divestiture involved a due diligence process which was highly secretive, where confidentiality agreements were signed by key members of the target firm (Galpin and Hendron, 2007). Due to this secretive environment it is almost impossible for a
researcher to gain access to the target firm and the use of dairies was an innovative way of getting a window into this world through the reflections of the key players involved. The data from these diaries was intended to add depth of perspective to the research. However, to protect the confidentially agreements of these resources, it was agreed that the researcher would not seek access to the content until after the divestiture was complete and this took eleven months. While diaries can be a rich source of events, consideration should be given to questions about relevance for the overall purpose, benefits and drawbacks and how they fit into the overall research strategy (Alaszewski, 2006). Additionally their use for research can be challenging as there is can be lack of clarity around how the informant should use them (Alaszewski, 2006). Taking this into account, the diarists were instructed that the blank diaries were for recording personal commentary, reflecting the role, activities and reflections during the divestiture process; that the diary should be maintained on a regular basis noting the date of each comment as they related to their involvement in the process. At the end of the eleven months, two out of the three diaries were returned as one of the participants failed to maintain his diary (Rieman, 1993). The diary data was typed up, reviewed line by line and coded. For the most part the events recorded in the diaries were unrelated to the acquisition of MedPk and DutchPk by PAK. However, specific entries in the diaries that were related to the informants’ experiences of the PAK acquisition provided interesting insights into their motivations to remain with the organisation.

3.12 Triangulation

Triangulation promotes quality in research (Flick, 2014) and increases reliability and validity by taking “different angles from which to look at the same phenomenon, by using different data collection strategies and different data sources” (Gibbert and Ruigrok, 2010:713). Providing a frame that determines the boundaries of the research (Stoecker, 2006) “case studies require skills to access data and to analyse and interpret documents, interviews, observations and experiences” while maintaining a constructively critical view of the data gathered (Gummesson, 2007:230). Research is “as an act of symbolic interaction…which requires rules of methods of [researcher] conduct” (Denzin, 2006:313) and this qualitative research produced multiple sources of evidence which Yin, (2009:18) argues must converge in a
“triangulating fashion”. It is argued that we have an ethical obligation to minimize distortion and misunderstanding by deliberately building validity into our research (Stake, 1995). Seen as substantiating the evidence presented, Creswell (2013) believes that validation is a measure of the accuracy of the findings.

Yin (2009), suggests a number of case study tactics involving tests that he argues must be used throughout the research. His tests include construct validity used in the data collection and the composition phase of the research; internal validity in the data analysis stage; external validity in the research design phase; and reliability in the data collection phase of the research. One can argue that not all of these tests are necessary in a multiple case study with Guba and Lincoln (2001:6) proposing alternatives to reliability, internal validity and external validity as “their very “parallelism” to positivist tenets renders them less than fully adequate for determining the quality of a constructivist approach”. These authors prefer to use criteria such as credibility, transferability, dependability and confirmability (Guba and Lincoln, 2001) as the primary criteria against which to assess the “trustworthiness and authenticity” of qualitative research (Bryman and Bell, 2007:411). According to Denzin and Lincoln (2003:69) “validity in qualitative research has to do with description and explanation and whether or not the explanation fits the description…there is no one “correct” interpretation”.

In order to develop a set of operational measures to strength the validity of case study research, multiple sources of evidence were used and a chain of evidence established to establish full traceability (Yin, 2009). The multiple case study design also lends support to the validity and reliability of the findings as multiple cases allow for replication and cross comparison. A research protocol was followed to aid in the development of the research evidence in a systematic way (Yin, 2009). The sources of evidence included data from interviews from multiple levels within each of the case studies, diaries of a number of key players and archival documents that were cross-checked (Denzin and Lincoln, 2003).
3.13 Conclusion

The world of M&A is “far too complex to lend itself to theorising by definite laws as with the physical sciences” (Saunders et al, 2007:106) therefore a quantitative study would have been limited in its ability in getting behind the story of what compelled talent to stay or leave an organisation post-acquisition. Following Meglio and Risberg’s (2010) suggestion that it is time for a methodological change and in response to calls for more qualitative research this study followed a qualitative research design using a multiple case study strategy. Cross-border M&A present researchers with an exciting, dynamic, fast paced, significant change environment that can alter the working world of employees from all levels within an organisation. The aim of this study was to capture the “real life” context of that reality and address how and why employees identified as talent react at each of the stages of the acquisition process. A multiple case study strategy was the vehicle of inquiry into the nature of the world of talent and was an appropriate design to gain an understanding of the motivations behind talents’ decisions. This study throws light on talents reactions and their subsequent actions in the context of the acquisition process using a wide range of evidence from documents and in depth semi-structured interviews. The researcher became close to the actors in their actual working environment which gave her an opportunity to observe talent first hand while getting a sense of the organisational culture. A level of trust was built where the actors felt comfortable enough to share their acquisition experiences and interpreting the narrative of the interviewees aided in understanding the uniqueness of the context of the respective M&A being studied.

The next chapter will address the research finding across the five subsidiaries studies against the backdrop of the three stages of the acquisition process.
Chapter 4.      Research Findings

4.1      Medical Packaging Subsidiaries

4.1.1      Strategy behind the deal

PAK’s long term strategy was to grow their raw material business within the global healthcare industry. Following a vertical acquisition strategy which allowed them to expand within their supply chain towards the buyer end of the market in terms of packaging solutions to Medical Device and Pharmaceutical clients. It was agreed at board level that integration was to be light touched as they needed to rely on the rich source of market knowledge and network connections of target talent within the Life Sciences sector.

According to the CEO (President’s Newsletter, January 2006):

“The acquisition addresses our strategic initiative of ‘Focus on Markets’ by strengthening our position in an area of profitable growth. It builds on our presence in both medical and industrial packaging and represents an attractive growth opportunity for our products and technology”.

The target organisation MP was a holding company that consisted of a Dutch based subsidiary (DutchPk) and its Irish based subsidiary (MedPk), employing a total of 450 people. 95% of MP was owned by two Dutch brothers, one of which held the role of the Managing Director.

4.1.2      Transaction stage

PAK had shortlisted a number of potential target companies in Europe and in March 2004, the Dutch owners were approached by the M&A team with a view to exploring the possibility of an acquisition. MP had been previously targeted for acquisition a number of times and the brothers had no interest in selling. However, they had no one to pass the business on to within the family and the timing was right. One month after the initial approach, the acquirer’s M&A team arrived at the Dutch site ‘in cognito’ as potential customers. They were required to sign a Non-Disclosure Agreement restricting them to communicating only with managing director and a KPMG senior partner. “Dutch law allowed us to identify the key guy as I needed to be free to communicate and negotiate” (Former Owner).
A letter of intent was signed at the end of June 2004 and over the next four months the acquiring team visited the Dutch facility a number of times. It should be noted that there were no site visits to the Irish subsidiary until after the deal was announced and when the due diligence expanded. The negotiations were for the most part lead by two senior members of the acquirers M&A team and a senior VP who would eventually lead the newly combined organisation. In November 2004, the deal faltered as the acquiring CEO was not showing an interest in the acquisition and it was important for the Dutch owners to get a sense of who would be running the company.

“I worked seven days a week including Sundays for 30 years non-stop to the detriment of two marriages. So I refused to let the deal go any further as I needed to meet the guy. He flew over two days later for a visit, so I was happy to proceed with the negotiations once I had met him” (Former Owner).

The offer was double what his partner was looking for so they agreed to sell, the letter of intent was signed and the due diligence process began in earnest as the acquirer was keen to close the deal. The management team at MedPk the Irish subsidiary were kept completely in the dark with regards to the pending acquisition. The BU Director, who was a minority shareholder, only became aware of the acquisition two weeks before it was announced and his reaction was one of shock.

“I was devastated, I ran the company for the last 14 year as if it was my own and we had achieved great things, the relationship we had built up with the family run Dutch company was excellent. In many regards we were not only business colleagues we were friends, and we shared the same desire to grow the company, building up customers and at the same time have fun” (BU Director MedPk).

Once he became aware that MedPk was being acquired he called the management team of the Irish subsidiary together and informed them that they were being acquired in advance of the announcement. While they were surprised that they were being sold, they were not particularly concerned at this point as this was their second experience of being acquired. However, this time the acquirer was American and reactions were mixed:

“Wondered how it would affect my company in Ireland and what impact it would have on the business itself and the on the business itself and the employee structure” (Supply Chain Manager MedPk).
Employee reaction at the Dutch plant was one of shock as it had been a family business since the early 1950’s.

“I was surprised and disappointed” (Business Development Manager DutchPk).

4.1.3 Transition Stage

Simultaneous announcements of the acquisition were made at both subsidiaries. The newly appointed VP of the Medical packaging division and the UK HR Director attended the announcement at MedPk. While the owner managing director at and his brother made the announcement at DutchPk.

The central message delivered in the communication was that the acquisition was seen as a “marriage based on similar values and belief systems...and jobs were safe” (HR Manager). PAK made it very clear from the start as to what they expected, and a code of conduct booklet was handed out to each employee at both subsidiaries. Included in the pack of information were two separate booklets called Company Culture and Trade Secrets. As part of PAK’s corporate vision they aspired to be an exceptional company for their customers, employees and communities. At the announcement it was emphasised by the UK Director of HR that the code of conduct was “rooted in common values that have evolved through the interaction of people drawn together by a need for meaning in their work lives” (Company Culture, page 2). The BU director at MedPk had another view and believed that the code was motivated by a need for compliance to the rules of corporate governance as dictated by US law. This gave him a clue as to the culture of his new employer. Employee reactions to the official announcement from both the Dutch and Irish subsidiaries was greeted with curiosity, excitement and the anticipation of being part of a growing global company and for some feelings of disappointment.

“Surprise at first as I was not aware of it and then a degree of anxiety about what it would mean for us” (Senior Manager MedPk).

“It took me by surprise initially and then I guess curiosity. I was curious to find out more about the company. Maybe a little uncertain as to what the future held” (Buyer MedPk)

“I was quite optimistic, I like change and opportunities to learn and I felt it was a good opportunity to grow for us as a company” (Customer Service Manager DutchPk).
4.1.3.1 HR Due Diligence

“If the big piece gets screwed up then everything gets screwed up. It doesn't matter how good the small piece is” (VP Medical Division).

The Dutch subsidiary was three times the size of the Irish subsidiary and the due diligence by and large focused on the parent company with a superficial due diligence carried out at MedPk. There was very little HR due diligence done at all as HR was not high on the agenda of the acquiring CEO. The main focus of the due diligence was on financial data “it was all about the assets” (BU Director DutchPk). According to the VP Medical Division talent was certainly identified, however,

“There was not high enough level people to do the talent assessment…it's a very high skilled role in a way, it's tough to delegate and to have things not go array” (VP Medical Division).

Her view was that HR tended to focus more on policies and benefits and not harmonisation. This VP took charge of the talent assessment process, as in her view it required knowledge of the business and she believed that there were very few HR people at PAK with this knowledge capable of carrying out the assessment. This VP was to lead the newly combined organisation and her strategy was to identify talent based on what was required to make the business succeed.

4.1.3.2 Identification of Talent

PAK were keen to establish and identify the key people that were important in terms of sustaining the value of the business going forward. Although there was a list of talent identified at both subsidiaries there was no policy for formally recognising talent. The entire management team was assessed including the Dutch owner managing director. As the acquirer was a public company and the target a private owner managed organisation, PAK had to decide what role the managing director would play in the business and how critical he was along with other key employees.

“If you believe you need them, if you haven't chosen a transition strategy that exits them from the business right away you have to really assess their motivation and their emotional capabilities to work for somebody else” (VP Medical Division).

A transition plan addressed how they were going to transition key employees and included an evaluation of the retention risks. According to the VP Medical Division
they “mitigated the risks of losing talent by including retention packages as part of the transition plan”. Seen as human capital the key people identified at the transaction stage included the Business Unit Director at the Irish subsidiary MedPk, members of the commercial sales team at MedPk and DutchPk, the group financial controller and the technical director at DutchPk. During the due diligence it was evident that there was a much stronger performance assessment culture at DutchPk than PAK.

“They had assessments with employees twice a year, there were reviews etc. The issue was of course that it was all in Dutch! I'm sure that [the HR Manager] never really understood what we meant when we were using words like talent management, succession planning, talent pool. I am sure that [he] just never even translated these terms.” (VP Medical Division).

These were not translated into English and as a result the identification of talent and high potentials at DutchPk was based on verbal input from the management team.

At DutchPk talent were identified “but we did not have a plan in place for them” (Customer Service Manager DutchPk).

4.1.4 Integration

PAK had a very detailed strategy and rationale behind the acquisition. To facilitate the integration process a new medical packaging business unit was established and headed up by a senior VP of the corporation. This VP had a complete integration plan which was approved and signed off by the acquirer’s Board of Directors after the deal was signed. This integration plan was aligned to the acquisition strategy and included an assessment of the business and “what they were going to do with the business post-acquisition” (VP Medical Division). PAK’s CEO emphasised in the Presidents Newsletter that they expected the integration to be “smooth and seamless”. IT and Finance systems were integrated immediately, but according to the IT manager, technologically it was a backward step for the Irish operation and a forward step for the Dutch. It is interesting to note that DutchPk and MedPk were never integrated after the Irish subsidiary was acquired previously by the Dutch brothers who were happy to let the business unit director free rein to run the business in Ireland and occasionally “let him stir up things with DutchPk by doing things differently” (Former owner). During the first 18 months post-acquisition both subsidiary management teams had full autonomy to run the respective businesses as usual. PAK continued to treat them as separate organisations.
“There was absolutely no connection…no IT link between the two of them…no HR link” (IT Manager).

“Our former owner stayed on…and he tried to keep things as they were. Changes came quite gradually” (Customer Services Manager DutchPk).

A turning point in the relationship was triggered by a deterioration in revenue 18 months post-acquisition. A senior executive was transferred from a non-related European PAK division to manage both subsidiaries. Under the direction of the VP Medical Division the two subsidiaries were restructured and moved from a hierarchical to a matrix organisational structure. However, it appeared that the matrix structure was not thought through as there was a disconnection between the local approach and the corporate thinking.

“The functional links/matrix links were not as strong as they could be but again I don’t know if this was under our control” (HR Manager MedPk).

The Financial Controller MedPk reflected:

“My position as financial controller changed to direct reporting line to the PAK. She knew absolutely nothing about the business.”(Financial Controller MedPk).

According to both business unit directors, the senior executive put in charge of PAK Europe did not understand their business model, had no experience of the packaging industry, and his style of micro-management was alien to the group. This position was a stepping stone for him to get back to the US, where he was eventually transferred to manage a third acquisition within the group (BUD MedPk). His arrival precipitated the exit of the original Dutch owner managing director:

“18 months into it [a Swiss executive] was parachuted in. We were told this was an interim position. [BUD DutchPk] was talking behind my back and when I found out I handed the keys of my office to him and told him the job was his” (Former Dutch Owner).

At this stage morale was very low at DutchPk as they were already going through a cost cutting process which would eventually make 100 employees redundant. The fact that the managing director was leaving added to their burden as he had recruited all of the management team. Now he was being replaced by the Technical Director who was not seen as the right fit. One of the commercial team felt that the due
diligence had been insufficient; otherwise the VP Medical Division would not have promoted the technical director.

“They should have brought in someone new from the outside. He was technically strong, statistically data driven…. he has no entrepreneurial spirit, is a very good cost cutter…he would have been better in the military” (Former Owner).

“He has no people skills, no people management skills. He has a dictatorial style, he's production driven, he's a bureaucrat he doesn't value the customer relationships. He's putting our client relationships at risk” (Senior Sales Manager DutchPk).

What was rather surprising was the fact that despite the high retention of talent, there were mixed views as to whether integration was ever successful. This was put down to the fact that shortly after being acquired PAK acquired a large unrelated company and the spotlight shifted and things slowed down.

“The process of getting things done was very formal and slow and people were risk averse. After a few years we were no longer of strategic importance and all investments were stopped” (Customer Service Manager DutchPk).

“From a professional point the period with PAK was instructive… there is much more specialism with large firms and if you have the right contact you have a lot of advantages form this knowledge” (Financial Controller DutchPk).

4.1.5 Talent Retention

As mentioned previously, PAK wished to retain the respective management teams of the acquired subsidiaries because they were moving into a market segment where they had little experience.

“A completely new market territory that was European-based and they didn't have the wherewithal to understand what the key drivers were in supporting and growing that market. So they were very keen in holding onto the existing management team” (BU Director MedPk).

They focused on retaining the people who knew the business inside out, those who had valuable market knowledge and who had developed deep client relationships. Retention packages in the form of monetary stock options were given to the three senior managers who were the most critical to retain. There were also special employment contracts drafted to retain members of the commercial team “then the rest of it was more just on an emotional and personal basis” (VP Medical Division).
The former owner agreed to sign a three year contract with the new entity and according to the VP Medical Division, what mattered to him most was the people at DutchPk and their employment. After 2 years it finally became too tough for him as the projected growth wasn't realised and, PAK needed to make another wave of cost cuts which was “something he just couldn't do” (VP Medical Division). He left before his contract was up and the technical director reluctantly took over as leader of the Dutch business unit.

“I didn't want position of business unit director but felt that there was no choice but take it on” (BUD DutchPk).

This change in senior management was a culture shock in itself to the Dutch subsidiary employees. While they were used to dealing with him in his capacity as technical director, his style of management was very different to that of the former owner.

“He was direct and once he made his mind up he didn’t change those opinions” (BUD MedPk).

“There was no clear style of management. Objectives and goals were not set clear. Responsibilities were not clear” (Financial Controller DutchPk).

At almost the polar opposite, the style of management at MedPk was seen as being very open, transparent, and honest with every opportunity given to anyone interested in developing their skill sets both from an academic or business perspective. The atmosphere was seen as being conducive to learning with a philosophy of continuous improvement and customer welfare. All employees were given the opportunity to excel in their current disciplines, and given opportunities to move to other subsidiaries within the group as “we are a great believer in the mobility within the organisation” (BUD MedPk).

4.1.6 Talent Retention Strategies

Talent management at the acquirer organisation PAK was defined as working “in partnership with the business to attract, select, develop, reward and retain a world-class workforce ensuring PAK continued success” (HR Manager). Top management in PAK believed that in order to give the company a competitive advantage they needed to equip its people with the right knowledge, skills and competencies to achieve its mission and strategy. Tapping into the collective strength of the
workforce, PAK’s priority was to ensure that the skills required to drive the growth strategies of the business were in place and also to identify and nurture leadership talent. This was operationalised through the provision of training, the use of consultants, access to tools and resources, and the cultivation of leadership and diversity. Most importantly they facilitated an environment where each employee would take ownership for their own personal growth and development. A similar system was already in place at MedPk where they had a very strong ethic in terms of continuous improvement and people development. However, at DutchPk, “whilst it was a very good system and within that environment they took very good care of their people or tried to - it focused on the lower levels of people” (VP Medical Division). At DutchPk there was a conflict with recognising talent as the business unit director did not believe in differentiating them.

4.1.6.1 Performance Management

There were four elements to the performance management system and the starting point was setting direction through SMART\(^1\) goals with a priority on goals that were linked to the strategic plans of PAK. With a focus on learning by doing, line managers were expected to support their direct reports through coaching and managing outcomes for future performance.

![People and Performance Model](image)

**Figure 7. People and Performance Model**

\(^1\) SMART goals is an acronym and according to training documents analysed during the research at DutchPk they stand for Specific, Measurable, Achievable, Results focuses and Time Bound.
The next stage in the process was appraising performance through bi-annual and annual reviews, managing the outcomes of the performance through rewards, and placement for further development opportunities (Figure 7).

4.1.6.2 Appraising Performance

Within 12 months of the acquisition, PAK replaced the existing management by objectives (MBO) driven annual appraisal review system with a talent management system that focused on human capital called “Success Factors”. It was not an easy transition and while managers adapted to the new system over time, it did present them with problems. Success factors had elements of the previous paper based MBO system, where goals were set, reviewed and measured. However, with Success Factors each of these goals were weighted in terms of importance to the business strategy and rated on a scale of 1 to 5. The link with the pay review became a subjective exercise as when line managers were allocating the funds set aside for salary increases there was little consistency in the way it was distributed which made it very difficult to manage as a result.

The performance review was seen as a ‘two way street’ with advance input from the employee. At the appraisal review the line manager would discuss and document performance observations listing facts and detailing incidents and examples in support of the observations made. The data gathered as a result of the performance reviews were updated within the HR system. In addition to providing input for the annual pay reviews the performance review provided input to succession planning in the form of Talent Matrix Review (Figure 8). While corporate HR and senior management were involved in the talent review, it lacked a connection with pay reviews.

“We ran into all sorts of difficulties. The system itself was good, the structure was very disciplined. There was visibility as to when the appraisals should take place and you couldn’t actually process it to the next stage for review until such time as whatever criteria that was mentioned was covered off in detail. So from that point of view I liked it, the difficulty was that at the end of the year the compensation associated with the SF process seemed to implode and disconnect” (BUD MedPk).
4.1.6.3 Talent Matrix

The results from the success factors review had a direct influence on the pay for performance element of the salary adjustment. Parameters were set by corporate HQ against the ratings; however, there was some scope and flexibility for management decisions around the particular increase. Employees at management level participated in mid-year and end of year appraisals. However, there was evidence of a two tier review system where a paper based system was used for lower level employees in the second tier.

“Pay for Performance only [went] as far as technical operator level. People below that who excel [were] not recognised by the corporation in terms of additional reward and this [had] its drawbacks” (HR Manager).

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<th>4. High Professional</th>
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<td>Consistently produces exceptional results and high performance ratings in a defined but focused way. Knows current job extremely well. Does not always readily adapt to new situations, particularly those outside their functional area. High Professionals are very valuable to the organisation. May be promotable within functional/technical area.</td>
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<th>7. High Professional Plus</th>
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<td>Consistently produces exceptional results and receives high performance ratings. Is particularly good in one or more areas, businesses, geographies, functions, or specialised skills. Can adapt to new situations and learn new areas. May be promotable in multiple functional/technical areas or general management.</td>
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<th>9. Consistent Star</th>
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<td>The best there is and the best you have. They are typically in short supply but in high demand. Performs well in almost everything they take on. Leans fast. Transfers learning from one area to another. Resourceful. Gets things done under tight deadlines and resources. Has the ability to take on major stretch assignments in new areas with promotions and lateral movement into just about any situation.</td>
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<th>2. Solid Professional</th>
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<td>Consistently meets and may occasionally exceed expectations. Knows current job well. Does not effectively adapt to new situations. Has a narrow bandwidth in terms of professional interests.</td>
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<th>5. Key Performer</th>
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<td>Meets the expectations of the role. Understands and knows the current job well and enhances skills for their current job as well as near-term future. Comfortably assumes new jobs and roles and performs well in them in time. Probably promotable a level vertically or able to move laterally within the organisation.</td>
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<th>8. Future Star</th>
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<td>Consistently meets and sometimes exceeds expectations and has the capacity to take on new and different challenges on a consistent basis. Addresses new challenges and issues with ease. Quickly gets up to speed when taking on a new assignment. Has the potential to make career changes into different situations.</td>
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<th>1. Low Performer</th>
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<td>Not delivering results as expected and cannot effectively adapt to new and different situations. This cell returns the least value for development effort and resources. People in this cell may require performance action.</td>
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<th>3. Inconsistent Performer</th>
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<td>Has some potential to do more but has not yet fully demonstrated it. Is not meeting performance standards applied to others in the organisation and, as a result, is struggling. May be new to the job or company. May be in the wrong job or function.</td>
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<th>6. Diamond in the rough</th>
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<td>Diamonds on the rough are truly high potentials. Most would agree that they have the potential to perform and to do great things for the organisation. The have potential, but as the title suggests, the actual playing out of the potential is in the future. They have either not had sufficient time or opportunities to demonstrate what they can do or have been inconsistent in the past. Some may have had one or more significant stumbles recently but people still think they have the potential to break out and be a significant contributor. May be in the wrong job or poor fit for the current situation.</td>
</tr>
</tbody>
</table>

Figure 8. Talent Matrix

In 2011, after an acquisition of a large chemical company, PAK made the decision to adapt some of this chemical company’s HR system with elements of their own. They incorporated Lominger competency mapping from this target company’s talent
management system with *Success Factors* and focused on competency modelling and succession planning, rolling it out to the five Medical division subsidiaries which included MedPk and DutchPk. The main change focused on high potentials and talent who were to be evaluated on performance, potential and readiness for their next role and where each individual’s key strengths and key development needs were identified.

As part of the roll out the senior executives at HQ determined a number of leadership behaviours in identifying future leadership talent such as: acts with strategic agility; builds great talent; drives growth; is inclusive; works with passion; leads with integrity and operates with full transparency. A list of sixty seven competencies and nineteen ‘career stallers and stoppers’ were also identified within a 102 page document. During reviews employees at a certain levels within the organisation was rated from a scale of 1 (low) to 5 (high) against these competencies. Training on the original system was inadequate, yet *Success Factors* was seen as useful by the business unit Director at MedPk who eventually adapted it to suit their own needs at the Irish subsidiary after they were divested in 2013.

While PAK had invested significantly in this talent management system, it failed to follow through with funding to develop employees identified as high potential or as talent. The management team at DutchPk underwent intensive training in coaching and developing leaders, but they lacked the investment required to develop talent further. Yet despite the lack of funding, the development of talent at MedPk flourished. This can partly be attributed to the different management styles of the two business unit directors. The business unit director of MedPk was seen as a people person with broad management experience in a multinational environment with a passion for developing his management team. Whereas his counterpart at DutchPk was seen as a numbers man who had worked at the same subsidiary for 25 years in a technical area. The business unit director of DutchPk argued that his hands were tied:

“After the acquisition PAK seemed to be selective about taking the initiative on talent when DutchPk were looking for funds to develop this talent”
4.2 BSW

4.2.1 Strategy behind the deal

USCo’s strategic intent was “to build scale and expand markets” (CEO) and acquired BSW for its unique suite of SW products would fulfill this strategy. BSW provided USCo with a greater scale to grow the business as the acquisition brought a presence outside of North America, with 400 clients, an additional 1,500 people from 24 countries and a 40% increase in revenue. As both organisations were in the Telecoms SW industry with similar products, the acquisition can be described as a horizontal acquisition. While USCo and BSW shared a common industry and a common goal with regards to clients there were fundamental differences between BSW and USCo. They each had different products, serviced different markets, operated different corporate governance, and the fact that USCo had no international experience presented BSW with challenges from the start. Executing the strategy was to involve leveraging the BSW suite of products and domain expertise to support the growth and expansion of the acquirer’s client base. In this regard expertise in the form of technical knowledge was seen as pivotal in identifying talent at the earliest stage of the acquisition process. Integrating the additional employees, with new processes, and operations were seen as new risks to the business that needed to be managed carefully. Based on previous negative acquisition experience USCo executives planned a light integration, allowing BSW full autonomy to run the business as usual (VP Professional Services EMEA).

4.2.2 Transaction Stage

Prior to being acquired BSW had been suffering from poor financial results due to lost orders and a new CEO had been installed where it was an open secret that his mission was to sell the company. Rife with rumours it was well known that BSW needed investment to sustain the business, and senior management felt that an acquisition was inevitable. Despite the rumours the pre-deal negotiations were a well-kept secret and top executives at BSW only became aware of who actually had acquired them on the evening after the close of the US stock market. In September 2010, as they were a public quoted company, USCo publically announced their intention to make an offer for all issued shares of BSW. At the time of the
announcement the VP Professional Services EMEA was in Europe with the COO, signing a new sales contract and not a word was mentioned to him until later that evening post-market close. His personal feelings were that he needed to understand who USCo were, what their company culture was like, their track record and also what future plans they had with respect to BSW and its employees. Senior management were not surprised at the announcement:

“You look at it with fear, opportunity, all of those things together I guess in terms of both your own personal job security, as well as the organisation that you are leading, in terms of what would those plans be” (VP Professional Services).

“I guess there was relief in the sense that it was a software company. That its existing assets were largely complimentary to the [SW] and CRM assets and the product set and that it wasn't a direct competitor that was acquiring us purely for the customer base and therefore might just start disassembling the employee base” (Senior Programme Manager).

Due diligence started during the transaction stage of the acquisition process and while it predominately focused on the legal, financial and technical aspects of the deal, the HR due diligence did not effectively start until the transition stage immediately after the announcement of the deal and continued for a 4 month period.

4.2.3.1 Talent Identification

As BSW derived a large percentage of its revenues from software licenses and professional services, key positions were identified; however, this was not until after the announcement. As previously mentioned information on high potential and key employees was provided by BSW’s corporate HR department early in the transition stage. It should be noted that the VP of Professional Services who was the most senior executive in the Irish subsidiary was not asked to provide input on talent until the integration stage of the acquisition. He was however, instrumental in aligning identified talent with the planned organisational changes that had been incubated prior to the acquisition which due to lack of investment had not been implemented. These changes included a number of role changes for talent that would create new challenges for these individuals and was a deliberate effort to retain talent at BSW. The changed roles included the Resource Manager who was promoted to the position of Program Director with responsibility for managing the implementation of a new
agile 2 process; a Program Manager who moved from Professional Services to lead the Central Solutions Team and a Solutions Architect was promoted to a role of Senior Program Manager allowing for a tighter link between operations and sales. USCo were serious about talent retention as reflected in significant investment in BSW products and expanded talent in professional services across the global organization. USCo’s strategic focus was on bringing new skills and talents to market which involved expanding the roles of SW architects “making them rounder” and tapping into and further developing their non-technical skills (Architect). Investing in talent was a core strategy to ensuring the highest quality technical, interpersonal, and managerial skills were focused on the business and clients (USCo Business Strategy, 2013).

4.2.4 Transition Stage

USCo is a NASDAQ quoted public company therefore there were certain communication protocols to be adhered to. Communication was controlled by the Media and Investor Relations departments at HQ. The message behind their communication philosophy needed to be timely and take into account all stakeholders. The acquirer adhered to the original acquisition strategy and recognised from the start that they were not as technologically advanced as BSW. The core message was business as usual.

“Essentially they said that we don't really know an awful lot about your business so continue doing what you're doing” (HR Director).

According to the VP Professional Services, the first year was all about USCo getting a more in-depth understanding of the business without disrupting the operation. Product strategy, professional services and sales strategies were unchanged neither did they interfere with the operational side of the business. Where they began to see some immediate change was in corporate governance in terms of financial reporting and the need to ensure that USCo executives were aware of what was going on with the EMEA business. USCo were quick to adapt the BSW commercial approvals process for small deals as their own model was based on large deals and this sent a positive signal to the BSW management team.

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2 Agile processes “focus on facilitating early and fast production of working code, and are based on software development process models that support iterative, incremental development of software” (Turk, France and Rumpe, 2005:62).
“So it was a two-way [street] in terms of the processes leveraged from the business, they now have to look at [the business] from another P&L perspective than they would have looked at [prior to the acquisition]” (VP Professional Services EMEA).

4.2.4.1 HR Due Diligence

As previously mentioned the HR due diligence did not effectively start until after the deal was signed and for the most part data was provided by the Global HR Director U.K. and Executive Director HR EMEA. The HR data gathered in response to two pages of audit questions was focused on getting visibility of the technical aspects of HR (HR Director EMEA). For example employment contracts; types of compensation structure; payroll processes; performance structures; risk and insurances; employee length of service; disability and any pending litigation or disputes with employees (Appendix A: Due Diligence Section 11). According to the HR Director in addition to the technical HR data, USCo tried to get a feel for the culture of the BSW organisation, to get a sense of the type of organisational values held, corporate social responsibility, what kind of career progression existed. Based on the HR data gathered, USCo set about building a talent profile from the top down as to who were considered to be key in each of the regions for example EMEA, APAC, or the Americas. It should be noted that all of this information was gathered through the HR Department and it was not until later in the process that the opinions of senior management was sought. The ultimate aim of USCo was to put together a post-acquisition retention plan for key people in the BSW organisation. However, there was a deliberate decision made early on that they would not duplicate functions.

“Essentially if you had two names in a box” only one would be chosen to remain in the position (Director HR EMEA).

Therefore as part of the transition plan it was decided to terminate the contracts of the target company CEO, CFO, COO and VP of Global HR before integrating the two organisations. USCo were buying BSW’s software assets and customer base, and knowledge and expertise were two of the key factors considered in the retention plan. Therefore they wanted to retain the people who knew the software and who were intimate with the customer base.
“The intellectual property and deployment strategy from a professional services perspective was different to theirs [and] there were pockets of knowledge that we needed to retain” (Director of HR EMEA).

Organisation alignment was sorted out within a couple of months of the deal announcement and that gave a lot of clarity and to some degree removed uncertainty fairly quickly “the quicker those things are done the quicker people can begin to move on” (VP Global Services EMEA).

4.2.5 Integration

It was business as usual in the first year after the announcement and this was influenced by the fact that in its 25 years in business the acquirer had made only one other cross border acquisition which was not successful. According to the VP Professional Services this previous acquisition failed because USCo “didn't make enough effort to integrate the organisation in terms of corporate functions or governance.” This time around they were keen to apply the lessons learned to the BSW acquisition with:

“The approach they took and possibly the pace towards the integration of the organisation… even if the two organisations were very different” (VP Global Services EMEA).

They started with an integration plan that included coordinating branding activities internally. Through the acquisition USCo gained access to modern technology that would allow them grow a global footprint. The BSW brand wasn't well known in the US, so there was talk about moves from a branding perspective for something that would work globally.

“There was a little bit of bemusement when the only difference was adding international at the end of the name…wasn't necessarily the boldest of moves and people [were] expecting something a bit more” (Program Manager).

The long term plan was that USCo would fund further growth and then integrate the SW products into their own technology platforms helping then retain and grow their US customer base.

The organisation structure of the Irish subsidiary remained the same with the exception of two senior reporting lines; the VP of Professional Services EMEA and the Director of HR EMEA both of whom now reported to HQ in the USA. This
presented these senior managers with a number of challenges as they now had less opportunity for face to face meetings with corporate executives due to the move of HQ from London to the USA. USCo lacked cross cultural competence at various management levels and “simple things like language, currency, culture caused some frustration” (Director of HR). One of the biggest challenges for BSW was to come to terms with trying to educate executives at USCo about some of the ways that business was done at an international level for both men and women. They accepted this shortcoming and invested in a cross-cultural competence training tool called Globe Smart to support training in cross cultural communication for managers with an agenda for International travel and related assignments.

4.2.6 Talent at BSW

BSW recognise that there are different types of talent e.g. Leaders, functional, technical and professional talent who are value contributors. They also recognise that there is both short term and long term talent in key functions. Seen as human capital who go above and beyond their own and company expectations. They exhibit credible leadership are reliable, tenacious and ambitious, solutions oriented people with a thirst for knowledge in their pursuit for excellence. At BSW talent are seen as “heroes” (VP Global Services EMEA). These people are looked up to and as one architect stated:

“There are still individuals in [here] that people want to be like…It’s not so much their leadership no…because the ones that I am thinking of have never really been in leadership roles. It’s the way they communicate and treat people and motivate people and just pass on their knowledge and always have like, support you no matter what” (Architect).

4.2.6.1 Informal recognition of Talent

BSW do not formally tell employees that they have been identified as talent. Talent are made aware informally through one-to-one meetings with their line managers. There were five employees at the BSW Irish Subsidiary labelled as ‘talent’ and even without formal recognition it is obvious as to who these individuals were – “I think it is good that I had the likes of him to look up to and that there are individuals [here] that people want to be like” (Architect). While it was seen in a positive light by the individuals identified as talent “It wouldn’t affect my day job… I am not into
labelling you know what I mean. It’s still nice to hear” (Architect). “I'm arrogant enough to know that I'm better than most other people” (Program Manager).

4.2.7 Talent retention strategy

USCo’s talent retention strategy was categorised by leadership, communication, capability building and team involvement. These categories were subject to metrics that were regularly reported to senior executives. Execution of the talent retention strategy was led by the executive director of HR for the EMEA territories. HR programs included a financial and non-financial agenda and were aligned to the acquisition strategy. The objective was to facilitate and support desired behaviours to deliver the strategic objectives of the deal. There was an emphasis on conducting one-to-one conversations about job satisfaction and career paths with the top performers (Appendix E). Developed through USCo-BSW partnership the talent retention plan involved cross functional teams in integration planning while creating opportunities to engage people with the changes the acquisition brought, using events and meetings to facilitate the process. The idea was that they did not want the retention plan to look ‘forced’ or ‘manufactured’ and wished to incorporate fun and joint activities that would help build relationships in the newly combined organisation. Additionally a recognition program was designed specifically to support the integration goals.

USCo did not wish to retain BSW C suite executives and according to the HR Director EMEA:

“in order to change the culture and get people thinking like the bigger company, you need sometimes to change the key management, otherwise they will still want run it like when it was back in the old days pre-acquisition, so you need to eliminate some of those people from the scenario so that there is a clear flow of information in terms of new values new mission or new structure”.

He believes that being proud of the company you work for is an important aspect of talent retention. “We work in an outpost in the West of Ireland here and the number of employment opportunities are probably limited for people who want to stay in one place” (HR Director EMEA). Compared with their South African division where “it has nothing to do with pride in the company nothing to do with career development – it’s about the money”. Whereas with their sister companies in Bangalore in India,
and in Kuala Lumpur in Malaysia there is an annual turnover of up to 28% where retention is more about recognition through promotion. USCo address this through a global structure with a broad base career banding, for example in India people need to be able to demonstrate that they are getting promoted every 12 months. USCo have responded by created mini layers within that banding for their Indian subsidiary which responds to the local culture of needing regular promotion. Whereas at the Irish subsidiary they use a standard band width similar to the US parent where:

“Challenging roles and projects are seen as more important allowing for greater exposure to senior management” (Director HR).

Despite going through two acquisitions within a ten year period, retention levels were high at BSW as they lost one employee and he returned within 9 months of leaving. Talent are treated differently with evidence of deliberate retention planning, using both financial and non-financial incentives are made up of a base salary, bonus eligibility, car allowance, and a retention bonus which were immediately applied to talent at BSW post-acquisition. Non-financial incentives include continually developing people through challenging assignments and effective coaching, creating a rich feedback environment and recognising achievements through various individual and team awards.

BSW recognise that the people they wish to retain are individuals with different motivations and “you’ve got to make sure that you give them a remit” (Director HR). For example in order to retain a key product development talent he was offered a move to Denver, as it was established at the transaction stage that his primary motivation was visibility at a high organisational level where he could “rub shoulders with all the key executives at the leadership level there” (Director HR). More recently they acquired a small SW company in Sweden and needed to retain the inventor who was the patent holder of a key product, so they gave him a much higher reporting line within the organisation and made him accountable for the product strategy for “his baby”.

4.2.7.1 Stock Options

USCo have a global stock option program that is targeted at specific individuals and used for talent retention purposes. Short-term retention bonuses are not linked to performance and typically cover a 12 month period and are offered as cash payments
equivalent to 15% to 20% of an annual salary. These short-term bonuses are used solely to retain key employees required for post-acquisition integration. For talent who are seen as being key to the long-term future of the company, restricted stock units form the basis of the retention bonuses offered and these typically vest over a four-year period. This presents the employee with a number of options. If they chose to stay for one year they receive 25% of the value of the stock; for a 4 year stay they receive 100% of the stock and there have been instances whereby the employee would chose a year-on-year payment. When BSW was acquired by USCo less than 20 people in EMEA region were offered retention bonuses, which is less than “10% of the [entire BSW] population” (Director HR EMEA).

4.2.7.1 Bonus Award Scheme

Under previous ownership all employees at BSW received a standard annual bonus based on group performance and this was further developed by the acquirer. Under USCo the bonus award scheme is applicable to officers of the company and is also used as a retention tool for top-management and its subsidiaries. Based on financial performance, the bonus is paid in the form of a cash lump-sum made annually. However, it is subject to a condition that it will be paid only to those still employed by the company or its subsidiaries on the last day of the calendar year. Given that it can be up to 200% of a participants base salary it would make it very difficult for high performers to leave mid-year. However, regardless of the achievement of individual performance objectives if the corporation as a whole do not meet the target revenue and operating income then no bonus awards will be paid.

4.2.7.3 Recognition awards

USCo introduced a global recognition scheme called the World of thanks, where employees can post a ‘thank you’ on line, which is visible globally within the organisation. Senior management do not believe that it works in the Irish culture and that a face to face “thank you” might show more appreciation in the Irish context rather than posting it on line for all to see. If the individual is giving out a ‘thank you’ too easily or regularly then it loses its essence and becomes not so special after all. The VP Professional Services cautioned that care needs to be taken with how these tools are used and how they can be interpreted.
“We are trying to break down the barriers that are there, that are inhibiting let's call it the recognition and there is nothing wrong per say with what we are doing it is just not going far enough at times” (VP Professional Services).

Recognition and financial rewards get company wide publicity communicated by the CEO through a corporate video. The process requires a written recommendation for a nominated employee and one of the key challenges is actually getting the managers to put a little effort into writing on paper as to why an individual or team is so notable.

There are team awards and individual awards granted. However, another challenge revolves around the question of whether it should the team who get the award or the individual leading the team. There was an incident where a particular team had received an award during the year which was recognised throughout the organisation globally. However, the leader of another team was awarded one of the highest recognition awards the ‘Game Changer’ and his team did not receive any recognition at all other than a local thank you from him. This was deemed unfair and as one of the architects stated “a man isn't an island you know” (Architect BSW).

4.2.8 HR Policies

At BSW the HR director believes that age, length of service, lack of opportunities in the local area, location and lifestyle, influence why people stay at BSW. The evidence highlights that HR policies had a role to play in talent retention. With demonstrated effective communication supporting strong psychological contracts, and a strong bond between the employees, their colleagues and the leaders of the BSW subsidiary. Prior to the acquisition BSW had an appraisal review system that they had inherited from a previous acquisition, and which was essentially optional. Self-appraisal based it included a discussion with a line manager and was signed off at the discretion of the respective line managers. It was a paper based and laborious process that lacked rigour and was not effective. USCo were very serious with regards to the annual performance review and emphasised that was absolute must and made significant changes to the process. First of all they introduced a cloud based human capital software tool for talent management called Success Factors. “Success factors is really neat and it links your whole performance, management structure into your compensation structure” (Director HR). It is mandatory that
annual salaries reviews are carried out by 1st of March each year, and if individual goals are not set in January for the coming year, then there is no salary review for that individual. If a performance appraisal is not completed and signed off by a certain date in February, then the employee does not get a review or a bonus based on the prior year.

“It’s effective as everybody realises that [they are] putting [their] raise or my bonus at risk here, I will get the performance review done” (Director HR EMEA).

4.2.9 Strong Performance Management Culture

“I take pride in being a credible leader and that I perform to what my own or others expectations might be and the feeling that you are contributing.” (VP Professional Services).

USCo introduced a very strong performance management culture at BSW which is reflected in the compensation and pay policies. A bonus is achieved only in instances where an employee fully meets expectations; otherwise they are seen to fail to deliver on what they committed to at the beginning of the year. As previously mentioned the maximum bonus for any calendar year is 200% of the annual base salary. This is based on the achievement of individual performance objectives and pre-established Company performance goals. Goal setting is central to how BSW do business and is linked to the business strategy. In January of each year a global scorecard is agreed by the CEO and his senior executives. This global scorecard has five elements and includes a financial, customer, internal process and learning and growth perspectives. Every individual’s goals are aligned to these global goals and shared internally through a web based portal on the BSW web homepage called “insight BSW”; this is to facilitate maximum visibility for all BSW employees.

4.2.9.1 Goal Setting

According to the HR Director allowing individuals to set their own objectives and goals followed up by an appraisal review supported by quarterly company meetings with staff is a very effective way of communicating expectations from both an employee/organisation perspective. Additionally it is important to listen to what talent need and responding to these needs forms the basis of BSW’s talent retention strategy.
4.2.9.2 Recognition Programme

Appreciation through recognition is seen in a positive light by BSW employees (Architect). Senior managers are proactive in giving talent at the Irish subsidiary exposure on a global scale.

“On a global level I would feel personally responsible for EMEA to get their appropriate recognition” (VP Professional Services).

This VP is on a review committee that meets quarterly where he has had to fight his corner when he feels the EMEA teams are not getting the appropriate representation. Prior to the acquisition as part of the BSW recognition program they awarded spot bonuses, where a number of senior local managers would have the discretion to hand out cash awards as a spot bonus. Post-acquisition it is less discretionary and more of a systematic process as USCo want to ensure consistency, however, this loses a little bit of the personal touch (VP Professional Services). Senior management at BSW believe that they struggle with recognition.

“A ‘thank you’ is sometimes more important [as a cash reward] but equally sometimes thank you is too easy to say and it’s not sincere and taking your wife out to dinner can have more symbolism associated with that” (VP Professional Services).

4.2.9.3 360° Feedback

As part of the appraisal review process an employee can request feedback from a leader, a peer and a subordinate. While is it is accepted that the 360° feedback process is flawed a lot of effort has been invested to make it more effective and it is taken very seriously under the ownership of USCo. There are opposing views as to the actual feedback process:

“I don't like feedback which you have to write down because it restricts you because what I would prefer to do is give verbal feedback because I can be more honest! If you write down 90 good things and you put one bad thing, one area for improvement and that's the thing they remember” (Program Manager).

“I had 29 requests to give feedback to individuals. You know all these people see me as their leader and see that I can give them valuable input and that I have a real impact on the company” (Architect).
Given the nature of the business there is a lot of cross functional collaboration on projects and an individual’s line manager may not necessarily know how well they are performing, therefore it is seen as useful to get broader team. There are issues with the process in terms of the people providing feedback. BSW work a lot of with off-shore teams in India, which presents with challenges with 360 feedback:

“To some extent there is a culture aspect. I haven't seen anything back from anyone in Bangalore that was other than ‘this person is a pleasure to work with’ and ‘I really enjoy working with them’ and ‘I would like to continue to work with them’ (Senior Program Manager).

He also saw this to a lesser extent in the Irish subsidiary where peers did not wish to give negative feedback which is of no value to someone whose performance needs improvement.

4.2.9.4 Succession planning and talent pipeline

Executive and senior managers are tasked with continuing to raise the performance bar for talent by providing challenging objectives and stretch assignments while holding them accountable for results. Central to capturing information on talent at BSW is the Operations, People and Process Review (OPPR) (Figure 9) outlines an example of a leadership grid and there are different versions for function/technical streams.

![Figure 9. Operations, People and Process Review Leadership Grid](image)

139
The OPPR consists of a four block grid against which employees are measured in terms of results and an array of competencies. The OPPR process is only applied to professional services employees and from mid-management to higher level managers and functional/technical talent. The OPPR process facilitates decisions on whether a specific employee is a marginal or an exceptional performer.

“Ideally [we] want people up in the top right-hand quadrant as this is the talent zone” (Director of HR).

For those not in this talent zone it helps form the basis of developing paths to the next level and helps answer the question of whether they are a value contributor and key to future growth of the organisation. USCo Board of Directors encourages senior management to include in Board meetings individuals who may become future leaders of USCo. (Corporate Governance Guidelines appendix I). On an annual basis data from the OPPR is reviewed by senior HR and executive vice presidents at a leadership level.

“We look at who have we, who has potential successors... who are the performers, do we need to grow it/buy it in” (Director HR).

The output of this senior level talent review is called a Performance Development Summary (Figure 10).

![Performance Development Summary](image)

**Figure 10. Performance Development Summary**
The *Performance Development Summary* feeds into a succession/talent pipeline for mid-management to senior professional positions and is addressed by function e.g. sales, professional services and product development. As part of the talent management programme BSW looks specifically at what the next moves are for mid-management and senior professionals in terms of growing their skills or potentially promote them within the organisational. The respective individuals are made aware that a *Performance Development Summary* has been completed for them. However, according to the Director HR at BSW:

“you have to have your messaging very clear as to what does being a high potential mean, we don't necessarily tag people as high potential…we might share it with their boss but we don't go out and say to people that you've been identified as high potential” (Director HR).

This information is not formally shared for fear that individuals will get too focused on why they are not in certain quadrants. What is shared is the *Performance Development Summary* document where specific areas of development are identified and also the ratings of individuals against the various competencies. Data from the *Performance Development Summary* also forms the basis for identifying future leaders within the organisation. There are five criteria for leadership competencies against which high potentials are assessed which include: strategic thinking; implementation of results; people capability; personal leadership characteristics and technical/functional knowledge. The specific characteristics of each of the leadership competencies are clearly defined for example strategic thinkers are seen as those who understand and can demonstrate the linkage between the corporate strategy, team and individual objectives and who are customer focused. They must have an understanding of the competitive environment within which BSW operates, and translate business strategies into meaningful actions that drives business growth and accelerates competitive advantage. High potentials must challenge the status quo; demonstrate the ability to operate in a decisive, urgent and committed way to deliver superior results that are measurable and sustainable. From a talent perspective high potentials must also recognise and act on the need to continually develop and upgrade organisational talent. It is expected that potential leaders will engage in self-development and live the values agreed of customer focus, performance, innovation, open communication and integrity.
4.3 L10N International

4.3.1 Strategy behind the deal

BM Corporation, a leading global provider of diversified communications and document services with $1b in revenue had a strong foothold in the global legal and financial services sector. They owned a small translation division that included facilities in the financial services districts in New York and London. Business development executives saw a growing market opportunity to expand translation services for Life Science clients, who they were already providing legal/financial services to. However, they lacked the technology, knowledge and expertise to expand on their own in this area. L10N were primarily targeted for their smart localization technology *iT*rans and the Life Sciences linguistic expertise of the L10N team. BM Corporation planned to:

“turn up the volume in translation business across a very broad multi-national, multi-disciplined area, leveraging their existing relationships for vertical selling and get access to the product side of medical device translations” (Chairman L10N).

The L10N deal was a reverse acquisition strategy i.e. where the target firm was to take control by absorbing the acquirer’s language division into their US and Irish operations. This reverse acquisition involved shutting down the acquirer’s two translation facilities in New York and London and repatriating the work to the two L10N subsidiaries located in Minneapolis and the West of Ireland. In terms of talent retention the focus was very much on technical and management talent.

4.3.2 Transaction Stage

In early 2004 the owners of L10N who were a small private US family owned company with a subsidiary in Ireland were approached by the BM Corporation acquisition team. The CEO and original founder saw this acquisition as an opportunity for a personal exit and despite some reservations he signed the letter of intent in June 2004. L10N shareholders saw this as a major opportunity as BM Corporation had significant market reach with a major sales organisation supporting a significant client base and L10N had limited funding to grow sales.

BM Corporation had a track record of expanding through acquisitions and in 2005; they acquired a total of five companies, two of which were cross border acquisitions.
However, L10N was their first reverse acquisition. After the letter of intent was signed, three key employees were identified as being pivotal to the due diligence process which started immediately. The Operations Director USA and Operations Director Europe were seen as talent, critical to the running of the business as they had an in-depth knowledge of the localisation industry, the operation and its customers. Starting out as a technical translator the operations director USA had been with the company for 15 years; she was identified as talent at an early stage in her career and had moved up the ranks rapidly. The operations director Europe had a business development background and had also risen rapidly to a senior management position during her 7 years with L10N.

Prior to starting the due diligence process all parties were required to sign a Non-Disclosure Agreement (NDA) and told that any leaked information would be detrimental to the deal and prosecutable under US law. Over the next six months, in parallel to doing their own jobs the due diligence team (L10N) had a significant additional work load. Dealing with two sets of legal representatives, two sets of external financial auditors and the shareholders all of whom had their own agenda.

“The due diligence was very deep and covered Finance, IT, Sales and Marketing, HR, facilities, and all the associated policies and processes and procedures” (Operations Director Europe).

Six months into the due diligence process the CEO of BM Corporation was happy with the due diligence data and wanted to speed up the transaction stage of the process. In early December 2004 both operations directors attended a meeting with the acquirer’s executive team in Minneapolis. Before the meeting L10N’s CEO instructed the European operations director to let her US colleague take the lead as they wanted the technology aspect to be the focus of this meeting.

“[they] handed this over to me because I knew every technical and operational aspect of the business” (Operations Director USA).

Presentations were made on their respective subsidiary businesses where according to the Chairman L10N, did a great selling job on BM Corporation and presented a very positive view of the organisation, its technical capabilities and its resources as they were very anxious for the deal to go through. According to the European operations director, L10N were over selling the capability of its iTrans technology
and it became very apparent at that meeting that the acquiring CEO wanted the deal to close, despite requests for more time from his CTO to evaluate iTrans.

“She did question the ability of L10N’s system to manage the transactional business. BM Corporation were building steam to get the deal done and she hadn’t the time, resources or bandwidth to fully assess the systems integration process” (Chairman L10N).

Prior to this meeting the Operations Director USA had the opportunity of spending a week (incognito) at the BM New York headquarters, specifically in their translations business division and this gave her a view into their world and how they operated. This appeared to add credence to the fact the iTrans system was a good fit for the US site. There was no opportunity afforded to the European operations director to visit BM London and her first exposure to the actual operation was the day after the deal was announced where it was “a very hostile environment” (Operations Director Europe).

4.3.2.1 HR Due Diligence

The due diligence process started very early within the transaction stage of the acquisition process which went on for a nine month period, finishing one month prior to the public announcement of the deal. The HR element of the due diligence process was very comprehensive and as there was no global HR manager at L10N, the operations director Europe provided HR information for both subsidiaries.

“From June 2004 to January 2005, I was heavily involved in the due diligence, so things got a bit hectic. I was expected to run the company as if nothing out of the ordinary was happening, in other words I had two roles where only one role was actually seen. It was the beginning of a very exciting but very stressful period” (Operations Director Europe).

Contracts of employment, job descriptions, roles and responsibilities, compensation and benefit information, information on any past or outstanding employment litigation, copies of all HR related policies and procedures were requested as part of the HR due diligence. While all the required information was available for the Irish subsidiary it was a difficult information gathering process at the US subsidiary as there was no dedicated HR manager or department. Neither were any contracts of employment available for the US employees as at that time it was not a legal requirement in the state of Minnesota. “We didn't have contracts and I didn't have a
contract in the initial stages with [BM Corporation]” (Operations Director USA). An overview of the appraisal review process was provided by L10N Europe, yet completed appraisal reviews were not requested for any of the key staff identified as talent.

4.3.3 Identification of talent

While the iTrans technology was core to the acquisition, BM’s growth plans included expansion into the Life Sciences sector, and they needed access to translation talent and the expertise and systems required to work within the regulated and controlled environment as dictated by this industry. They were eager to identify key employees who were critical to the future development of the iTrans technology and also those who had developed critical client relationships. The term ‘stellar’ was used to describe these key resources as the term ‘talent’ was not in the organisation’s vocabulary. Target company employees identified included: the operations directors USA and Europe; the IT SW developer responsible for developing iTrans; the COO; two senior members of the Localisation team; Project Managers (PM’s) and the sales manager. These key resources represented a pool of knowledge within the life sciences and pharmaceutical industry sectors that the acquirer had no experience of and which were deemed critical to the success of the deal.

4.3.4 Transition

The presidents of both the acquiring and target company issued a joint statement to all employees on 1st March 2005.

“This acquisition brings more resources to support our growth strategy and emphasizes our commitment to grow our language services offering. The combination of our technology, people and cultures uniquely positions us to become one of the world’s premier language service providers” (Letter to employees Appendix G).

Senior management of the acquirer were present when this announcement was read out to the employees at the L10N offices in Ireland and the USA. A key message within the formal announcement was that jobs were safe. However, as this was a reverse acquisition both BM’s London and New York facilities were to close, with immediate transition of the work to L10N, giving the acquirers employees an
opportunity to relocate and the announcement came as a shock to staff at the two BM sites.

“With our people, localisation knowledge and technology and their sales force this could have been a marriage made in heaven” (Operations Director Europe).

Employees had mixed reactions to the announcement of the acquisition which was greeted with feelings of anticipation, excitement, and curiosity about the possibilities of better opportunities, and growth in the business. One of the localisation engineers promoted to a global management position after the acquisition but who subsequently left stated:

“Overall, I felt at the time that it would yield opportunity...I also expressed some reservations with respect to the potential changes to corporate culture. I was unwilling to embrace them until I had a clearer sense of what they were like. I remember being asked...at the time what I thought...my exact words were...Ask me in 6 months” (SW Engineer).

“I was in a very positive attitude expecting that the change would bring more business. Ultimately it was a positive move for me personally” (Project Manager Life Sciences).

The day before the deal was officially announced, the VP of Operations at BM Corporation provided details on the type of work that would be transferring. In terms of volume this reverse acquisition would increase the number of projects at L10N by more than 500% per month. This caused major concern for the Operations Director Europe as the nature of the transactional type of legal /financial translation work completely differed from the traditional L10N medical/pharmaceutical clients and workflows in Europe. While the New York transition of business to L10N USA was of a higher volume and revenue value, the nature of the work was similar to what they were already managing.

A senior director and shareholder of the Irish subsidiary signed up to a 2 year contract to lead the newly combined company in Europe and he wanted to get on with the task of transferring the work. It was argued by the Operations Director Europe that he was more concerned with keeping an eye on his investment rather than the employees. Early in the process a number of attempts were made by operations management at L10N in drafting a transition plan, but these drafts were
largely ignored by senior executives of both the target and acquiring companies. The
acquirer was anxious to start shutting down the translation divisions in New York
and London. This was to achieve the economies of scale that were promised using
the *iTrans* technology. All eyes appeared to be on the New York/Minneapolis
transition as it generated higher revenue than the European business.

L10N’s business model was underpinned by an established team of freelance
translators and editors. These human resources were considered as subject matter
experts in their respective languages. This was a different to the BM translation
business model which outsourced 100% of the translation work to freelance linguists
managed by project managers. The business model included an in-house team of
linguists across 16 languages, supported by 150 freelance linguists who worked
regularly with the business. As subject matter specialists these freelance resources
were highly sought after in the Localisation industry. Treated as an extension to the
in-house team of linguists, many of these freelance resources had been former
employees of L10N over the previous 10 years. As employees these resources had
been identified as talent and when they left the company to return to their home
countries they were encouraged to work freelance with the organisation. Working
exclusively for L10N they were seen as important for its stability and growth.

“We treated these people as if they were employees, remembering birthdays
and celebrating their life events…we had their loyalty.” (Operations Director
Europe).

The acquirer did not have an in-house team of linguists, they employed a team of bi-
lingual project managers who outsourced and managed all work using 1,000
freelance translators from their supplier database. One of the issues with regards to
integrating these resources into the L10N system was the fact that most of the
information was either incomplete or the data did not match the requirements of
*iTrans*, nor did they meet the strict recruitment and selection criteria of L10N
recruitment process. This caused serious problems with the transition as the project
managers at both L10N subsidiaries were expected to hit the ground running with
little information and the Irish subsidiary had no co-operation from their London
colleagues. However, it was different with the transition from New York to
Minneapolis as the then Director of Operations (later promoted to COO) had already
developed relationships with key people while assessing the systems and processes
associated with the BM legal translation work in New York prior to the announcement of the deal.

“From the New York perspective it wasn’t really like integrating two companies, we literally transferred $12 million worth of business seamlessly inside a six-month period from New York to St Paul” (COO).

4.3.5 Integration

“It was planned to integrate the companies on the service and technology platform of [L10N], and leverage the strengths of both companies to deliver a richer service offering to customers” (Chairman L10N).

The day before the announcement the president of the newly combined organisation invited the L10N management teams to a conference call where he directed that the integration was to be completed in 60 days. This aggressive 60 day schedule would involve transitioning more than 500 new clients, the relocation of PM’s from London and New York to Ireland and Minneapolis respectively, and the recruitment of replacements for talent who decided not to relocate. It included cross-training of all the combined employees and the parallel running of two distinctly different management information systems for this fast paced 60 day period.

The integration was a disaster for L10N Europe and extremely challenging for L10N USA. The BM sales team distrusted the iTrans system and 99% of PM talent did not relocate. Those who did transfer only did so for less than 6 months and argued that they had insufficient training in the use of the iTrans:

“After the acquisition, we were told that we would transition to [iTrans]. Training on how to use the new systems was insufficient and we were faced with having to use both systems (until they had been consolidated) which added red tape to our normal operation” (New York PM who transferred to L10N Ireland).

The BM translation work and processes were similar to work at L10N USA therefore the learning curve for the PM’s was less steep than for those in Ireland, and it was not without its challenges.

“Both sites - New York and Minneapolis had confrontations. The was a lot of yelling and screaming and bitching at meetings that went on for hours and we never seemed to get anywhere” (Senior PM USA).
According to the COO L10N, The US subsidiary had similar work processes to BM New York and were fortunate enough to have a senior project manager immediately relocated from New York to facilitate the process. “It took two weeks for the New York PM's to train the L10N PM's on the new client processes and after six months was running fairly okay” (COO). In her view that while it was a difficult time for both sides, there was one particular sales manager from the target company who was an integral part of the integration. He had the biggest portfolio and his involvement was the key to their success in retaining talent. His primary motivation was the client, as it was written into client contracts that in the event of an M&A that they needed to know that their business could managed in a way that they saw fit. Apparently this was also written into client contracts with the London based sales team, yet rather than share this information and work on a constructive solution they fought the transfer of the work to Ireland. It was more difficult for L10N Europe as the nature of the work transferred was high volume, high turnaround legal/financial translation projects which increased throughput by circa 500%.

“No one there had an opportunity of spending time in the London prior to the acquisition so when the announcement was made the operations team in [Ireland] were expected to hit the ground running and their business quadrupled overnight. Also the type of business was completely worlds apart from what they were used to” (COO).

Having acquired five companies over the previous 4 years, BM had significant integration experience, which explains why they were so confident that a 60 day integration schedule was achievable. However, this was the first time they went through a reverse acquisition. While in principle they believed that they were allowing L10N the autonomy to manage the reverse integration process, in reality they interfered with the process.

“There was no formal integration plan and due to the overly aggressive 60 day integration schedule most decisions were made for short term and immediate resolution, causing issues to snowball and become eventually out of control. Some of the employee’s perception was that management took very little action to control the integration until it "blew-up" (Localisation Manager).

The primary focus was on the relocation and transfer of knowledge of project management talent from the acquirers sites and this was to the detriment of the existing local employees “who were trying to keep their heads above water” (SW
Engineer). L10N management had plans in place to ensure their existing employees would be looked after in terms of communication and cross training. After it was realised that the integration was to be completed in sixty days, all good intentions were lost due to lack of resources and none of these plans were realised.

The decision to pursue a fast paced integration schedule was based on the acquirer believing in the ability of L10N’s iTrans technology to speed up the transition process. The decision to do so without additional resources to support it was down to cost and influenced by the target company shareholders. The Operations Director Europe felt somewhat abandoned by all sides during the post-acquisition period with no support from corporate HR or senior executives at L10N. An additional underlying problem was a ‘hold back clause’ in the acquisition contract where the shareholders agreed:

“10% of the selling price was held back until the forecasted figures identified during the due diligence for the new business was realised within 80% of projected... by the end of year one” (Chairman L10N).

A monumental clash occurred between structured translation workflows and processes supporting a highly regulated medical device market and a "get it done and move on" approach as dictated by the legal/financial business of the acquirer (Senior Project Manager). It took 9 months to integrate the BM New York business with L10N US and nearly two years to integrate the London business with the Irish subsidiary. It was critical that the BM Corporation sales team were on board with the integration and while this never really worked for Europe it was deemed a success in the US division.

The European integration was characterised by blatant resistance to the closing of the London facility. The acquirer’s sales people hindered the integration activity as they would not share client information or allow any direct communication with ‘their customers’. Knowledge transfer from the acquirer’s project managers in London was critical to the transition and while four out of twenty project managers relocated in the short term, they resisted the timely transfer of knowledge. A communication by a US based senior VP of operations of the acquirer (extracted from e-mail archives see appendix D) stated:
“The fact that none of our PM's will move long-term to should push us to transition FASTER, not slower. (Yes, it is more painful and less comfortable…we owe it to our clients to provide a stable service team…as opposed to reacting to the discomfort of our internal sales group which means the sooner we can get them [the clients] to a PM that will be with them for the next 2-3 years, the better.” (Senior VP Operations of BM Corporation).

After managing a due diligence process in secret for six months prior to the deal announcement, and then being given the task of integrating two organisations within a sixty day period in a hostile environment, while running the original business operation in parallel, the Operations Director Europe could take no more and left after six months.

“I left because I could no longer support my people. Decisions I made were reversed by [the shareholders of L10N] while I was in London and I would only find out on my return when it was too late to do anything about it! We were failing to keep people; our best people were leaving in their droves” (Operations Director Europe).

The acquirer’s London employees were effectively told to go ‘to hell or to Connaught’ with little or no information provided in the early days after the announcement. New York staff were immediately offered the option of relocation to Minneapolis or severance packages. The reverse acquisition strategy was not clear to the management team at L10N Ireland. They understood the fact that the work from London was to be transitioned to Ireland, yet they were unaware that the acquirer had nothing drafted with regards to relocation packages for the London employees.

4.3.6 Talent Retention Strategy

“It was a “hirers market” – “if you were [unhappy] with working conditions and there were opportunities elsewhere then you left” (Chairman L10N).

Both the acquirer and the target organisation recognised talent, however, the executive put in charge of leading the newly combined organisation was quick to make decisions that affected these employees and made decisions without discussing them with those involved. A Swedish native with a strong sales background in the telecoms sector before joining BM Corporation he had worked in the US for over twenty years and was promoted from within the acquirer’s organisation. His style of management was described as one of dictatorship and a number of L10N employees felt he was responsible for the high turnover in management talent.
“There is a high turnover in the management team. Most pushed out by [the President] who knee jerk reacts. He either gives no support or too much support and interference” (Technical Solutions Director BM Corp).

“He tended to make decisions like the wind was blowing - huge shifts in attitude and would make decisions without thinking through the consequences (COO L10N).

Prior to being acquired L10N had a very little invested in HR systems. The European subsidiary had developed a local system internally which comprised of three levels: management, a professional level which included localisation engineering, linguists and design professionals and the third level for administrative staff. The system was developed internally and was used for tracking employee development. For example linguists were evaluated against criteria that included their expertise in terms of subject matter knowledge, tenure, language pairs, productivity levels weighed up against the risk of loss, and cost of replacement; it also included a ‘fast tracker’ section that highlighted those suitable for promotion to the next level. At L10N USA while they had no formal HR system they did keep track of people development, were quick to identify high potential’s and were reactive to their needs. According to a Software Developer L10N USA he had “enormous learning potential with direct interaction with CEO and top management” prior to the acquisition.

4.3.6.1 Appraisal Performance

Both L10N subsidiaries supported an annual appraisal review system whereby the performance of all employees were reviewed against objectives set the previous year. A six month review was required for new employees which was in line with a probationary period as outlined in the terms and conditions of employment contracts. The review had two elements, a self-assessment and line manager assessment. The line manager would seek 360 degree feedback from key interfaces of the particular employee undergoing appraisal, and the output from the review process was linked to compensation. On an annual basis there was a very informal HR review with senior executives at HQ in the USA, where retention plans were discussed for key employees. However, execution of those plans were reactive rather than proactive. For example:

“when they heard [a rumour] I was leaving, which I wasn’t, they did give me a raise to retain me” (Senior Portuguese Editor)
4.3.7 High employee turnover L10N Europe

The study found evidence of high retention at L10N USA and very high voluntary turnover post-acquisition at L10N Ireland. The US subsidiary lost three employees over a five year period post-acquisition while the European subsidiary lost 80% of staff in the first eighteen months. Both subsidiaries had difficult integration periods, however, a number of factors helped create a more positive and constructive environment at the L10N USA. First of all they were close to the HQ of the new parent company BM Corporation which was located in Minneapolis with direct access to senior executives on a regular basis. Secondly, a number of key people relocated from New York in the first month supporting a smooth transition process and project managers who decided not to relocate to Minneapolis were immediately replaced by new employees who were given intensive on the job training. Whereas in Ireland senior executives who were also minor shareholders held back on immediately recruiting additional staff to support the increased workload, as they were working to a cost reduction target to prove that savings could be made “through the closure of these offices” (Global Quality Manager L10N). Thirdly, as the Operations Director USA reflected it was about survival and in order to do so they supported their people in the USA with a passion:

“We rolled over, why, because of survival! The Minneapolis management team took the full blow of BM situation. As a group we went through hell and we protected the employees, we persevered, we did not give up and we clashed. Corporate HR just wanted to have an easy day and go home and we were very difficult to manage”.

While there was strong management in Ireland there was lack of support from senior executives with an insufficient allowance for issues “in technology, staffing, process, quality and client management issues that were likely to arise” (Global Quality Director) within the sixty day transition. The constant pressurised work environment as demanded by the legal/financial services sector became too much employees at all levels in the Irish subsidiary with a high number suffering ‘burnout’, left the company within eighteen months post-acquisition.

The root cause of the problems with London/Ireland integration was that the business being integrated from London into L10N Ireland was a complete mismatch. L10N
serviced some very high level multinational corporate medical device/pharmaceutical companies and the business that was being integrated from London was highly volatile:

“what we call transactional translation business. This business required a lot of hands-on project management and each job was really unique and didn't fit in with the processes and systems that were set up so it was very difficult to manage” (COO L10N).

The employees at both subsidiaries expected that there would be pressure associated with the integration and initially the excitement they felt helped them weather the situation. However, employees at L10N Ireland who felt a positive anticipation at the announcement, changed to frustration due to the constant long-hours and 24/7 service requirement during integration. The attention lavished on the London employees (who would not relocate long-term) was one of the mitigating factors of the feeling of frustration of the Irish subsidiary employees, with one project manager’s feelings about the newly combined company reflected as:

“Confusion and distrust based on the perceived ‘power’ yielded by the acquirer. Perception that preference was being given to acquiring company's employees over [us]” (Project Manager SW).

The financial controller reflected that:

“High employee turnover resulted due to long working hours and a lack of respect and appreciation for the work of some departments” (Financial Controller L10N).

This bring us to the next chapter which addresses the findings on the building blocks of the psychological contract across all five subsidiaries studied,
Chapter 5. Findings on the psychological contract building blocks

This chapter addresses the findings with respect to the psychological contract building blocks mapped to the three stages of the acquisition process as they relate to each of the subsidiaries under study. The findings are segmented by acquisition starting with the medical packaging subsidiaries MedPk and DutchPk, then the software subsidiary BSW and finally the localisation services subsidiaries L10N Europe and USA. We address the specific findings of each of the subsidiaries under the headings of 1) pre-employment experiences of employees at the target firms; 2) the re-recruitment process which is characterised by active promise exchange and 3) the final PC building block of early socialisation.

Foundations of the employment experience start with the pre-employment period where perceived obligations are shaped in the minds of individuals within the organisational context of the pre-acquired target firms. Target firm organisational culture forms the benchmark against which talent judge the acquiring organisation against. Each of the subsidiaries in this study were characterised by strong organisational cultures which for some employees cushioned the experience of being acquired, while with others it added to the strife that the changes brought. Professional norms and ideologies formed prior to the deal had a significant influence on individual responses to their new employer and the subsequent actions taken. For some this led to intentions of leaving and in extreme cases lead to the departure of talent post-acquisition. In taking a step back and looking at the formation of the psychological contract (Rousseau, 2001); the following sections will address the three stages of the building blocks of the psychological contract as they relate to the 3 case studies across 5 subsidiaries.

Active promise exchange takes place within the context of communication between the acquiring organisation, its agents and target company employees. The transaction and transition stages of the acquisition process can be compared to the pre-employment period where intended meanings are perceived and interpreted by target employees. In this study we map this period to the re-recruitment building block of the psychological contract. Active promise exchange started as early as the transaction stage between senior executives of the acquirer and target firms in all five subsidiaries. From the acquirer’s perspective this re-recruitment stage is
characterised by incomplete information as due diligence is not yet complete (Rousseau, 2001). From the employees’ perspective as integration has not yet taken place they are reliant on open communication and realistic previews of what they might expect of the newly combined organisations. The acquiring organisations in this study followed similar information sharing at the transition stage of their respective acquisitions. However, those with high talent retention post-acquisition took it a step further by not only committing to the promises made but in providing a support structure to address issues as they arose and where managers were made accountable for their actions.

Early socialisation occurs in the post-hire period and in the context of M&A maps to the transition-integration stages of the acquisition process where “continuing promise exchange” (Rousseau, 2001:512) is critical to the development of the psychological contracts. This is an important stage in the process as it focuses not only on the execution of commitments made by the acquirer but on talents expectations and perceptions of whether the newly combined organisation is one they wish to commit their futures to.

The following sections will address the building blocks of the PC as they pertain to the talent at each of the acquired subsidiaries studied.

5.1 PC Building blocks of the Medical Packaging Group

5.1.1 Pre-employment experience of Medical Packaging subsidiaries.

The Dutch and Irish packaging subsidiaries acquired by PAK had organisational cultures influenced by the style of management of their respective entrepreneurial minded leaders.

“BU Director of MedPk is like me, he's entrepreneurial he will always find a way out, he's extremely client orientated and he can see the numbers; he thinks outside the box and he surrounds himself with creative people” (Former Owner MD).

Characterised by strong and inclusive leadership that focused on its customers and employees in an innovative and technology driven environment, the team at MedPk knew that to survive in the market place they had to be innovative and think outside of the box. To support this innovative environment the team was developed:
“like little hatchlings out of eggs, always finding the latest in development in their field and giving them the freedom to apply it and work with each other there is a trust bond and managing the business in an absolute excellent state of the art way” (VP Medical Division).

The larger subsidiary DutchPk was a people and customer focused organisation, yet the owner managing director’s style of management was quite different to the business unit director at MedPk. The Dutch owner was perceived as being shrewd in selecting talent and while he brought some very good people into the business on the commercial side “as he controlled everything [he] stifled them” (VP Medical Division).

The commercial team were regarded as being central to the business and were treated differently to other employees, which caused some resentment as recalled by BUD DutchPk: “they were educated to behave the way they behave by [the former owner]”. Purely sales oriented “he was not perceived as being a good manager” (BUD MedPk). Despite this fact he was seen as a “people’s man with a long term vision” (CS Manager DutchPk) who in pursuit of this vision had run the business close to bankruptcy a number of times. DutchPk employees had full autonomy, were rewarded for performance and hard work. However, the managing director managed them at a distance and relied on key individuals to run the business. As a result there was a strong bond amongst the management team at DutchPk who promoted “a high level of engagement with all employees where contribution was recognised” (Business Development Manager DutchPk). However, this created an insular environment making it difficult for outsiders to penetrate. The team at DutchPk were perceived by their colleagues in Ireland to be inflexible, insular, detail oriented and described as having tunnel vision. Seen to create barriers, making things more difficult

“they get very stuck in the detail, not looking at the bigger picture!” (Logistics Manager MedPk).

Prior to the acquisition other than a shared logo and marketing paraphernalia DutchPk and MedPk operated completely independently of each as the former owner promoted full autonomy at MedPk much to the annoyance of his Dutch management team.
The acquirer’s organisational culture was defined in the *Company Culture Booklet* by the CEO as one built on trust with an understanding that performance was expected and recognised at an individual level. That individuals would be rewarded not just financially, they would be provided with an open environment where employees could “express their ideas, develop and apply their skills, and have the opportunity to reach their full potential” (*Company Culture*, page 4). PAK wanted their employees to think and act like owners of the business. This should not have presented either of the subsidiaries with a problem as their organisational cultures were very much influenced by their leaders who were both considered to be entrepreneurs. It became apparent that while PAK talked about entrepreneurship they were slow to promote it.

“Innovation and thinking outside of the box…came from Ireland. The only way to increase and move forward was to look at other areas and the management team in MedPk really did that but it did it out of necessity to and I think that PAK eventually took that on a little bit” (Customer Service Manager MedPk)

Both the acquired Dutch and Irish subsidiaries had strong foundations of family oriented values, yet their cultures were very different at both a national and organisational level.

### 5.1.2 Re-recruitment: Active promise exchange Medical Packaging subsidiaries

The acquired subsidiaries were to be combined into a new business unit and renamed ‘Medical Division’ and led by a new VP who was recruited externally. The Presidents newsletter issued to all target employees at the acquisition announcement stated:

“We expect that the integration of [MP] into [PAK] will be smooth and seamless” (CEO).

The central message delivered in the communication was that both organisations had similar underlying principles and that jobs were safe. PAK was committed to this promise and nothing of significance changed in the first 12 months.

“There was a real sense that [PAK] had a belief in the future success of the [MedPk] site” (Logistics Manager MedPk).
Employee reactions to the announcement included a range of emotions from shock to disappointment, pleased to apprehensive, anxiety and excited to a degree. However, there was a more negative outlook from the DutchPk subsidiary.

“Going from a small company to a huge faceless organisation” (Business Development Manager DutchPk).

“My initial reaction was surprise and disappointment” (Business Development Manager DutchPk).

“Excited for what the new company would bring, yet anticipation as to how it would affect the day to day running of the business” (IT Manager MedPk).

“It was business as usual at the plant. The newly formed company did not have any effect on the day to day running of the plant” (Buyer MedPk).

After initial anxiety it became clear that PAK would remain true to their commitment that there was going to be no major changes “so we returned to business as usual and did not think there were any great plus or minus from the acquisition” (Production Manager MedPk). The re-recruitment of senior management talent had actually started during the transaction stage at both subsidiaries. As soon as it was legally possible they subsequently shared information with their respective management teams prior to the official announcement. The business unit directors became the re-recruitment managers on behalf of the acquirer, as it was built into their employment contracts to develop and retain talent at their respective subsidiaries. Employees at two subsidiaries were used to frequent communication sessions and in the early stages of the transition communication and openness were seen as being key in re-assuring employees that there was no reason for concern.

5.1.3 Early socialisation Medical Packaging subsidiaries

Other than financial reporting and the transfer of IT servers to HQ there was little integration in the first 12 months of the acquisition. The acquirer left the former owner to get on with running the business and when employees at the two subsidiaries realised that it was going to be business as usual the feelings of anxiety subsided. Prior to being acquired the style of communication promoted at Dutchpk and MedPk was very informal and collaborative with a high level of engagement where all employees were recognised. Within one year under the new ownership employees felt that it was more formal with more focus on the numbers. BUDs view at DutchPk was that the acquirer made the mistake of treating the Dutch team in the
same way as the team at MedPk. Even though the Dutch spoke excellent English, PAK never realised that there was a language issue.

“When we said we need to look at this that meant that we needed time to analyse and investigate whereas, with the US it meant something totally different. From the Dutch perspective we want to know what you want us to do. Their expectations and our expectations were different; they wanted solutions before understanding the issues. They had a different communication style and we were never 100% clear of what they wanted” (BU Director DutchPk).

PAK recognised that there was a communication issue and brought in external coaches who facilitated the introduction of more structured communication. “we tried to get people to tell us what's going on, what makes them happy” (BUD DutchPk). It was recognised and accepted that the DutchPk employees did not communicate in the same way as their American parent or Irish subsidiary employees.

“If things are not correct then we complain about change with each other but when it comes to a one-to-one whether asked what do you need what you want, they're not able to be direct this is more Western thing” (BUD DutchPk).

The new VP took an active hands on role during the transition stage.

“So it was me spending time with people, trying to understand them, helping them understand what the goal was in PAK and reinforcing that they were valued” (VP Medical Division).

She continued to take a personal interest in learning as much about the business as she could. However, she was met with resistance from DutchPk as they believed that their identity was being merged with the Irish.

“There were many cultural issues…for example the mistake of treating us like Ireland” (BUD DutchPk).

“The transition was easier for the Irish plant as much to a degree we would be similar in many ways to the Americans. The new identity had tremendous difficulty with the Dutch; they had great difficulty in understanding the culture, the mode of operations, and the general ways that they conducted their business in Europe” (BUD MedPk).

There was a perception at DutchPk that the focus was starting to shift from a people to a more target driven organisation. This view was shared by talent at MedPk who
believed that PAK were less team focused and more aggressive in their pursuit of financial targets.

“Communication went from very informal, collaborative to formal announcements” (Sales Manager MedPk).

“[DutchPk] had been a family owned and run company with a high level of engagement with all employees. Initially little change, but after approximately 1 year greater distance between the top and the employees. All about profit.” (Business Development Manager DutchPk).

**5.1.3.1 Decision making**

Prior to being acquired the two subsidiaries had a strong entrepreneurial spirit with an investment decision process requiring two levels of approvals. The acquirer was seen as a very conservative, very big slow moving organisation

“The [PAK] culture was treacle it really lacked dynamism, lacked clarity, lacked direction and the decision making process was so slow and convoluted with an awful lot of talking and not an awful lot of effort” (Operations Director MedPk).

The acquirer required board level approval for capital spending less than $50,000 which necessitated substantial written reports justifying the proposed spending. This had a significant effect on morale as prior to the acquisition these decisions were made locally without the need for detailed reporting.

“We didn't fit their template they didn't understand the concept of added value services (TPS). We were using a Ryanair model of logic to create different revenue streams to complement our core business. This was a matter of survival. They didn't understand the TPS services, they didn't fit into the model and they could never get their head around them” (Financial Controller MedPk).

**5.1.3.2 Organisation Restructure**

Targets were set by HQ for achieving direct margins greater than 40% and as most of MP products did not meet these there was a general level of resistance. It was during this period that the senior Swiss executive was transferred to manage the European subsidiaries and his sole focus was on these targets. Restructuring the organisation caused problems in terms of delayed decision making and a general breakdown in communication as there was an inconsistent approach to the matrix structure. For
example the Quality Manager had infrequent contact with his counterparts and there was no functional line manager for the HR managers at each site.

“For the most part we were not really embedded in the culture [of PAK] or at a reporting level that really mattered. As an acquisition we were ‘to the right of the decimal point’, in other words although successful unit we were a very small part of the greater corporation”. (Financial Controller MedPk).

5.1.3.3 Creating development plans

Clear career paths were set out for those identified as talent:

“It is important that early on it is identified for them that this is where you can go with this company if you chose to do so” (Sales Manager MedPk).

While PAK saw the value in formal training and invested in a number of these programmes. However, they believed that learning on the job provided more immediate benefits to the business. Developing talent through work assignments was seen as giving more immediate value for the compensation or other related expenses that are incurred. They also believed that as an essential part of the process, senior manager, line managers and work colleagues could greatly influence employee learning. There was a lot of emphasis on managers as coaches to help develop talent, move them out of their comfort zones, giving them challenging tasks and opportunities for greater responsibility with constant feedback. The process was very successful at the MedPk subsidiary which became known as an incubator of talent. However, management at MedPk argued that this was primarily influenced by the multinational experience of the business unit director who had always proactively developed talent at MedPk.

“Everybody is well trained, they are given opportunities to develop and grow and if they take the opportunities then well and good and if not they are left behind” (BUD MedPk).

“We were such a small part and to be such a small part you have to stand out...so I think that people here tried to stand out…it isn’t just about the management, it’s about the individuals and the synergy between them and knowing when to push and when you should pull back” (Customer Service Manager).

At the DutchPk subsidiary it was a different scenario as HR was seen as just a black box there. After MD left the organisation, the technical director was promoted to business unit director and his style of management was not as generous or committed.
in terms of developing talent within the organisation. This was not helped by the many absences of the HR director who suffered ill health and the lack of corporate HR involvement. In 2009, as a response to a need to reduce costs, 100 people were made redundant at the Dutch facility and this limited their ability to hold onto talent. This was contrary to the CEO’s original commitment that jobs were safe. However, according to the VP DutchPk the redundancy was in response to the poor management of the business pre-acquisition. BUD argued that Dutch labour law prevented them from retaining the talent that they wanted to keep:

“our preference was to get rid of a number of people that did not develop along with company who had demonstrated no improvement and who were probably not being managed properly” (BUD DutchPk).

However, according to the former owner director:

“[MD DutchPk] didn't fight to keep talent, the soldier was doing his job, and he was keeping costs down. He lost very good designers as they got lured away by the competition. If you treat people as human beings you get everything from them and it’s very important to be sincere about people. You create loyalty by taking people seriously…he a military man in his approach” (Former Owner).

5.2 PC Building Blocks of BSW

5.2.1 Pre-employment experience BSW

Establish in the 1990’s against a backdrop of serious shortages in software development talent where there was a scramble every year to recruit top IT graduates. BSW had a strong employee centric atmosphere, one of inclusivity, of camaraderie characterised by lifelong friendships as many of them had started together on graduate programmes.

“we have all grown up together in the [BSW] organisation. As a graduate I spent a year in the Toronto office…and have very good friends in the organisation worldwide” (Architect).

Prior to the acquisition BSW were headquartered in London allowing managers in the Irish subsidiary more immediate access to headquarters:

“to some degree you could walk the corridors bump into senior executives and from a political or social prospective it was more personal relationship based…those corridors are [now in mid-west USA] so you don't get to do
that...the contact is very much over conference calls and it's not as sociable” (VP Professional Services EMEA).

Despite having been acquired a number of times they maintained high talent retention rates.

“Having been through it before I wasn’t too concerned. I think that our [previous UK owner] wasn’t necessarily a good people employer and I think it was quite evident for some time that they had been looking to reduce costs, reduce staff and look to sell so I don’t think that it was a surprise that it was coming” (Programme Director).

5.2.2 Re-recruitment: Active promise exchange BSW

USCo were well acquainted with the declining financial situation of BSW under the previous ownership and the fact that it was “no secret that they were looking to off load its assets” (Senior Programme Manager). Prior to the acquisition employees were feeling vulnerable and weary as to who might acquire them and interested to find out whether USCo would change anything. The only major change USCo made was to replace the C Suite executives with their own executives and introduce new values and a new mission statement. These changes were made swiftly and on the day of the announcement all but one of these target executives had already left. USCo demonstrated very early that they followed through on their commitments. At the first on-site appearance senior USCo executives spoke about their previous acquisition experience what had worked and what hadn’t. They were anxious to quell any anxieties with regards to the future. The message delivered was that USCo saw value in the BSW products which were seen as complementary to their existing products and as product knowledge resided at BSW that it was going to business as usual for the foreseeable future and jobs were safe. However, the point was made at this stage that there would be a lot more integration between the BSW products platform and USCo product suite to retain and grow their customer base in North America.
5.2.2.1 The promise of investment

USCo were committed to the promise they had made to invest in BSW.

“You see the investment in the facilities, investment in the people - more training opportunities, more of a culture of embracement as well. I think that the values are kind of relevant and they can be seen and they are being lived by the individuals at the top too (Architect).

USCo funded the change in work processes going from waterfall techniques\(^3\) to agile which not only included training and development it included a total restructure of the office layout. BSW would never have been able to move to the agile process without investment. The change to the agile process was not only a change in mindset, the artefacts of an agile environment need to be totally different than those within a waterfall environment. The old office layout was “not conducive to collaborative working” (Program Director). Agile teams need to work in close proximity, need to have opportunities to engage which facilitates innovation of ideas and opens up the whole communication. The old ‘horse box’ work areas were pulled down and the office opened up making it a more communal working environment and resulted in “a team feeling around the place, an openness, whereas with the previous layout and offices gave the feeling of very closed door” (Architect).

While following through on the commitment to invest was important it was equally important that top management at USCo supplemented this investment by supporting the BSW subsidiary through effective coaching and mentoring from the top down. This was to dispel any notions in the minds of those who might have resisted the change from traditional waterfall methods to the agile process in the post-acquisition period. The Resource Manager (who was later promoted to Program Director) at the time had 180 employees under his wing within the EMEA region was involved early in the transition “to ensure that the right information was passed on” (Program Director).

At the transition stage senior management at the Irish subsidiary asked what was expected of them and the answer was *business as usual*. On a human level the acquisition was seen in a positive light giving people:

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\(^3\) Waterfall technique is made up of a number of phases that are completed sequentially in order to develop a software solution (Vidgen and Wang, 2009).
“A new vision, a new life. It's almost like …a re-energisation…in terms of what the future held here, it didn't look like that was necessarily going to change” (Program Manager).

USCo committed to investing in BSW and true to their word they supported BSW’s pre-acquisition plan to move from waterfall to agile methods in developing and delivery SW products. The agile process required a change in behaviour, company policy and culture which USCo completely embraced.

“Before [the acquisition] I would have considered [leaving], with no interesting projects, the company was going down the tubes, not much investment, no growth opportunities” (Programme Manager).

“We have guys over here every so often from the states and we have got management buy-in globally and I have been involved in it from the very start which is really good to see that happening” (Architect).

5.2.3 Early socialisation BSW

At the start of the integration process there were leadership summits with a focus on business and cultural alignment which was executed through functional leadership visits to ensure high level face to face interactions. While it was stated that there was to be very little interference in the running of the day to day business at BSW, USCo were very insistent that BSW adopt their Code of Business Conduct.

All new hires are required to provide an affirmation that they have read and understand the Code, as compliance with the code is part of the terms and condition of employment with USCO. Under its previous ownership BSW had a code of business conduct which employees were required to read. However according to the with regards to USCo:

“[their] approach is you must read it, and also certify that your affirmation of the code and this is electronically tracked” (Director HR EMEA).

Despite this code of practice BSW has a constant battle explaining to management at HQ that you cannot just fire people at will in Europe “we have to go through consultation process and we have to offer settlement”(Director HR EMEA).

Information sharing was important for both sides as it promoted a feeling that “they were in this together” (Architect). Ongoing leadership communication was seen as pivotal to a successful integration and managers were provided with briefing packets related to integration activities. Senior leaders assisted in orientation sessions for top
level managers with a focus on one-to-one meetings with the top performers and key individuals. While the communication was welcomed and appreciated it presented a bit of a culture shock compared with the style of the previous UK owners as talent at BSW were not used to such attention, as one high performer identified as talent noted:

“these guys in suits coming over that look like American Footballers and talking the talk and you are kind of going like Ugh! I don't know what's happening here but they are very passionate and they are coming down here to talk to us on the ground level…and you kind of got the sense of togetherness and interest” (Senior Architect).

Early socialisation was characterised by internal branding activities during the integration stage which included weekly targeted communications conducted through multiple channels to ensure maximum reach. For example by email, VM, web conference, and staff calls where changes affecting employees in targeted functions were discussed; policy changes that required additional reinforcement and the future culture in terms of values and expected behaviours all reinforcing the same message of business as usual.

One of the immediate policy changes made was to the performance review process. Prior to the acquisition, performance review was essentially optional and based on self-appraisal, but it was mandatory under the ownership of USCo. The acquirer introduced Success Factor, a talent management system that focused on human capital. If goals were not set and reviewed then “you didn’t get a review or a bonus based on the prior year” (Director HR EMEA).

“People say stuff but that doesn’t mean that they mean it. If I work with anyone I don't care smarter or dumb whatever so long as if they are going to say something… It should happen” (Senior Program Manager).

Seeking input and acting on it, was seen as an important part of two-way communication and USCo not only sought input from BSW employees, they were seen as actively following through taking comments on board. An Architect outlined the importance of this two-way communication:

“I got feedback from executive management on my one line comment - that shows appreciation! Just to get that response, a one liner email recognition ‘thanks for doing this feedback’ – it is much appreciated and it wasn't an automatic [email] reply either (Architect).
Senior executives from HQ visit every subsidiary at least twice per year and according to the Director of HR EMEA this is “relevant to retention of high calibre employees” and that this exposure to senior management is part of what reinforces the psychological contract.

5.3   PC Building Block at L10N International

5.3.1 Pre-employment experience of talent L10N International

The organisational culture at L10N was influenced by family ownership, where a high level of professionalism was expected. While diversity and innovation were actively promoted, the team worked within a controlled environment. This controlled environment was subject to internationally accredited standards e.g. ISO9001 and compliance with European Directives for medical devices and included a range of protocols that L10N clients demanded. It was against this backdrop that talent had joined L10N and they were proud of the supporting proprietary iTrans technology that was core to the organisation’s competitive advantage. In line with working within this controlled environment linguists and design professionals had to undergo a series of rigorous tests before being called for interview. The translation process for Life Science clients was a relatively slow and detailed one with numerous linguistic checks and reviews. Prior to the acquisition, L10N was described by employees as a people and customer focused organisation, with an ethos of continuous improvement working to high standards of quality under strong leadership. While it was target driven, innovation was encouraged and both the US and Europe teams contributed to the development of the iTrans technology which was unique to the localisation business.

“There was a mentality that you could do things on your own and if you are successful it didn't really matter how you did it and if you did well this was valued. In those days there were no HR interventions or policies” (Operations Manager USA).

While this business required subject matter linguistic expertise there was a much more liberal approach to the recruitment and selection process of translators. The BM culture was aggressive, target driven with considerable less focus on quality as described by L10N employees. The global quality manager L10N who had been promoted from the position of localisation engineer left 18 months post-acquisition:
“Quality standards and the attitude to certification changed. We were much less focused on individual clients. The emphasis on Financial and Legal work meant dealing with industries with surprisingly different, traditional and in some respects nauseating business practices. It became an unpleasant place to work” (Global Quality Manager L10N).

The IT manager (German national) who had been 5 years with L10N Ireland left 9 months post-acquisition stating:

“To be honest, the acquisition did me a favour concerning my decision to leave. As far as my past position and responsibilities were concerned, the position of the IT manager with a very strong technical focus was changed to a position were all that was required for an IT manger to operate was the ability to talk the talk within company politics” (IT Manager L10N Europe).

A senior Spanish translator left and while he continued to work as a freelance resource he chose to work only on client projects unique to the pre-acquisition organisation:

“Many of the positive values and uniqueness of the former company were lost with the acquisition. A new approach was implemented, strongly focused on targets and cost, and this reduced employee satisfaction in the company” (Senior Spanish Translator).

Prior to the acquisition the key US based SW developer of iTrans felt a strong bond with L10N who reflected on his initial experiences with L10N in the years before they were acquired:

“My expectations were exceeded. I had a lot of freedom to learn and immediately apply new skills, quickly advancing from entry level PC operator to systems manager and eventually software developer” (SW Developer).

The operations director Europe had joined L10N 6 years prior to the acquisition reflected:

“I expected to work with a professional organisation and to have the autonomy to do my job….afterwards it felt as if a cordon blu restaurant had been taken over by a chip shop” (Operations Director Europe).

5.3.2 Re-recruitment stage and active promise exchange L10N

As a reverse acquisition the target firm was to absorb the translation divisions of the acquirer. BM Corporation had a different business model. Heavily influenced by a sales team whose aggressive style of management was underpinned by the professional norms and ideologies of the financial services and legal industry sectors where ‘time was money’ and fast turnaround translations are the norm. The message
delivered to the New York and London divisions did not match the subsequent actions of the acquirer which unravelled any efforts they made in persuading acquirer talent to relocate. There was no Corporate HR support with regards to decisions around relocation packages which complicated things further. BM Corporation expected the target team to manage this as it was a reverse acquisition. At the announcement of the deal each employee received a letter from the President of the newly combined organisation stating:

“Your role, current employment terms and benefits will remain the same” (Joint Leaders Letter to L10N employees, Appendix G).

Active promises made to L10N USA staff were maintained and as a result of pre-planning and access to the acquirer’s New York subsidiary re-location of key talent was seamless and while workloads increased it was only for the short-term. While talent at L10N Europe understood that it was going to be a difficult period, the fast paced sixty day integration significantly altered the working environment for employees at the Irish subsidiary which led to a mass exodus of talent within the first year. The promises made by the acquirer were not met and within the first two weeks roles did change.

“There was an expectation...to provide a 24/7 service, including nights and weekends. A compromise was made by internal management that a 7am to 7pm on call service would be provided at weekends” (Project Manager Legal Europe).

“There were unreasonable working schedules and pressure from sales people. Sales people were encouraged to sell the impossible” (Project Manager Financial).

“when we were acquired by [BM] there was 180° change in everything” (Operations Director USA).

BM Corporation had committed to extending contracts with PM talent in London for a three month relocation period in Ireland to support the sixty day transition. However, talent targeted for relocation were getting mixed messages and there was evidence of active sabotage of the transition by the London sales team. One month post-acquisition announcement a Sales manager sent an email to the President of BM stating:
“The PM’s here in London - none of whom are going to move to Ireland - have just told me this instant that in the letter given to them recently by Operations Director Europe, they were asked to stay on after the 29th April” (Appendix D2).

The Operations Director was requested to provide clarification in writing to London head of sales as to why she communicated with the project managers. She was perplexed at this as she had been informed by senior VP’s at BM headquarters (including HR management) that everyone was on board and her expectation was that HR had spoken with talent identified at their London facility. The evidence suggests that this was not the case. Her intention had been to persuade talent to relocate at the earliest possible time. BM London staff had received a “letter of Cessation of Employment” (see email Appendix D) from Corporate HR in the first week in March without informing any of them that they had options to relocate to Ireland. In an attempt to rectify the lack of clear communication with regards to relocation the operations director L10N drafted letters of offer beyond the cessation date and tried to persuade the PM’s identified as talent to relocate. The 60 day integration period focused on the relocation of the work from London and the “eye was taken off” of the existing operation in Ireland (Project Manager Legal/Financial). Before the acquisition, the operations director held weekly staff meetings where every element of the business was addressed. As she was assigned ownership of the integration process, she could no longer attend the weekly staff meetings.

“I could not be in two places at once...the integration was critical...and I had to rely on my team to continue the old operation business as usual”. (Operations Director Europe).

This ultimately had a negative effect on the L10N target team as she had little or no time to devote to the running the business as usual; her team felt neglected and it would never be business as usual again. Additionally from a HR policy perspective there was a lack of definition on roles and responsibilities. The Operations Director who transferred from BM London with a very generous retention package had the same role and responsibilities with a higher salary level than the L10N operations director Europe, which caused confusion and stress.

“There were two distinct teams and there was obviously indifference and historical conflicts of control and which was the best person for a particular role. There were from a corporate standpoint and subsidiary standpoint,
issues with employee treatment and some questionable practices at certain levels of management. Sadly some of the more talented were lost in the stress of change” (IT Manager BM Corporation HQ).

The most significant mistake made at L10N Europe was that there was no effort made to re-recruit their own employees. Based on the pre-acquisition strengths of relationships at L10N Europe there was an assumption made that all would be ok. This was a wrong assumption and talent started to leave. There was a distinct lack of communication with regards to the fact that this was a reverse acquisition and what that meant in real terms to all those involved. Neither was there any discussion with the acquirer’s sales team in London during the transaction stage. The sales team believed that it was important to have a localization presence in London and the lack of consultation with regards to the deal was responded to by blatant resistance to the transition. The lack of direct communication by the acquirer with their own sales team clearly led them to believe that their interests were unimportant. This coupled with the 60 day transition of business to Ireland facilitated an environment of distrust leading to negative actions by this powerful Sales group which set the scene for the next 3 years. A monumental clash between the L10N Irish subsidiary management team and the team at BM London resulted in loss of talent almost immediately.

5.3.3 Early Socialisation L10N International

BM was a large corporation with layers of middle management which was a completely different world than that of L10N. As a seasoned acquirer BM Corporation had a well-oiled communication machine executed with precision. At the start there was a clear message that not only were jobs safe, that to support the increase in business there was to be an increase in PM head-count at both the US and Irish subsidiaries. The additional PMs were recruited swiftly for L10N USA, however, there were mixed messages coming from the shareholders of the target company who signed 3 year retention contracts. As 10% of the selling price was held back until forecasted figures were met, these shareholders were anxious to keep costs at a minimum. During the first three months, delayed decisions to recruit PM’s to replace those not relocating to Ireland had a detrimental effect on talent at the Irish subsidiary. The increased workload was untenable and it became very clear early on in the transition that the BM Corporation culture was completely the opposite of
L10N. There were little or no attempts at socialisation of the greater L10N population.

“I was not happy with the culture of new company. Unreasonable expectations were placed upon project managers and translators. Translation was considered to be a commodity rather than a professional service provided by professionals. We were working around the clock Monday to Sunday” (PM Legal/Financial).

“Six to 12 months into the relationship, there was little strategy in place from an operational perspective and any communication sessions that were held were aspirational rather than constructive” (Localisation Engineer).

“The culture shock was hard and transition was painful. I was used to efficiency, fiscal accountability and “zero BS” environment which resulted from working directly with company owners” (SW Developer USA).

Four weeks into the transition the operations director Europe voiced her concerns about the aggressive turnaround times required by the sales team and her fear of losing their best people. During the integration stage there were regular and sometimes daily meetings by conference call between senior corporate, local management at both subsidiaries with included the respective sales teams. These meetings became increasingly aggressive, creating a hostile environment where the sales people exerted their power.

“The [sales] guys fought against the transition. It was all about the money with these guys and they didn't actually understand the acquisition vision” (Operations Director USA).

While there was resistance from both sides of the Atlantic Ocean it was more apparent with regards to a move from London to an industrial estate in West of Ireland. A stream of different corporate ‘messengers’ flew into the Irish subsidiary to address issues as they were encountered. A senior manager likened these to “sea gull” visits where US corporate executives from HQ would fly in, make decisions on a one-to-one basis and leave again without documenting what was agreed.

“They always believed that they have solved the issues on their visits...more often than not these ‘agreements’ caused resentment and ambiguity between London employees considering relocation and the operations team in [Ireland]” (Operations Director Europe).

A key corporate member of the integration team and employee of the acquirer stated:

“Many of the issues were not for general consumption due to the sensitive nature of the information that might create opportunity for conflicts that
would hamper the overall goals...there was a lack of openness to the time lines and goals we needed to achieve from the executive teams.” (Systems Integrator BM USA).

The culture of the BM Corporation was predominantly influenced by the power dynamic of the sales people. As Corporate management were fearful of an exodus of the sales team and allowed them ‘to hijack the integration’ (Financial Controller). Sales people had significant input in the selection process for hiring new project managers and this was a cause of considerable tension in the company.

The L10N sales model was based on a team approach with emphasis on nurturing clients through relationship marketing. Whereas BM Corporation was very sales people driven and according to the Chairman of L10N a key motivating factor for them was commission, where they could earn up to six times their annual salary and they did not see the benefit of “courting a medical devise client for months before a sale contract was agreed” (Chairman).

“Critically...I believe...the business models of [both companies] worked almost entirely differently” (SW Engineer).

While BM Corporation went through a process of open and honest communication early in the transition stage, they failed to deliver on the accountability of commitments made. This was the result of too many layers of senior management involved in the transition process who failed to communicate with each other and which lead to a feeling that things were out of control. This was complicated further by a high voluntary turnover in senior management who were replaced by a series of managers transferred from the parent company or brought in externally and it did not work.

“L10N was a small company and there was a sense of frontier-ism about it. Success depended on everyone's efforts and it was reasonably close knit. Acquisition was by a very large organization operating in a very traditional sector. It was also chaos. Changes in senior management on a 6 month basis often without clear thought (or so it appeared). Rapid changes in approach. Always looking for a quick fix. It was clear that the acquiring organisation was panicking” (Global Quality Manager).

“I expected it to have been like it was at L10N, like a big family! However, after the first month I realised that it was very different from the L10N days, they had a different culture and mind-set. At the beginning it was horrible, the jobs just coming in and you could not go home and the hostility of the sales people was just terrible” (Senior PM Legal/Financial Team).
5.4 Conclusion

Each of the acquisitions presented target employees with a new employer which was an immediate breach in psychological contracts for employees. The acquirers USCo and PAK were swift in their responses and focused on developing target employee relationships by immediately setting about rebuilding PC’s through open and honest communication. Starting at management team level within the early stages of the transaction and transition process they relied on target executives to identify talent. In partnership with target management they set about understanding talents expectations and not only managed these expectations they watched for signals and took purposive action by following through on their commitments. Through BSW senior management, USCo understood that the pre-deal atmosphere was one of uncertainty and the likelihood of damaged psychological contracts was high. They deliberately strategized to manage the psychological contracts of talent at BSW which was so effectively communicated that talent were seamlessly re-recruited into the new organisation. None of those interviewed could recall any negative aspects of the acquisition and in fact saw it as a rejuvenation of their working world.

The psychological contract is subjective and relies on individuals perceptions of a change scenario and clarity of expectation was core to the communication strategies of both USCo and PAK. In both cases they outlined expected codes of conduct, shared the strategy behind their deals and used every opportunity to enforce the message of ‘business as usual’ from the top down. Having a strong organisational culture, employees at MedPk adapted quickly to the their new employer and this was influenced by 1) their prior acquisition experience giving them an expectation of what would happen, 2) the fact that they were already running the business like a multi-national and most importantly 3) their trusted the business unit director to have their best interests. With the DutchPk subsidiary, what was missed by the acquirer was the fact the environment was also heavily influence by the change of leadership after the former owner left. This was a second hit to employee’s psychological contracts yet talent remained despite this. It is posited that the levels of their embeddedness outweighed the strength in the foundations of their psychological contracts.
With regards to L10N there was little or no effort made by the acquirer in building strong foundations for psychological contract with the target team and their efforts were characterised by tokenism. While they made some efforts with their own translation division that was to be absorbed into L10N in a reverse acquisition they focused on the transactional elements of the psychological contract which was a grave mistake as it was the relational aspects of the psychological contract that were more important to this talent. Additionally, target talent saw their own management team as the key agents in the relationship. Target management were depending on the strength of their past relationships to weather the storm that the reverse acquisition brought to their lives. However, they realised too late in the process that these relationships had been damaged beyond repair.

The next chapter addresses the research findings on organisational embeddedness across the five subsidiaries.
Chapter 6. Research Findings on Organisational Embeddedness

To set the scene this chapter begins by a brief overview on the concept of organisational embeddedness in terms of organisation fit, links and sacrifice as they related to the employee experience. We then address the findings for the respective acquisitions starting with the medical packaging subsidiaries MedPk and DutchPk, then the software subsidiary BSW and finally the localisation services subsidiaries L10N USA and Europe. We address the specific findings of each of the subsidiaries under the headings of 1) organisational fit; 2) links and 3) sacrifice.

This study is influenced by the construct of organisational embeddedness where the pull-to-stay with an organisation is swayed by psychological, social and financial elements. Drawn into field theory there was evidence that talent develop life spaces within their world of work, forming networks that are strengthened through the depth and quality of the ties that bind them to their colleagues and the organisation. M&A are ‘shock’ like events that create unstable environments which are characterised by high voluntary turnover. This research demonstrated that high talent retention rates existed in four out of the five subsidiaries studied, with evidence of strong bonds and connections formed over many years. Using the concept of organisational embeddedness the findings of this section are framed within the combined elements of “links fit and sacrifice” (Mitchell and Lee, 2001:215) as they exist for talent in the five subsidiaries studied.

Fit as a component of the embeddedness construct extends conventional research (Hom and Griffith 1995) on turnover. Identifying with an organisation is a psychological state that reflects a bond between an employee and the organisation. Within the context of embeddedness, organisational fit occurs where an individual perceives that they are good match for the organisation (Holton et al., 2006), are a fit with its culture and where there is shared “interest, values and opportunities for growth” (Mitchell and Lee, 2001:235). An environment where an individual feels that their skills and talents are healthily exploited, where they feel personally valued and enjoy the authority and responsibility that their jobs afford (Lee et al., 2004).
Links are influenced by length of service with the organisation and an employee’s current position. Most importantly it is influence by the interaction with co-workers (Lee et al., 2004). Understanding the strength and impact of links (Granovetter, 1973) can help an organisation face the challenge of talent retention. In this study there was evidence of longevity of service across all five subsidiaries. There was substantial evidence that the connections employees had across functions and at all levels of their respective organisations had an influence on their retention. Talent who left and returned had felt a sense of loss and this feeling of loss influenced their decisions to return.

Sacrifice is the perceived cost of leaving one’s organisation and includes financial and non-financial, social and non-social aspects of the employee-organisation relationship (Mitchell and Lee, 2001; Lee et al., 2004). However, this comes down to individual differences. “Leaving an organisation incurs job-related losses: e.g., giving up familiar colleagues, interesting projects or desirable benefits” (Zhang et al., 2012:221). Autonomy, respect, compensation and benefits, future prospects and promotional opportunities are all considered when talent has an intention to leave their organisation post-acquisition.

The following section addresses the complex web of inter-related connections of fit, links and sacrifice as they exist for talent at the five subsidiaries.

### 6.1 Organisational Embeddedness BSW

#### 6.1.1 BSW Fit

Many of the employees had started their career at BSW in the late 1990’s through the graduate recruitment programme. Graduate talent were fast tracked to client facing positions and were encouraged to proactively build up their skills set. Prior to being acquired by USCo the relationship BSW had with its UK parent was characterised by “instability and management turmoil” (Programme Manager).

> “I never really fitted in with [UK Parent] and I didn’t really have the sense of having lived the [UK Parent] way” (Architect)

Not seen as good employers they had attempted to introduce unpopular cost cutting measures, which include a number of headcount reductions and a failed attempt to eliminate additional maternity benefits. The relationship deteriorated further due to
lack of funds to develop and grow the company. Therefore the acquisition was seen as timely, viewed in a positive light by the employees and in some respects USCo was seen as a white knight. In terms of culture, the acquirer were seen as being very similar to the BSW organisation as reflected by a target company senior executive who felt that they were a good fit:

“It was remarkable how similar the cultures were in a sense of understated; you tended to deliver on your commitments, very much focused on operational excellence. Whilst both organisations were sales lead, the cultures merged seamlessly in the sense that people were very very normal, very approachable, very forthcoming, very transparent and certainly those initial perceptions were very very positive in terms of that settling in period” (VP Professional Services EMEA).

BSW and USCo operated in the telecommunications industry, and their organisational cultures were based on similar principles. BSW’s culture was based on the process of collaboration across global teams servicing over 400 international clients. Located in mid-western USA, USCo’s culture was based on a Code of Ethics, servicing 4 very large US based clients with a focus on helping clients compete more effectively and successfully in the ever-changing telecommunications market. Despite having significantly different clients and business practices, both companies were client focused. However, USCo “were more about building long-term customer relationships and working to develop those relationships from mutual benefit” (Programme Manager) which matched his needs. Together the strategy was to build on existing client relationships.

“Our relentless, relationship-driven, customer-focused business approach is built on a foundation of respect, integrity, and collaboration” (USCo business strategy).

With regards to governance there were a number of changes that focused on legal compliance and around power of attorney and while this has brought some structure it was at times challenging. Previously there were multiple levels of BSW managers signing documents for example offers of employment, changes to terms and conditions. Under USCo:

“you don’t commit to anything contractually without having it reviewed by legal and signed by someone with the power of attorney” (Director of HR).

While this makes for more bureaucracy it also makes for accountability and very good discipline. Prior to being acquired BSW had two legal councils, one in the
EMEA region and one in the APAC region. With the acquisition came a legal Department at HQ, headed up by a chief legal counsel who had a variety of councils reporting to him.

6.1.1.1 People Development

One of USCo’s five strategic goals was to bring new skills and talents to the market stating to invest in their people so that they are prepared to bring the highest quality technical skills, interpersonal skills, and managerial skills to the business and clients. (Annual Report Form 10K). These goals fitted in with personal goals of identified talent at BSW.

“Investment in people with more training opportunities and a culture of embracement. I think the values are relevant and they are being lived by the individuals at the top too” (Architect).

Additionally being personally valued within an organisation that fitted their values while being allowed autonomy to get on with their jobs strengthened talents feeling of fit to the newly combined organisation.

“I have the flexibility and autonomy to achieve the things that I want achieve. Recognition is also important; as I have to say when I won the game changer award the recognition was great!” (Programme Director)

6.1.1.2 Strong Performance Culture

Supporting a strong performance management culture, USCo encouraged employees to set their own goals. These goals are linked to a corporate scorecard called ‘insight USCo’. Drafted and agreed annually by USCo executives, this scorecard is shared publically within the corporation (with the exception of sensitive HR goals) and employees must align their individual goals to the scorecard. Everyone’s goals are transparent and visible to other team members and line managers via internal intranet. Additionally, 360 degree feedback was introduced and this was another significant change to pre-acquisition goal setting. Met with mixed feelings under the previous ownership, there was a very different arrangement whereby line managers set the goals for their direct reports and then judged performance against those goals. Now there was nowhere to hide.
“I would very strongly agree with this as well… I'm a great believer in that it is your own career, nobody else’s; it’s up to you as to where you want to go to” (Programme Manager)

6.1.1.3 Challenging Work

Part of the post-acquisition retention plan involved a change of roles for employees identified as talent where their knowledge could be leveraged and at the same time benefit the integration of agile processes. There was evidence that this was effective as a Program Manager who moved from professional services to the central solutions group remained with the company because of that change.

“I like interesting challenging stuff …actually I like chaos and imposing order on chaos. If you give me steady state situation I get bored, if you give me something new which is chaotic and just tell me to fix it yea it gets my interest level” (Program Manager)

The structure of people’s roles changed in line with changes in processes. For example output from the OPPR process resulted in a more rounded Architect roles combining technical skills with opportunities to demonstrate leadership and mentoring.

“Every 2 years I have had the opportunity of going on a different project with a different set of people in a different culture and I don't have the start at the bottom [of the] ladder and in particular in the last 2 to 3 years I have been really challenged in my positions here... I have been given a lot more responsibility in the couple few years here” (Architect).

Change in job content and variety are also key motivators:

“Day to day life is driven by the project that you are [working] on…if you had a rubbish project you had a rubbish life...the last few projects have been good, so that is probably why apart from the acquisition that I have not been really interested in moving on anywhere” (Program Manager).

6.1.2 BSW Links

On analysing attrition metrics for the EMEA region at BSW, the HR Director found that once employees stayed beyond three years they were less likely to leave and the average retention period was ten years. He explained that employees at the Irish subsidiary had set down roots locally and developed relationships with colleagues over the years, forming lifelong friendships. This was reflected in the interviews with talent who viewed the culture at BSW as one of camaraderie and togetherness.
“This office is unusually friendly. A lot of offices I have worked in you've got power struggles, people shovelling for positions and shooting people down but you don't really see that here” (Programme Manager BSW).

6.1.2.1 Project based work teams

Client work at BSW was project based which included local and global team members. This fostered an atmosphere of inclusion in the day to day work-life and gave colleagues opportunities of working with top talent in the pursuit of meeting common deliverables.

“The last few projects have been good so that is probably why apart from the acquisition that I have not been really interested in moving on anywhere” (Central Solutions Architect).

Supporting this team approach talent act as coaches and for the most part as informal mentors:

“My big thing is pushing people outside of their comforts zones. Coaching people to go outside their comforts zone, encouraging them. Most people are good but most people aren't given the opportunity to take risks. Go on give it a go and if it [messes] up, blame me, don't care, give it a go, what is the worst thing that can happen” (Central Solutions Architect).

Under the previous ownership, projects were completed using a ‘waterfall’ process and involved a number of global team members working together to meet a contract deliverable. Just prior to the acquisition BSW were looking to move to an ‘agile’ process which is a more collaborative people focused way of managing projects. This required significant investment which USCo provided. The acquirer funded the introduction of the ‘agile’ process which required restructuring of the office layout to facilitate a more open collaborative working environment. This restructure opened the whole place up and is a true representation of their open door communication policy.

6.1.2.2 Strong people bond

There was evidence of a strong bond between the employees and senior management in the Irish subsidiary. Senior managers are seen to be the saviours of the Irish subsidiary “they fight for the local office and that’s why we are here” (Architect). Prior to joining BSW one Program Manager relocated every two or three years to a
different country and bring his young family with him. 12 years later he is still working at BSW and speculated that:

“It could be that people have been here for so long that everyone knows everybody else and knows how people work...this office is unusually friendly. But in a lot of offices I have worked in you've got power struggles, you got people shovelling for positions and shooting people down and stuff but you don't really see that here” (Program Manager).

Another programme manager identified as talent, left within a few months of being acquired. He did not wish to leave the geographical area so when an opportunity arose with another local SW company he took it. He was highly respected and while his departure created space for other talent to grow, it created some uncertainty within the BSW subsidiary and according to an Architect a lot of people would have been influenced by him and considered leaving. However, his return completely turned a lot of heads and there was a feeling that while opportunities were out there, there was no place better than BSW.

“why am I here 11 years ...a lot of it has to do with the people actually here in this organisation …the [BSW] organisation – we have all grown up together...people have life-long friends here” (Architect).

The programme manager had found it difficult to engage in the social aspect at his new employer organisation located across the city and returned to BSW within 9 months of leaving.

“I missed the fact that people you would have known for 10 years, the ease of conversation and the tea room chat was something that when that wasn't there anymore [it was missed]” (Programme Manager).

6.1.2.3 Recognition

Recognition is extremely important to talent at BSW and the senior management at corporate HQ understood this. They are proactive in developing mechanisms and forums that allow every employee to have recognition. After the acquisition USCo introduced a number of rewards schemes for individual performance, team work and the Genius Award for innovation.
“I do expect thank you. Yes, absolutely recognition would be important. The financials sure yes - you get a level of security and you know [the] disposable income that comes with that and I can say thank you was more important than that!” (VP Global Services EMEA).

“I obviously have had my recognition in the financial side of things but apparently with people it makes you happier to dance than it does to get money” (Architect).

“I have to say when I won the game changer award the recognition was great!” (Programme Director).

The most important element of recognition is the fact that recipients’ are nominated by peers and line managers. The final decision is made by a panel of senior managers within the organisation, and the awards are given out on a quarterly, six month and annual basis which keeps the positive momentum going.

6.1.3 BSW Sacrifice

In an environment of strong links to colleagues who felt more of a fit with the acquirer USCo than with their previous owners, there was a sense that talent had invested a lot in the BSW organisation. This is something that would be difficult to give up:

“Starting at the bottom again. Getting used to you know the health plan, the setup of the benefits, the pros and cons, how organisation works - that's already there for me -it’s embedded in me now” (Architect).

USCo were serious about retaining talent and at the time of the announcement of the deal those identified as talent received “some level of stock grant on signature” (VP Professional Services). Additionally, as part of long-term talent retention strategy USCo used restricted stock option units that could be vested over a four-year period. From a financial perspective USCo made a deliberate effort in making it difficult for talent to leave.

“If I leave at year one I get 25% of the value of the stock and if I stay to year 4 I will get 100% of stock” (Director HR EMEA).

Just prior to the acquisition an Architect had looked outside of BSW for a career change but she changed her mind after a number of interviews:
“Do you know what, I am in an organisation that allows me to work flexible, with good money, good travel, good friendships set up, it’s a viable company and that would have stopped me” (Architect).

Under the previous ownership promotions within the BSW organisation were focused on technical talent. However, under USCo there are more opportunities for architects who were seen to have rounder capabilities including technical ability, leadership and mentoring skills, who are able to pass on knowledge and who could communicate with customers in layman’s terms. The acquisition was viewed very positively by BSW employees and job security was not an issue. There wasn’t a huge overlap in functions with the acquirer, therefore there was a feeling that the acquisition would open up opportunities for career progression. USCo made organisational changes as within weeks of the announcement specific role changes were made with regards to identified talent. These role changes had a direct effect on talent retention and presented career growth opportunities for employees. Talent at BSW were ready for a change and the acquisition was seen to rejuvenate the organisation giving them “a new vision, a new life” (Programme Manager) making it a place they wanted to remain with.
6.2 Organisational embeddedness Medical Packaging subsidiaries

“[MP] is a good fit with [PAK] because of its solid long-term customer relationships, its technical approach to product development and its reputation for superior quality” (CEO PAK).

6.2.1 MedPk Fit

Seen by all those identified as talent as a great place to work, the organisational culture at MedPk was perceived by the employees as one that was customer and quality focused with strong leadership driven from the top down. Influenced by the leadership of the business unit director who had director level experience of working in multi-national companies. He had always managed MedPk like a multi-national even though it was a small organisation. Under his guidance the management team had developed with the organisation over a fifteen year period and he believed that there were deep rooted in their beliefs, and style of management. He reflected that:

“There was always something special about our organisation though it was small it was going places and there was great variety, great companionship.” (BUD MedPk).

The strong organisational culture at MedPk instilled confidence with the acquirer and allowed the management team full autonomy to run the business as usual in the first eighteen months. While there were different expectations in terms of corporate governance and protocols, the management team had little difficulty in adapting to the new owners. Talent at MedPk were influenced by autonomy within their role, fantastic team work and opportunities for personal development and advancement and this did not change in the post-acquisition environment. The organisational culture was so strong at MedPk that they were not fazed by the acquisition and this could be explained to some extent by their previous acquisition. However, some did not necessarily feel that they were a good fit with PAK and believed that they never really integrated. The IT manager reflected that five years post-acquisition:

“we were still trying to explain to them how our business worked, and they were still trying to mould us and change us to PAK” (Global IT Manager).

6.2.2 MedPk Links

Employing ninety people, with an average retention period of fifteen years, MedPk lost five employees over the course of two acquisitions and none of these departures were the result of being acquired. Reflecting the entrepreneurial culture at MedPk a
former operations manager left to set up his own business and continued to work with the company as a subcontractor. The philosophy at MedPk was that managers were not hired to manage people, the focus was all about the generation of self-empowerment where the employees themselves were given opportunities to demonstrate their skills and abilities and encouraged to work very closely together tied to a common group bonus scheme. There are a number of committees, special projects and a strong sports and social club at MedPk which gives opportunities for everyone to get involved at a number of levels which strengthens the tie that bind them to the subsidiary (Figure 11).

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<th>Team &amp; Committees</th>
<th>Sales Funnel Team</th>
<th>Forecast Team</th>
<th>Pricing Team</th>
<th>Validation Team</th>
<th>New Product Introduction Team</th>
<th>Process Improvement Team</th>
<th>Safety Committee</th>
<th>Cost Reduction Team</th>
<th>Coffee Morning Team</th>
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**Figure 11. Teams and Committees at MedPk**

Teams are interwoven with each other and to achieve their objectives individuals need the co-operation of their colleagues across functional areas.

“The driving force is the team and with teamwork we get involved in other areas for example cost reduction teams, process improvement teams and you get different views from the team, with tentacles in all areas for example costs, budgets and P&L's” (Financial Controller MedPk).

“outside of the people that report to me, I really couldn't do my job without are quality. I continuously need Mary's support in terms of purchasing and building up supplier relationships. Also John the production manager, I need support from John in terms of logistics, [and he] helps me out on a weekly basis with that so we would be in daily communication” (Logistics and Planning Manager).

The coffee morning team provides a forum in an informal setting, where employees across all levels and functions can drop in and discuss issues in an open and safe
environment. The social side of work is seen as important with a strong active sports and social club which is 50% funded by the company.

We spent four hours playing golf [usually Friday’s evenings] and it’s really a teambuilding exercise, we build the team we develop and forge relationships” (Financial Controller MedPk).

The atmosphere at MedPk felt almost light-hearted, described as “fun” and an enjoyable place to work. Grown over more than two decades, the attachments are deep rooted where one senior manager describe her colleagues like family.

“I am 18 years here, it would kill me to leave, I would miss the people most” (Global IT Manager).

“we were not only business colleagues we were friends, and we shared the same desire to grow the company, build-up customers and at the same time have fun” (BUD MedPk).

This feeling of family atmosphere was characterised by the IT manager’s feeling of loss when she was going on maternity leave, stating that when they gave her flowers she “cried as she was going to miss her colleagues”. The linchpin holding the MedPk team together is the business unit director. There was evidence of very strong links with him, whose style of management could be described as almost paternal.

“From the very start [BUD] has been into empowerment. People have been pushed to grow in their roles and there is a lot of delegation here and there has been a lot of [internal] promotion” (Operations Director MedPk).

“Terrific, right, always finding the latest in development in their field and they have the freedom to apply it and work with each other. There is a trust bond and there are some excellent business processes and practices, and managing the business in an absolute excellent state of the art way, it’s just a huge difference” (VP Medical Division PAK).

6.2.3 MedPk Sacrifice

As previously mentioned employees at MedPk had long tenure, fitted well with its strong subsidiary organisational culture in an environment where skills and talents are grown and nurtured. Additionally, the team were given the authority and responsibility to execute their roles with the level of freedom. This autonomy allowed them develop their own distinctive style under the guidance of the business unit director. MedPk have never paid out huge salaries, but they do have generous group bonus schemes and funded opportunities for both academic and personal development. While the company was growing from strength to strength it was
recognised that some employees identified as talent had little space ahead of them to climb the organisational ladder. This was addressed by providing opportunities for talent on numerous committees and teams where they would be offered international experience and exposure. There was an almost palpable positive atmosphere and buzz at the MedPk facility. The business unit director believed that you could grow the business successfully and “at the same time have fun” and even though he was shocked when he heard that they had been acquired he stated:

“For me it is very simple, it's a challenge, when I set a budget when I set targets it's the excitement and the fun working with the new people, new customers, watching managers achieve and grow” (BUD MedPk).

At the height of the Celtic Tiger MedPk were competing against very large multinational organisations to retain talent. They could not compete with the compensation and benefits packages of those multinationals. However, where they could compete was in offering an atmosphere leading employees to have ‘a pep in their step’ coming to work on a Monday morning, where employees enjoy what they do and where they can challenge the status quo. At MedPk people believe that they are valued and appreciate the way that they are treated and length of service was seen to influence staff to stay as:

“It’s hard to leave your colleagues and friendships developed over the years and to forsake length of tenure benefits” (HR Manager MedPk).

6.2.4 DutchPk Fit

“I’ve always felt that [DutchPk] was my company and worked accordingly, independent of who the owner was” (Customer Service Manager DutchPk).

A people and customer focused organisational culture at DutchPk evolved over 20 years under the leadership of MD who was gregarious in nature, generous with his time and who encouraged a high level of employee engagement at all levels. He was not a ‘numbers man’ and when he left within two years of the acquisition he was replaced by the technical director who took on the role of BUD DutchPk. BUD DutchPk was single minded in his quest to achieve the cost reduction targets set by the acquirer PAK. This was a huge shock to the staff at the Dutch subsidiary who saw it almost as a betrayal felt that there “was greater distance between the top and the employees (Business Development Manager DutchPk). People were worried
about losing their job so they accepted the changes. Those who had opportunities elsewhere stayed “because they were loyal to the company” (Financial Controller DutchPk), as opposed to its new BU Director. Both the Customer Service and logistics managers at MedPk worked very closely with their counterparts at the Dutch subsidiary and in their day to day dealings reflected that:

“[DutchPk] can look at things differently, they are saying it but they are not doing it or it’s not going in” (CS Manager MedPk).  

“we work around it, I mean it takes time, it takes a little bit of patience.”  
(Logistics Manager MedPk)

The strong organisational culture at DutchPK seemed to change people who worked there for any length of time. The Global IT manager described it as having “some sort of force-field in that office that drags them all in”. Employees who joined the subsidiary over the years were absorbed into its organisational culture. When the purchasing manager started at DutchPk

“he was full of ideas, he was enthusiastic, he brought a lot of experience from his other role into the [company] but that enthusiasm doesn’t seem to there as much as it was…[and he has adopted] that whole tunnel vision thing”  
(Logistics Manager MedPk).

The local IT manager was recruited just after the acquisition by PAK:

“He came in very open-minded, he was going to be fantastic, he was going to be able to move things and change the system, and he was going to do so much. But now he is just, he almost has the [DutchPk] way” (Global IT Manager).

According to management in the Irish subsidiary, this was not as a result of the acquisition it was the result of being exposed to the very strong insular organisational culture of DutchPk. Yet the CFO felt that through their acquisition by PAK that they had lost their own identify and had to commit to many rules and policies that were alien to them. Eighteen months post-acquisition as part of the restructure PAK needed to tap into and use talent from the Irish subsidiary. As Sales talent were the lifeblood of the organisation, BUD MedPk took up the additional responsibility of managing the commercial sales group in The Netherlands. PAK wanted him to replicate the Irish model for talent management and for three years he travelled twice per month to the site.
“BUD MedPk took over and there was a fast turnaround in terms of how the sales team were managed. BUD was more a people manager, he understood sales and he listened. With the previous manager he didn't listen” (Sales Manager Germany).

However, the business unit director of MedPk immersed himself so much in the European organisation that according to the Global IT manager he started to take on board the Dutch organisational culture.

“Purely focused on them and that is fantastic when he's there. But then when you have to pull him back out and he comes back into [MedPk]” (Global IT Manager).

The Dutch employees fought to keep their own identity as evidenced at a global IT leaders meeting in The Netherlands, where the objective of standardising IT systems was discussed. The Global IT manager was encouraging them to start thinking and acting with a global mind-set. Yet, the response from the Dutch IT team was “behind that production wall we are still [DutchPk]”. She found it difficult to penetrate this wall and felt she could not trust them as BUD DutchPk was making IT decisions without consulting her and PAK executives allowed him do so. One explanation as to why PAK allowed DutchPk employees such liberties was the fact that during the due diligence process the Dutch management team “played up the power of the unions and the works councils. We spun it to our advantage” (Former Owner) and as a result perhaps PAK did not want to rock the boat in fear of reprisals as this was the largest subsidiary in the group.

6.2.5 DutchPk Links

The average service period for employees at DutchPk was twenty years and according to the CFO people stayed out of loyalty to the company. Employing 250 in a small village in The Netherlands. Very informal with short reporting lines and a clear idea who people were working for, there was a lot of respect for the owner who to this day maintains a connection with the employees through his work with the community. DutchPk retained most of its key employees except for a last-in first-out redundancy programme in a response to a need to drive costs down by the new parent. There is a strong sense of community at DutchPk where everyone knows each other and their respective families who have lived in the area all of their lives. This sense of community is reflected in the fact that every year the plant shuts down for a full week each February to support the local annual festival.
The DutchPk organisation is very insular with a mind-set of “we look after ourselves” (Global IT Manager) and behave the same way with all outsiders. It took them years to develop relationships with their sister company MedPk, and their response to changes that do not originate at the Dutch subsidiary is to ‘close ranks’.

As DutchPk was number one in its industry in Europe competitors started to headhunt talent in the early post-acquisition period. The Business Development Manager was offered higher compensation and benefits in the aftermath of the acquisition by a competitor. However, she stayed citing that “there were more benefits to stay and I still enjoy the work and interaction with colleagues”.

6.2.6 DutchPk Sacrifice

DutchPk is a significant employer in its local village located close to the German border. The original owner of the company facilitated an environment where employees enjoyed freedom and autonomy to pursue company goals which they were well rewarded for performance. In comparison to MedPk, salary levels of their Dutch colleagues were considerably higher. For example the salary of the customer services manager at DutchPk was 30% higher than that of his MedPk counterpart. There were similar disparities in salary right across the management team.

In the post-acquisition environment there were two rounds of redundancies and these were on a last-in first-out basis which gave a level of security to those employees with long tenure. Despite long tenure, the Customer Services Manager would consider leaving DutchPk if he felt that he wasn't being given a fair chance for a promotion. In fact he had considered leaving twice but stayed because he felt very comfortable with his role and his managers and he had an “outlook to next steps” in his career. The business Development Manager would only consider leaving DutchPk:

“If the politics and form-filling outweighs the pleasure I get from customers. If I don’t feel valued” (Business Development Manager DutchPk)
6.3 Findings Organisational Embeddedness L10N International

6.3.1 L10N USA Fit

A family owned company from the mid-west, the organisational culture of L10N USA was heavily influenced by its American owners. Seen as a father figure the CEO was strict but fair and together with his son the President they created “a family type culture where people were treated well” (Chairman L10N) across both subsidiaries. The President had learned the business from scratch from the bottom up and it was against this background that he spearheaded the development of technology that would revolutionise the translation business. While there were strict protocols with regards to the translation process, top management recognised that to have a competitive advantage in the market place they needed to be innovative in the non-human elements of the translation and localisation process. They employed creative people and facilitated an environment where this talent could innovate allowing them flexible working hours and the freedom to work from home.

“I had a lot of freedom to learn and immediately apply new skills, quickly advancing from entry level PC operator to systems manager and eventually software developer. Enormous learning potential, technology driven company, direct interaction with CEO/top management” (Senior Applications Developer USA).

“I saw the opportunity of learning, growing and becoming a professional within the industry which I had always loved. I was very well treated and appreciated. After a couple of years promoted, given responsibility and respect and was happy enough to continue with them” (Global Contracts Manager).

6.3.2 L10N Europe Fit

While both organisations had a shared vision as reflected in respective press releases announcing the deal:

“[BM] is an ideal partner and shares our values and vision to become a leader in the language services market.” (President L10N).

“We believe that [L10N] is the perfect company to complement our translation business and to support our goals of diversification” (President of BM Financial Document Services division).

All stakeholders within both the target and acquirer organisations knew that there were significant differences between their respective businesses on a number of levels: business sectors, professional standards, production processes and output
requirements, recruitment and selection practices, principles of pricing and sales commission and the roles of project managers were all significantly different (Table 12).

<table>
<thead>
<tr>
<th>Comparators</th>
<th>Target company L10N Europe</th>
<th>Acquirer BM London</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Sector</td>
<td>Medical Device/Pharmaceutical</td>
<td>Financial/Legal</td>
</tr>
<tr>
<td>Accreditations</td>
<td>ISO9001:2004</td>
<td>None</td>
</tr>
<tr>
<td>Translation Output per day per linguist</td>
<td>2,000 words</td>
<td>5,000 words</td>
</tr>
<tr>
<td>Base translation education required</td>
<td>Masters Level in Translation studies. All translators had to be native speakers of the target language.</td>
<td>Degree in translations or equivalent. Translators were not required to be native speakers of the target language.</td>
</tr>
<tr>
<td>Business Ethos</td>
<td>Develop lasting relationships with clients</td>
<td>Sell, sell, sell</td>
</tr>
<tr>
<td>Translation Process</td>
<td>Multiple levels of translation process completed by qualified linguists e.g. Translate, Edit &amp; Proofread.</td>
<td>Translate function only with a quick proof carried out by Project Managers</td>
</tr>
<tr>
<td>Sales Commission Structure</td>
<td>Commission based on revenue that achieved certain profitability targets</td>
<td>Commission based on Revenue and not profitability</td>
</tr>
<tr>
<td>Pricing Structure</td>
<td>Based on source word count</td>
<td>Based on target word count</td>
</tr>
<tr>
<td>Business Hours</td>
<td>9am to 5.30pm Mon to Thurs. 9am to 1.30pm Fri.</td>
<td>24/7 operation fast turnaround on projects</td>
</tr>
<tr>
<td>Volume of Projects</td>
<td>Average 108 per month</td>
<td>Average 400 per month</td>
</tr>
<tr>
<td>Annual volume of source words</td>
<td>3.4 million source words processed</td>
<td>15 million target words processed</td>
</tr>
<tr>
<td>Source documents media</td>
<td>Clients transferred electronic copy source documents on-line</td>
<td>25% client source documents Hard Copy received by FedEx</td>
</tr>
<tr>
<td>Revenue per PM</td>
<td>$400k</td>
<td>$1.2m</td>
</tr>
</tbody>
</table>

Table 5. Overview comparison of L10N Europe v BM London

During due diligence the Operations Director Europe had an opportunity to meet with the top management team of the division of the acquirer that L10N was to report into.

“I was looking forward to working with these guys. They came across as being very professional, very focused” (Operations Director Europe).

Her biggest concern was that their business models was poles apart. At her first visit to the BM London office she was immediately struck by the difference in work environments:

“it was very upmarket with huge meeting rooms right in the centre of the financial district in London” (Operations Director Europe).

Whereas L10N’s facility in Ireland was a fairly basic but airy open plan office space that needed updating. There was also a more formal atmosphere in London as
compared to the informal buzz of the Irish office. These differences substantiated her thoughts that at every level both organisations were significantly different, making the execution of a reverse acquisition almost impossible. Despite these differences, the acquirer assumed that using the automated processes of the iTrans technology would reduce the number of PM’s required to manage the combined business. Prior to the acquisition, the automation functionality of iTrans was not being used for medical device/pharmaceutical client work in Europe. However, it was being used for automotive industry clients at L10N USA which was a good match for the type of work being transferred from New York to Minneapolis.

6.3.3 L10N USA Links

Against the back drop of a highly educated multi-cultural workforce from the localisation industry, the organisational culture of L10N International was described as one focused on the customer with an emphasis on quality and cutting edge technology. The nature of the localisation business required linguists to be native speakers of the target language they were translating into (e.g. English into French linguists were born and educated in France). 99% of the employees at L10N USA were European nationals and this helped them attract other highly qualified professional translators for example a Senior Applications Developer “liked the fact that it was very international”. Retention was high despite two main competitors located within a five mile radius of the operation and the average retention period was fifteen years. The owners were segregated from the operations side of the business which was open plan, where teams were clustered by language groups. While they worked hard they “had a lot in common…and there was actual time to talk/socialise” (Portuguese Translator). The management team were very protective of the staff, as the Operations Director USA reflected:

“if the group falls you fall so you protect the team from pressure. We took the full blow of the [BM] situation and we did this so people could get on with their jobs.”

There was evidence of strong friendships developed over the course of their working lives at L10N which were very important to the team.

“I became fast friends with many of my co-workers…and the relationships go beyond work at this stage” (Global Contracts Manager)
"We had friendships there that were very important" (Operations Director USA).

"These people are my friends and when I left [BM], I was devastated. However, on a personal note I always continued to maintain the relationships" (COO).

### 6.3.4 L10N Europe Links

Working within strict standards and controls as demanded by the medical device industry the Irish subsidiary had strong leadership, in an environment where there was always limited funding for development. The average retention period was five years which was considered high for the localisation sector. "There was a great sense of the team and reasonably close knit community" (Global Quality Manager), where people were valued in an atmosphere that was described as being “like a close family” (Spanish Translator) where success depended on everyone's efforts. A PM who left L10N years before the acquisition and who was headhunted post-acquisition and returned for a senior PM role stated:

"I liked the atmosphere in the [Irish] office it was like one big family. However, after the first month I realised that it was very different from the L10N days, and had a different culture and mind-set” (Senior PM Legal/Financial).

She was very upset when her colleagues left as she had developed good relationships and formed attachments:

"Part of the reason I stayed for that period, the team helped me stay- that was one of the positive things – that very good team spirit and if we hadn’t that team spirit none of us would have stayed for as long as we did” (Senior PM Legal/Financial).

One long-term stayer reflected that:

"We were together from the start and we went through a lot, we learned from each other, we supported each other...It was tough on me when people left. We had been through tough times together and when they left it took a lot out of me” (Director Technical Solutions)

According to a senior PM, freelance translators were refusing to work with L10N after the acquisition. BM Corporation did not have the same focus or passion for working within controlled processes.

"The company stopped being quality and people focused. Productivity and costs became the main priorities. The decision to leave had already been
taken, and the acquisition just confirmed and accelerated my decision” (Spanish Editor).

“The work atmosphere had worsened when it used to be excellent. People were unhappy as productivity targets were higher and too aggressive, and sometimes unreachable without compromising with quality” (French Translator).

L10N Europe had an open door policy with regular communication sessions that kept all employees up to speed with how the company was doing financially and where strategies for future growth were shared. There were weekly operations meetings where all departments were represented and where all aspects of the business were discussed. Communication was locally focused and while L10N Europe had been set up by their American parent in 1998, the COO reflected that they were like two companies working in two different industries, with their own processes and “hired people that did not match our structure” (COO). BM Corporation was not seen as a people focused organisation and that the BM culture did not promote team work:

“I believe that [the acquisition] changed people to work on their own rather than working as a team, staff felt de-motivated, the atmosphere within the company was poor” (PM Medical Clients).

6.3.5 L10N International Sacrifice

Prior to the acquisition, operations talent at L10N enjoyed freedom to shape their respective roles within the organisation. The Operations Director Europe took the business development route while her US colleagues took a technical route. In terms of compensation and benefits L10N were above-average payers. Additionally a generous pension scheme valued at 5% of annual salary was granted to those identified as talent and for every five years’ service an additional week’s paid holiday was awarded.

L10N was small in that they employed less than 200 people, so prospects for promotion within the organisation were few, yet up to the day of the acquisition announcement they enjoyed very high retention levels in comparison to other companies within the localisation industry. The Operations Director Europe put this down to a combination of very generous packages, the international atmosphere coupled with opportunities to participate in cross-functional teams in the development of proprietary tools spinning off the iTrans technology.
Once they were acquired the negative almost shocking experience that the employees went through during the sixty day transition period was too much to bear and many left without having lined up jobs to go to. The freedom that employees enjoyed under the old ownership was lost and there was a sense that there was little or no respect for target employees. These two elements outweighed all of the other positive elements so people left in their droves.

“Pressure due to new working shifts/productivity targets being introduced. I was offered a new position in another location and left” (Greek PM Legal/Financial)

“You were expected to give your all to your job. This was not the case before the acquisition, and I think this was not a good change. It became too aggressive and money-focused. But since I only stayed a few months, this could have been teething problems. Anyway, it was enough for me to leave” (Swedish PM Legal/Financial).

“I saw no future in the company. I was exhausted from it and my wife got fed up of my depression, mental exhaustion and general misery” (Global Quality Manager).

“I couldn’t take it anymore and I could no longer support my people” (Operations Director Europe).

6.4 Conclusion

In addressing the concept of organisational embeddedness from an individual talent perspective in terms of fit, links and sacrifice; a number of themes emerged from the research. For the subsidiaries who demonstrated high post-acquisition retention, length of service, age, family status, connections with colleagues and leaders were pivotal to decisions around staying with their respective organisations. In terms of organisational fit between the target and acquiring organisations, the evidence suggests that there was a greater target-acquirer fit between BSW-USCo and MedPk-PAK than any of the other subsidiaries and their acquirers. The success of the BSW-USCo and MedPk-PAK combinations were characterised by an environment of business as usual.

BSW-USCo was seen by employees to have similar organisational cultures focused on operational excellence. With open communication and a supportive environment USCo gave talent the feeling they were valued and this was substantiated by the
significant investment USCo made in supporting the introduction of agile processes, which included upgrading the physical office spaces facilitating a more cohesive work environment. They presented talent with a much improved open working space that facilitated open discussion and collaboration which helped strengthen already strong relationships. Employees at BSW liked being in each other’s company.

With PAK they recognised that there was something special about MedPk, who had a progressive culture, heavily influenced by the management team and their leader, where potential was recognised and developed, and where employees were given opportunities to grow. This contributed to a rich and deep pool of talent that subsidiaries within the medical group tapped into. The findings suggest that the strength of MedPk's organisational culture and the belief that MedPk employees had in themselves and their organisation, made a significant contribution to the retention of talent and the successful combination of the organisations.

While DutchPk's organisational culture was as strong as their sister company MedPk and both were influenced by strong leaders, things may have turned out differently at DutchPk if the original owner has stayed to the end his contract. The acquirer knew the risks when putting a retention package in place for the former owner. They needed him to sign up emotionally to the planned changes which included headcount reductions and he was unable to do so. This led a slow integration process characterised by a Dutch management team whose response to changes was to ‘close ranks’ and to do things their own way regardless of the consequences. While there was high talent retention, a number of talent were made redundant. They were victims of a combination of a last-in first-out redundancy policy closely monitored by the Union and Work Council; coupled with a lack of empathy, vision and people management skills of the business unit director who replaced the former owner when he left prematurely.

The length of tenure was another factor that is worth noting as employees at BSW, MedPk and DutchPk had on average twenty years’ service. Including talent the majority of the employees at these three subsidiaries lived locally and had roots in the community. It was recognised at BSW that once employees stayed for more than three years they tended to become deep rooted in the organisation and community.
Similarly it can be argued that length of service at MedPk, DutchPk and L10N USA created a foundation of embeddedness within their respective organisations.

L10N Europe was established in the West of Ireland in 1998 and the average retention period at the time of the acquisition was five years and 90% of the employees were from mainland Europe. The evidence suggests that given Ireland was not their home country and the exposure to the negative issues that the reverse acquisition brought about to their daily working lives made decisions to leave post-acquisition easier for talent as their links were not as deep as their Irish colleagues. Age also had a role to play as the average age at the time of the acquisition at L10N Europe was twenty eight. While at the sister company L10N USA the average length of service was ten years and average age thirty five. While 99% of the employees lived locally at L10N USA, they were not native to the USA. However, there is evidence that talent married and set down roots in the local community and their embeddedness in the community may have had a strong influence on their organisational embeddedness.

Working relationships develop over time and with length of service comes deep-rooted connectedness with colleagues. This is something that is difficult to replicate when moving to a new organisation as was evidenced with the senior programme manager at BSW who found the socialisation aspect challenging with the new employer he left for post-acquisition. His previous employer relationship with BSW coupled with his dissatisfaction in the new role he left BSW for helped his decision to return to BSW. Similarly the L10N operations director Europe left an untenable post-acquisition situation only to return to take up a global role within months after leaving L10N, she returned stating that she missed the connectedness with her colleagues and the working relationships that had been forged over the previous six years.

The chapter that follows is the final chapter and addresses a discussion and conclusions of the research findings.
Chapter 7. Discussion and Conclusions

This chapter discusses the key findings of the research on talent retention in the context of M&A. The contribution of this research has relevance for practice and a framework is proposed against the backdrop of a three stage dynamic acquisition process. This framework incorporates building blocks of the psychological contract and organisational embeddedness as it relates to talent’s pull to stay in a post-acquisition environment.

We start with a general discussion on retention rates and the combined elements that influence the attachment of talent post-acquisition. Following on from this we discuss M&A strategy as the starting point for talent retention. In response to the sub-question of what talent is, we next discuss how talent was defined by the case subsidiaries including the characteristics of talent and the identification of talent. Then we address the importance of HR due diligence. Moving on there is a discussion on the building blocks of the psychological contract, which includes sub-sections on the pre-employment experiences of target talent; their re-recruitment and early socialisation with the new organisation. This brings us into a discussion organisational embeddedness with sub-sections on fit, links and sacrifice. Thereafter a talent retention framework is presented with a discussion on the implications for management practice, the use of the talent retention framework. This final chapter ends by outlining the limitations of this research.
7.1 Framework

The *pull-to-stay* for talent was not down to any one single factor; rather it was based on the interplay of a number of factors. Influenced by Rousseau’s (2001) work on the building blocks of the psychological contract and Mitchell *et al.*, (2001) theory of embeddedness, a talent retention framework (Figure.12) was developed. The building blocks of the psychological contract and the dimensions of organisational embeddedness form the core of the framework against the backdrop of the three stages of the acquisition process.

![Figure.12 Talent Retention Framework](image-url)
7.2 Discussion

The evidence presented addresses the main research question of what factors determine the attachment of talent to an organisation post-acquisition. It also addresses the supplementary question of how is talent defined and identified and what retention strategies and policies are addressed during the transaction, transition and integration stages of an acquisition? Based on 50 interviews across 5 acquired subsidiaries, the findings indicate that while the acquisition experience was challenging for employees, talent retention rates of over 92% were maintained for up to 9 years post-acquisition at four of the five cases studied. This is contrary to the findings of previous studies, as M&A are associated with high turnover of top management and key employees with up to 60% losses in the first year (Walsh, 1988; Krug, 2009a). Influenced by demographic changes and the increased mobility that globalisation has brought, talent shortages continue to be a key HR challenge facing multinational organisations today (Mäkelä et al., 2010; Scullion and Collings, 2011). One might argue that the economic conditions over the last 10 years have resulted in a less than favourable jobs market, presenting employees who had intentions to leave with a challenge of finding alternative positions. However, when studying the decision making process, Holthom et al., (2008:234) argue that “actual unemployment rates do not affect actual individual level turnover”. Despite high unemployment rates worldwide, it is predicted that talent shortages will prevail across a wide range of functions including technical and leadership talent (Deloitte, 2010). The acquisitions in this study took place in the pre-recession periods of 2005 and 2006, with the exception of BSW who was acquired in 2011. This subsidiary experienced two acquisitions in pre-recession periods and retained 99% of its workforce despite the fact that it operated within the IT sector, which over the last number of years has been challenged by talent shortages (Kringes et al., 2008; Deloitte, 2010).

This study found that the influencing factors determining the attachment of talent post-acquisition was the result of a combination of elements. Factors included 1) the responses of both the target and acquiring organisations to strengthening and re-building psychological contracts during the three stages of the acquisition process itself; 2) talent’s perceptions and responses to the changes that their new employer brought to their daily working lives; and pivotal to these factors was 3) the extent to
which talent were embedded within their respective organisations. The changes brought about by the acquisitions were challenging enough to lead to intentions to leave, with some talent quitting only to return within a short period. Others remained in challenging environments despite being headhunted by competitors, so why did they stay?

7.2.1 Talent retention starts with M&A Strategy

Considerable research has focused on the integration stage of the acquisition process (Cartwright and Schoenberg, 2006; Cartwright et al., 2012) with many arguing that this is where things can go wrong. This study contends that strategy is the ‘engine’ driving all aspects of the M&A process (Bruner, 2004) where strategic vision, strategic fit and deal structure are key determinants of success in M&A (Epstein, 2004). “Strategy influences M&A outcomes” (Bruner, 2004:123) and from target identification through to integration and talent management, the driving force behind talent management in two out of the three acquisitions studied was linked to the business strategy behind the respective deals. There was evidence that retention strategies were linked to the strategic objective of the deal, the degree of post-acquisition change required and the organisational design of the combined firms. However, it is one thing to have a strategy and another to execute it as the evidence reflected with the reverse strategy behind the L10N acquisition. Some argue that reverse acquisitions are similar to absorptive acquisitions and “both are forms of cultural assimilation” (Marks and Mirvis, 2011:870); this was not the case with the reverse acquisition of L10N. While the idea had merit, in reality there was no integration plan. Both target and acquirer senior executives failed to consider the implications a sixty day transition, neither did they consider the needs of critical talent on both sides of the fence. It is suggested that had a transition team been put together early in the acquisition process; with members from the target and acquirer subsidiaries and if a phased approach had been used, this might have prevented the defensive reaction of the acquirer’s sales team. While their actions were unforgivable, the sales team did have a valid argument that their clients needed to be eased into the newly combined organisation allowing trust to build in a new team that they had never met or had exposure to.
Stahl et al., (2005:25) found vertical acquisitions “usually result in little consolidation or standardisation but capitalise on close co-ordination” which puts a focus on retaining talent. The vertical acquisition strategy of PAK to expand its supply chain in an unfamiliar Life Science sector required the retention of talent with product, process and market knowledge that would sustain and grow the business. There was strong evidence of the “potential for roles to contribute to the organisational strategic intent” (Collings and Mellahi, 2009:307). The risk of lost talent was discussed at board level in the pre and post-acquisition periods and retention strategies agreed. Vital to move forward in executing the strategic plans and achieving financial goals in the post-acquisition period required an understanding of which roles would make the most strategic contribution to the newly combined organisation.

PAK placed a VP from corporate HQ in a leadership role over the acquired medical packaging subsidiaries early in the transaction stage of the process. She was from outside the acquired group (Gomes et al., 2013) and knew what was required to execute the acquisition strategy and make the business succeed. PAK had a very detailed strategy for and rationale behind why they wanted the business, which was approved pre-transaction by corporate management and the Board of Directors. This strategy was re-visited prior to the deal announcement where the planned execution of the strategy was re-addressed. This played a significant role in the retention of talent as it was decided to allow the management team full autonomy to run the business as they saw fit. Successful M&A depend on the support of the employees (Haspeslagh and Jenison, 1991) and allowing the subsidiary’s full autonomy created an atmosphere of business as usual and sent a clear message to the employees. It was evident that PAK and USCo were commitment to the strategic vision of their respective acquisitions.

The acquisition of BSW by USCo was a horizontal growth strategy, as they both provided similar services. A talent retention strategy was drafted early in the process, as central to the deal were BSW’s unique suite of SW products and access to a global client base in 24 countries outside of the US market. Similar to the PAK vertical acquisition, top management talent at BSW were identified at the very start of the transaction process. However, contracts with ‘C suite’ executives were terminated. It was clearly communicated from the outset there would be no
duplication of roles and this created a feeling of unease within the next level of management at BSW. Communicating with employees about change minimises anxiety (Kavanagh and Ashkanasy, 2006), and reduces uncertainty (Schweiger and Denisi, 1991). USCo quickly calmed the situation through an effective communication strategy that focused at subsidiary level. This communication strategy involved USCo corporate staff working in partnership with the BSW HR team, leaving talent with a feeling of inclusiveness. USCo involved cross functional teams in the execution of the strategy and created opportunities to engage people in the changes brought about by the acquisition, using existing calendar events or meetings to facilitate the process.

In line with Brahma and Srivastava’s, (2007:22) recommendation integrating the target firm should be delayed “until proper actions are taken to retain talents”. While critical roles were identified at the transaction stage, it was not until the start of the transition stage that USCo focused on key individuals with valuable technical, product and client knowledge to fit those roles. The requirement to understand the local business practices of BSW was the driving force and as with the Medical Packing case they wished to take a slow approach to integration and allow senior management the autonomy to run the business ‘as usual’. The transition stage at BSW was characterised by a focus on talent retention. It is argued that a primary task for an organisation is to identify critical roles for effective execution of the business strategy and then identify who is best to put into those roles (Collings and Mellahi, 2009; McDonnell (2011). There was evidence that critical roles were first identified in consultation with target firm senior management, followed by the identification of talent which were then matched to these roles in all but two of the subsidiaries studied. This was the starting point of their success in retaining talent.

With respect to the L10N reverse acquisition strategy, it was assumed by the acquirer that the target company would manage the process as they were seen as the ‘experts’ in localisation. Reverse acquisitions are rare, where the target company “dictates the terms of the combination and effects cultural change in the lead company” (Marks and Mirvis, 2011:867). Therefore, the absorption process must be quick to avoid too much uncertainty which is what BM Corporation set out to do. However, they did not address the capability of L10N’s management team to execute a full absorption. The US and European Operations Directors had no previous acquisition experience,
nor did they receive any advance training on what to expect in a sixty day transition. In line with Marks and Mirvis, (2011) argument that if the acquirer moves too fast without taking into consideration the human element then a culture clash will surely ensue. This is what occurred at L10N and where things quickly got out of control. USCo and PAK “put strategy, not people, first” (Becker et al., 2009:1), whereas it was evident that BM Corporation started with the strategy but quickly dropped it to focus on the sales team’s negative response and substantial resistance to the reverse acquisition. This change in focus resulted in significant stress for employees and loss of talent. It is argued that getting the buy in and support from key players of the acquirer’s team is pivotal to achieve a successful integration especially with a reverse acquisition.

Before we progress the discussion further we need to address the sub-question of how is talent defined and identified. This study supports the notion that in order to retain talent, we must understand what we mean by talent, and only when an organisation defines what they mean by talent can they set about retaining these key people (Collings and Mellahi, 2009).

### 7.1.2 Defining Talent

As previously mentioned, while there is an on-going debate about what talent is (Michaels et al., 2001; Ulrich, 2007; Mäkelä et al., 2010; McDonnell, 2011; Meyers et al., 2013) a lack of formal definition still eludes us (Lewis and Heckman, 2006; Tansley, 2011). Definitions range from the intrinsic such as “the sum of a person’s abilities…intrinsic gifts…knowledge, attitude, drive and judgement (Michaels et al., 2001: xii); to high potential, high performing employees, who can fill key positions and contribute to the competitive advantage of the firm (Huselid et al., 2005; Collings and Mellahi, 2009; Zhang et al., 2015). There is also the question of whether all talent is “equally valuable to an organisation” (Nijs et al., 2014:188) while others suggest that talent is dynamic and likely to change over time in line with organisational policies (CIPD, 2007).

Context plays an important role in the definition of talent (McDonnell and Collings, 2011) and from a subsidiary prospective within the context of M&A; this study established that there are a number of elements considered when defining and identifying talent. The strategic objective behind each of the deals informed the HR
strategy, where key positions were first identified as being pivotal to the success of the acquisitions, and included key senior management, functional, technical and commercial positions. The evidence highlighted that having the right people in the right place with the right skills, competencies, knowledge and experience to fill these pivotal positions was necessary to grow the acquired business beyond the post-acquisition period (Schuler et al., 2011).

Not all those identified as talent had the desire to take on critical roles, nor were they necessarily suited to the roles assigned to them (McDonnell, 2011). As was the case with the Operations Director L10N Europe and BUD DutchPk, it begs one to question the rigor of the HR due diligence process. The business unit director of DutchPk was a reluctant replacement for the managing director, who left before his post-acquisition contracted period. It is argued, that if an in-depth HR due diligence taking into consideration data from the appraisal review system had been completed, the acquirer would have realised that he was not the right ‘fit’ as a leader for the talented commercial team. He had spent too long in his role as technical director which was very much focused internally and he lacked ability to manage the sales team who were externally focused in a client facing environment. The situation was salvaged by expanding BUD MedPk’s role to include managing European Sales and the Dutch based commercial team for a three year period, thus stemming the tide of dissatisfaction. The Irish subsidiary underwent a very superficial due diligence because it was one third the size of its sister company, yet it represented a rich pool of talent. BUD MedPk took on this additional responsibility confident in the fact that he had a pool of management talent in Ireland that he could tap into and share with DutchPk over the next 3 years. It is strongly argued that subsidiary size should not matter when assessing acquired talent pools, especially given that global talent shortages prevail and the fact that expanding into the Life Sciences sector was part of the acquisition strategy. It is interesting to note that subsidiary size mattered to PAK when carrying out due diligence where the focus was on the subsidiary with the greatest investment risk due to the size and scale of the Dutch operation (Peng and Beamish, 2014). However, in the post-acquisition period it was the smaller subsidiary MedPk, through its pool of talent that made the greatest contribution directly to top and bottom line growth and indirectly to the turnaround of its flailing sister company DutchPk.
The L10N reverse acquisition might have been successful in terms of talent retention, had the acquirer placed talent from their London office in key transition roles from the start for the short term period of the sixty days. HR due diligence plays a key role especially when planning the integration of two firms and it is argued that both short-term and long-term talent requirements should be identified as part of integration planning. Talent not yet ready to take on critical roles can be nurtured and grown into these roles over time as was evidenced with MedPk (Mellahi and Collings, 2010). There was no clear ownership of the reverse acquisition, and its failure was contributed in no small way by the on-off interference of BM Corporation (Marks & Mirvis 2001). It is suggested that BM Corporation should had taken ownership of their own dictated sixty day period of transition. Once completed they should have then handed over the integration to the L10N team. Had short-term and long-term talent requirements been differentiated they might not have lost 90% of the target company workforce. They had the right people but they were not placed in the right positions.

At BSW, the strategic intent of the deal dictated the need to retain talent and from the acquirers perspective, product and customer knowledge were core to their needs. Therefore, employees with product knowledge were seen as valuable to the success of the acquisition and length of service was paramount to building this product knowledge. In terms of defining talent, USCo and BSW believed that talent was located in management, technical and professional roles (McDonnell, 2011). As with the other cases senior management roles were identified as being critical. However, USCo needed guidance from executives placed in these senior roles in identifying talent across the next levels of technical and professional services talent (Mäkelä et al., 2010). This brings us to discuss the common characteristics of identified talent across the five subsidiaries studied.

7.1.2 Characteristics of talent

Mirc (2011:133) contends that “relatively little is actually known about the characteristics of such individuals that make them key to the organization. In line with the findings of Ready et al., (2010), less than 5% of employees in each of the case studies were identified as talent. In terms of what makes talent special, talent in this study included achievers who would not accept boundaries, who were
committed, ambitious, reliable and confident, who went above and beyond what was expected, who were knowledgeable about the business and who made a difference. You would expect that people with these traits might be scarce on the ground and a little arrogant. However, talent across the five subsidiaries were looked up to by their colleagues, trusted and respected by their peers and in the BSW subsidiary were seen as heroes.

7.1.3 Talent Identification

If you need talent to fill critical roles then the identification process is paramount. “Talent is essentially a euphemism for “people” (Lewis and Heckman, 2006:141) and are an important element in the outcome of a deal (Schuler and Jackson, 2001). Therefore, a key part of the HR due diligence has to be talent identification. Without exception, talent was identified at each of the five case studies in the early stages of the transaction. Supporting Becker, Huselid and Beatty’s, (2009) view that talent are strategic assets, the value of talent was factored into the price paid by PAK and USCo. The notion of buying subsidiaries without key people being part of the newly combined organisation would have had a negative impact on the future value of the business (Becker, Huselid and Beatty, 2009). In terms of L10N, the iTrans technology was the main reason behind the acquisition. iTrans was under constant development and technical talent was considered as critical in terms of the development of the intellectual property. The success of the L10N/BM deal depended on its transfer and applicability to the new organisation. However, the acquirer did not fully realise, that this genius technical talent was highly dependent on the operations team, in terms of their process knowledge on whose back this technology was built. The acquiring company bought an asset that didn't yield the expected revenue, the technology, or the expertise, because the acquirer did not focus on the softer side of the deal (Brahma and Srivastava, 2007). Talent left, bringing valuable knowledge with them and this damaged the business. It put people through a lot of stress; talent were picked up by the competition and it took 5 years to recover.

As previously mentioned, at first call critical roles were identified and that included management, technical and commercial talent (Collings and Mellahi, 2009). While the methods of identifying talent varied across the subsidiaries studied, senior
executives at the target companies played a key role in identifying talent at the transaction stage. The target subsidiaries studied were medium sized organisations where ‘stellar’ employees had many opportunities to participate in the development of the organisation. Getting exposure to senior management at various meetings and through various team projects was an essential aspect of talent identification (Mäkelä et al., 2010). This exposure was important, as it is one thing seeing what ‘stellar’ employees have achieved on paper through the talent review process, yet it’s another thing to see them in action at high level meetings. It is argued by some, that decision makers tend to focus ‘who is on the radar’ which can lead to bias (Mäkelä et al., 2010). One might question the objectivity of those making the decision on talent as the senior executives had been influenced by this limited exposure which suggests that a person's network position can be positively associated with career progression strengthening the positions of certain employees (Mäkelä et al., 2010). At no time during the three stages of the acquisition process was appraisal review information requested by any of the acquirers. There is always a risk that some talent get overshadowed by those who push themselves forward preventing others from getting wider corporate recognition during and after the acquisition process. Objective data in the form of appraisal reviews would provide realistic previews for the acquiring organisation of identified talent and it is argued that not only could this information form a strong basis for rebuilding psychological contacts it would substantiate the talent placement process within the newly combined organisation.

At BSW talent identified at the transaction stage of the process were seen as human capital with significant knowledge of the products, business and the market which was important for the future growth of the combined organisations. When an employee is formally or informally told that they are talent it is perceived to be a signal that they ‘matter’ in the greater organisational scheme and that their “contribution to the organization is valued” (Bjorkman et al., 2013:197) leading to positive reciprocal action by the employee (Coyle-Shapiro & Conway, 2005). The evidence from this study supports the fact that the recognition implied in being considered as talent is hugely motivating and leads to stronger identification with the organisation (Björkman et al., 2013). This also had a positive impact on the relational aspect of psychological contracts (Rousseau, 2001). While talent were reticent with regards to its singular significance in influencing them to stay post-acquisition, it did
however, play a key role in the decision making process. Seen as sacrificing the ‘human capital’ that they had ‘banked’ made leaving a difficult decision. While sharing with key employees that they were identified as talent was informal across the five subsidiaries, the acquiring companies were quick to build on that recognition by providing opportunities for further advancement that also benefited the individuals, the teams they worked with, and ultimately the newly combined organization (Lee et al., 2004). There was no clear answer across the subsidiaries as to why they were not explicit in formally recognizing talent other than it might send out an ‘elitist’ message that would demotivate employees not on the list of talent (Björkman et al., 2011). Yet, it was the worst kept secret as employees at all the subsidiaries were very aware of who talent was, and talent agreed that as individuals they were treated differently (Becker, Huselid and Beatty, 2009).

7.1.4 HR Due Diligence

“HR due diligence lays the groundwork for a smooth integration” (Harding and Rouse, 2007:124). The process of due diligence is a costly exercise that produces relevant and pertinent data that should be useful in planning the future growth and development of the newly combined organization. The human side of M&A is often referred to as the ‘soft’ side of the deal and cited frequently as the reason for failure (Buono and Bodwitch, 1989; Larsson & Finkelsten, 1999; Marks and Mirvis, 2011). Despite this link, acquiring companies continue to use unimaginative one dimensional standard HR due diligence templates/checklists to gather information on the human side of the deal. (Please see templates Appendix A, B and C). The templates used by the acquiring companies for the process of HR due diligence was similar across the case companies studied, all modelled on a financial due diligence. However, what was surprising was the fact that the HR due diligence carried out by BM Corporation on the target L10N was the most comprehensive, going beyond the standard requirements of the others.

BM Corporation established profiles on all target company employees, identifying key talent and succession planning, training and development; they wanted to know about staff morale and what methods were used to keep ‘the finger on the pulse’ of what the employees were thinking. This was valuable HR data, yet it would appear that the legal team knew more about the target employees than the acquirer’s corporate team and HR executives. While the acquirer requested profiles on all
employees, there was no evidence that corporate HR or acquirer senior operations management used this employee data for planning purposes or in fact used the information at all. At the other end of the scale, the focus of the HR due diligence for PAK was on the larger target subsidiary DutchPk, with little or no information gathered on employees at MedPk. PAK concentrated on four top managers including the owner and these managers provided the starting point and springboard for talent retention as they best knew the business and their people. Protecting their investment PAK built ownership of talent management into the contracts of these senior managers, in terms of the identification, development and retention of talent at their respective subsidiaries. With regards to BSW, it was not until after the announcement that talent beyond senior executive level was addressed and similar to PAK the identification was largely left to these senior people. Both these acquired organisations were very successful in retaining talent (Mäkelä et al., 2010)

The workplace has evolved over the last 20 years and we are moving towards a more highly personalised and social workplace (Meister and Willyerd, 2010) where talent shortages are predicted to continue to dominate a number of industries. It is time to stop treating the ‘soft’ side of due diligence as “cursory” (Harding and Rouse, 2007:125) and escalate its importance to a level that equals financial due diligence, as the cost of lost talent can stunt the future growth of a deal. Target company HR professionals must bridge the gap by proactively tapping into their own HR systems to provide profiles on talent that go above and beyond the requirements of standard HR due diligence checklists/templates. Whether the information is requested or not during due diligence, target HR management should play an active role by providing this information on talent once the deal is announced as a back up to the talent identification process.

7.1.5 Building the foundations of the psychological contract

“The first question was what do you expect of us and their answer was just business as usual, no major disruptions. So everybody's wondering is that half answer or is that actually the answer, and that was the answer!” (VP Professional Services BSW).

Subjective beliefs based on perceived promises with respect to the employee, the organisation and its agents, form the basis of the psychological contract and over time “takes the form of a mental model or schema, which…is relatively stable and
durable (Rousseau, 2001:512). Employees’ perceptions of and reactions to the changes that an M&A brings to their working lives challenges the stability and durability of the psychological contract. Influenced by Rousseau (2001) who compels us to take a step back and take a deeper look at the formation of the psychological contract, this study addresses the “conditions under which psychological contracts can be effectively kept and revised” (Rousseau, 2001:513).

The changes that M&A bring to an organisation, its agents and employees can present with scenarios where commitments made by the target company are compromised by the fact that they have actually been acquired. This forced change of employer effects all target company employees, from the top down and presents with an immediate breach in the psychological contract. “Employees do not interpret the post-acquisition process homogeneously” (Risberg, 2001:78), thus it is argued that there are different types of psychological contracts which are built up over time (Rousseau, 2001). The findings established that psychological contracts evolved over the pre and post-acquisition periods of the acquisition process and the process was not without its challenges. By mapping the communication of the psychological contract through the three stages of the M&A process and focusing on the relational levels of the contract we are presented with an interesting scenario across the case studies.

An organisation’s human resource management policies and practices suggest the type of relationship an organisation might have with its employees and “serve as communication devices” (Festing and Müller, 2008:99). As psychological contract formation is “episodic” (Rousseau, 1995), it is important to manage the communication of the psychological contract leading up to and during specific events in time, such as each of the three stages of an acquisition. According to Guest and Conway (2002:23) “the process of communicating the psychological contract can be as important as its content” and managing this process should be focused and deliberate and this was clearly evident for those with high retention rates. Therefore, is it argued that to ensure a successful post-acquisition outcome with regards to talent retention, a strong psychological contract foundation needs to be laid at the transaction stage and built up through the transition and integration stages of the acquisition process.
**7.1.5.1 Pre-employment experiences of target talent**

Talents' behaviour in the post-acquisition period is influenced by their expectations (Cartwright and Cooper, 1996). Expectations are shaped by pre-employment experiences at the target organisation, which are based on employee’s pre-deal beliefs, professional norms and target company organisational culture (Rousseau, 2001). Failure to manage expectations in the early stages of an acquisition can have a negative effect on the employee’s attitudes (Hubbard & Purcell, 2001) which can lead to resistance as was evident with sales talent at BM Corporation. While there was evidence of intentions to leave across all the cases studied, two employees identified as talent left and returned within nine months. There was a mass exodus from L10N Europe with a loss of 80% of employees who left the company. The study found that two out of the three acquiring organisations were successful in retaining talent and they fostered an environment of *business as usual* with a low level of integration. While USCo and PAK understood the importance of being aware of target employee’s pre-deal culture, as reflected in the due diligence analysis of company handbooks, mission statements and observations made during incognito site visits at the transaction stage. They also needed target employees to be aware of the professional norms, codes of conduct and expected behaviours required under the new ownership. This was the first step in facilitating psychological contract transfer (Cartwright and Cooper 1996; Kiessling et al., 2010) which started with senior executives at the respective target companies.

The psychological contract is subjective and relies on individuals perceptions of a change scenario. Clarity of expectation (Millward Purvis and Cropley, 2003) was communicated from the start by both PAK and USCo. In both cases they outlined expected codes of conduct, shared the strategy behind the respective deals and leveraged every opportunity to enforce the message of ‘business as usual’ from the top down. These purposive acts signalled to talent that the new owners were serious about securing their loyalty to the company going forward. The talent management practices of USCo and PAK played a distinctive role in capturing talent’s attention, by demonstrating their willingness to invest in psychological contracts going forward, which fostered long-term relational contracts (Festing and Shafer, 2014). However, despite this there was evidence of affective reactions to the changes which did lead to intentions to leave across all five subsidiaries (Zhao et al, 2007).
Securing talents’ attention at this early stage by addressing the pre-employment aspects relevant to their retention will form the basis of new expectations, and create a mutual interdependence. While it is proposed that this will lead to their staying at least in the short term, in order to secure long-term retention the acquirer must follow through on the new expectations through credible signals and purposive action (Rousseau, 2001), right through the three stages of the acquisition process. Making employees aware that they have been identified as talent can have a positive impact on the psychological contract of those individuals (Festing and Schäfer, 2014). While talent was identified across all five subsidiaries studied, only senior managers were formally told they were identified as talent by the acquirer and this in itself can be seen a significant step in re-establishing psychological contracts.

The findings showed that in their efforts to manage employee relations, BSW developed a deliberate plan around communicating the psychological contract (Guest and Conway, 2002). It is interesting that while the other cases were unaware of the concept of the psychological contract they had similar communication practices. However, it can be argued “the presence of a practice does not necessarily mean that it is being applied effectively” (Guest and Conway, 2002:35), as was evident with the reverse acquisition of L10N. The acquirer and target company senior executives communications were at best ‘aspirational’ shattering the foundations of the psychological contract with a few weeks of the acquisition.

7.1.5.2 Re-recruitment – Active promise exchange

An employee will weigh up certain criteria before deciding to join an organisation, and once on board will develop certain expectations over time. The re-recruitment process allows an individual to access their position in light of their pre-acquisition employment experience. A recruitment scenario is characterised by limited information with regards to what the future employment relationship might be (Rousseau, 2001) and even more so in an M&A situation. All of the acquirers studied followed similar information sharing at the transition stage of their respective acquisitions. However, there is one thing sharing information and another demonstrating action on what is communicated. This study found that the management of the psychological contract through effective recruitment communication had a positive impact in terms of the perceptions of talent at three of
the subsidiaries (Guest and Conway, 2002). M&A are characterised by high levels of uncertainty (Schweiger and Denisi, 1991) and providing realistic previews help manage talent’s expectations and reduce uncertainty (Allen et al., 2010) assisting target employees to make decisions about the future relationship. Employees at BSW and MedPk felt little threat to their jobs or organisational identity, and demonstrated commitment to the integration process (Denisi and Shin, 2005; Bartels et al., 2006). Influenced by the low level of integration and the fact that target management acted as agents for the acquirers, who reiterated through clear honest communication what was expected of talent in the new organisation. While talent retention at DutchPk was high, the re-recruitment process was more challenging. This was significantly influenced by talents’ pre-employment experience as a family run business, within an insular Dutch context, which was being challenged by an American style of management and the protocols and governance as demanded by the US public company. The retention of talent at DutchPk was not an easy process as they did not accept that the acquisition was a continuation of business as usual. The acquirer recognised that the pre-deal beliefs and organisational culture at DutchPk were significantly different than MedPk. They invested in rebuilding psychological contracts through a 12 month programme of coaching and mentoring of talent which was eventually successful. On the advice of senior management at DutchPk this programme was provided by external Dutch consultants as it would be seen as more culturally acceptable.

The concept of re-recruiting target employees is not a new one. Schweiger (2002) argues that in the interest of retaining key people, the newly combined organisation must recruit target employees in the same way as new hires. However, during the re-recruitment process the acquirer must be cognisant of the fact that while talent may be considered new employees within the acquired organisation, they are not new employees within their respective subsidiaries. Therefore, a balanced approach is needed with a focus on revising psychological contracts, where promise making and exchange are recognised and expected. “Securing that a promise has been made requires an adequate response from the recipient” (Rousseau, 2001:526). Hence, the re-recruitment process must be focused on attracting, motivating and adapting these employees to the new organisation with an ultimate objective of retaining them. The evidence suggests that all the acquirers ‘courted’ talent at the early stages of the
acquisition process. In the case of the L10N, the acquirer invested heavily in the re-recruitment process of management-talent at both subsidiaries, yet there was no effort or plan put in place to re-recruit London based acquirer talent until it was too late in the process. Emphasis was put on the transactional aspect of the psychological contract, where significant increases in pay and benefits were offered as retention bonuses. However, BM Corporation got it wrong yet again, and failed to see that it was the relational aspect of the psychological contract and not the transactional aspect that needed to be addressed which lead to contract violation (Rousseau, 2004). In terms of talent retention, it is argued that the acquirer must start the process of socialisation with the re-recruitment of the key target employees into the newly combined organisation to regain their commitment (Galpin and Herndon, 2007). Less than 5% of employees at the subsidiaries studied were identified as talent, confirming that they are an ‘exclusive’ group (Boudreau and Ramstad, 2007; Collings and Mellahi, 2009). It was evident that talent had considerable influence on the wider employee population which substantiated the relational aspect of psychological contracts at these subsidiaries.

Promises made during recruitment can be a positive driving force in the short-term. However, there may be negative consequences in the long-term for the employees, the organisation and its agents “if afterward employees perceive a breach in the psychological contract” (Zhao et al., 2007:671). This leads us to a discussion the last building block of the psychological contract.

7.1.5.3 Early socialisation

“Culture perpetuates and reproduces itself through the socialisation of new members entering the group” (Schein, 1990:115) and socialisation tactics influence turnover (Allen, 2006). The early socialisation dimension of the psychological contract building blocks is characterised by active information exchange and continuing promise exchange. Active information exchange is a two-way process, and plays a distinctive role in communicating the psychological contract (Rousseau, 2001). Statements of future intent can be derived from verbal and non-verbal promises, obligations and commitments made during the early socialisation process (Guest and Conway, 2001). Mission statements, corporate values and vision statements were shared by those successful with talent retention during the transition process and re-
emphasised during the integration stage, using every event as an opportunity to communicate. This was reciprocated by target talent through open feedback on what worked and where the challenges lay, which aided a relatively smooth integration. There was no evidence of similar information exchange with the L10N acquisition. The evidence suggests that the information flowed one way only and that was from talent at L10N which fell on deaf ears.

“Observable artefacts, values, and basic underlying assumptions form three levels of culture” (Schein, 1990:111). At BSW, investing in updating the facilities achieved two things: 1) gave talent a credible signal that USCo were committed to their promises by supporting the move to agile work processes and 2) it gave the acquirer an opportunity to put their own corporate stamp on the facility early in the acquisition process. Processing new information through early socialisation facilitates a process of ‘fitting’ talent into the new organisation through careful communication. Values are the espoused beliefs that influence why employees go about their daily work (Schneider et al., 2013). Being true to their word, neither USCo nor PAK interfered with target management running their respective subsidiaries. Those with high post-acquisition talent retention took it a step further by not only committing to the promises made but in providing a support structure to address issues as they arose. With MedPk and BSW, there were very strong bonds between top management and the employees, underpinned by an effective communication strategy that included quarterly and annual business review meetings for all employees. With regards to BM/L10N, given the reciprocal nature of the psychological contract, it is argued that it had been severely damaged for the agents of the acquirer, as L10N had oversold the iTrans technology. The US and European Operations Directors was aware during the transaction stage that the key shareholders and senior management had oversold the ability of iTrans. Therefore it begs the question as to their complicity in building a shaky foundation for integrating the two organisations. The acquired technology had limited stability or flexibility as the automation element was not easily adapted to the legal/financial business. This coupled with the fact that while the acquisition was labelled a reverse acquisition, in reality it was not and socialisation efforts were built on a foundation of ‘sea gull’ visits by top management from HQ, who pontificated to a very tired and demotivated workforce. While top management believed that they were managing the
communication process they failed to recognise the needs of talent and the unreasonable expectations placed upon the target team which resulted in psychological contracts not only being broken, they had been trampled on.

Significant research had been carried out on the psychological contract using a set of global or composite measures adopted by researchers in quantitative studies. This study took a step back and considered the circumstances under which psychological contracts are maintained or revised in a significant change scenario such an M&A, where emotions can run high. Findings indicate that by understanding the pre-deal beliefs and motivations of talent between the transaction to transitions stage; by sending the right signals through purposive acts that active promises will be honoured with emphasis on the transition to integration stages, and by facilitating a two-way open honest communication flow through the integration stage will result in higher talent retention levels.

This leads us to a discussion on organisational embeddedness where there are parallels to the building blocks of the psychological contract.

7.1.6 Organisational Embeddedness

Embeddedness as a concept is still under development (Zhang et al., 2012) and presents an interesting perspective from which to explore talent retention in an acquisition environment. Previous research concludes that the embeddedness model is a reliable predictor of employee retention (Mallol et al., 2007; Homton et al., 2008). This study is focused on organisational embeddedness representing the combined elements of “fit link and sacrifice” (Mitchell and Lee, 2001:216). Like ‘Velcro’, it is a set of integrated forces consisting of a web of relationships and attachments that make decisions to leave an organisation difficult. Organisations can influence retention by proactively embedding employees in the organisation “through the nature of their socialisation activities” (Allen, 2006:254). The findings suggest that each dimension will have varying levels of importance for individuals which are influenced by age, stages of career, length of service and family status.

In line with previous M&A studies, there was evidence of positive employee responses to the acquisitions at all of the subsidiaries (Krug and Hegarty, 2001; Kusstatscher, 2006; Teerikangas, 2012). However, there was also evidence of
negative employee responses which lead to talent’s intentions to leave (Buono et al., 1985; Marks and Mirvis, 1998; Schweiger and DeNisi, 1991; Hubbard & Purcell, 2001). In the case of L10N Europe, talent walked out the door in direct response to the major changes that the acquisition brought about to their working world. At first glance the question of why talent stayed under negative circumstances might be put down to individual motivations. However, the findings indicate that retention of talent was influenced by the complex web of *fit links and sacrifice* that embedded them to their respective organisations.

### 7.1.6.1 Fit

In terms of *fit*, the concept of embeddedness has a number of parallels with the building blocks of the psychological contract, as socialisation tactics influence target employees by embedding them into the acquired organisation and socialisation is a key component of building a psychological contract. “Beliefs, values and expectations about organisational life…guide employee attitudes, interactions and decisions” during the M&A process (Buono & Bowditch, 1989:147). Fit is about an individual’s perception of how compatible they are to the organisation, and in terms of embeddedness the evidence from this study identified the core elements of fit for target talent were compatibility with the organisational culture, autonomy and recognition (Lee et al., 2004).

Talent at BSW and MedPk had positive perceptions on the new identify of the organisation, where they felt no threat to ‘who they were’ and demonstrated commitment to the integration process (Denisi and Shin, 2005; Bartels et al., 2006). Whereas with DutchPk, the acquirer was seen as “invaders...of their organisation” (Clark and Geppert, 2011:399) however, despite this there was evidence of high retention. The evidence suggests that Dutch talent were more influenced by the formal and informal links within their organisation and social networks within their community demonstrating a stronger and deeper connection than ‘fit’.

Without exception talent across the five subsidiaries identified autonomy as a key factor in their retention and autonomy promotes post-acquisition retention (Ahammad et al., 2012). Reflected in the organisational structure, and the light touched integration strategies of the acquirers, USCo and PAK promoted autonomy at the target subsidiaries which matched the needs of local talent. Promoting cultural
pluralism requires the boundaries of the subsidiaries to be protected (Marks and Mirvis, 1998) and enhances the relational aspect of psychological contracts, which was necessary, as both acquirers were in new product and market territories and needed to depend on local management. Removing or reducing autonomy can result in loss of target management talent (Cannella and Hambrick 1993), yet there will always be some level of interdependence between acquirer and target subsidiary, for example corporate financial governance. This was evident with USCo and PAK who integrated IT systems and financial reporting with little or no effect on the retention of talent.

7.1.6.2 Links
Links are the formal and informal connections between people and the organisation (Mitchell and Lee, 2001) and in an acquisition environment these links can be weakened as a new organisational identity unfolds. This study showed that in an organisational setting links can be formed between people and in clusters, and are influenced by the use of company intranet; work processes; participating in global and local team work; membership on committees and unions, and proactive membership of company ‘sports & social’ clubs. Numerous links among employees within a cluster are seen to have high closure (Holtom et al., 2008) and through these third party connections even stronger hooks for talent retention are created. Matrix style organisations as introduced by PAK encourage cross fertilization across subsidiaries through sharing of talent using special assignments. This was a response to understanding talents’ need for international exposure without permanently leaving their subsidiary ‘nests’ and at the same time added to their network of links within the global organisation. USCo embraced agile work flows, which is a more collaborative approach to software development which fosters greater teamwork and relationship development with clients. The number of links and the quality of links are important to consider as one might have many connections, but the quality of those connections may be poor. Long-lasting relationships that are embedded with other employees and groups create stronger ties to the organisation (Zhang et al., 2012). Finally, length of service with an organisation deepens links, where ties become more social and as we spend a considerable amount of time with work colleagues a decision to leave will take these relationships into account. In the face of
global talent shortages if organisations are to get more serious about talent retention they need to understand and tap into the social relationships at work (Whelan, 2011).

7.1.6.3 Sacrifice
Organisational embeddedness leads one to believe that a lot would be sacrificed from a psychological, social and financial perspective if one were to leave an organisation (Mitchell and Lee, 2001a & b; Holtom et al., 2001). Organisational embeddedness is an aggregate concept therefore; it is argued that sacrifice can only be considered in relation to the dimensions of fit and links. Within the financial dimension of embeddedness, retention planning policies found in this study included: sign on bonuses, increased compensation and benefits, stock options, generous pension and bonus schemes, travel and company car plans, subsidised canteen services, health insurance, flexible working and increased holiday entitlements. Compensation packages have been proven to have a positive influence on retention (Ghosh et al., 2013). However, while financials give a level of security to employees this study found that recognition was very important to talent. Recognition and rewards are key elements of talent management (Ernst and Young, 2010) and remuneration and recognition positively predict intentions to stay (Chew and Chan, 2008). Strong social forces were at play in four out of the five subsidiaries studied where talent with high retention periods demonstrated a sense of belonging and obligation towards their colleagues, teams and leaders and the thought of leaving post-acquisition would mean forfeiting the social capital built-up over years of service in the acquired organisation.

7.3 Conclusions
Despite the advances in M&A research over the last 40 years, there has been little change in the failure rates and the human side of the deal is noted as one of the main causes of the high failure rates. Addressing the lack of research on talent management in different contexts his research responds to a need to bridge the divide between strategic, organisational and human resource management (Cartwright et al., 2012). Standing on the shoulders of those who have cleared a path and shone a light on talent management within the field of human resources, this study of talent retention has a contribution to make to the existing body of knowledge. There are few studies on talent management that focus on the acquisition process itself and this
study addresses these gaps in researching talent retention in an acquisition environment.

A multiple case study approach presented an opportunity to dig deeper into the M&A world from a human perspective. To answer the research question of what factors determine the attachment of talent to an organisation post-acquisition, a subjective view was taken of the employee cross border acquisition experience within five subsidiary organisations. This subjective view was important, as it allowed the researcher an opportunity to get close to the actors in order to interpret and understand the rich context of their world at work. In determining the influences behind the attachment of talent post-acquisition techniques of “interviewing, observing and document analysis” were used to gather data (Denzin and Lincoln, 2003:36). Triangulating with multiple sources of evidence from archived documents relating to the acquisition process aided the development of “converging lines of inquiry” (Yin, 2014:120). These converging lines of inquiry are supported by a chain of evidence that has full traceability, backed up where appropriate by interview notes, taped and transcribed interviews, email correspondence, diaries of key informants and documents relating to the respective acquisitions studied.

Taking a perspective on talent at an individual level, across functions and within a variety of organisational levels in five acquired subsidiaries, this study gives a unique insight into the M&A world of talent as it unfolded through the transaction, transition and integration stages of an acquisition. The acquisition process itself is sporadic with different players moving in and out of the process without necessarily handing off fully to those entering the process (Jemison and Sitkin 1986) and this may be the root source of talent retention issues post-acquisition. Therefore, to help better our understanding of the role of the acquisition process itself in the outcome of talent retention, the three interconnecting stages of transaction, transition and integrations stages are simplified.

To answer the research question of what factors determine the attachment of talent to an organisation post-acquisition, a framework was developed. This framework combines three stages of the acquisition process; the building blocks of the psychological contract and organisational embeddedness, which together provide a backdrop which explains talent’s pull to stay with an organisation post-acquisition.
HR practices are interpreted by employees as a reflection of an organisation’s commitment to them. This study recommends that acquirers adopt HR policies that focus on the key areas of fit and links and by doing so will contribute to minimising risk of lost talent. This will lead to strengthening the embeddedness of key employees, making it psychologically, socially and financially difficult for them to leave post-acquisition.

7.4 Implications for management

The world of work is constantly changing amidst advancements in technology and the need to expand global footprints across all industries, while “talent shortages continue to plague global employers” (Manpower, 2014). M&A affect millions of employees, are increasingly seen as a means of responding to this need for global expansion and despite the high failure rates there is continued growth in M&A. Acquisitions worldwide reached $3.5 trillion in 2014, which represented a 47% increase over 2013 (Thompson Reuters, 2014:1). Globalisation and the changing demographics of an aging workforce are the forces that will drive the need for “new talent strategies to position their companies for success” (Deloitte, 2010:1). Despite the expansive empirical research viewing M&A from different lenses we still have much to learn (Meglio and Risberg, 2010). The high failure rate may be down to the fact that the research and practitioner community lack an understanding of the interconnected elements of the M&A process (Gomes et al., 2013). This research provides insights for organisations in developing talent management strategies in relation to M&A and highlights two implications for practice, 1) the use and application of the framework for talent planning and retention, and 2) recommendations for change in the HR due diligence process.

1) Application of the retention model for talent planning and retention

M&A require significant investment and given the associated high failure rates and issues with talent retention post-acquisition, it puts a spotlight on the high costs associated with loss of talent in a world plagued by global shortages. The framework uses a staged approach, which will allow for talent retention issues to be addressed during the process, rather than waiting until the post-acquisition period when it may be too late. While each element of the framework is important, it must be noted that the pull to stay may be influenced by individual differences as they relate to age,
family status and stage of career. The key to managing change is to understand people and one of the most difficult aspects for transition teams and HR professionals is managing the people side of the deal. M&A are complex change environments, and stable predictable psychological contracts are not easy to develop in times of change (Morrison, 1994). Rather than look at the consequences of psychological contract violations, this model takes a step back and considers the formation of the psychological contract for talent during the M&A process (Rousseau, 2001) while addressing the forces of embeddedness that tie employees to an organisation (Mitchell et al, 2001). Breaking down the complexity of the acquisition process into stages, will help focus on key pressure points as they relate to talent in the handover at each stage.

The transaction stage is where top target management get exposure to the acquiring management team, and their perceptions from this initial experience can alter the path of post-acquisition integration. One of the most important elements from a HR perspective is to identify talent early in the process and then establish what makes them ‘tick’. By expanding the HR due diligence beyond current models, to include an analysis of target talents’ pre-deal employment beliefs, professional norms and organisational culture, will provide the important data on which to build or renew psychological contracts. As mentioned previously, there are parallels between the first building block of the psychological block and the ‘fit’ dimension of organisational embeddedness. Therefore, in order to determine a plan to ‘fit’ talent with the new organisation, it is important to build on the HR due diligence data gathered. This additional data is derived from face-to-face interviews to establish talents embeddedness with the target organisation and includes talents personal values and how they perceive themselves fitting with the target organisation. The next step has to involve the target and acquiring HR teams to initiate a re-recruitment process by activating promise exchange through open communication reflected with purposive acts (Rousseau, 2001). This building block can start at the transaction stage and continue right through to the integration stage of an M&A and the key here is to recognise talents past in order to plan for their future in the newly combined organisation. Consequently, it is essential to understand that the re-recruitment process is also about managing talent’s expectations, reducing uncertainty and accepting mutual interdependence, if the relationship is to continue successfully in
terms of talent retention. Communication is key to the process, as poor communication leads to loss of credibility and lays the ground for failure and in times of uncertainty employees will look for communication to reduce their anxieties (Cartwright, 2008). The last building block of the psychological contract, involves the early socialisation of talent through active information exchange and continuing promise exchange. Socialisation has to consider a broader scope than just the employee-employer relationship and this is where the ‘links’ dimension of organisational embeddedness becomes useful in the challenge to retain talent post-acquisition. The ‘links’ dimension, which includes length of service, relationships with co-workers and with leaders, will help support a deeper net with which to hold talent. Long-lasting relationships that are embedded with other employees and groups create stronger ties to the organisation (Zhang et al., 2012). Therefore, one must understand that there are psychological and social aspects to links which take time to mature and stabilise. Tapping into talents existing attachments will form the basis of developing new links with the acquirer organisation, making decisions to leave more difficult in the long-run.

In summary, the concept behind the talent retention framework is to combine the building blocks of the psychological contract with the three dimensions of organisational embeddedness, where making a decision to leave is seen as a sacrifice of the social and psychological capital built through an individual’s fit and links with an organisation. Recognising talents past with the target organisation, coupled with understanding what they as individuals want in terms of fit, and using the links dimension as positive leverage to hold onto talent, will help HR professionals plan longer-term futures for these employees beyond deal closure.

2) HR due diligence process.

An acquirer should know what they are buying and knowledge can make the difference between success or failure. Due diligence is about information gathering; it is an objective, independent assessment of the target company that for the most part is concerned with the financials. Researchers in applied mergers and acquisitions recommend that good practice demands care and expertise when weighing up is a target company is worth buying; yet the most poorly handled aspect of an M&A is the people side (Bruner, 2004). This study argues that HR due diligence needs to take
a step up and consider the value of human capital in line other assets. Due diligence is part of risk management that gives the right to the buyer to find out more about the target company and we need to dig deeper. As the human side is associated with failure rates it is argued that it is better to know about ‘surprises’ before integration, rather than finding out during or afterwards. One must go beyond the financial aspects, to cover the human side of the deal, which must include a cultural assessment of the target organisation and include a compatibility assessment of HR policies. This will lay the ground work for tapping into talent’s embeddedness with the organisation.

The cost of lost talent can significantly affect the outcome of an acquisition and it is strongly argued that the HR due diligence templates that are modelled on financial and compliance type due diligence are insufficient. While the ‘technical’ aspects of the HR due diligence are important for example: employment contracts; types of compensation structure; payroll processes; performance structures; risk and insurances; employee length of service; disability and any pending litigation or disputes with employees; they do not go deep enough from a talent perspective. Gathering data and information is one dimensional, building knowledge provides for greater understanding therefore, “know what you are buying” (Bruner, 2004:207). Acquirer HR professionals have a key role to play by working in partnership with target HR management. This study proposes that HR due diligence should include an in-depth profile of talent, identify who they are, the process of their identification, where they are located and a review of talents last appraisal. HR due diligence should be knowledge focused not data focused, therefore, regardless if the deal is asset or share based, the HR due diligence should not be just a paper exercise, it must include face-to-face meetings as part of the transition stage of the acquisition process. It is understood that there will be challenges with data protection and timing; however when the deal is formally announced it is strongly recommended that the pre-employment elements of the psychological contract and the ‘fit and links’ dimensions of organisational embeddedness are built into the HR due diligence process. This will allow for a more informed and focused approach to talent retention planning.
7.5 Limitations

Entering into the shoes of others, staying close to and interpreting how talent assign meaning to and interpret their M&A world, was a difficult but rewarding task and was not without its limitations. The findings of this research is based five subsidiaries within three acquisition scenarios, and while they are interesting and thought provoking, they cannot be generalised as the findings are based on an interpretation of the views and perceptions of a very specific group of employees. The study was for the most part retrospective and relied on the memory recall of the actors. In his evaluation of the case study Stoeker, (2006) identifies bias as one of problems with case study in that it relies on retrospective reports. To mitigate bias, this study used multiple informants, from multiple cases, from different countries. To mitigate bias from an informant perspective, the study included talent identified by both the acquired organisation and the acquirer organisation, across multiple functions and from different levels within the firms.

The researcher has more than 20 years business experience, which on one hand can be seen to add value in understanding the M&A process as having a “sound prior knowledge of the subject matter” can be beneficial (Yin, 2004:179). However, on the other hand this experience could be viewed in a negative light, as preconceived notions could be viewed as prejudice to the study. In order to stay true to the data and to protect against any possibility of misrepresentation during that data gathering process, interview tapes were reviewed in conjunction with notes taken immediately after each respective interview. In the event of instances of ambiguity in any section of an interview, clarification was sought by contacting the respective interviewees for confirmation of its content.

The researcher had actually worked with L10N International prior to their acquisition and during the integration stage. While this provided valuable insights into how the company operated and made it easier to access sensitive documentation. However, one might question the researcher’s objectivity. To combat against researcher subjectivity and concern over lack of rigour (Yin, 2009) evidence from multiple cases provided for a more compelling and more robust study triangulated through a variety of sources and documents. Finally, during the research process,
PAK divested the Medical Packaging Division which was acquired by a US private equity group. Permission for access had to be reapplied for and was granted, however, the situation at DutchPk became difficult. The private equity group contracted an American efficiency improvement consultant company to review the local Dutch operation during this research. As a result there was less of an open atmosphere at the Dutch site, which made it more challenging to have open conversations. This was addressed by having follow up interviews off site.
Appendix A

BSW HR Due Diligence Template (3 pages)

1. Employees and Management

1.1 Employee Census: List of all current employees of the Company. Include; name, job title, job status (exempt/non-exempt), department, supervisor name, hire date, date of birth, employment status (full-time, part-time, disability, leave of absence), hourly rate of pay or annual salary, incentive plan type and target incentive, enrolment status in medical plan (employee only, family, etc), and accrued vacation, personal time off and sick benefits of each employee. Include any expatriates.

1.2 Policies, plan documents and a brief description of all compensation plans (bonus and incentives, commissions, executive compensation, board of director compensation, and all variable pay plans). Include copies of payroll register for previous two years.

1.3 Organizational charts by department and by legal entity.

1.4 (included above)

1.5 Copies of all employment agreements change in control agreements, and severance agreements. Include all active employees, terminated employees currently receiving benefits under such agreements, and expatriates.

1.6 Copies of all 401(k) plan documents, or qualified pension or profit sharing plan documents, including all amendments thereto, summary plan descriptions, summary of material modifications, adoption agreements, trust agreements, administrative services agreements, group annuity contracts, and resolutions adopting each plan, approving amendments to each plan and delegating authority regarding each plan. Include latest actuarial valuation for each plan.

1.7 Copies of IRS opinion/notification/determination letter for each qualified pension plan, including the 401(k) plan.

1.8 Last 3 years of all signed 5500s for retirement plans, including the 401(k) plan (or explanation of exemption from filing requirement), severance plans, etc.

(BSW Due Diligence template Page 1 of 3)
1.9 Copies of any non-qualified profit sharing or deferred compensation plans, summaries, funding arrangements or insurance policies, latest actuarial valuation, and DOL notices, if any. Provide list of all current and former employees with deferred benefits under the plan.

1.10 Copies of SPD’s for all other employee benefit plans, including but not limited to; medical, dental, vision, retiree benefits, flexible spending accounts, health savings accounts, life and disability benefits, voluntary benefits (commuter plans, legal assistance, long term care, adoption, tuition, gift matching, etc), severance plans, executive perquisites, profit sharing, employee stock purchase plans, and all other equity compensation plans. Include any trust agreements, Form 5500, or other applicable documentation.

1.11 Previous two years medical claims history.

1.12 Description of vacation, personal time off, sick time, leave of absence and related time away from work policies.

1.13 Description of any current or potential claims or liability for medical or disability payments including list of names and dates of disability.

1.14 Collective bargaining agreements or other material labour contracts.

1.15 Description of any significant labour problems or union activities the Company has experienced.

1.16 Form(s) of employee agreements regarding confidentiality, proprietary information and assignment of inventions and list of each current or former employee of the Company that has not signed such a form.

1.17 Copies of all agreements with consultants and independent contractors.

1.18 Any non-competition agreements to which any of the employees, consultants, or independent contractors of the Company is subject.

1.19 Copies of any current Company policy or procedure documents (e.g. employee handbooks, termination or severance policies).

(BSW Due Diligence template Page 2 of 3)
1.20 Description of Company’s employment screening policy (e.g., criminal background, educational background, drug testing, employment verification, etc.).

1.21 Agreements for loans and any other agreements (including consulting and employment contracts) with respect to officers, directors or employees, from incorporation whether or not now outstanding, and a list of any amounts outstanding on such loans.

1.22 Indemnification agreements with any officer or director.

1.23 Copies of all I-9 paperwork. Documentation (Visa or applicable Employment Authorization Documents) for all employees showing proof of current right to work in the U.S.

(BSW Due Diligence template Page 3 of 3)
Appendix B

PAK Medical Packaging HR Due Diligence (2 pages)

DUE DILIGENCE – HUMAN RESOURCES

1. Organisation chart covering all salaried personnel, showing all functional and reporting relationships.

2. Describe number of employees and relationships with unions and personnel, including turnover, absentee history, use of temporary labour by facility (if any)

3. Describe management assessment systems used

4. Summary of employee information which shows separately for various categories location, hourly/salaried status, full-time/part-time status, union membership, pension plan eligibility, number of employees, average age, average service, average base salary, average total compensation

5. Compensation, denoting base pay, bonuses, deferred compensation, stock and all other financial and non-financial commitments by person, including the name, title, hire date and years in position, for all key positions and any employees that are expected to be retained by the acquired business, and copies of all agreements related to non-competition and confidentiality.

6. Copies of all compensation plans from the last five years.

7. List of any employees on short-term or long-term disability or workers compensation leave.

8. List all employee benefit plans, including private health care, pension (including “multi-employer pension), profit sharing, bonus, welfare, thrift, life assurance and option plans. Provide all pension booklets or the like, SPD’s, SMMs and other plan documents, together with any relevant trust or pension administration agreements and a schedule describing generally the employees to which they apply, and past five years claim and premium experience. Provide discrimination testing results, as applicable. Provide any stop-loss information. Describe any benefits to non-employees or promises thereof, any promises of benefits and any off-shore payments or captive insurers. Describe any change in control provisions. Describe any perks. Provide any government or regulatory filings, including US Form 5500s. Provide copies of COBRA and HIPPA records.

9. Describe copies of all employment or consulting contracts, non-qualified option, deferred compensation, loan, consulting, termination, con-competition and confidentiality agreements in effect during the last five years. Include any termination cost analyses and timing information for all such contracts and agreements.

10. List all employees, directors and officers with monetary compensation in excess of $50,000, or the equivalent in other currency (€41,452), annually, denoted by base pay, bonus, commission, deferred compensation, and any other form of cash compensation for the current year and commitments for subsequent years (except pursuant to plans or contracts covered by Item 8).

(PAK Medical Packaging Units Due Diligence template Page 1 of 2)
Appendix B

PAK Medical Packaging HR Due Diligence (page 2 of 2)

11. Provide plans or policies relating to expatriates, and a list of employees who are working under special visas, with dates of expiration of visas.

12. Describe any unusual labour requirements of the acquired business and the market availability of the labour force.

13. Provide copies of all forms of letters of recognition, forms of letters of understanding, works council agreements, union contracts, full history on any decertifications including union name, date, and circumstances. Describe any organisation attempts, with a full summary of any work stoppages during the past five years and an overview of dispute and grievance history. Describe any current; pending or threatened unfair labour practice charges, arbitrations, and other labour and employment related proceedings.

14. Describe any unfounded pension or other retirement arrangements for any employees. Provide documents related to rabbi trusts, COLI, and any actual or promises or benefits, memberships, services, and other perks.

15. Provide copies of the latest valuation for each employee benefit plan to which such a valuation is relevant and the most recent annual report for each employee benefit plan for which a report is prepared. Include the latest actuarial valuation, funded position, latest FAS 87, FAS 106, FAS 112 reports records, and most recent trust investment statements, to include assets, location and investment fund description. Describe any enhancements pending, or expected for review.

16. List all fringe benefits enjoyed by any employees, to the extent not covered specifically by other items.

17. List all employment and employment related lawsuits, litigation, hearings, proceedings, special orders and filings for the past eight years to include status, disposition date and outcome of those closed, and outstanding payments to which the acquired business is responsible. Provide copies of all affirmative action plans.

18. Provide copies of all personnel policies, employee handbooks or guidelines and supervisor instructions, including vacation plans, holidays, sick day/attendance policies and severance arrangements.

19. Describe payroll system, including whether in-house or outsourced.

20. Describe all employee development and training programmes, including the name of the course, its source, the intended participants, and how participation is determined and outcomes measured.

21. Describe the employment application process, including how candidates are reviewed and assessed, or tested.
## Survey

### Section 5 – Human Resources

<table>
<thead>
<tr>
<th>Section</th>
<th>Document(s) requested</th>
<th>Phase</th>
</tr>
</thead>
</table>
| SA Org Structure | 1. Organizational charts  
2. HR files on management and key independent contributors.  
3. Job descriptions | One – w/o SI  
Two  
One |
| BB Employee & Contract Base | 1. Complete list of employees including name, position, job code, department, hire date, age, and total compensation for prior year, current pay rate, last pay increase date & amount, last review date and status (PT, FT, etc.)  
2. List of all contractors/temporary employees – current and all within the last year. Provide copies of any master or individual contracts  
3. List of all officers and directors, including title, shareholdings in business, compensation and benefits.  
4. Current operational staffing plan – i.e. number of employees per job type, per shift per day, including overtime coverage. | One – w/o SI  
Two – with  
One  
One |
| SC Unique Employment Issues | 1. Employment agreements, including all confidentiality and non-compete agreements  
2. Individual Irish employment agreements including any fixed term and separate agreements  
3. Documentation relating to any loans, contracts, arrangements, trade secrets, restrictions or transactions involving the business with officers, employees, shareholders or directors.  
4. List of all employees currently off work, including their current eligibility and participation in all plans, including workers compensation  
5. List of employees currently working with restriction (under workers compensation, VISA, or other)  
6. Documentation on implementation and compliance with EU employment directives such as Data Protection | One – w/o SI  
Two – with  
One – w/o SI  
Two – with  
One – w/o SI  
Two – with  
Two |
| SD Workforce Status | 1. Documentation, agreements, or correspondence relating to any former employee who was terminated in the last 2 years and any pending terminations or performance cases.  
2. Unemployment compensation report/history for the past 2 years.  
3. Copy of severance policy.  
4. Background on troublesome workforce issues (EEOC, legal, organizational attempts)  
5. Two most recent surveys on employee morale and any employee comment cards and complaints within the last 3 years | One |
| SE Collective Bargaining | 1. Agreements between business and any unions, including any collective bargaining arrangements | One |
| SF Employment Policies | 1. Employee handbooks and manual, including a description of policies concerning fringe benefits, perquisites, holidays, vacations, etc. | One |
| SG Benefits | Please complete the chart below, indicating if there are current or terminated plans of the following types. Additional requests will be provided for those where there are current or terminated plans. Please indicate whether U.S. or Ireland (e.g. 1US, 1IR).  
1. Securities option and award programs  
2. Defined Benefit Plan  
3. Defined Contribution Plan  
4. Nonqualified Deferred Compensation Arrangements  
5. VEPBA (Code Section 501c (9)) Arrangements  
6. Fully Insured Group Health Plan  
7. HMO  
8. Self-funded Health Plan  
9. Dental Plan  
10. Vision Plan  
11. Prescription Drug Plan  
12. Employee Assistance Plan  
13. Wellness Plan  
14. Physical Examination Benefits  
15. Smoking Cessation Benefits  
16. Exercise/fitness Program | # of Current Plans  
# of Terminated Plans  
Never  
Offered | One |

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236
### Appendix C

#### L10N HR Due Diligence Template (page 2 of 2)

<table>
<thead>
<tr>
<th>Appendix C</th>
<th>L10N HR Due Diligence Template (page 2 of 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. Long-term Care Plan</td>
<td></td>
</tr>
<tr>
<td>18. Group Term Life Insurance</td>
<td></td>
</tr>
<tr>
<td>19. Accidental Death and Dismemberment Insurance</td>
<td></td>
</tr>
<tr>
<td>20. Business Travel Accident Plan</td>
<td></td>
</tr>
<tr>
<td>21. Short-Term Disability and Sick Leave Benefits</td>
<td></td>
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<tr>
<td>22. Long-Term Disability Plan</td>
<td></td>
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<tr>
<td>23. Cafeteria Plan</td>
<td></td>
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<tr>
<td>24. Health Expense Reimbursement Account</td>
<td></td>
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<tr>
<td>25. Dependent Care Assistance Plan</td>
<td></td>
</tr>
<tr>
<td>26. On-site Daycare Center</td>
<td></td>
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<tr>
<td>27. Vacation Benefits</td>
<td></td>
</tr>
<tr>
<td>28. Severance Pay Plan</td>
<td></td>
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<tr>
<td>29. Supplemental Unemployment Benefit Plan</td>
<td></td>
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<tr>
<td>30. Educational Assistance Plan</td>
<td></td>
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<tr>
<td>31. Tuition Payment Plan</td>
<td></td>
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<tr>
<td>32. Housing Assistance Benefits</td>
<td></td>
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<tr>
<td>33. Financial Counseling</td>
<td></td>
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<tr>
<td>34. Employee Discount Program</td>
<td></td>
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<tr>
<td>35. Employee Awards</td>
<td></td>
</tr>
<tr>
<td>36. Plans Maintained Outside the Country for Nonresident Aliens</td>
<td></td>
</tr>
<tr>
<td>5H Benefits Costs</td>
<td></td>
</tr>
<tr>
<td>1. Recap for each benefit and welfare plan, including number of participants (employees, retirees, terminated vested, Cobra), sex and age of participants, dollars collected from participants, claims and benefits paid, administrative costs - for the past three years.</td>
<td>One</td>
</tr>
<tr>
<td>2. Accrual balances for each benefit and welfare plan, including any severance for the past 24 months.</td>
<td>One</td>
</tr>
<tr>
<td>3. Outline any unfunded liabilities connected to the plans.</td>
<td>One</td>
</tr>
<tr>
<td>4. Provide actuarial reports regarding cost of plans.</td>
<td>One</td>
</tr>
<tr>
<td>5I Additional Benefits</td>
<td></td>
</tr>
<tr>
<td>1. Copies of any additional benefits available to employees that are outside published guidelines, including any special compensation arrangements such as car allowances, memberships, paid insurance, etc. Provide employee names and description of each additional benefit.</td>
<td>One</td>
</tr>
<tr>
<td>5J Pay Policies</td>
<td></td>
</tr>
<tr>
<td>1. Pay policies, including frequency and methods of payment and premium pay policies (overtime, unsociable hours, and double-time).</td>
<td>One</td>
</tr>
<tr>
<td>2. Description of any special arrangements.</td>
<td>One</td>
</tr>
<tr>
<td>3. Compensation administration guidelines and rates.</td>
<td>Two</td>
</tr>
<tr>
<td>4. Market survey/leads.</td>
<td>One</td>
</tr>
<tr>
<td>5K Performance Plans</td>
<td></td>
</tr>
<tr>
<td>1. List of all participants in performance-based plans – including commission plans – showing name, position, this year’s potential and last year’s potential and actual payment. Include samples of the plans for each person or group.</td>
<td>One (w/o SJ) Two (with SJ)</td>
</tr>
<tr>
<td>5L Succession</td>
<td></td>
</tr>
<tr>
<td>1. Copy of latest succession planning materials</td>
<td>Two</td>
</tr>
<tr>
<td>5M HR Admin</td>
<td></td>
</tr>
<tr>
<td>1. Current information on HRIS, including payroll system, time clock. Status of any in progress changes or upgrades.</td>
<td>Two</td>
</tr>
<tr>
<td>2. Agreements on any outsourced HR, payroll and benefit functions (e.g. third party administrators, trustees, investment advisors, services, etc.), and identifying services provided, contract duration/renewal dates and associated costs.</td>
<td>Two</td>
</tr>
<tr>
<td>5N Hiring &amp; Performance Mgmt</td>
<td></td>
</tr>
<tr>
<td>1. Hiring and termination forms, policies and procedures.</td>
<td>Two</td>
</tr>
<tr>
<td>2. Outlines of any recruiting programs.</td>
<td>Two</td>
</tr>
<tr>
<td>3. EEO/Affirmative Action Plan(s) for last 3 years</td>
<td>Two</td>
</tr>
<tr>
<td>4. Compliance reporting for Irish and EU employment laws</td>
<td>Two</td>
</tr>
<tr>
<td>5. Performance evaluation forms and planning process</td>
<td>Two</td>
</tr>
<tr>
<td>6. List of employees that have not had a review and/or increase in over 12 months. List of any pending or eminent compensation charges.</td>
<td>One</td>
</tr>
<tr>
<td>5O Training</td>
<td></td>
</tr>
<tr>
<td>1. Training program outlines</td>
<td>Two</td>
</tr>
<tr>
<td>2. Copy of new employee orientation materials</td>
<td>One</td>
</tr>
</tbody>
</table>
Hi Guys,
To clarify: The letter of Cessation of Employment (with 29th April end date) was drafted by [REDACTED] in HR and handed to the employees the first week in March. What I drafted was a letter of offer beyond that period.
Regards,
[REDACTED]
Appendix D1

-----Original Message-----
From: [Redacted]
Sent: 21 March 2005 16:36
To: [Redacted]
Subject: RE: London Project Managers last day

Hi Gang -

We need to be very careful with responding to emails like this and in deciding if we want to extend the contracts for some or all of the employees. Keep in mind a few things:

1. We have 6 weeks before the April 29th end date hits. (6 weeks is a very long time when it comes to transitioning work. I know it doesn't feel that way right now but with good operations planning and moving some of the complicated funds work to experienced PM's in [Redacted] (as opposed to the newest PM's being hired), we should be in much better shape 6 weeks from today.)

2. [Redacted] can rally resources much faster than London can. (Both in terms of people already at Brink and in terms of outside recruiting.)

3. The fact that none of our PM's will move long-term to [Redacted] should push us to transition FASTER, not slower. (Yes, it is more painful and less comfortable than just happily moving our people and the work to [Redacted] at the same time. However, we can't expect our PM's to hang in there mentally/emotionally for us for months on end <and> we owe it to our clients to provide a stable service team which means the sooner we can get them to a PM that will be with them for the next 2-3 years, the better.)

[Redacted] I know that you two are planning the next stages of the transition. If you feel we need to extend the time frames for PM's, I'll support your decisions. I just want everyone to focus on what the best solution is for the clients (both short and long-term) as opposed to reacting to the dis-comfort of our internal sales group.

Obviously keep [Redacted] and I posted on any changes to the term dates.

Thanks.

[Redacted]
Email from Legal/Financial Sales Manager  
London to President of newly combined organisation

Sent: Mon 3/21/2005 8:20 AM  
To:  
Cc:  
Subject: London Project Managers last day

Hi [Name]

Hope all is well with you?

I realise you have been hearing a lot about this in the last few days from [Name] but I feel it is imperative that you are both made aware of the state of affairs as far as production/transition is concerned.

The project managers here in London - none of whom are going to move to [Name] - have just told me this instant that in the letter given to them recently by [Name], they were asked to stay on until the 29th April (except for [Name] and [Name] who are staying until 13th May). Their understanding is therefore that from April 29th they are out of a job and under no further obligation to stay at [Name]. So of course, they are all frantically making plans to attend job interviews even now.

My concern is that whatever our thinking may be at [Name] managerial level in terms of extending the transition period, it has not been communicated to them that we will definitely need them longer than that date. Therefore, if we wait until then to start talking about an extension, I am afraid that they will no longer be available. The transition for [Name], for instance is at point zero and we are in week 4 already!

The "redundancy package" offered them is pretty good and good enough for them to hang on till the 29th, but after that, what is to hold them? Their own words...

What are your thoughts on this?

Many thanks
### Appendix E  BSW HR Integration Strategy template

<table>
<thead>
<tr>
<th>Category</th>
<th>Activity</th>
<th>Responsibility</th>
<th>Date(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>Conduct leadership summits with a focus on business and cultural alignment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implement functional leadership visits; ensure high level face to face interactions</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Ensure ongoing leadership communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Develop manager briefing packets related to integration activities and changes within specific functions</td>
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<td></td>
<td>Have senior leaders assist in orientation sessions for top level managers</td>
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<td></td>
<td>Conduct 1:1 meetings with top performers</td>
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<tr>
<td>Communication</td>
<td>Communicate cultural differences and the future culture (values and behaviors)</td>
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<td></td>
<td>Communicate policy changes that require additional reinforcement</td>
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<td></td>
<td>Communicate changes affecting employees in targeted functions</td>
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<td></td>
<td>Conduct weekly targeted communication to the teams (email, VM, web conference, staff call, etc)</td>
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<tr>
<td>Capability</td>
<td>Align HR programs to support desired behaviors</td>
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<tr>
<td>Building</td>
<td>Conduct 1:1 conversations about job satisfaction and career path with the top performers</td>
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<td></td>
<td>Create a reward or recognition program designed specifically to support integration goals</td>
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<td></td>
<td>Develop a financial and non financial key talent retention program</td>
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<tr>
<td>Involvement</td>
<td>Involve cross functional teams in integration planning and execution</td>
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<td></td>
<td>Create opportunities to engage people in the changes</td>
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<td></td>
<td>Leverage existing events or meetings</td>
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<td></td>
<td>Incorporate fun, joint activities that help build</td>
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<tr>
<td>Measurement</td>
<td>Conduct team gatherings to solicit feedback</td>
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<td></td>
<td>Establish integration metrics and track progress</td>
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<td>Monitor integration metrics ( voluntary TO, employee satisfaction, etc.</td>
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<td></td>
<td>Report Metrics to Senior Executives and local</td>
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Appendix F

Presidents Letter – Announcement of the acquisition by PAK

PRESIDENT'S NEWSLETTER

01/09/2006

Dear Fellow Employee,

I am pleased to announce that today [Redacted] has completed the acquisition of [Redacted], a Netherlands-based company that designs and manufactures rigid packaging for medical, consumer and industrial applications. [Redacted] had annual sales of approximately $50 million in 2004, and has been experiencing double-digit sales growth for the last few years.

This acquisition addresses our Strategic Initiative of “Focus on Markets” by strengthening our position in an area of profitable growth. It builds on our presence in both medical and industrial packaging and represents an attractive growth opportunity for our products and technology. It also enables us to expand our ability to meet the packaging needs of the global healthcare industry, as many developing countries around the world continue to modernize their healthcare systems. Our ability to offer new industrial packaging applications in such areas as the automotive and the electronics industries will also be enhanced.

[Redacted] is a good fit with [Redacted] because of its solid long-term customer relationships, its technical approach to product development and its reputation for superior quality. We plan to utilize [Redacted] expertise in technical design and high quality product and process performance within our existing businesses where it makes sense to do so.

More than 20 years ago, we entered the medical packaging business because we recognized an opportunity to offer the pharmaceutical industry technologically advanced packaging solutions. We have since become a leading manufacturer of high quality films for pharmaceutical solutions and other medical applications. The acquisition of [Redacted] provides us with a greater presence in the highly technical field of medical device packaging, and is a complementary addition to both our existing medical packaging business for pharmaceutical solutions and our industrial packaging business. The combination of [Redacted], rigid packaging and our flexible film technology will offer customers an even wider array of packaging solutions. We are also looking to leverage [Redacted] sophisticated technical design and prototype capabilities within our existing European food and consumer packaging businesses.

We expect that the integration of [Redacted] into [Redacted] will be smooth and seamless. Organizationally, we will be establishing a new business unit to manage this area. [Redacted] has been named Executive Director of the Medical Packaging Unit, reporting to [Redacted], Vice President of Business Development. [Redacted], Managing Director, will become Business Director of the European Business Unit and will report to [Redacted]. [Redacted] will continue to lead [Redacted] Medical Products Group, which will remain within the Food Packaging Division.

With our “Focus on Markets” initiative, this organizational structure will enable us to concentrate our efforts on growing both the rigid and flexible applications within the respective areas of medical and industrial packaging. We expect that our combined sales forces will work closely together to identify and pursue new growth opportunities in these areas.

We have approximately 400 employees in the Netherlands, Ireland and the United Kingdom who will join our Company, bringing our total number of global employees to nearly 18,000. Please join me in celebrating this acquisition and welcoming our new employees to [Redacted]
February 28, 2005

Dear [Redacted] Team Member,

We have some exciting news to share with you about [Redacted] future and continuing legacy of delivering world-class language solutions – a legacy in which you play an important role.

Today [Redacted] Corporation, a nearly $700 million global provider of diversified communications and document solutions, successfully completed a purchase of all the outstanding common stock of [Redacted] International Corporation. The new combined entity will be renamed [Redacted] International. Your role, current employment terms and benefits will remain the same.

Going forward, [Redacted] will continue as Chief Operating Officer for the new organisation and will report to [Redacted], who is currently the President of [Redacted] International. Charlie Mulligan will continue as Director of European Operations, reporting to Jeff.


This acquisition brings more resources to support our growth strategy and emphasizes our commitment to grow our language services offering. The combination of our technology, people and cultures uniquely positions us to become one of the world’s premier language service providers.

Feel free to contact either of us with any questions. We look forward to working together as one team to deliver outstanding customer service and drive our future growth.

Welcome to the [Redacted] family.

Sincerely,

[Redacted]

Director of European Operations

[Redacted] International

[Redacted]

Chief Executive Officer

[Redacted] International

[Redacted]

Chief Executive Officer

[Redacted] Corporation
## Retention Plan

<table>
<thead>
<tr>
<th>Title</th>
<th>Executive</th>
<th>Base Salary</th>
<th>Bonus Eligibility</th>
<th>Car Allowance</th>
<th>RSA's</th>
<th>Retention Bonus</th>
<th>Severance</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives in Key Positions</td>
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<td>Managers in Key Positions</td>
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<td>Long-term Talent in Key Functions</td>
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<td>Short-term Talent in Key Functions</td>
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</table>
Appendix I  USCo Corporate Governance Guidelines (ref page 6)

10. Board Member Access to Management and Independent Advisors

Board members shall have free access to the management and employees of [redacted] and to its outside counsel and auditors. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director in appropriate circumstances.

Executive officers and other members of senior management are expected to be present at Board meetings at the invitation of the Board. The Board encourages senior management to make presentations at Board meetings and to invite to Board meetings managers and other employees who can provide additional insight into the items being discussed. The Board also encourages senior management to include in Board meetings individuals that senior management believes may become future leaders of [redacted]

The Board and each of its committees is authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management or, in the case of committees, the full Board.
### Appendix J

**List of documents analysed across all 5 subsidiaries studied**

<table>
<thead>
<tr>
<th>Case related to</th>
<th>Name of document</th>
<th>Purpose in the research/Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>BM Corp</td>
<td>Due Diligence template</td>
<td>Evidence of due diligence</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Staffing profile of London &amp; New York Employees</td>
<td>Identify PM’s for relocation to L10N subsidiaries</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Additional due diligence information request on 'Benefits' Lead-times for legal/financial translations from BM Corporation Language Divisions</td>
<td>Due diligence</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Commentary of PM talent from London office after meeting with US Operations Director.</td>
<td>Confirmed the significant differences in the type of work between L10N &amp; BM Corporation.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Email dated 22 April from a London PM talent still considering relocation 7 days before the end of the deadline for 60 day transition.</td>
<td>Evidence that information was withheld from L10N Europe as this data was never shared with management team.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Headcount request 9th March 2005</td>
<td>This information was provided in the due diligence yet was asked for by email 9 days after announcement.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>28/08/2006 Translations Weekly Metrics Packet reported weekly</td>
<td>Confirms an increased focus on costs.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Minutes of first Management Meeting under new President 10 months post-acquisition. Note comment re SW tool iTrans: IT review OPS US versus EU regarding iTrac implementation and the subsequent difference in the need for PM resources: immediate need to address this on the EU side to get better PM productivity in EU based on better iTrans utilization in Corporate accounts.</td>
<td>Evidence that the SW tool iTrans was not working under the new business.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Procedure for Freelance Translator Registration and Testing</td>
<td>Confirms a different standard for recruiting and selecting Freelance Linguistic Resources between L10N and BM Corp.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Announcement of acquisitions to BM Corp. Customers</td>
<td>Communication at end of transaction stage</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Communication plan pre and post-acquisition announcement.</td>
<td>Evidence that communication was seen as important up to and including the announcement of the deal.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Representative volume of London Business transferring</td>
<td>Evidence of 500% growth in throughput.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Representative volume of New York Business transferring</td>
<td>Evidence of similar type work between BM New York &amp; L10N USA.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>List of Translators working in New York</td>
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<tr>
<td>BM Corp</td>
<td>Minutes of first Global Mgt Team meeting Jan’06</td>
<td>Evidence that the relationship between BM and L10N was still strained.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Weekly metrics conference call minutes Aug’06</td>
<td>Evidence that the relationship between BM and L10N was still strained.</td>
</tr>
<tr>
<td>BM Corp</td>
<td>Budget actual v forecast March 2006</td>
<td>Evidence of failure to meet revenue budgets and failure of in efficiencies promised through the use of iTrans,</td>
</tr>
<tr>
<td>BM Corp &amp; L10N</td>
<td>Pre-announcement integration topics discussed by senior managers</td>
<td>Evidence that a 60 days integration was not discussed</td>
</tr>
<tr>
<td>BM Corp/L10N</td>
<td>Integration Topics Discussion document</td>
<td>Evidence that senior management were not aware that there was going to be a 60 day transition.</td>
</tr>
<tr>
<td>BM London</td>
<td>Email 4th April 2004 from Sales Manager complaining of staff being recruited without input from Sales team.</td>
<td>Negative attitude and lack of co-operation from London Sales Team.</td>
</tr>
<tr>
<td>BSW</td>
<td>Talent Profile Template</td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td>BSW</td>
<td>Performance Development Summary</td>
<td>Evidence of Talent Management Practices</td>
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<td>BSW</td>
<td>Leadership profile competency assessment</td>
<td>Evidence of Talent Management Practices</td>
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<td>BSW</td>
<td>Retention Plan template</td>
<td>Evidence of Talent Retention Practices</td>
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<tr>
<td>BSW</td>
<td>Operation, people and performance review template</td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td>BSW</td>
<td>Code of Ethics and Business Culture Document</td>
<td>Evidence of BSW organisational culture</td>
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<tr>
<td>BSW</td>
<td>Globe Smart Training</td>
<td>Cross cultural communication training for acquirer team</td>
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<tr>
<td>BSW</td>
<td>Press Release announcing previous acquisition of BSW by UK public company.</td>
<td>Evidence of prior acquisition experience</td>
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<tr>
<td>BSW</td>
<td>Press Release re acquisition on SEC form 8K</td>
<td>Evidence of communication</td>
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<tr>
<td>BSW</td>
<td>Corp Governance document</td>
<td>Evidence of code of Corporate Governance</td>
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<tr>
<td>Organization</td>
<td>Document Type</td>
<td>Description</td>
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<td>BSW</td>
<td>Guidelines on Performance Bonus Program</td>
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<td>BSW</td>
<td>Form 8-K re Bonus Awards agreement</td>
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<tr>
<td>BSW</td>
<td>Non-Disclosure Agreement</td>
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<tr>
<td>DutchPk</td>
<td>Process Flow chart of operations from receipt of order to delivery</td>
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<td>DutchPk</td>
<td>Cost reduction presentation</td>
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<td>DutchPk</td>
<td>Email trail with regards to the reporting line of Customer Services Manager DutchPk to BUD MedPk</td>
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<tr>
<td>DutchPk</td>
<td>Training documents for Leadership Training of the Dutch management team. It includes: Coaching for Success; Coaching for Improvement; Self-evaluation and discussion templates</td>
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<tr>
<td>DutchPk</td>
<td>Pocket prompt cards that BUD DutchPk carried with him</td>
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<td>DutchPk</td>
<td>Talent Grid profiles for 8 of the sales team</td>
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<td>DutchPk</td>
<td>Performance Review Template in Dutch</td>
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<td>DutchPk</td>
<td>Performance Review Template translated into English</td>
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<tr>
<td>DutchPk &amp; MedPk</td>
<td>Sales &amp; Marketing Structure</td>
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<tr>
<td>L10N Europe</td>
<td>Capacity Planning document</td>
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<tr>
<td>L10N Europe</td>
<td>Transition report London to West of Ireland</td>
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<td>L10N Europe</td>
<td>Minutes of weekly operations meetings prior to the announcement of the deal dated 31Jan05; 23Feb05; and after the announcement dated 2Mar15 &amp; 9Mar15</td>
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<tr>
<td>L10N Europe</td>
<td>Overview of the potential volume and throughput that the acquisition would bring to L10N Europe.</td>
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<tr>
<td>L10N Europe</td>
<td>Headcount overview phase 1</td>
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</tbody>
</table>
L10N Europe Organisation Chart - Helped prep for interviews and gave an understanding on organisational structure.

L10N Europe Email from Operations Manager IT Services confirming question on retention plan - Evidence of Talent Retention Practices.

L10N Europe Draft of transition plan 8th March 2005 - Evidence that L10N Europe did attempt to plan a transition and proposed a transition team.

L10N Europe Training Plan for all staff including those relocating - Confirmed names of employees at L10N 8th April 2005.

L10N Europe Email 5th April 2005 from Operation Manager Europe to senior management raising concerns about losing talent - Evidence of the effect of the significant differences in the type of work/turnaround times expected between L10N & BM Corporation.

L10N Europe Update of 60 days transition plan and relocation of key PM talent to Ireland dated 22Mar 2005 - This document confirms a relocation date of 11April'05 to 11Aug'05 which was outside of the 60 days dictated by CEO and confirms lack of cooperation from London employees.

L10N Europe Minutes of staff meetings pre-acquisition - Gives a sense of the type of organisational culture.

L10N Europe Appraisal Review Document new employees - Evidence of HR system.

L10N Europe Pension Scheme Selection Criteria - Evidence of Talent Management Practices.


L10N Europe 360 Degree feedback template - Evidence of Talent Management Practices.

L10N Europe Summary of group training feedback - Evidence of inclusive type organisational culture at L10N Europe prior to acquisition.

L10N Europe Objectives set for PM at L10N Jan'05 - Evidence of Appraisal Review Practices.

L10N Europe Archive emails covering the first 6 months post deal announcement - Evidence of the stressful and chaotic period during the 60 day transition imposed by the new CEO.

L10N Europe & USA Email 28Feb 2005 from Chairman re: communication plan on the acquisition announcement - Evidence of planning to communicate the acquisition to all stakeholders.

L10N Europe & USA User guide for iTrans system - Useful for comparison to BM system.

L10N Europe & USA Announcement of acquisitions to L10N employees - Communication at end of transaction stage.

L10N Europe & USA Announcement of acquisitions to L10N Customers - Communication at end of transaction stage.

L10N Europe & USA Announcement of acquisitions to L10N Freelance Linguists - Communication at end of transaction stage.
<table>
<thead>
<tr>
<th>Source</th>
<th>Document Type</th>
<th>Evidence</th>
<th>Notes</th>
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<tbody>
<tr>
<td>L10N Europe &amp; USA</td>
<td>Employee Handbook</td>
<td>Evidence of HR policies</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>List of employees prior to acquisition</td>
<td>Identify stayers v leavers</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>List of employees post- acquisition</td>
<td>Identify stayers v leavers</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>Proposed Integration plan Feb 2005</td>
<td>Evidence that senior management were not aware that there was going to be a 60 day transition.</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>Initial checklist for transfer</td>
<td>Communication mid- transaction stage</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>Minutes of transition meeting 8th March 2005</td>
<td>Confirmed the 60 day transition with deadline for 29th April 2005.</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>iTrans user guide</td>
<td>Evidence of propriety technology developed and document authored jointly by operations and developer</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>New employee induction training template</td>
<td>Evidence as to the controlled processes that L10N worked within</td>
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<tr>
<td>L10N Europe &amp; USA</td>
<td>IT network diagrams on proposed incorporation of iTrans into main BM system post-acquisition</td>
<td>Evidence of the importance of iTrans as a strategy to acquire L10N</td>
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<tr>
<td>L10N</td>
<td>Pre-announcement plans at integration</td>
<td>Evidence that the target company had an integration plan.</td>
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<tr>
<td>L10N USA</td>
<td>Email sent from COO/ shareholder to Chairman regarding investment requirements. He mentions that he President of BM Corp translation division thinks the figures are &quot;light&quot;</td>
<td>Evidence that shareholders were understating investment requirements of the acquired business.</td>
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<tr>
<td>L10N USA</td>
<td>Email 4 Oct 2006 from CFO trying to close off system &quot;legacy&quot; issues.</td>
<td>Confirms that the transition was not 100% complete 6 months after 60 day deadline...</td>
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<tr>
<td>L10N USA</td>
<td>Email 10 Oct 2006 from CFO looking for numbers on freelance resources</td>
<td>Confirms high number of freelance resources used.</td>
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<tr>
<td>MedPk</td>
<td>Employee Handbook</td>
<td>Evidence of HR policies</td>
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<tr>
<td>MedPk</td>
<td>Email from BUD MedPk offering support and talent management to Sales Manager DutchPk</td>
<td>Evidence of style of management at MedPk</td>
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<td>MedPk</td>
<td>Talent Grid profiles for a selection of employees</td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td>MedPk</td>
<td>Organisation Chart</td>
<td>Helped prep for interviews and gave an understanding on organisational structure</td>
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</tr>
<tr>
<td>MedPk</td>
<td>Goal Plan BUD MedPk</td>
<td>This was dated for 2014 however it was the system used under the ownership of PAK</td>
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<td>MedPk</td>
<td>2013 Performance results for Sales Manager</td>
<td>Evidence of Talent Management Practices</td>
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<td>MedPk</td>
<td>2013 Performance results for Marketing Manager</td>
<td>Evidence of Talent Management Practices</td>
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<td>MedPk</td>
<td>2013 Performance results for IT Manager</td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td>MedPk</td>
<td>2013 Performance results for Supply Chain Manager</td>
<td>Evidence of Talent Management Practices</td>
<td></td>
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<tr>
<td>MedPk</td>
<td>2013 Performance results for Director of Operations</td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td>MedPk</td>
<td>2013 Performance results for HR Manager</td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td>MedPk</td>
<td>2013 Performance results for Sales Manager</td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td>MedPk</td>
<td>2014 goal plan for HR manager</td>
<td>Evidence of Talent Management Practices</td>
<td></td>
</tr>
<tr>
<td>MedPk</td>
<td>Summary of brainstorming session on growth strategy</td>
<td>Confirms what VP Medical Division stated about BUD MedPk getting the best out of his team.</td>
<td></td>
</tr>
<tr>
<td>MedPk</td>
<td>A bespoke High performance leadership development program that the management team at MedPk completed. This program emphasises managing in a coaching style.</td>
<td>Confirms what VP Medical Division stated about BUD MedPk developing talent.</td>
<td></td>
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<tr>
<td>MedPk</td>
<td>Overview of the Irish Operation</td>
<td>Provided background data in preparation for interviews</td>
<td></td>
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<tr>
<td>MedPk</td>
<td>List of employees from 2006</td>
<td>Confirmed the 92% rent ion rate.</td>
<td></td>
</tr>
<tr>
<td>MedPK</td>
<td>email archive from for the first 6 months post-acquisition</td>
<td>Gave insight into management team practices post-acquisition</td>
<td></td>
</tr>
<tr>
<td>MedPk &amp; DutchPk</td>
<td>Chart No. 14 from presentation given to potential buyers during the divestiture process stating that the Medical Davison has &quot;an Entrepreneurial Culture&quot;</td>
<td>Evidence of Entrepreneurial culture that the former owner mentioned during his interview. Also confirmed that HQ considered Sales Team as talent critical to the growth of the company.</td>
<td></td>
</tr>
<tr>
<td>MedPk &amp; DutchPk</td>
<td>European Operating Structure with handwritten notes of BUD MedPk stating that MedPk and DutchPpk tap into each other’s expertise. States that there is a symbiotic relationship.</td>
<td>Confirms head counts at both MedPk and DutchPpk and also non-union environment at MedPk and Work Council at DutchPpk.</td>
<td></td>
</tr>
<tr>
<td><strong>MedPk &amp; DutchPk</strong></td>
<td><strong>Systems overview</strong></td>
<td>Confirms and demonstrates that both subsidiaries had totally different IT, Financial, Management reporting and production systems pre and post-acquisition. Only shared a logo and marketing documentation.</td>
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<tr>
<td><strong>MedPk &amp; DutchPk</strong></td>
<td><strong>Overview Talent Management Process</strong></td>
<td>Confirmed Talent Review Process. Used to cross check the names of identified talent.</td>
<td></td>
</tr>
<tr>
<td><strong>PAK</strong></td>
<td><strong>Non-Disclosure Agreement</strong></td>
<td>Pre-requisite for access to use MedPk and DutchPk for research</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Due Diligence template</strong></td>
<td>Evidence of due diligence</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Presidents Letter</strong></td>
<td>Announcement of the acquisition</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>PAK Employee Survey</strong></td>
<td>Commissioned by HQ to establish pressure points in the organisation</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Divestiture document</strong></td>
<td>Sell book</td>
<td></td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Top Management DutchPk &amp; MedPk presentation to potential buyers</strong></td>
<td>Divestiture process</td>
<td></td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Email re Divestiture process</strong></td>
<td>Evidence of PAK selling off DutchPk &amp; MedPk during the research study</td>
<td></td>
</tr>
<tr>
<td><strong>PAK</strong></td>
<td><strong>Email from VP Medical Units to former owner informing him of pending sale of MedPk &amp; DutchPk to establish his interest level in purchasing them.</strong></td>
<td>Evidence of strong link between former owner 7 years after acquisition</td>
<td></td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Code of Conduct</strong></td>
<td>Evidence of PAK organisational culture</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Company Culture Booklet</strong></td>
<td>Evidence of PAK organisational culture</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Prompt cards for employees to carry with them on strategic vision &amp; priorities</strong></td>
<td>Evidence of PAK organisational culture</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Trade Secrets</strong></td>
<td>Evidence of PAK ethics &amp; organisational culture</td>
<td></td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>9 box grid action plan descriptors</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Instruction on use of self-assessment for annual review</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Mobility Profiles using HRIS system</strong></td>
<td>Evidence of Global Talent Management</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Expected behaviours template</strong></td>
<td>Evidence of PAK organisational culture</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Talking Talent Matrix</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Retention/Risk Assessment</strong></td>
<td>Evidence of Talent Retention Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Succession planning templates</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Development Plan Template</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Competency Modelling Booklet used for training managers</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Competency Framework with 1st, 2nd and 3rd level components.</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Year-end performance &amp; compensation review calendar with country specific information check.</strong></td>
<td>Evidence of Global Talent man agent and confirmed HR policies that identified who was to be included for bonuses.</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Leadership competency tally sheet template</strong></td>
<td>Evidence of Talent Management Practices</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>People &amp; Performance: Tools for creating development plans training document</strong></td>
<td>Evidence of Corporate HR policy rolled out to subsidiaries</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Email re Capital Budget</strong></td>
<td>Evidence of financial focused culture</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Group Organisation structure</strong></td>
<td>Confirms positions of key informants and also provides evidence that BUD MedPk has taken over European Sales Team based in DutchPk</td>
<td></td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Global Strategy Document</strong></td>
<td>Confirmed that the organisation recognised that Talent was key to executing strategy.</td>
<td></td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Rating Scales used in association with 9 Box Grid</strong></td>
<td>Evidence of Talent Management Practices</td>
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</tr>
<tr>
<td><strong>PAK</strong></td>
<td><strong>Press Release announcing acquisition of MedPk &amp; DutchPk January 2006.</strong></td>
<td>Confirms timelines and strategic intent behind the deal.</td>
<td></td>
</tr>
<tr>
<td><strong>PAK</strong></td>
<td><strong>Recommended Payout Opportunity Based on Individual Performance</strong></td>
<td>Evidence of recognition through rewards at both MedPk and DutchPk.</td>
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<tr>
<td><strong>PAK</strong></td>
<td><strong>Email summarising Employee Engagement survey carried out globally by HQ in 2012 and identifying areas that need improvement across the organisation.</strong></td>
<td>Confirms that PAK were trying to keep a “finger on the pulse” of its employees.</td>
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<tr>
<td><strong>USCO</strong></td>
<td><strong>Due Diligence template</strong></td>
<td>Evidence of due diligence</td>
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</tbody>
</table>
References


