Examining the Effects of Transformational Leadership and Culture during Mergers & Acquisitions: A Case Study of a Biotechnology Company.

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Abstract

Examining the Effects of Transformational Leadership and Culture during Mergers & Acquisitions: A Case Study of a Biotechnology Company.

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Although mergers and acquisitions (M&A) are becoming more and more common practice in business, the expected results from these initiatives have varied widely. M&As are at the forefront in the biotechnology industry as firms look at ways to increase revenues and intellectual property to improve shareholder value. Since research and development (R&D) expenditures among biotechnology firms are high and may have a limited amount of success, firms are considering M&As to improve firm performance. Many companies focus on financial performance outcomes only when trying to develop synergies during an M&A, while missing impact on other aspects of firm performance, such as employee and operational performance outcomes. This study examines employee perceptions of culture and leadership pre- and post- M&A in a case study of a biotechnology company. The study findings show that there were shifts in employee perceptions of culture type's post-M&A. Specifically, employees perceived culture to shift to two types of culture profiles that have been found to negatively impact employee performance outcomes. Findings about employee perceptions of transformational leadership (TL) indicate that employees perceive a slightly lower-level of transformational leadership after the M&A. More specifically, it was found that while the acquiring firm perceived TL to be extremely high, the acquired firm's employee perceptions of TL were not significantly lower. In addition, the study showed evidence that transformational leadership perceptions were inconsistent among these two acquired and acquiring firms.

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CHAPTER 1: INTRODUCTION

Mergers & acquisitions (M&A) have become commonplace among leading biotechnology firms such as mega mergers between companies like Pfizer and Wyeth. Firms in biotechnology are exploring M&As to help address a number of challenges including market growth and the cost of R&D. Biotechnology firms spend a significant amount of money and resources trying to discover new drugs knowing that their chances of success are dismal however the payout is high when successful. Such is the case regarding the current rumored acquisition of Genzyme by the larger French firm Sanofi-Aventis. Sanofi is concerned over the company's drug pipeline as some of the drugs are near patent expiry. In order to rejuvenate the company's pipeline, they have expressed interest in acquiring Genzyme because the firm specializes in rare diseases which currently is a low competition market. In order for these firms to maintain shareholder value, it is important that they maintain a healthy pipeline. As a result, a merger or acquisition becomes a viable solution. This trend has become very common within this industry.

The firms in this study are in the biotechnology industry. A publicly traded multi-national firm with headquarters in the US had acquired a small private Canadian firm three years ago. The acquisition was to improve the product portfolio of the publicly traded company. This study aims to review beyond financial performance and into employee performance. Does employee performance matter during M&As? Do employees involved in M&As need to feel a sense of purpose even if the M&A requires a transition period? Can a newly acquired employee contribute positively early on in an acquisition? Can understanding culture and leadership assist with improving employee performance outcomes? The answer is most certainly yes to all of these questions, firms need to understand culture differences among firms, develop a strategy for transitioning culture to the preferred state through humane ways that encourages employee input. It is predicted that TL may aid firms through this transition in a more humane way for employees. The survey in this study was issued to employees 2 years post acquisition, the goal to observe and confirm that culture shifts did occur in the acquired firm. As well, the study is interested in understanding differences in leadership perceptions between the 2 firms. By understanding these two non-financial elements, firms can begin solving M&A issues from a human resource perspective. After all, it is the employees who will determine the success rate of the M&A in the end.

The purpose of this study is to improve the success rates of M&As by highlighting the impact of M&As from an employee performance perspective. This study examines a case study involving the biotechnology acquisition outlined above, to understand culture and transformational leadership (TL) pre- and post-acquisition. Understanding that culture shifts are common during M&As should increase the need for strong leadership to help guide employees through the transition effectively. This research examines TL namely as the characteristics associated with this form of leadership satisfies many of the issues among employees during M&As. This study is namely aimed at a firms' leadership in hopes to relieve stress for employees thereby improving employee performance, and henceforth success rates of M&As. I was fortunate to be granted permission by the firm in this study (who wishes to remain nameless) to apply my learning in a constructive way with the goal of assisting firms in the future to more effectively manage aspects of the merger involving employees.

This chapter will outline my relationship to the M&A outlined in this study and how my recent experience has fueled my interest in pursuing this study. Also outlined is the development of my understanding in firm culture and leadership. Through these teachings, I began to formulate this study as well as my hypotheses. This chapter will provide a research overview as well as a brief description of upcoming chapters.

Authors Interest / Relationship

I have been involved with an M&A. The firm I was employed at was also a private Canadian firm that was acquired by a publically traded US firm, similar to the anonymous firm in this study. When I was first notified of the deal, I was excited as I was an advocate of change and suspected that the larger firm acquiring our business would aid in facilitating change. While I was right about their interest in change, unfortunately the types of change centered more on alignment with their current business practices. I remember the lack of vision and transparency. I went from having a clear understanding of where the company wanted to go as I had direct access to the President and owner to having no access to the CEO and its owners (in the public firm). It was difficult making decisions as well as guiding my employees through the transition while I myself did not have a clear sense of direction. Our sense of purpose was lacking!

There were many distractions, such as employees constantly feeling that their jobs were in jeopardy, since the acquiring firm expressed their interest in the products we had and not the people who processed them. Employee discussion even today have employees believing that the acquiring firm will take the products to their other facilities and close operations here in Canada. The leadership has always said that they have no interest in doing so, however some employees remain skeptical. These distractions have continued to impact employees from performing their daily duties effectively. Employees were immersed in conversations surrounding the acquisition distracting them doing their jobs affectively.

There were things that occurred within the first few months following the M&A that I suspect were outcomes of employee stress due to the acquisition. Mistakes caused by employees not being focused were materializing. Production personal were using wrong raw materials causing an increase in rejected inventory. The number of back-orders also increased, sales remained constant and we were now having difficulties meeting demand. There was a significant increase in stress leave among employees. Stress leave was foreign to the firm prior to the acquisition.

Having now gone through an M&A myself, from the perspective of being acquired, I can attest that my level of stress during this time was significantly high. Colleagues and I had to prove ourselves to new managers. The fact that our leaders (who were also acquired) had little direction as well left many with a constant anxiety that our positions could be in jeopardy even when informed otherwise. Long-standing colleagues either quit, or were released due to an over-lap of job duties, further increased our anxieties not knowing if we could be next. The most disillusioning was hearing colleagues who have worked with the acquired firm for many years, have to take stress leave. I wanted to work on this study to aid in reducing stress levels during M&As, to help employees which I believe will further improve firm performance.

M&As

While M&As continue to grow in popularity, the ability for firms to achieve expectations through M&As is dismal at best. "The fact that so many M&As evolve with less than satisfactory performance suggests that opportunities exists for researchers to form a better understanding of M&A implementation effectiveness. Heretofore, M&As have been studied primarily through economic or financial lenses" (Waldman & Javidan, 2009, p. 140). This statement suggests that perhaps the answer to improving the success of an M&A does not rest on economic or financial variables, but rather in areas of employee and/or operational performance. Waldman & Javidan (2009) go on to state that much of the research on post- M&A's have focused on strategic and financial issues, while missing out on the human element which deeply impacts the success of an M&A.

The Effects of Culture & Leadership on M&As

Until pursuing my MBA, I didn't fully appreciate the role of organizational culture in firm performance outcomes, including employee, operational and financial performance. I failed to recognize the importance of culture and the need for a firm to align it with their business strategy in order to achieve optimal performance. I also began to understand that while firms can change their culture, it can be difficult and stressful for employees. Two firms interested in M&As would more than likely have two separate business strategies and very different culture profiles. What happens to culture once these firms merge into one business strategy? In order to achieve optimal performance, it is important that at least one of the firms shift its culture to align to the business strategy.

When I was first exposed to TL, I began to see the benefit it can have in organizations. Whether in a manufacturing environment or service industry, the importance of strong leadership is ever apparent. I began to understand the characteristics associated with TL, namely transparency, trust, vision, and empowerment and how TL taps into a firms' competitive advantage (its' employees) and optimizes their performance. Transformational leaders are characterized by the 4Is, including idealized influence (charisma/vision), inspirational motivation, intellectual stimulation, and individual consideration (Bass, Avolio, & Binghamton, Spring 1993). This in the end encouraged me to pursue this research study.

Research Overview

I began to think about the relationship between TL and culture, and the ways that both may be important aspects to achieving success in M&As. I associated TL characteristics with M&A characteristics and found that the issues associated with M&As align well with the advantages of TL. M&As are characterized by low trust, whereas TL focuses on transparency to build trust. M&As are characterized as an environment with a loss sense of purpose as employees struggle to understand the new entities direction, whereas TL focuses on providing vision. M&As are characterized as providing little to no empowerment for employees who lack directional understanding, whereas TL focuses on providing empowerment to employees to achieve the vision. Lastly M&As are characterized as reviewing financial performance to monitor success, whereas TL focuses on individual needs as well as group needs. This study examines both culture and TL perceptions of employees in the M&A and the potential impact on employee performance outcomes such as stress.

This research will focus on the role of organizational culture differences between the two firms and examine changes in perceptions of TL both pre- and post-M&A. I will also examine perceptions of employee stress. For reasons of anonymity, the acquiring firm will be named Business Unit 2 and the acquired firm Business Unit 1. Business Unit 1 was created over 30 years ago by a professor at a local university in hopes to provide employment for his students. Much of the management staff have been employed for over 20 years with the company and a few with 30 or more years. The company continues to provide jobs for university students fresh out of university, but has grown from 3 people in its' infancy to that of 107 employees at the point of the acquisition. Three years ago, the private Canadian firm (Business Unit 1), was acquired by a publicly traded US firm (Business Unit 2). The firm had a distribution site in the US, three months after the acquisition a decision was made to close the US site due to redundancies, and three months later the site was closed.

A publically traded firm which includes Business Unit 2 has shared a similar history, but began in the US and decided to go public over 20 years ago. It has continued to see consistent growth since. They are a large firm that employs thousands of employees worldwide with annual sales in the billions. Business Unit 2, responsible for acquiring Business Unit 1 is a smaller division within this publicly traded firm. This division now employs over 500 employees worldwide with sites in the US (including headquarters), Canada, and Europe.

While Business Unit 2 has made strong efforts to make sure employees at Business Unit 1 fit in, the level of stress that this acquisition has caused is apparent. Similar to my M&A experience, for example, post-acquisition quality issues and costly human errors have increased. Post-acquisition the acquired firm required resources to create synergies, implement uniform software, and establish organizational alignments. These project required the aid of the newly acquired employees, therefore employees on both sides were expected to take-on heavier workloads, namely due to having to maintain current responsibilities while working on synergy projects.

Business Unit 2 has focused synergy efforts on system software, reducing redundancies in job positions and product offerings as cost saving measures, improving quality standards, and providing head-office with financial transparency. These synergies are labor intensive. While the cost savings may be visibly apparent in business cases, the underlying issues that these efforts may have by inducing resistance among newly acquired employees are not. This resistance fuels stress by both firms' employees and stress reduces the likelihood for success (McShane, 2009). The acquiring firms' complacency to culture synergies will reduce the positive effects that they may have hoped for on other synergy initiatives. For example, if a firm decided to lay-off an employee at the acquired firm due to redundancy, they may be saving the salary of the individual; however the backlash by existing employees could be far more expensive than any savings incurred.

This study explores employee perceptions of culture and TL in relation to their performance outcomes such as stress during M&As. The purpose of this research is to provide insight to firms interested in growing their business through M&As, along with strategies to understand the importance of organizational culture and the role that leadership has towards improving employee performance. The aims of this research, using a US publicly traded firm (Business Unit 2) that acquired a Canadian private firm

(Business Unit 1) is to examine: culture shifts pre- and post-acquisition; culture shifts towards the acquiring firms' culture or healthier culture types; leadership perceptions between firms; and stress level of employees at the acquired firm.

Organization of this Thesis

This thesis is organized into five chapters to provide the background and results of the findings from the study. In Chapter 2, I review literature related to M&As, culture, transformational leadership, and stress related to firm performance. The literature assists in formulating the hypotheses involved in this study. It will allow us to first understand the many forms of M&As and outline the types of M&As which are included in this study. Secondly, it will break down the four culture types derived by Cameron and Quinn and explain which of the four culture types yield better firm performance. The literature will also support that for a firm to achieve optimal performance they need to align culture with business strategies. Thirdly I explore transformational leadership characteristics and how it relates to culture change and stress during M&As. Lastly the literature will look at stress and its relationship to firm performance. Chapter 3 outlines the methodology involved in this study, including the sample and survey design for the study. This chapter provides a description of the sample, the survey design, time period of issuing the survey, and the method for approaching the sample and collecting data.

Chapter 4 outlines the results obtained from the survey and explain the findings derived from these results. The results are segmented in the following order: Culture of Business Unit 1 (pre- and post- acquisition) and Business Unit 2 (post-acquisition); the perceptions of leadership by both Business Unit 1 and 2 (post-acquisition); and stress levels of Business Unit 1 (pre- and post- acquisition). Chapter 5 consists of a discussion and conclusion of this paper. The chapter includes a summary of the study findings along with a discussion about the results. Furthermore, the chapter discusses research implications and the contributions that this study makes from an academic and practitioner perspective. Lastly the chapter discusses limitations and areas for future research related to this study.

CHAPTER 2: LITERATURE REVIEW

There has been a great deal of research towards mergers and acquisitions and specific impacts relating to culture (Stahl & Voigt, 2008). However, none of the studies looked at both culture and leadership together, nor specifically at transformational leadership. For example, one study performed by Waldman and Javidan (2009) explored the role of charismatic leadership in the integration of M&As. While charisma is one dimension of transformational leadership, the study focused on socialized versus personalized charisma. “Socialized charisma will result in collaborative vision-formation and decision-making processes that will ultimately result in transformation in both of the combining firms” (Waldman & Javidan, 2009, p. 130). They outline how charismatic leadership is highly applicable to the required transition normally associated with the M&A process. Although this study is helpful to provide insights about TL in mergers and acquisitions, it only focuses charismatic leadership and not all dimensions of TL. As highlighted in my study, a culture shift post- M&A does in fact occur, this study aims at exploring how leadership can reduce the stress caused by these culture shifts.

This chapter outlines the literature about M&As, culture and TL to support the hypotheses about implications for firm performance outcomes relating to employee performance.

Employees and M&As

It is important to define the type of M&A that this proposal is interested in exploring. There are two types of M&As as outlined by Waldman and Javidan (2009), which are “strategic” and “financial” M&As. Strategic M&As exist when the merging or acquiring firm(s) have pre-expectations of developing synergies between the firms, financial M&As are purely revenue driven with little to no synergy expectations (Waldman & Javidan, 2009). This proposal will deal with strategic M&As only as financial M&As will have little gain from this research since integration and developing synergies are not variables and therefore employee impact minimal.

One of Conger and Riggio's (2007) five realities of organizational transitions is that transitions are difficult events to manage. The authors further state that during M&As employees have little to no sense of vision, communication is weak as M&As tend to be covered in secrecy, uncertainty is high, power struggles exist between managers/firms, and there are inadequacies in planning. The literature is clear about the affect transitions, such as M&As, may have on employees if not managed properly.

To that end, McShane & Steen (2009) suggest that there are three stages that employees go through when resisting change. The first stage is resistance, then compliance, and lastly commitment. Resistance is when the employee refuses to change and seeks alternatives. Compliance is a stage where the employee goes through the motions of performing the change without being convinced that the change is needed. At this point the successes of the implementation will be at risk. The commitment stage is the third and final stage in which the employee not only performs the change but is committed to it, therefore, improving the likelihood of the organization's success in implementing the change and moving towards higher levels of firm performance. It is also outlined that employees who do not successfully reach the third stage could be let go. Employees involved in M&As go through each stage at their own pace. Normally it can be dependent on seniority as well since senior managers are exposed to the acquiring firm first, then mid-level managers, and then all others.

To further understand why employees resist change we continue to use McShane & Steen (2009), who outline six reasons that employees resist change: direct costs; saving face; fear of the unknown; breaking routines; incongruent organizational systems; incongruent team dynamics. Direct costs imply that employees understand that the change will have a less than satisfactory ROI for the work that needs to be done. Saving face is a more personal resistance strategy that tries to undermine the decision or the leader making the decision. Fear of the unknown implies that the employee worries about their abilities once the change is implemented. Breaking routines implies that employees have to let go of routines for which they have become very familiar. Incongruent organizational systems imply that existing systems and structures discourage acceptance of new systems or structures; incongruent team dynamics implies that existing team norms discourage acceptance of new norms. While there are many reasons for employee resistance, it is important as a leader to recognize what fuels the resistance in order to allow the firm to move on.

There are different paths to working with employees in the acquired firm described by McShane & Steen (2009). The paths are assimilation, deculturation, integration, and separation. Assimilation occurs when the acquired employees embrace the cultural values of the acquiring firm. It works best when the culture of the acquired firm is weak and the acquiring firm's culture is strong. For example, it would be expected that it would be easier to assimilate the employees of a start-up company because their culture is normally weaker. Deculturation is when the acquiring firm imposes their culture and business practices on the acquiring firm. Employees who have difficulties are often terminated. This is the most challenging of paths as the imposition induces resistance which further delays or undermines the M&A process. Integration combines the two cultures into a new one that incorporates the best features of the two merging entities. This can be a slow process that works well for merging weak cultures. Separation occurs for financial M&As who have little interest in changing either firm.

All six resistant reasons outlined above can easily be involved in strategic M&As that are interested in assimilation, deculturation, and integration paths. During an M&A, an employee will be exposed to a number of, or all, of the resistance reasons outlined above. Illustrating that resistance during M&As is inevitable. However, it raises questions about whether the impact on the employee can be lessened through influences and changes relating to culture and leadership.

The firm included in this study was not interested in separation. The acquired firm had a very strong culture especially considering it had been in existence for over 30 years with the average mid-level manager consisting of over 20 years tenure. Assimilation would have been a less popular path. Integration was also not a path chosen by the acquiring firm, especially when considering it consisted of thousands of employees. It was less likely that the acquiring firm in this study would be willing to adapt its' culture to the new 107 employee firm. The acquiring firm in this study had chosen deculturation as the path for working with employees in this study. As outlined, this path is difficult to implement and encourages resistance as the firm works towards changing elements of the acquired firms' culture. These changes create unstable environments which is why culture is an important area for review.

It is clear from the literature that culture shifts are common and that resistance is a common first stage of transition among employees during M&As. Further examination of culture is required to understand why shifts are necessary during M&As since it will fuel resistance which can transfer to counter-productivity as outlined below.

Culture

"Organizational culture is a learned pattern of behavior, shared from one generation to the next. It is the glue that holds the organization together as a source of identity and distinctive competence" (Masood, Dani, Burns, & Backhouse, 2006, p. 943). Cultures can be deeply rooted in organizations, especially ones that have a long history with loyal employees. Denison (1996) describes culture as the values, beliefs, and assumptions of organizational members. As firms develop and mold business strategies in order to achieve performance, so too must they focus on aligning culture with their business strategy to ensure success. "The implication is that culture and their [employees] interactions are central to the success of business activities, such as mergers and acquisition, joint ventures and the like" (Millmore, Lewis, Saunders, Thornhill, & Morrow, 2007, p. 203). Therefore culture plays an important role in achieving a firms' optimal performance, specifically as it relates to employee performance impacting operational and financial performance of the firm.

Culture has long been considered a qualitative measurement that is difficult to measure. However, Cameron and Quinn (2006) developed a diagnostic tool called the "Competing Values Framework" (CVF) that enables researchers to quantify culture. Cameron and Quinn's CVF provides a tool to help researchers and practitioners to first understand the current corporate culture and then establish the changes to be made for alignment within the organization for future success (Cameron & Quinn, 1999). Once culture is understood, firms can align strategies to facilitate the cultural transition to a preferred state. Firms that develop business strategies without taking into account the impact that corporate culture has on these strategies are usually met with overwhelming disappointment (Millmore, Lewis, Saunders, Thornhill, & Morrow, 2007).

Cameron and Quinn's (2006) CVF provide firms with a method to diagnosing culture and then subsequently try to align business strategies and organizational change effort to facilitate a transition in culture dimensions. Knowing the organization's current culture profile and where organizational leaders want to be, allows a firm to distinguish gaps, and develop strategies. The same can be said for M&As. The tool gives firms the ability to understand culture and, therefore, be more effective when trying to develop and implement a transition plan for the business units involved.

Cameron and Quinn's CVF provides four distinct culture types, namely, hierarchy, market, adhocracy, and clan. Hierarchy emphasizes that the culture has a strong focus on rules, processes and procedures. Market emphasizes that the culture has a results oriented approach with an emphasis on growing the market. Adhocracy emphasizes that the culture has an innovative, creative environment which encourages risk-taking. Clan emphasizes that the culture has a social environment (strong human resource and team environment).

While culture can be deeply rooted it is important to note that it can be changed. "According to Lewin's force field analysis model, effective change occurs by unfreezing the current situation, moving to a desired condition, and then refreezing the system so that it remains in this desired state" (McShane & Steen, 2009, p. 358). The model introduced by Lewin provides for the possibility of culture change and places an emphasis on the characteristics of his model which consist of driving (leaders) and restraining forces (employees). When the driving force is stronger than the restraining force, unfreezing can occur. When the restraining force is stronger then the driving force, change will be difficult to induce. It should be noted that these forces consist of employees on both sides, when you apply force to something, it can also be described as applying stress. So to be clear, when unfreezing a culture, the stronger the culture (restraining force), the stronger the driving force (leaders) has to be, hence the potential for resistance resulting in impacts on employees and associated employee performance outcomes, such as stress.

Culture as described in the literature can be both an asset or liability depending on its' alignment to business strategy. The more aligned, the stronger the performance (Millmore, Lewis, Saunders, Thornhill, & Morrow, 2007). Culture can be changed, however, the deeper it is rooted the harder it will be to change. If culture needs to be aligned with business strategy to achieve a high performance, then the business strategy will most likely change for merging and acquired firms (assuming that the acquiring firm does not have to revise their business strategy), then culture change is an inevitable variable for M&As.

A study by Carroll (2009) found that clan and adhocracy cultures have a positive association with firm performance, specifically employee performance outcomes such as employee satisfaction, turn over and stress. Firms experience higher retention, reduced stress, and higher productivity than cultures with higher scores on market and hierarchy. Clan encourages team lead initiatives, with characteristics such as support and resources for achieving goals by colleagues. Adhocracy allows firms to take educated risks, firms who encourage risk stand to gain more than firms that don't. An employee who feels comfortable that their job is not always on the line is more apt to finding solutions than one who is measured with strict guidelines and failure is futile as observed in market cultures. Hierarchical is a top down approach which limits a firms opportunity for success as decisions must travel up the chain of command and back down, further hindering a firms ability to react and execute.

According to a study by Masood et al. (2006) transformational leaders preferred a weak situational work environment while transactional leaders preferred a strong situational environment. In the same study using Cameron and Quinn's culture types, transformational leaders showed a preference for clan / adhocracy culture (94.5%) compared with hierarchy / market culture (5.5%). What was interesting is that transactional leaders did not show a preference for hierarchy / market cultures as was hypothesized. This finding infers that clan / adhocracy cultures were generally more popular by both transactional and transformational leaders. So even though leadership styles would theoretically favor one culture over another, perhaps people in general would feel more comfortable in a less transactional culture.

Sadri and Lees (2001) support these findings as they outline high valued, adaptable employees are positive cultural characteristics which are also characteristics of clan and adhocracy cultures. Sheridan (1992) outlines that organizations that emphasize values of teamwork, security, and respect for individual members foster loyalty and long-term commitment to the organization among all employees.

The acquiring firm is using the decultaration path, which fuels resistance, we would expect that the culture would not shift towards higher performance culture types. therefore I hypothesize the following:

Hypothesis 1a: Business Unit 1 will be more market and hierarchy in orientation, and not clan and adhocracy.

The acquiring firm would strive to align the acquired firm towards its' culture orientation in order to achieve optimal performance, therefore I hypothesize the following:

Hypothesis 1b: Business Unit 1 will show the culture alignment shift towards business Unit 2.

Leadership and M&As

Transformational leadership was first characterized by Burns in 1978, however Bass further developed the model in 1985 (Wikipedia, 2010). Bass outlines that transformational leaders are the opposite of transactional leaders (Bass, Avolio, Berson, & Jung, 2003). "Transactional leaders work within their organizational culture; transformational leaders change their culture by first understanding it and then realigning the organizations culture with a new vision" (Bass, Avolio, & Binghamton, Spring 1993, p. 112). Transactional leaders manage-by-exception, which is widely practiced and is sometimes labeled situational leadership. Transactional leadership is a reactional form of leadership. In its' passive form, leaders become involved at the end of a project. In its' active form, leaders remain close to the project and corrects followers as they begin to go off course. Followers are promised rewards for tasks if performed well. Transactional leadership is a very results driven style of leadership.

Transformational leaders are characterized by the 4Is, including idealized influence (charisma/vision), inspirational motivation, intellectual stimulation, and individual consideration (Bass, Avolio, & Binghamton, Spring 1993). Followers of transformational leadership (TL) are rewarded through process, creativity, and enthusiasm and not by the results of their assigned tasks. Transformational leaders generally "provide a sense of purpose and a feeling of family. Leaders and followers share mutual interests and a sense of shared fates and interdependence" (Bass, Avolio, & Binghamton, Spring 1993, p. 116). Most importantly as it relates to mergers and acquisitions, transformational leaders promote vision, employee empowerment to achieve the vision (creativity), transparency (trust), and culture change within the firm.

Idealized influence is a TL characteristic in which the leader is trusted and respected by followers. The leader's ethics and morality aid in gaining a level of respect from followers. Inspirational motivation (charisma/vision) is a TL characteristic in which leaders provide vision and empowering employees to achieve the vision. "Charisma and TL are often used synonymously; Bass separates them, with charisma forming a part of TL" (Barling, Kelloway, & Weber, 1996, p. 827). Intellectual stimulation is a TL characteristic in which the leader stimulates thought by pushing followers to see things from a new perspective. Individual consideration is a TL characteristic in which the leader treats his employees as individuals, each with needs of their own.

Studies in transformational leadership have shown that leaders can positively influence individual and organizational performance and commitment (Bono & Judge, 2003, Barling & Kelloway, 2000). Transformational leaders have proven to be more effective communicators, more inspirational, more encouraging and supportive compared to transactional leaders. “Transforming people and the organization is an important aspect of the job of any leader. Unfortunately, transformational leaders are not plentiful” (Bromley & Kirschner-Bromley, 2007, p. 57). Generally through M&As, leaders tend to look at things through economic and financial lenses and less through employee / culture perspectives. Since transformational leaders are not plentiful, and generally employees in acquired firms are driven to dissorientation (lack of transparency, vision, and empowerment), I further hypothesize:

Hypothesis 2: Employees in the acquired company, Business Unit 1, will have lower perceptions of TL post-acquisition than employees in the acquiring company, Business Unit 2.

Employee Firm Performance

Often you hear people say how they work well under pressure. While the saying may hold true for some, it has long been studied and accepted that pressure or stress yields poor performance. Stress at work presents itself when job duties are not in line with the employees capacity, needs, and capability. “Stressed workers are more likely to be unhealthy, poorly motivated, less productive and less safe at work and their organizations are less likely to succeed in a competitive market” (Park, 2007, p. 5). As discussed earlier, a common characteristic of strategic M&As is the need to develop synergies. The type of change and transformation, if not planned well, may have a negative impact on employee performance outcomes such as increased stress levels, increased turnover, absenteeism, and etc. The loss is not only felt in productivity, but also includes increased sick days, increased health care and litigation costs, as outlined by Park (Park, 2007).

"Job strain is determined by the interactions between psychological demands and decision latitude. Psychological demands relate to pace and intensity, skills required, and ability to keep up. Decision latitude relates to the degree of creativity versus repetition" (Park, 2007, p. 5). Psychological demands could be related to an individuals decreased capacity to handle the increased workloads that are brought on by the M&A. As well, the employee may lack synergy skill sets that were not necessary prior to synergy projects. Finally, these projects may not necessarily allow for realistic timelines, which would increase psychological demands.

Decision latitudes are also impacted by M&As, as exemplified using the author's experiance as an example. A small private firm which was acquired by a large public firm would create a change in the reporting structure. An employee who used to have direct access to the President or owner, now may never ever see the President let alone have the ability to encourage change through the ownership. Pre-M&A, one may have felt like they had more autonamy. Reduced autonomy can reduce an employees job satisfaction, and further reducing their sense of purpose. Also, the acquired firm may limit individual authority to instill change as they assess current structures prior to alignment. For example, prior to the acquisition, I had budgeted for a position that at the time was much needed. Years later, I have yet to have hired for the position primarily because the acquiring firm is not supportive of the departmental structure. In order to hire for the position, I now recognize that I need to revise the structure to gain support for hiring. Unfortunately, not hiring for years has been a strain on the employees at the firm as we have had to compensate for the lack of resource.

It is also difficult to feel empowered to make decisions when you do not have a clear understanding of the acquiring firms business goals. “Working under high demands and high responsibility may cost workers health and productivity later” (Park, 2007, p. 14). Expectations exist for managers during transitions as they are expected to achieve continued outputs, however the ability to make decisions could have decreased. The high demand for achieving goals without the proper authority to make decision further increases an employees stress levels which first impacts health and later output.

Hypothesis 3: Business Unit 1 employees will perceive higher stress levels post-acquisition than pre-acquisition since stress is a known characteristic during M&As.

Research Contribution

M&As have been studied from a variety of perspectives but less is known about the ways in which employee performance can impact outcomes, specifically, from a macro human resource management perspective through the association of leadership and culture. There are a significant number of studies related to TL and the positive effects that it can have on firm performance (Barling & Kelloway, 2000); & (Bass B. M., Avolio, Berson, & Jung, 2003). There are also many studies related to the importance of culture and leadership on an organization (Bass & Avolio, 1993); & (Masood, Dani, Burns, & Backhouse, 2006). However, little research has been performed on the importance of culture and leadership as it relates to M&As. Culture shifts are necessary during M&As as outline by McShane & Steen (McShane & Steen, 2009), as these shifts induce stress. Waldman and Javidan (2009) outlined the importance of one aspect of leadership, namely charisma, on M&As, which is one factor of TL characteristics. In addition, other characteristics such as transparency, vision, trust, respect are equally as important as charisma. Therefore, it may be expected that TL on a whole should mitigate stress caused by culture shifts during M&As since many stress factors during M&As relate to a lack of transparency, vision, trust, and a feeling of respect.

Summary

To this point, I have reviewed how employees can be impacted by the transitions in M&As and that culture and leadership may play a role in minimizing the impact on employees and therefore associated employee performance outcomes such as stress. I hypothesize that culture alignment is important for firms involved in strategic M&As as they strive to achieve expected performance levels. Can the lackluster track record of M&As be due to the stress of unfreezing culture and increased employee exposure to resistance? Certainly it would be reasonable to think that firms will not go through an M&A with the intent to weaken their business. As the reasoning for entering into an M&A differs for each organization, stress levels should be managed to ensure that employee performance is not negatively affected. Moving beyond strategic and financial measures to one more focused on employee performance outcomes that indirectly affect operational and financial performance outcomes should further improve the success rate of M&As.

TL is characterized as transparency, vision, trust, empowerment, change, and employee individualism. All of these characteristics are not dominant characteristics involved with M&As, however, are characteristics required to achieve a firm's optimal performance. If TL can optimize firm performance, having transformational leaders leading the transition should improve performance during M&As. The literature supports that TL can have a positive impact on employees and their related employee performance outcomes, such as stress levels during M&As by allowing employees to go through stages of resistance to commitment with more support by placing a high level of focus on relationship building prior to financial or strategic alignments.

This study will outline culture differences, leadership style differences, and stress levels. By outlining these variables we will answer the question: Will transformational leadership reduce stress caused by mergers and acquisitions by minimizing culture differences between two firms? This study provides a template for understanding the relationships among variables.

CHAPTER 3: METHODOLOGY

This chapter provides a description of the sample, the survey design, time period of issuing the survey, and the method for approaching the sample and collection of data. The methodology will review the research purpose and design involved in the study.

Research Framework

The research framework outlines the foundation of the study including the method for developing the questionnaire and the population involved. This section will outline in detail the approach to supporting or not supporting the hypotheses.

Research Purpose

This research examines the impact of culture and TL during M&A transitions. This research will aid organizations interested in growing through M&As by providing insights about the importance of focusing on culture and leadership to assist employees through the transformation. While outcomes of this research aims to reduce employee stress levels during M&As, it will also positively improve their performance therefore allowing the organization to achieve expected operational and financial performance outcomes.

Research Approach and Design

A quantitative approach is used to examine the questions in this research project. An electronic survey was used to gather the same data from two merging organizations. The survey focused on understanding employee perception of Business Unit 1 pre- and post-acquisition and the existing perceptions of employees in the acquiring company (Business Unit 2).

Within the business units in the organizations selected for this project, the survey was administered to all workgroups within Business Unit 1 and the headquarter site referred to as Business Unit 2. Internet guidance relating to HTML protocols, pre-testing, and access control (to prevent multi-responses from the same participant) were adhered to in the development and deployment of this survey.

Descriptive statistics were used to analyze the data in this case study. The first of which will involved gathering of information about firm culture, employee stress levels, & leadership style (transformational versus transactional). This information was collected in a quantitative study approach working with employees from the organization (Business Unit 1 & 2). A likert scale was used for all three measures used in the electronic survey. Respondents were asked to choose on a scale of 1 to 7 for questions pertaining to Culture Value Framework (CVF) where 1 represented least likeness while 7 represented most likeness as it relates to their firm.

Culture: Cameron and Quinn (2006) CVF was used to measure organizational culture (pre- and post-acquisition for Business Unit 1, and present for Business Unit 2). The CVF has been tested in numerous studies reporting satisfactory levels of internal consistency (Cameron & Quinn, 2006); (Igo & Skitmore, 2006); & (Kwan & Walker, 2004). A likert scale from 1 to 7 (1 = much less likeness; 7 = much more likeness) was used to measure the culture types. This approach is recommended to differentiate among four culture types (Peterson & Castro, 2006). CVF consists of 24 questions relating to four culture types, clan, adhocracy, market and hierarchy

The purpose of the CVF questions on the survey was to identify changes in culture at Business Unit 1. The descriptive statistics of culture types were used to understand where the sites' culture is in relation to what it was perceived to be in the past. An underlying hypothesis is the greater the difference in culture, the greater potential of impacts on employee performance such as the level of stress. The purpose of the CVF questions submitted to Business Unit 2 was to identify culture differences between Business Unit 1 and 2 pre- and post-acquisition culture results. This approach helped to identify whether or not any changes to Business Unit 1's culture had shifted towards Business Unit 2's culture since the acquisition. The CVF had six sections, addressing dominant characteristics of organizational leadership, management of employees, organizational glue, strategic emphasis, and criteria for success (see Appendix A & B).

Transformational Leadership: TL was measured using questions derived from the MLQ developed by Bass & Avolio. An abbreviated form of Bass's MLQ was used to define individual leadership styles by both firms. The derived MLQ questions consisted of 24 questions and were measured by a seven point likert scale (1 = much less likeness; 7 = much more likeness). Both Business Unit 1 and 2 were asked derived MLQ questions for present day perceptions of leadership (see Appendix A & B).

The purpose of the MLQ questions on the survey was to identify individual leadership styles as it related to transformational and transactional leadership. The results from Business Unit 2 employees provided an understanding of whether or not TL existed at Business Unit 2. Results from Business Unit 1was compared to Business Unit 2 perceptions of TL characteristics in the leadership. Business Unit 1 and 2 could then be compared when perceiving the leadership at the merged firm.

Employee performance – Stress: Respondents are asked to choose on a scale of 1 to 4 for questions pertaining to the General Health Questionnaire (GHQ). The purpose of the GHQ questions on the survey was to examine changes in employee perceptions of stress at Business Unit 1. Stress: Firm performance: Employee stress was measured using the GHQ 12-item scale (12 questions). The items making up the scales were measured using a five point likert scale (1 = much less likeness; 7 = much more likeness). The GHQ was submitted pre- and post-acqusition to Business Unit 1 only as stress at Business Unit 2 was deemed irrelevant to this study (see Appendix A & B).

Research Context

Business Unit 2's acquisition of Business Unit 1 was the research site for this project as it was undergoing integration efforts and had been for the last three years. Business Unit 1 was a privately owned Canadian firm and was acquired by a U.S. multi-national biotechnology firm. Business Unit 1 consisted of 107 employees who were all requested to complete the survey. The study examines employee perceptions of the factors listed above from Business Unit 1 pre- and post-acquisition.

Business Unit 2 has multiple sites throughout the world; however, employees at the divisional headquarters located in the US were the only employees included in this study as they had been in existence the longest out of all other sites. As well, the senior leadership resided at headquarters. Therefore the US headquarters was deemed the most representative of the employee perceptions of firm culture and leadership. The headquarters for this division currently employs 94 employees who were all requested to complete the survey. These employees represent the acquiring firms' leadership style and culture framework to aid in comparing both firms.

Research Summary

To summarize, my research examines employee perceptions of culture and leadership pre- and post-acquisition at Business Unit 1. This study also examines TL perceptions between Business Unit 1 and 2. As Business Unit 1 has less familiarity (due to exposure and length of the relationship) to the divisional president, it is expected that Business Unit 1 will have lower TL perception results than Business Unit 2.

CHAPTER 4: FINDINGS

This chapter reviews the findings about employees' perceptions of culture, leadership and stress based on the data collected from the on-line survey. The results are reviewed in the following order: culture pre-acquisition for Business Unit 1; culture post-acquisition for Business Unit 1; culture for Business Unit 2; Leadership for Business Unit 1; leadership for Business Unit 2; stress pre-acquisition for Business Unit 1; and stress post-acquisition for Business Unit 1. Each section provides the survey results followed by a table and then a radar chart with the results within each category.

Descriptive Statistics

In coordination with the organization's management team, a list of all employees email addresses was obtained for the sample population. The survey was sent a first time and subsequent reminder emails were forwarded to all participants weekly until the survey was completed. Participants had 6 weeks to fill out the survey and on average took 12 minutes to complete in its entirety. The quantitative data was collected and reviewed against each of the frameworks outlined by CVF, GHQ, and MLQ. The pre- and post-results were analyzed separately in order to examine similarities and differences between the two perceptions.

Although 70 employees from Business Unit 1 and 46 employees from Business Unit 2 responded to the survey, only 59 surveys in Business Unit 1 and 40 surveys in Business Unit 2 were used due to missing data. Employees who were not with Business Unit 1 pre-acquisition were not able to respond to pre-acquisition culture and stress questions. Business Unit 2 had results in which respondents applied the same numerical value to all questions and therefore were not able to associate differences among the variables so their responses were removed from results. The blended response rate for data collection was 59 percent, 68 percent from Business Unit 1 and 49 percent from Business Unit 2 responded to the survey. The mean measurement for the four culture types as well as TL and stress are reported below in each of the sections.

Findings

This section will break-down the statistical results and relate those results to the aforementioned hypotheses. I will review culture, leadership, and stress results as compared with pre- and post-acquisition results as well as between business units.

Culture

Pre-Acquisition – Business Unit 1 (Acquired Firm)

Respondents were asked to use a likert scale from 1 to 7, where 1 represents least likely, and 7 represents the degree to which respondents perceive this culture type as most likely to exist. Mid-range would be a score of 4, therefore any scores higher than 4 would indicate perceptions that the associated culture type exists, while any score below would indicate perception that the culture type has a lower existence. Since it is likely that all four culture types can exist within a single firm, it is important to compare the scores of all four culture types to each other in order to determine which culture types are dominant cultures and which ones are subordinates cultures. Table 1 shows the mean scores for all four cultures types pre-acquisition. The clan culture mean score for Business Unit 1 pre-acquisition is 4.34. The score is the lowest of all mean scores, therefore clan culture was perceived to be a subordinate culture type at Business Unit 1 prior to the acquisition. The minimum response scored 1.83 and the maximum score was 7. The standard deviation was 1.06, which is the highest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was highest.

The mean score for adhocracy culture for Business Unit 1 pre-acquisition is 4.35 (see Table 1). This score is the second lowest of all mean scores, therefore adhocracy culture was perceived to be a subordinate culture type at Business Unit 1 prior to the acquisition. The minimum response scored 2.5 and the maximum score was 6.83. The standard deviation was 0.90, which is the second lowest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was lower.

The mean score for market culture for Business Unit 1 pre-acquisition is 4.39. The score is the second highest of all mean scores, therefore market culture was perceived to be a dominant culture type at Business Unit 1 prior to the acquisition. The minimum response scored 2 and the maximum score was 6.5. The standard deviation was 0.97, which is the second highest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was higher.

The mean score for hierarchy culture for Business Unit 1 pre-acquisition is 4.49. The score is the highest of all mean scores, therefore hierarchy culture was perceived to be a dominant culture type at Business Unit 1 prior to the acquisition. The minimum response scored 3 and the maximum score was 7. The standard deviation was 0.85, which is the lowest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was lowest.

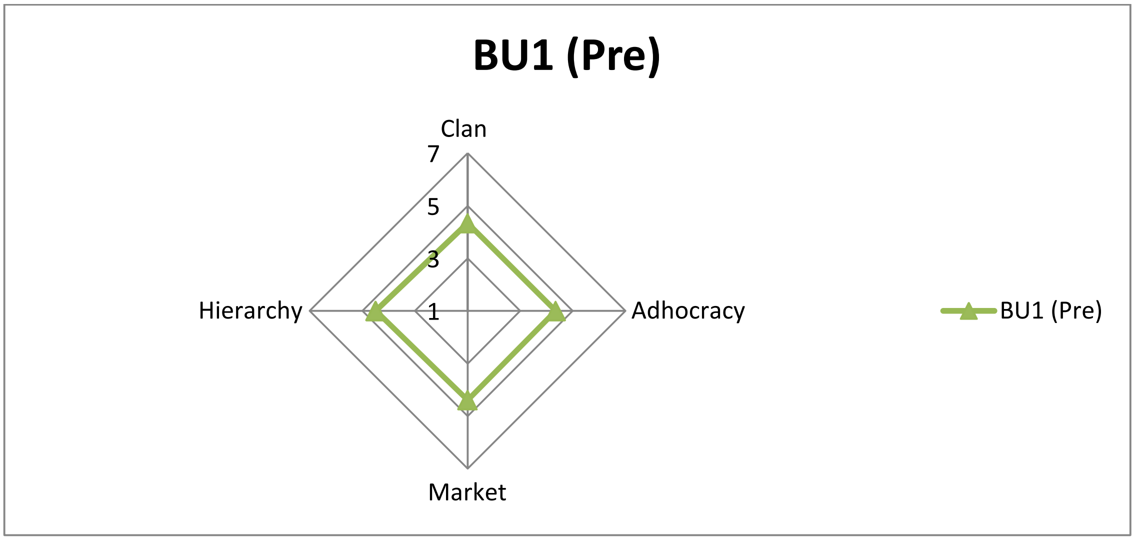
Standard deviation numbers indicate that respondents had less variation in their perceptions of a hierarchy culture and it was the dominant culture type, while they varied the highest on their perception that clan was the lowest culture type. Business Unit 1's culture prior to the acquisition by Business Unit 2, the dominant culture type in order of highest to lowest was: hierarchy; market; adhocracy; then clan. The mean variation among all culture types is relatively low (4.34 to 4.49), which indicate that the firm had characteristics of all four culture types at similar levels (little difference). Because all culture types scored higher than 4 as a mean, this indicates it is perceived that the firm has above average characteristics derived from all four culture types.

Table 1: BU1 Pre-acquisition culture perceptions

Business Unit 1 – Pre-- culture	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Clan Pre-	59	1.83	7	4.34	1.06
Adhocracy Pre-	59	2.5	6.83	4.35	0.90
Market Pre-	57	2	6.5	4.39	0.97
Hierarchy Pre-	59	3	7	4.49	0.85
Valid N (list wise)	57				

The following figures (1 through 5) are radar diagrams used to visualize the culture results in this study. Each axis represents Cameron & Quinn's four culture dimensions (clan, adhocracy, market, hierarchy). The crossing point on the axis outlines a score of 0 while the extremity represents a score of 7 for each culture dimension. A mean score of 7 would indicate that the respective culture dimension is highly likely to exist at the firm while a mean score of 0 would indicate that the respective culture dimension is highly unlikely to exist (non-existent). The mean scores are dotted along each axis and then connected by a line.

Figure 1: BU1 Pre-acquisition culture perceptions



Post-Acquisition – Business Unit 1 (Acquired Firm)

Table 2 reports the mean score for the post-acquisition for BU1. The clan culture from 62 respondents from Business Unit 1 post-acquisition is 4.20. The number of respondents differs from the number of respondents' pre-acquisition as responses were received from employees who were hired post-acquisition. The score is the lowest of all mean scores, therefore clan culture is perceived to be a subordinate culture type at Business Unit 1 post-acquisition. The minimum response scored 1 and the maximum score is 7. The standard deviation was 1.06, which is the second lowest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was lower.

The mean score for adhocracy culture from Business Unit 1 post-acquisition is 4.47. The number of respondents differs from the number of respondents' pre-acquisition as responses were received from employees who were hired post-acquisition. The score is the second lowest of all mean scores, therefore adhocracy culture is perceived to be a subordinate culture type at Business Unit 1 post-acquisition. The minimum response scored 1.67 and the maximum score is 7. The standard deviation was 1.10, which is the second highest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was higher.

The mean score for market culture from Business Unit 1 post-acquisition is 4.84. The number of respondents differs from the number of respondents' pre-acquisition as responses were received from employees who were hired post-acquisition. The score is the second highest of all mean scores, therefore market culture is perceived to be a dominant culture type at Business Unit 1 post-acquisition. The minimum response scored 1 and the maximum score is 7. The standard deviation was 1.14, which is the highest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was highest.

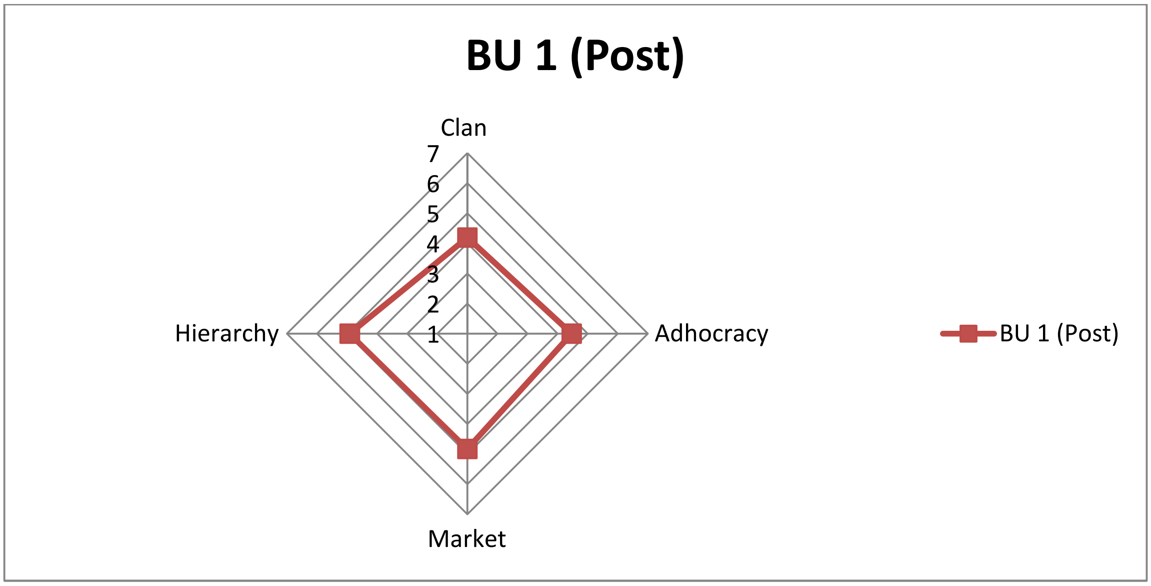
The mean score for hierarchy culture from Business Unit 1 post-acquisition is 4.91. The number of respondents differs from the number of respondents' pre-acquisition as responses were received from employees who were hired post-acquisition. The score is the highest of all mean scores, therefore hierarchy culture is perceived to be a dominant culture type at Business Unit 1 post-acquisition. The minimum response scored 2.83 and the maximum score is 7. The standard deviation was 0.88, which is the lowest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was lowest.

Standard deviation numbers indicate that respondents had less variation in their belief that hierarchy was the dominant culture type, while they varied the highest on their perception that market culture type was the second highest. To sum up Business Unit 1's culture post-acquisition by Business Unit 2, the dominant culture type in order of highest to lowest was: hierarchy; market; adhocracy; then clan. The order is exactly the same as pre-acquisition. The mean variation among all culture types is higher than pre-acquisition numbers (4.20 to 4.91), which indicate that there has been a shift in firm characteristics of all four culture types and that Business Unit 1 perceives larger differences between culture types. The dominant culture type characteristics have increased, while the subordinate culture type characteristics have decreased. Because all culture types scored higher than 4 as a mean, this indicates it is perceived that the firm has above average characteristics derived from all four culture types.

Table 2: BU1 Post-acquisition culture perceptions

Business Unit 1 - Post-	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Clan Post-	62	1	7	4.20	1.06
Adhocracy Post-	62	1.67	7	4.47	1.10
Market Post-	63	1	7	4.84	1.15
Hierarchy Post-	63	2.83	7	4.91	0.88
Valid N (list wise)	62				

Figure 2: BU1 Post-acquisition culture perceptions



Hypothesis 1a is supported. Business Unit 1 has experienced a shift towards higher levels of market and hierarchical culture types. A culture shift did occur at Business Unit 1, both clan & adhocracy continue to be Business Unit 1's subordinate cultures, however, the spread between these culture types is much higher post-acquisition (Post= 1.08 versus Pre= 0.19).

In Table 3, Business Unit 1's perception of clan culture characteristics decreased from 4.34 to 4.19 (difference of -0.15). Clan culture is still the firms' lowest culture type; however, it was lower than prior to the acquisition by Business Unit 2. Clan is related to positive performance outcomes; therefore Business Unit 2 would desire to have moved Business Unit 1's culture towards this culture type. As outlined in the previous chapter, organizations with a dominant clan culture have higher performance levels than firms that do not. The decrease observed by the acquired firm indicates that higher stress levels should be observed due to the shift. Both scores are above 4 indicating that characteristics of clan are above average.

Business Unit 1's perception of adhocracy culture characteristics increased from 4.35 to 4.47 (difference of +0.12). Adhocracy culture is still the firms second lowest culture type, however, it has slightly increased than prior to the acquisition by Business Unit 2. While it increased slightly, it is considered significantly lower than the 2 dominant culture types which had larger increases post-acquisition. Both scores are above 4 indicating that characteristics of adhocracy are above average.

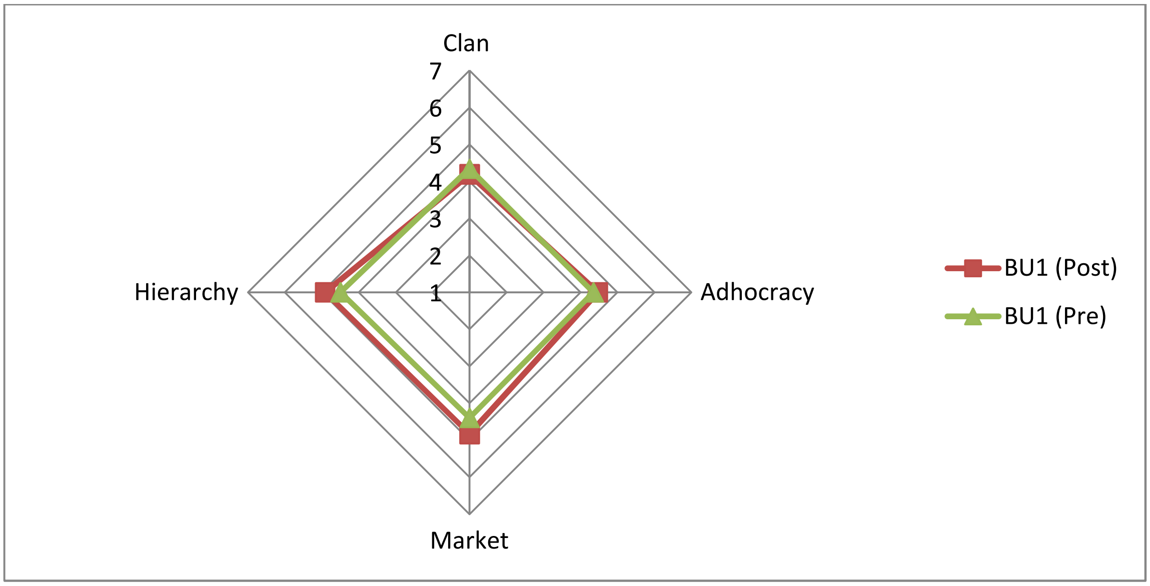
Business Unit 1's perception of market culture characteristics increased the most from 4.39 to 4.83 (difference of +0.44). Market culture is still the firms second highest culture type, however, it has substantially increased than prior to the acquisition by Business Unit 2. As outlined in the previous chapter, organizations with a dominant market culture have lower performance levels than firms that do not. Both scores are above 4 indicating that characteristics of market are above average.

Business Unit 1's perception of hierarchy culture characteristics increased substantially from 4.49 to 4.91 (difference of +0.42). Hierarchical culture is still Business Unit 1's highest culture type. Both scores are above 4 indicating that characteristics of hierarchy are above average.

Table 3: BU1 (pre- & post-) culture comparisons

Culture type	**Business Unit 1 (Post)**	**Business Unit 1 (Pre)**	**Movement**
Clan	4.19	4.34	Clan = down
Adhocracy	4.47	4.35	Adhocracy = down
Market	4.83	4.39	Market = up
Hierarchy	4.91	4.49	Hierarchy = up

Figure 3: Culture perception comparison of BU1 (Pre- & Post-acquisition)



Post-Acquisition – Business Unit 2 (Acquiring Firm)

Table 4 provides the results for BU2. The mean score for clan culture from 42 respondents from Business Unit 2 post-acquisition is 4.63. The score is the highest of all mean scores. Therefore, clan culture is perceived to be a dominant culture type at Business Unit 2. The minimum response scored 2.67 and the maximum score is 6.33. The standard deviation was 0.88, which is the second lowest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was lower.

The mean score for adhocracy culture from 42 respondents from Business Unit 2 post-acquisition is 4.33. This score is the lowest of all mean scores, therefore, adhocracy culture is perceived to be a subordinate culture type at Business Unit 2. The minimum response scored 2 and the maximum score is 6.33. The standard deviation was 0.96, which is the highest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was highest.

The mean score for market culture from 42 respondents from Business Unit 2 post-acquisition is 4.54. The score is the second highest of all mean scores, therefore, market culture is perceived to be a dominant culture type at Business Unit 2. The minimum response scored 2 and the maximum score was a 6.33. The standard deviation was 0.85, which is the lowest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was lowest.

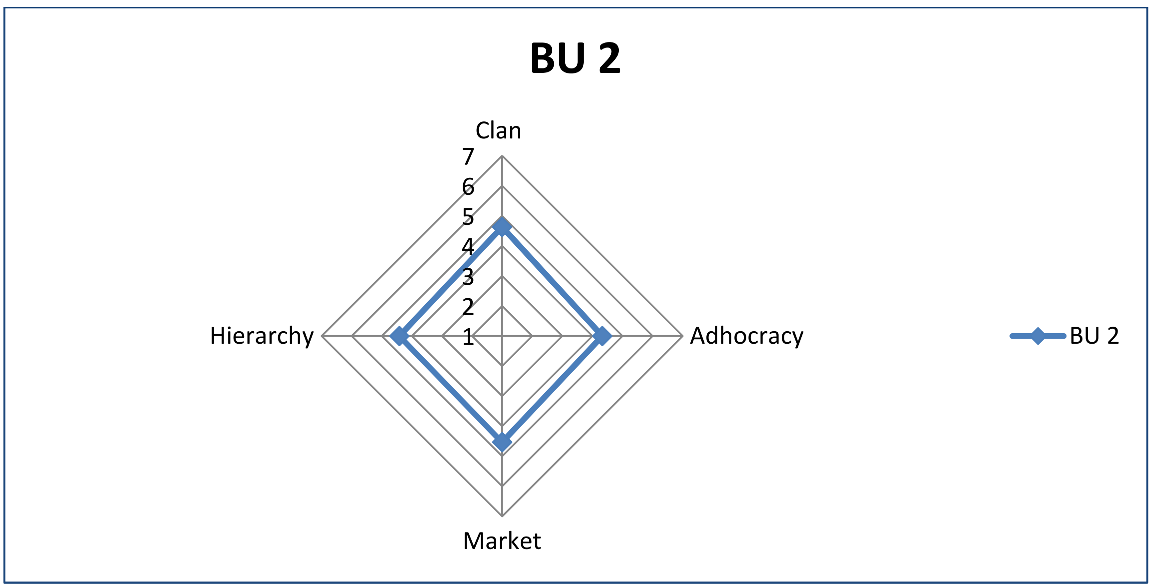
The mean score for hierarchy culture from Business Unit 2 post-acquisition is 4.42. The score is the second lowest of all mean scores, therefore, hierarchy culture is perceived to be a subordinate culture type at Business Unit 2. The minimum response scored 3 and the maximum score is 7. The standard deviation was 0.90, which is the second highest standard deviation among all four culture types. While the standard deviation is low in a relative sense, it indicates that the variance of respondents on this particular question was higher.

Standard deviation numbers indicate that respondents had less variation in their perceptions of market as a dominant culture type, while they varied the highest on their perception that adhocracy was the lowest culture type. To sum up Business Unit 2's culture, the dominant culture type in order of highest to lowest is: clan; market; hierarchy; then adhocracy. The mean variation among all culture types is relatively low (4.33 to 4.63), which indicate that the firm has characteristics of all four culture types at similar levels (little difference). Because all culture types scored higher than 4 as a mean, this indicates it is perceived that the firm has above average characteristics derived from all four culture types.

Table 4: BU2 culture perceptions

Business Unit 2	N	Minimum	Maximum	Mean	Std. Deviation
Clan Culture	42	2.67	6.33	4.63	.88
Adhocracy Culture	42	2.00	6.33	4.33	.96
Market Culture	42	2.00	6.33	4.54	.85
Hierarchy Culture	42	2.67	6.17	4.42	.90
Valid N (list wise)	42				

Figure 4: BU2 culture perceptions



Hypothesis 1b is semi-supported. A culture shift did occur at Business Unit 1; however, it is interesting to note that culture shifts have moved in opposite directions in 3 of the 4 culture types than Business Unit 2's culture dimensions. While Business Unit 2 is dominant in Market, we see from the results that market culture did increase in Business Unit 1 which in part supports the hypothesis that culture alignment is underway. However, the increase in hierarchical culture indicates that the acquired firm has resisted culture change to clan brought on by the acquiring firm, which should be realized in increased stress results.

In Table 5, Business Unit 1's perception of clan culture characteristics has decreased from 4.34 to 4.19 (difference of -0.15). Clan culture is still the firms' lowest culture type, however, lower than prior to the acquisition by Business Unit 2. Clan is the acquiring firm's (Business Unit 2) highest culture type, which would lead one to believe that any shift pre- and post- by the acquired firm (Business Unit 1) should have been in the opposite direction than the one observed. Both scores are above 4 indicating that characteristics of clan are above average.

Business Unit 1's perception of adhocracy culture characteristics has increased from 4.35 to 4.47 (difference of +0.12). Adhocracy culture is still the firms second lowest culture type, however, it has slightly increased than prior to the acquisition by Business Unit 2. Adhocracy is the acquiring firm's (Business Unit 2) lowest culture type, which would lead one to believe that any shift pre- and post- by the acquired firm (Business Unit 1) should have been in the opposite direction than the one observed. Both the acquiring and acquired firms show adhocracy to be a subordinate culture type. Both scores are above 4 indicating that characteristics of adhocracy are above average.

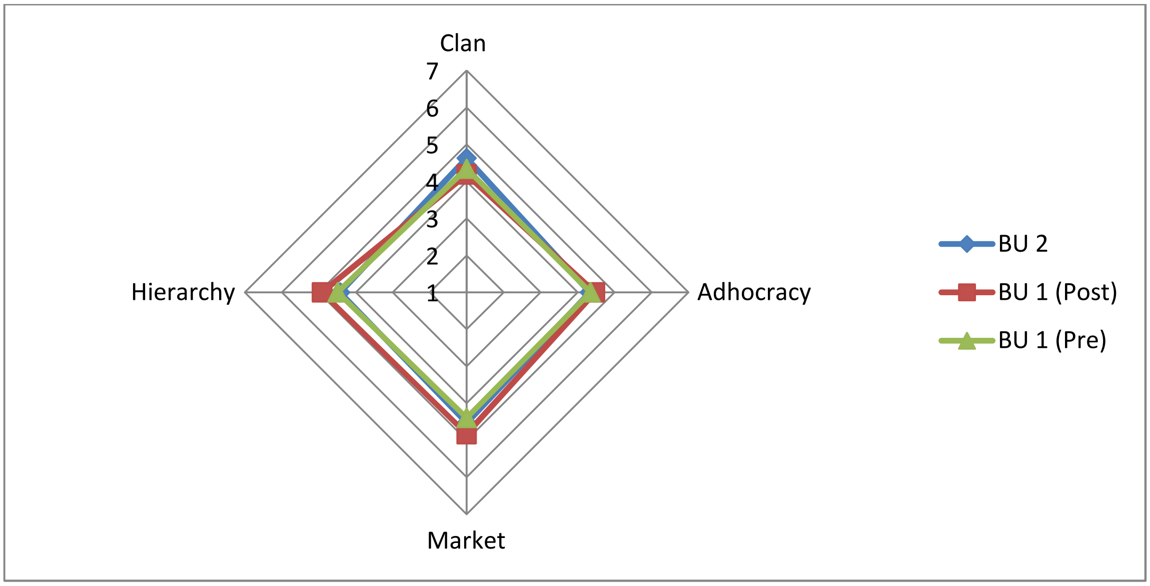
Business Unit 1's perception of market culture characteristics increased substantially from 4.39 to 4.83 (difference of +0.44). Market culture is still the firms second highest culture type, however it has substantially increased than prior to the acquisition by Business Unit 2. Market is both the acquiring (Business Unit 2) and acquired (Business Unit 1) firm's second highest culture type. Both the acquiring and acquired firms show market to be a dominant culture type. The substantial increase observed by the acquired firm indicates that higher stress levels should be observed due to this shift. Both scores are above 4 indicating that characteristics of market are above average.

Business Unit 1's perception of hierarchy culture characteristics increased substantially from 4.49 to 4.91 (difference of +0.42). Hierarchical culture is still Business Unit 1's highest culture type, however it has substantially increased than prior to the acquisition by Business Unit 2. Hierarchy is the acquiring firm's (Business Unit 2) second lowest culture type, which would lead one to believe that any shift pre- and post- by the acquired firm (Business Unit 1) should have been in the opposite direction than the one observed however resistance imposed through deculturation would support these results. Both scores are above 4 indicating that characteristics of hierarchy are above average.

Table 5: BU1 (pre- & post-) & BU2 culture comparisons

Culture type	**Business Unit 2**	**Business Unit 1 (Post)**	**Business Unit 1 (Pre)**	**Movement**
Clan	4.63	4.19	4.34	Clan = down
Adhocracy	4.33	4.47	4.35	Adhocracy = down
Market	4.53	4.83	4.39	Market = up
Hierarchy	4.42	4.91	4.49	Hierarchy = up

Figure 5: Culture perception comparison of BU1 (Pre- & Post-acquisition) & BU2



Transformational Leadership

Respondents were asked to rate their perceptions of leadership within their business unit using a likert scale from 1 to 7, where 1 represents least likely, and 7 represents that TL is most likely to exist. In Table 6, the mean score from Business Unit 1 is 5.03. This indicates that there is a high perception of TL at Business Unit 1. The minimum response scored a 2 and the maximum score was a 7. The standard deviation was 1.12.

Table 6: BU1 leadership perceptions

Business Unit 1	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
TL	63	2	7	5.03	1.12
Valid N (list wise)	63				

In Table 7, the mean score from 41 respondents from Business Unit 2 is 5.81. This indicates that there is a high perception of TL at Business Unit 2. The minimum response scored a 3 and the maximum score was a 7. The standard deviation was 0.99.

There is a higher perception of TL in the acquiring firm (Business Unit 2) than at the acquired firm (Business Unit 1).

Table 7: BU2 leadership perceptions

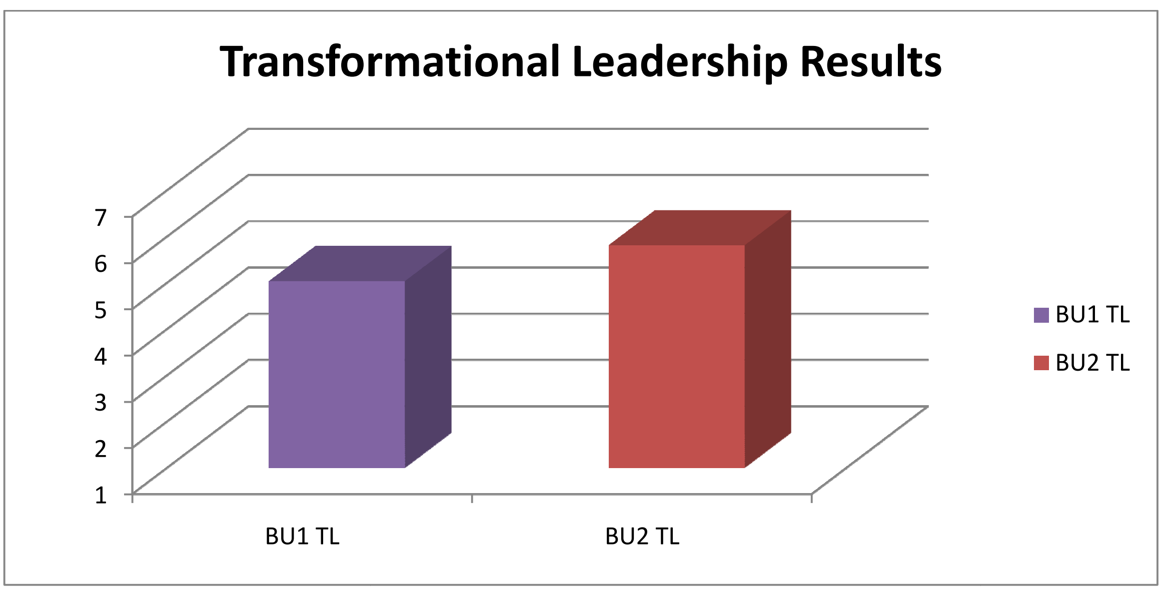
Business Unit 2	N	Minimum	Maximum	Mean	Std. Deviation
TL	41	3	7	5.81	0.99
Valid N (list wise)	41				

Support for hypothesis 2 was found. As outlined in Table 8, perceptions of TL are high at both sites, despite being higher at Business Unit 2. Business Unit 2 agreed that TL existed while Business Unit 1 slightly agreed. The high TL scores show that TL exists at both firms.

Table 8: BU1 & BU2 leadership comparisons

	N	Minimum	Maximum	Mean	Std. Deviation
BU1 TL	63	2	7	5.03	1.12
BU2 TL	41	3	7	5.81	0.99

Figure 6: Transformational leadership perception comparison of BU1 & BU2



Stress – Business Unit 1

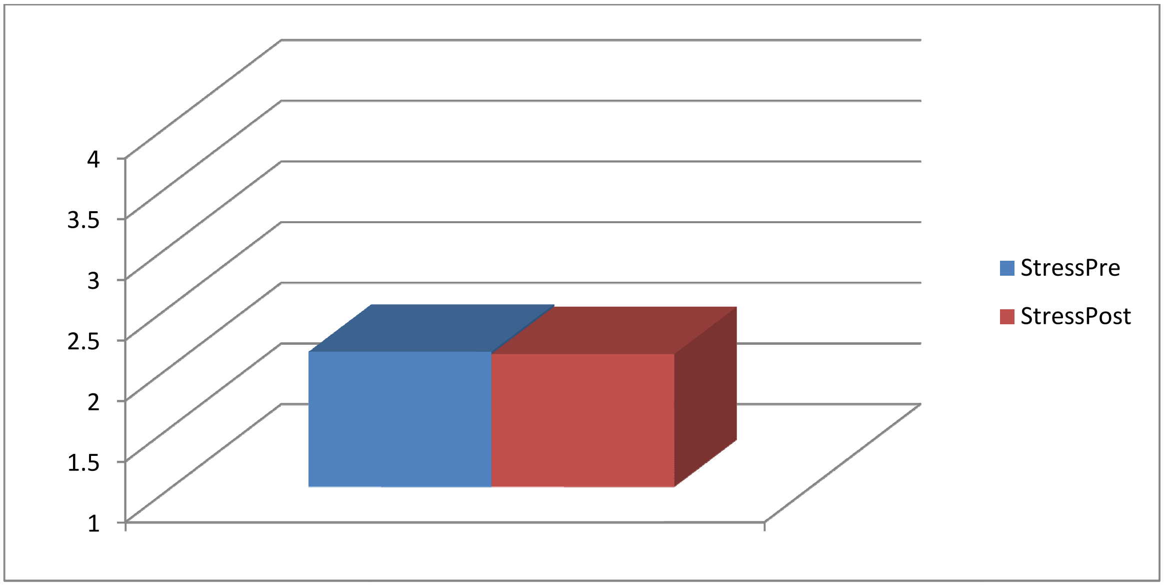
Respondents were asked to respond using a likert scale from 1 to 4, where 1 represents least likely, and 4 represents stress is most likely to exist. Mid-range would be a score of 2.5, therefore any scores higher than 2.5 would indicate perception that stress is high, while any score below would indicate perception that stress is low. In Table 9, the mean score from 59 respondents from Business Unit 1 pre-acquisition is 2.11. This indicates that there is a low perception of stress at Business Unit 1 (acquired firm) prior to the acquisition by Business Unit 2 (acquiring firm). The minimum response scored 1.5 and the maximum score was 2.92. The standard deviation was low at 0.28 indicating that there was very low variation among respondents.

The mean score from Business Unit 1 post-acquisition is 2.09 (See Table 9). The number of respondents differs from the number of respondents' pre-acquisition as responses were received from employees who were hired post-acquisition. This indicates that there is an even lower perception of stress at Business Unit 1 (acquired firm) post-acquisition by Business Unit 2 (acquiring firm). The minimum response scored 1.27 and the maximum score was 3.17. The standard deviation was low at 0.29 indicating that there was very low variation among respondents.

Table 9: BU1 pre- & post-acquisition stress perceptions

Business Unit 1	N	Minimum	Maximum	Mean	Std. Deviation
Stress Pre-	59	1.5	2.92	2.11	0.28
Stress Post-	63	1.27	3.17	2.09	0.29
Valid N (list wise)	57				

Figure 7: BU1 Pre- & post-acquisition stress perceptions



Hypothesis 3 was not supported. Stress results pre- and post-acquisition show no significant difference (see Figure 8). As the results were slightly above 2, it could be noted that no change in regards to perceptions of stress in both pre- and post-acquisition existed.

Summary of Findings

Culture shifts were observed post-acquisition and TL leadership perceptions had differing results among firms. These supported the aforementioned hypotheses. However, employees did not indicate that their stress changed post-acquisition as hypothesized.

CHAPTER 5: DISCUSSION AND CONCLUSION

The purpose of this study was to examine whether employee perceptions of culture and leadership, namely transformational leadership, shift in mergers and acquisitions. While expected shifts were noted in culture and TL expectations confirmed, these employee perceptions of stress pre- and post-acquisition did not change. In this chapter, a summary and discussion about the findings are presented. Also, limitations that exist in this study should assist future research to further improve M&A success rates for firms. This study will also help employees involved with M&As to transition through their three stages more effectively by reducing stress levels.

Summary of Study Findings

Hypothesis 1a and 1b were supported suggesting that there were shifts in culture types and in part there were shifts towards the acquiring companies dominant culture types (namely market). Consitant with findings from other studies (Carroll, 2009), the culture shifts were towards culture types that are asosciated with negative employee outcomes, such as stress. As a result, it is expected that the performance at Business Unit 1 is impacted negatively by the culture shifts observed. The firm in this study should revise its' strategy for culture realignment towards clan and adhocracy culture orientations.

As outlined by Masood et al. (2006), despite the leadership style, employees prefer to work in environments that are team oriented, creative, and take educated risks versus environments that had a strong focus on rules and results. The study by Carroll (2009) further confirms the importance of clan and adhocracy cultures as it relates to employee performance. The findings support that firms, whether involved in M&As or not, should review their existing culture types and strive to move towards clan and adhocracy as their dominant culture orientation. I do believe firms need to tread lightly when trying to shift their culture as culture shifting is a science. This further implicates strong leadership to assist with culture shifting.

The culture results suggest that Business Unit 1 did shift in perceptions of dominant culture types, this would indicate possible negative impact on employee performance outcomes such as stress (McShane & Steen, 2009). Therefore, I hypothesized that that if culture shifted there may be higher stress results. Given the instability in the environment and the perceived shift in culture, it was expected that employee performance outcomes would be negative. However, this was not found with the GHQ measures used in the study.

Business Units with a high degree of market culture may have a more negative impact on employee outcomes as found in previous studies (eg, Carroll, 2009). Adhocracy provides employees with encouragement to take risks, their not in fear of job-loss or removal of pay incentives. It can be expected that business units with higher adhocracy levels will have more positive impacts on employee performance outcomes. The findings suggest that there was a shift in employee perceptions to different cultue types. It also happens that the types that increased in perceptions were ones that are more negatively associated with performance outcomes (market and hierarchy).

Hypothesis 2, indicating that TL results will be lower in Business Unit 1 versus Business Unit 2, was supported. While the hypothesis was supported, what I found was that Business Unit 1 slightly agreed that the divisional leader had TL characteristics.

Business Unit 2 agreed that they perceived the divisional leader as being a transformational leader. While it is clear that the divisional leader exhibits TL characteristics, it also stands to reason that the acquired firm, who has less exposure to the president who they have known for only 3 years, would show lower TL results.

Research Implications

This case study provides insights to firms interested in M&As by encouraging them to look beyond financial performance outcomes and to look at other factors such as leadership and culture alignment to improve M&A success rates. The findings from this study provide academics and practitioners some preliminary evidence to highlight the relationships involved in dealing with factors that influence employee performance outcomes during M&As. The findings show that in even a short period of time employees do detect shifts in culture and leadership that may impact the effectiveness of employee and operational performance, ultimately impacting financial performance. The literature further outlines another area for opportunity as it relates to TL and M&As. TL has been studied for 30 years as it relates to firm performance and culture, however no studies relate TL to M&As. Since more and more firms look towards M&As for growth opportunities, the need for future research is high. Otherwise, there will be many dissatisfied employees and firms who believe that they have tried everything to make the M&A work. This study suggests that more research should be conducted in M&As, specifically towards non-economic areas such as culture and leadership.

Limitations and Future Research

This exploratory study provides interesting insights to encourage researchers to continue to examine the aspect of M&As in more depth. The following section includes limitations related to this study and also outlines recommendations for future research. It should be noted that this study is a case study and is not generalizable. However, it does provide insights to assist researchers to examine the relationships at the macro level in order to develop direction for practitioners considering M&As. In addition, it should be noted that the results for the stress measure were most likely not as reflective of the pre-acquisition perceptions due to the timing. It is difficult for employees to provide reasonable ratings of their stress levels two years earlier. Future studies should attempt to capture these ratings at the time of critical incidents or use of objective measures such as turnover and absenteeism in order to examine the relationships among culture, leadership and employee performance.

For the purpose of this study, transformational leadership was examined at the business unit level. Future studies should include more than just the President/CEO of the organization. While this research is not generalized, it does provide useful insights for future research. Future research should include multiple firms who are engaging in an M&As. This would most likely require the study to be performed over a longer time horizon. I also appreciate that it is difficult to seek out firms' interested in M&As in order to perform surveys prior to the M&A. However, I recommend that this will be an important benefit to supporting future research.

Conclusions

In conclusion, my study provides preliminary evidence that TL and culture are important variables in mitigating negative employee performance outcomes during M&As. While the results outlined in this study are inconclusive as it relates to the possibility of stress shifts pre- and post-acquisition by Business Unit 1, there is evidence that other factors such as culture do change. It is clear that shifts in culture induces increased stress (Millmore, Lewis, Saunders, Thornhill, & Morrow, 2007) which can be translated into both positive and negative employee performance outcomes. If anything, I would hope that scholars may take this study model (i.e. CVF, GHQ, & MLQ) and survey multiple firms at multiple stages throughout the M&A process to gain a deeper depth in order to consider the relationships among these variables. Only then will we begin to better understand the importance of culture and leadership in M&As. Since current success rates of M&As are dismal at best, and more and more firms look towards M&As for growth, it is important that scholars and practitioners look beyond economic and financial results to examine the employee impacts that are linked to operational and financial performance. With that, solutions must include employee integration. These solutions should focus on culture and leadership to bringing employees through their respective stages of resistance to commitment at a healthier pace therefore reducing stress and improving performance outcomes.

Firms interested in M&As should look at integrating transformational leaders among senior and mid-level managers as they are the most likely candidates to be exposed to prospective acquired firms/employees. These firms should determine differences between the two firms interested at merging and strategically review the implications of combining assimilated strategies. In some cases, minor culture shifts will be required while other examples will require larger shifts. If a firm has a deeply rooted culture, even a minor shift could be challenging. For example, some firms like Research in Motion, will only acquire firms with a history of five years or less to ensure that culture is not deeply rooted.

Individual consideration, transparency, vision, and empowerment will enable employees to feel like they add value to their newly merged organization. The current success rates suggest that the current mechanisms are not sufficient. More studies are needed for M&As as it relates to performance in order to change their success and improve employee environments. Evidence from this study suggests that more research about culture alignment and the role of leadership would assist M&A plans. While economic outcomes are important to shareholders, too much focus on them may direct attention away from the real issues, and hence the real solutions.

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Appendix A: *Business Unit 1 Survey*

Examining the Effects of Transformational Leadership in Mergers & Acquisitions

I, Alfred Marshall, an MBA student at the University of Prince Edward Island, am asking you to voluntarily participate in this research study. This research study consists of questions related to personal health, organizational culture, & personal perceptions of leadership. This survey should require no more than 20 minutes to answer all questions. The purpose of this study is to examine whether transformational leadership positively impacts employee perceptions of stress caused by mergers and acquisitions by minimizing culture differences between two firms. By completing this survey, there are no risks to you the respondent. This study will assist organizations in achieving their strategic business goals during mergers and acquisitions. We expect to have a minimum of 50 respondents complete this survey.
The data collected from this study will be maintained on a secure server that only I and my academic advisor, Dr. Wendy Carroll, will have access to via password protection. Your name, should you chose to participate in this research study will not be collected and will not be associated with any responses and/or files retained in this study. The data will be kept for five years, from January 31'st, 2010, and will be destroyed (deleted) once the duration of the five years has been reached.

To be considered for the 4G iPOD Nano random draw, your company email address will be requested at the end of this survey. All respondents will be eligible for the iPOD random draw, even those who wish to withdraw from the survey pre-maturely. Please note that your email address will be collected for the draw only and will not be associated to any of your responses as this is an anonymous survey. Should you have questions or wish to have a copy of my final report, please feel free to contact me at (902) 569-4335 or via email at amarshall@upei.ca. You may also contact Dr. Wendy Carroll at (902) 566-0573 or via email at wcarroll@upei.ca. You also understand that you may contact the University of Prince Edward Island Research Ethics Board at (902) 620-5104, or by e-mail at lmacphee@upei.ca if you have any concerns about the ethical conduct of this study.

If you are receiving this email, you are eligible to participate in this survey. By clicking "Yes, I wish to voluntarily participate in this research study", you are providing your consent to respond to the research questions. You also understand that you may skip any question(s) that you do not wish to answer, and at anytime you can withdraw from the survey without penalty. You understand that the information will be kept confidential within the limits of the law and that your name will not be collected or associated with any responses and/or files retained for this study
.

By clicking on "Next" below, you are indicating that you fully understand the above information and agree to participate in this study.

Please note: Should you want a copy of this Consent Form, please click print screen prior to responding below.

About your organization's culture when it was Business Unit 1 Ltd

We are interested in understanding your perceptions of the organizational culture when we were Business Unit 1. In completing this section of the questionnaire, you are providing an organizational picture of the ways in which Business Unit 1 operated and the values that best characterized it. There is no right or wrong answer to these questions so please just try to be as accurate as you can. In each set of statements below, you will have the following 7-point scale that best describes the likeness to your organization.

Business Unit 1 was a very:

1- Personal place. It is like an extended family. People seem to share a lot of themselves.
2- Dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
3- Results oriented place. A major concern is getting on with getting the job done.
4- Controlled and structured place. Formal procedures generally govern what people do.

The leadership at Business Unit 1 was generally considered to exemplify:

5- Mentoring, facilitating or nurturing.
6- Entrepreneurship, innovation and risk taking.
7- A no-nonsense, aggressive, results-orientated focus.
8- Coordinating, organizing, or smooth-running efficiency.

The management style of Business Unit 1 was characterized by:

9- Teamwork, consensus and participation.
10- Individual risk taking, innovation, freedom and uniqueness.
11- Hard-driving competitiveness, high demands and achievement.
12- Security of employment, conformity, predictability and stability in relationships.

The glue that held Business Unit 1 together was:

13- Loyalty and mutual trust. Commitment to this organization runs high.
14- Commitment to innovation and development. There is an emphasis on being on the cutting edge.
15- The emphasis on achievement and goal accomplishments.
16- Formal rules and policies. Maintaining a smooth-running organization is important.

Business Unit 1 emphasized:

17- Human development. High trust, openness and participation persist.
18- Acquiring new resources and creating new challenges. Trying new things and prospects for opportunities are valued.
19- Competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.
20- Performance and stability. Efficiency, control and smooth operations are important.

Business Unit 1 defined success on the basis of:

21- The development of human resources, teamwork, employee commitment and concern for people.
22- Having the most unique or newest products. It is a product leader or innovator.
23- Winning in the marketplace and outpacing competition. Competitive market leadership is key.
24- Efficiency. Dependable delivery, smooth scheduling, and low cost production are critical.

About your health at Business Unit 1:
We would like to know how your health has been in general, when being employed by Business Unit 1
Were/did you:...

25- Able to concentrate on whatever you are doing?
26- Lose much sleep over worry?
27- Feel that you were playing a useful part in things?
28- Feel capable of making decisions about things?
29- Feel constantly under strain?
30- Feel that you couldn't overcome your difficulties?
31- Able to enjoy your normal day-to-day activities?
32- Able to face up to your problems?
33- Feel unhappy and depressed?
34- Losing self-confidence in yourself?
35- Thinking of yourself as a worthless person?
36- Feel reasonably happy, all things considered?

About your organization's culture today at Business Unit 2

We are interested in understanding your perceptions of the organizational culture of Business Unit 2 today.
In completing this section of the questionnaire, you are providing an organizational picture of the ways in which Business Unit 2 operates and the values that best characterize it. There is no right or wrong answer to these questions so please just try to be as accurate as you can. In each set of statements below, you will have the following 7-point scale that best describes the likeness to your organization.

Business Unit 2 is a very:

37- Personal place. It is like an extended family. People seem to share a lot of themselves.
38- Dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
39- Results oriented place. A major concern is getting on with getting the job done.
40- Controlled and structured place. Formal procedures generally govern what people do.

The leadership at Business Unit 2 is generally considered to exemplify:

41- Mentoring, facilitating or nurturing.
42- Entrepreneurship, innovation and risk taking.
43- A no-nonsense, aggressive, results-orientated focus.
44- Coordinating, organizing, or smooth-running efficiency.

The management style at Business Unit 2 is characterized by:

45- Teamwork, consensus and participation.
46- Individual risk taking, innovation, freedom and uniqueness.
47- Hard-driving competitiveness, high demands and achievement.
48- Security of employment, conformity, predictability and stability in relationships.

The glue that holds Business Unit 2 together is:

49- Loyalty and mutual trust. Commitment to this organization runs high.
50- Commitment to innovation and development. There is an emphasis on being on the cutting edge.
51- The emphasis on achievement and goal accomplishments.
52- Formal rules and policies. Maintaining a smooth-running organization is important.

Business Unit 2 emphasizes:

53- Human development. High trust, openness and participation persist.
54- Acquiring new resources and creating new challenges. Trying new things and prospects for opportunities are valued.
55- Competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.
56- Performance and stability. Efficiency, control and smooth operations are important.

Business Unit 2 defines success on the basis of:

57- The development of human resources, teamwork, employee commitment and concern for people.
58- Having the most unique or newest products. It is a product leader or innovator.
59- Winning in the marketplace and outpacing competition. Competitive market leadership is key.
60- Efficiency. Dependable delivery, smooth scheduling, and low cost production are critical.

About your health today at Business Unit 2

We would like to know how your health has been in general, over the past few weeks.
Have you recently....

61- Been able to concentrate on whatever you are doing?
62- Lost much sleep over worry?
63- Felt that you were playing a useful part in things?

64- Felt capable of making decisions about things?
65- Felt constantly under strain?
66- Felt that you couldn't overcome your difficulties?
67- Been able to enjoy your normal day-to-day activities?
68- Been able to face up to your problems?
69- Been feeling unhappy and depressed?
70- Been losing self-confidence in yourself?
71- Been thinking of yourself as a worthless person?
72- Been feeling reasonably happy, all things considered?

About Business Unit 2's leadership

Organizational leaders have a strong influence on the ethical climate of organizations. Please use the scale below to rate Business Unit 2 President's behaviour at work. Please choose from the scale below that represents your level of agreement or disagreement with the statement.

73- Communicates a clear and positive vision of the future
74- Treats staff as individuals and encourages their development
75- Gives encouragement and recognition to staff
76- Fosters trust, involvement, and cooperation among team members
77- Encourages thinking about problems in new ways
78- Is clear about his/her values
79- Practices what he/she pre-aches
80- Instills pride and respect in others
81- Inspires me by being highly competent
82- Fails to intervene until problems become serious
83- Waits for things to go wrong before taking action
84- Delays responding to questions or requests for assistance

This last set of questions is important to give us a sense of who completed the questionnaire. No attempt will be made to identify individual respondents.

85- Are you a manager? (You have people reporting to you)
86- Sex
87- **Age**
88- **Length of employment with organization. (in years, months)**

Appendix B: *Business Unit 2 Survey*

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The data collected from this study will be maintained on a secure server that only I and my academic advisor, Dr. Wendy Carroll, will have access to via password protection. Your name, should you chose to participate in this research study will not be collected and will not be associated with any responses and/or files retained in this study. The data will be kept for five years, from January 31'st, 2010, and will be destroyed (deleted) once the duration of the five years has been reached.

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.

By clicking on "Next" below, you are indicating that you fully understand the above information and agree to participate in this study.
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About Business Unit 2's culture

In completing this section of the questionnaire, you are providing an organizational picture of the ways in which your organization operates and the values that best characterize it. There is no right or wrong answer to these questions so please just try to be as accurate as you can. In each set of statements below, you will have the following 7-point scale that best describes the likeness to your organization.

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1- Personal place. It is like an extended family. People seem to share a lot of themselves.
2- Dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
3- Results oriented place. A major concern is getting on with getting the job done.
4- Controlled and structured place. Formal procedures generally govern what people do.

The leadership at Business Unit 2 is generally considered to exemplify:

5- Mentoring, facilitating or nurturing.
6- Entrepreneurship, innovation and risk taking.
7- A no-nonsense, aggressive, results-orientated focus.
8- Coordinating, organizing, or smooth-running efficiency.

The management style at Business Unit 2 is characterized by:

9- Teamwork, consensus and participation.
10- Individual risk taking, innovation, freedom and uniqueness.
11- Hard-driving competitiveness, high demands and achievement.
12- Security of employment, conformity, predictability and stability in relationships.

The glue that holds Business Unit 2 is:

13- Loyalty and mutual trust. Commitment to this organization runs high.
14- Commitment to innovation and development. There is an emphasis on being on the cutting edge.
15- The emphasis on achievement and goal accomplishments.
16- Formal rules and policies. Maintaining a smooth-running organization is important.

Business Unit 2 emphasizes:

17- Human development. High trust, openness and participation persist.
18- Acquiring new resources and creating new challenges. Trying new things and prospects for opportunities are valued.

19- Competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.
20- Performance and stability. Efficiency, control and smooth operations are important.

Business Unit 2 defines success on the basis of:

21- The development of human resources, teamwork, employee commitment and concern for people.
22- Having the most unique or newest products. It is a product leader or innovator.
23- Winning in the marketplace and outpacing competition. Competitive market leadership is key.
24- Efficiency. Dependable delivery, smooth scheduling, and low cost production are critical.

About Business Unit 2's leadership

Organizational leaders have a strong influence on the ethical climate of organizations. Please use the scale below to rate the Business Unit 2 President's behaviour at work. Please choose from the scale below that represents your level of agreement or disagreement with the statement.

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26- Treats staff as individuals and encourages their development
27- Gives encouragement and recognition to staff
28- Fosters trust, involvement, and cooperation among team members
29- Encourages thinking about problems in new ways
30- Is clear about his/her values
31- Practices what he/she pre-aches
32- Instills pride and respect in others
33- Inspires me by being highly competent
34- Fails to intervene until problems become serious
35- Waits for things to go wrong before taking action
36- Delays responding to questions or requests for Assistance

This last set of questions is important to give us a sense of who completed the questionnaire. No attempt will be made to identify individual respondents.

1- Are you a manager? (You have people reporting to you)
2- Sex
3- Age
4- Length of employment with organization. (in years, months)

Appendix C: *REB Approval*

October 15, 2009

Mr. Alfred Marshall
School of Business

Dear Mr. Marshall,
Re: REB Ref # 6003346

"Examining the Effects of Transformational Leadership on Stress in Cases of Mergers & Acquisitions."

The above mentioned research proposal has now been reviewed under the expedited review track by the UPEI Research Ethics Board. I am pleased to inform you that the proposal has received ethics approval. Please be advised that the Research Ethics Board currently operates according to the *Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans* and applicable laws and regulations.

The approval for the study as presented is valid for one year. It is your responsibility to ensure that the Ethics Renewal form is forwarded to the ORD prior to the renewal date. The information provided in this form must be current to the time of submission and submitted to ORD not less than 30 days of the anniversary of your approval date. The Ethics Renewal from can be downloaded from the ORD website
http://www.upei.ca/research/reb_forms

Any proposed changes to the study must also be submitted on the same form to the UPEI Research Ethics Board for approval.

Notwithstanding the approval of the REB, the primary responsibility for the ethical conduct of the investigation remains with you.

Sincerely,
Lori Weeks, Ph.D.
Chair, UPEI Research Ethics Board
cc. Dr. Wendy Carroll