

University of Stavanger & **Schlumberger**

# Mergers & acquisition integration processes from a Human Resources Perspective

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## TABLE OF CONTENTS

Table of contents.....	3
Abstract .....	7
1 – Introduction and purpose of study.....	8
1.1 - Schlumberger Background .....	10
2 – Theory & Definitions.....	12
2.1 - Human Resources defined .....	12
2.1.1 - What is integration?.....	15
2.1.2 - Why is human resources important during transitions and integration processes? .....	15
2.2 - HR Integration within Schlumberger.....	17
2.3 - Mergers and Acquisitions defined .....	19
2.3.1 - M&A in Schlumberger .....	20
2.3.2 - M&A stages .....	20
2.3.3 - The pre-combination phase .....	21
2.3.4 - The combination phase.....	22
2.3.5 - The post-combination phase.....	25
2.3.6 - Types of M&A.....	26
2.3.7 - Domestic M&A (DM&A) .....	28
2.3.8 - International M&A (IM&A) or Cross-Border M&A .....	29
2.3.9 - Types of M&A within Schlumberger .....	29
3 - Research Methods.....	31
3.1 - Exploratory Research .....	31
3.1.1 - Research Limitations .....	34
3.1.2 - Theoretical Dilemmas.....	35
3.2 - Data collection.....	36
3.2.1 - Interviews.....	36
3.2.2 - Open-ended surveys .....	37

3.2.3 - Secondary Data .....	38
3.2.4 - Validity and reliability.....	40
4 - Literature Review .....	42
4.1 - Main topics of M&A in the literature .....	42
4.1.1 - Planning an acquisition .....	43
4.1.2 - Due Diligence.....	43
4.1.3 - Culture.....	46
4.1.4 - National Culture .....	48
4.1.4.1 - National Corporate Governance .....	48
4.1.5 - Corporate Culture.....	49
4.1.5.1 - Culture Compatibility .....	50
4.1.5.2 - Acculturation .....	51
4.1.6 - Communication .....	53
4.1.6.1 - Employee Sensemaking.....	55
4.1.6.2 - Emotions.....	58
4.1.7 - Integration Manager/Team.....	59
4.1.8 - Resistance to Change .....	62
4.1.9 - Ethical Considerations .....	66
4.1.10 - Organizational Learning in M&A .....	67
4.1.11 - Serial acquisitions / Developing Acquisition Capabilities.....	67
4.1.12 - Employee Retention.....	68
4.1.13 - Practical elements of what it means to be an HR Integration Manager.....	68
4.1.14 - Reward systems.....	69
4.1.15 - Redundancies .....	70
4.1.16 - Measuring M&A Performance .....	70
4.1.16.1 - Synergy realization .....	73
4.1.16.2 - Shareholder Value .....	73

4.1.16.3 - Achieving Short-Term Goals.....	74
4.2 - Missing Links?.....	75
5 – Findings and Discussions .....	76
5.1 - Literature Review .....	76
5.2 – Empirical Data.....	79
5.3 - Communication is key!.....	80
5.4 - Integration Team.....	82
5.5 - Knowledge capturing and knowledge sharing .....	85
5.6 – Due diligence, a black box? .....	86
5.7 – What is a Merger and what is an Acquisition?.....	87
5.8 - Is there such a thing as a Merger? .....	87
5.9 – What about culture? .....	89
5.10 – Does it work in practice? .....	90
6 - Conclusion .....	91
6.1 - Research Questions.....	91
6.1.1 - What is the current state on M&A, mainly from an HR perspective, in the literature? ....	91
6.1.2 - What are the latest recommendations from the literature for M&A processes in HR?....	91
6.1.3 - What is the current state of HR integration processes in Schlumberger?.....	93
6.1.4 - What does the literature recommend that can be implemented in Schlumberger for improvements and why?.....	94
6.1.5 - Should Schlumberger change its current state and why?.....	94
6.1.6 - If so, how should Schlumberger change its current state to improve M&A HR integration processes? (Recommendations only).....	95
6.1.7 - Other suggestions for future improvements .....	96
6.2 – Back to square one .....	97
7 - References.....	98
8 – Table of figures .....	104
9 – Appendices .....	106

Appendix 1 – Data Confirmation on secondary data source .....	106
Appendix 2 – Reslink data confirmation .....	106

## ABSTRACT

Mergers & acquisitions is a way for companies to grow and expand into new areas and technology and this business is rapidly increasing. For such deals and the following integrations to be successful, the human resources (HR) function plays an important part together with the rest of an integration team.

This thesis has been structured around a set of research questions using Schlumberger as a case company. The main research question is:

- What are considered critical success factors for M&A processes from an HR perspective?

To help answer this question, some subsequent research questions were also investigated:

- What is the current state on M&A, mainly from an HR perspective, in the literature?
- What are the latest recommendations from the literature for M&A processes in HR?
- What is the current state of HR integration processes in Schlumberger?
- What does the literature recommend that can be implemented in Schlumberger for improvements and why?
- Should Schlumberger change its current state and why?
- If so, how should Schlumberger change its current state to improve M&A HR integration processes? (Recommendations only).

These questions were answered through an extensive literature review with subsequent interviews and an open-ended survey from the case company, Schlumberger. Through the exploratory literature review, interviews, an open-ended survey and the use of a secondary data source, information on several important aspects where the HR function play an important part during integrations were uncovered, including:

- Communication is key! Communication done poorly will be devastating and costly in the long-term. Spending proper time, energy and effort on doing it properly from day one could make the integration a success.
- Knowledge capturing. If a company goes through integration processes several times per year, the knowledge from each process should be captured for future integrations. Thus avoiding that the integration team has to reinvent the wheel for each process.
- Having a well functioning integration team and preferably one with prior integration experience can greatly ease the integration process. The size and complexity of such a team will vary with the size and complexity of the integration at hand.
- To have continuity from due diligence throughout the integration process, avoiding that all the work done during the due diligence process is lost or forgotten during the integration. Having a link to the initial experts can ease the integration process immensely and avoid potential pitfalls that were uncovered during this phase.
- Culture is a less important factor than what the literature might portray. In the integrations reviewed for this research, culture is an overarching issue, but not mentioned as an area of concern or an area where any major efforts were used. Ignoring culture and especially organization culture can however cause integrations to fail.

This research also raises the important question on if the recommendations from the literature actually will work in real organizational life. The majority of the literature reviewed is all written in hindsight and based on information once the process has been chewed and processed by the company already. Rarely is anyone let in on the action from the beginning of the process for the purpose of research.

The main findings from this research project will be presented as suggestions for improvements for Schlumberger during future integration processes.

## 1 – INTRODUCTION AND PURPOSE OF STUDY

Mergers & acquisitions involves over one trillion US dollars changing hands worldwide, increasing from 4066 deals valued at USD 378,9 billion in 1988 to approximately 30000 deals valued in excess of USD 3 trillion at the peak in the year 2000. Approximately 17000 deals with a value exceeding USD 1 trillion were executed in 2003 (Hough, Haines, & Giacomo, 2007), and in 2006 the number had risen to 10000 deals in the US only, totaling 37000 deals worldwide (Mitchell Lee Marks & Vansteenkiste, 2008). The numbers of M&As are growing again and will continue to need research attention to improve the success rate of the integration processes. The very latest numbers obtained lists the global M&A activities totaling USD 1,2 trillion for the first half of 2010 (Cascio, 2010).

For the purpose of this study, some simple definitions by Marks & Mirvis will be applied, where merger is when the intention is to integrate two relatively equal entities into a new organization, whereas acquisitions reflects the takeover of a target organization by a lead organization (M. L. Marks & P. H. Mirvis, 2011). Different types and levels of M&A will be covered in more detail later in this study.

Schlumberger Ltd. (SLB), which will be the company used in this thesis, is a major participant when companies change hands, with acquisition investments totaling (in millions); USD 514 in 2009, USD 1127 (smaller acquisitions and Geoservices) plus USD 9828 for the acquisition of Smith and MI Swaco in 2010 and USD 610 in 2011 (Ltd, 2011, p. 67).

A vast knowledge-base exists within Schlumberger on the topic of mergers & acquisitions, and I hope to be able to tap in to this as part of this thesis work.

In their recent guest editorial for Human Resource Management, Yakov Weber and Yitzhak Fried suggest that the management of the post-merger integration process is crucial in determining the extent to which the potential for synergy is realized (Yaakov Weber & Yitzhak Fried, 2011, p. 566). In addition, they claim that despite the large literature on cultural differences in M&A, accumulated over many years of research, cross-cultural issues during the post-merger integration period remain poorly understood (Yaakov Weber & Yitzhak Fried, 2011, p. 565).

*“It is now well accepted that aside from some exceptions, a remarkable number of failures in M&As are due to poor post-acquisition integration” (Lakshman, 2011, p. 605). “A dearth of knowledge on the precise features of an integration and the various mechanisms that make such integration attempts successful still exists” (Lakshman, 2011, p. 605).*



Building on these claims from this special issue of Human Resource Management on Mergers & Acquisitions, I will add that it is not only cultural issues during post-merger integration processes that remain poorly understood, but the overall Human Resources Integration process seems poorly covered and understood in the literature on M&A, or as Weber & Drori puts it: *“the rarely opened “black box” of the postmerger process”* (Weber & Drori, 2011, p. 77). The literature heavily focuses on the pre-merger stages (M. L. Marks & Mirvis, 2001), including planning of M&A (DiGeorgio, 2003; Knilans, 2009; M. L. Marks & Mirvis, 2001), cultural issues (Cartwright & Cooper, 1993; Chatman & Eunyong Cha, 2003; Mitchell Lee Marks & Philip H. Mirvis, 2011; Schweiger & Goulet, 2005), national culture (Aguilera & Dencker, 2004; Morosini, Shane, & Singh, 1998), resistance to change (Larsson & Finkelstein, 1999; M. L. Marks & Mirvis, 2001), communication (Buono & Bowditch, 1990; M. L. Marks & Mirvis, 2001; Katty Marmenout, 2010), due diligence (M. L. Marks & Mirvis, 2001; M. L. Marks & P. H. Mirvis, 2011; Mirvis & Marks, 1992) etc., but little research seems to have been done on the post-merger integration stage. Taking as an example Marks and Mirvis’ article from 2001, they introduce the pre-combination-, combination- and post-combination phases of M&A, but only elaborate the pre-combination phase. A conformational quote can be found in a recent guest editorial: *“the postmerger integration stage is neglected in the current research, though the premerger stage has been extensively studied by both strategic and financial streams”* (Y. Weber & Y. Fried, 2011, p. 777). A different study goes a long way in confirming the importance of the integration stage *“most often, the failure of M&As occurs not at the negotiation or purchase stages, but at the implementation stage when the two firms come together”* (Rees & Edwards, 2009, p. 24).

On the post-merger stage, the majority of the literature seems to focus on acquisition performance, mainly from a financial perspective (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Jemison & Sitkin, 1986; D. R. King, Dalton, Daily, & Covin, 2004). Already back in 1986 was the issue of lack of research on the acquisition processes as key determinants of acquisition success addressed (Jemison & Sitkin, 1986), and yet little seems to have changed almost 30 years later.

I will make an attempt at attacking this through an exploratory research study of the available literature on M&A Integrations and by using the seasoned acquirer Schlumberger as a case for suggesting integration implementation procedures and tools that can improve the company’s current integration processes (or lack of processes).

The above mentioned article from Haleblian et al., provides a good introduction on the current state of the literature on M&A from a management perspective (Haleblian, et al., 2009). Their findings can be summarized into 3 categories: First, they categorize antecedents to acquisitions, why do firms acquire? Their second category is moderators of acquisitions, internal and external factors that moderate acquisition performance. Third, they look at other acquisition outcomes. All of their findings can be summarized using their own illustration (Haleblian, et al., 2009, figure 2, p. 473):

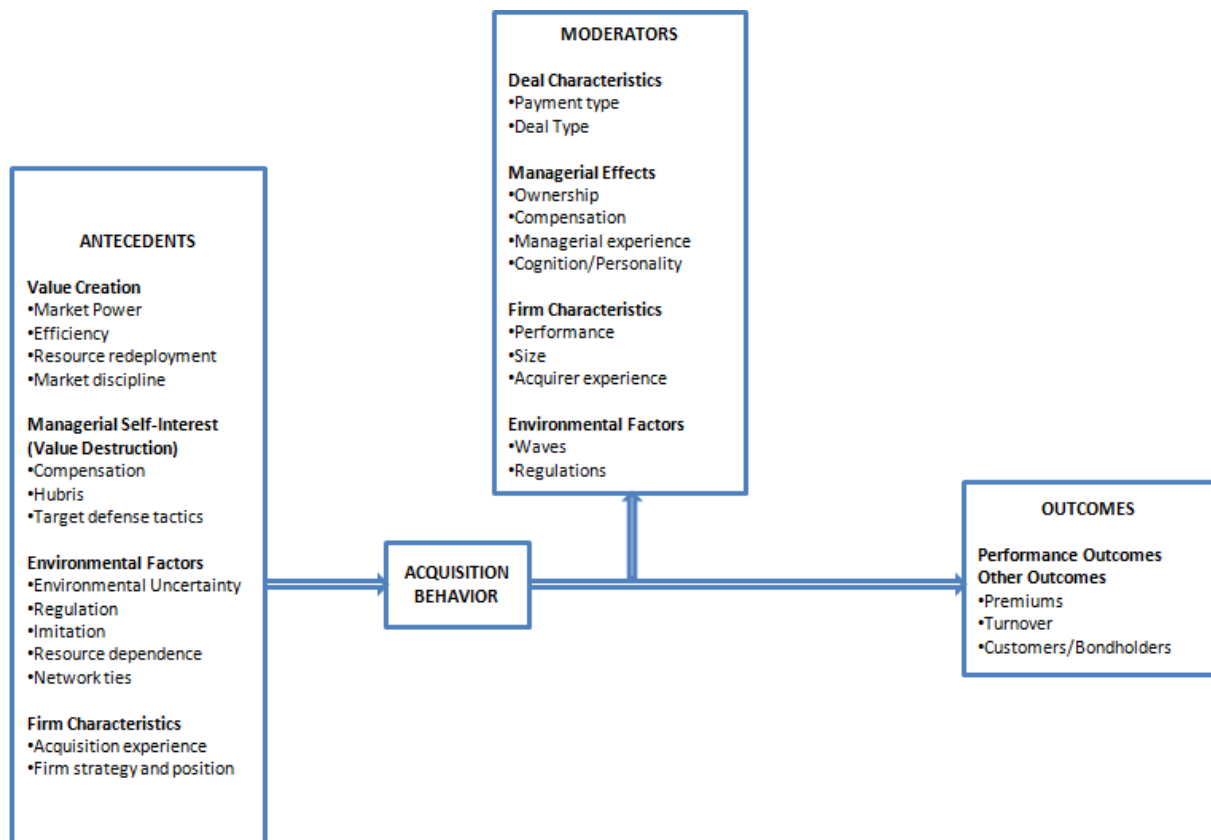


Figure 1: Haleblan et al., 2009, p. 473

Their overview acts as a good starting point for this research, but the focus will be somewhat wider than this. The literature review mentioned above mainly takes into consideration management literature and compares it with findings from financial literature. These are considered to be the main research contributors on M&A. Human Resource Management (HRM) seems to be a sub-category of management literature.

## 1.1 - SCHLUMBERGER BACKGROUND

From Schlumberger's own corporate profile: *"Schlumberger Limited (NYSE:SLB) is the world's leading oilfield services company supplying technology, information solutions and integrated project management that optimize reservoir performance for customers working in the oil and gas industry."* (Schlumberger, 2012). On the same webpage, one can read that Schlumberger currently employ over 115 000 people of more than 140 different nationalities in approximately 85 countries.

Schlumberger was conceived in 1912 by Conrad Schlumberger, who was joined by his brother Marcel in 1919. Since then, the company has a long history of acquiring other companies and new technologies. If one visits the history pages on the company's public web pages (<http://www.slb.com/about/history.aspx>), the time line shows acquisitions happening from a very early stage and especially picking up in the 1950's. However, the main boom hit with the bloom of the oil and gas industry from the early 1970's onwards. The amounts spent on acquisitions have also increased over time, only to culminate in the enormous acquisition of Smith and MI Swaco in 2010.

Reviewing the mentioned page, it also becomes clear that only a very limited number of the acquisitions completed by Schlumberger are mentioned here. To get a full overview, one will need to review the Annual Reports for each year.

Schlumberger operates according to a set of values ([http://slb.com/about/guiding\\_principles.aspx](http://slb.com/about/guiding_principles.aspx)):

*Three well-established company Values that focus on people, technology and profit underpins our work.*

- *Our **people** thrive on the challenge to excel in any environment and their dedication to safety and customer service worldwide is our greatest strength.*
- *Our commitment to **technology** and quality is the basis for our competitive advantage.*
- *Our determination to produce superior **profits** is the cornerstone for our future independence of action and growth.*

The people element is emphasized by the HR function being a strategic business partner in the company. This is evident through having the Vice President of Personnel on the executive management team, reporting directly to the Chief Operating Officer (CEO). HR as business partner was established in 2006, when the new HR function organization was established. This is illustrated in figure 2 and covered in more details in the following.

## 2 – THEORY & DEFINITIONS

### 2.1 - HUMAN RESOURCES DEFINED

The human resources or personnel function is defined and structured differently in different companies. Some will have similar setups, others will have invented a completely unique model. To define human resources for the purpose of this thesis, I will use the setup from the case company, Schlumberger. The human resources function in Schlumberger consists of four main pillars as described in figure 2:

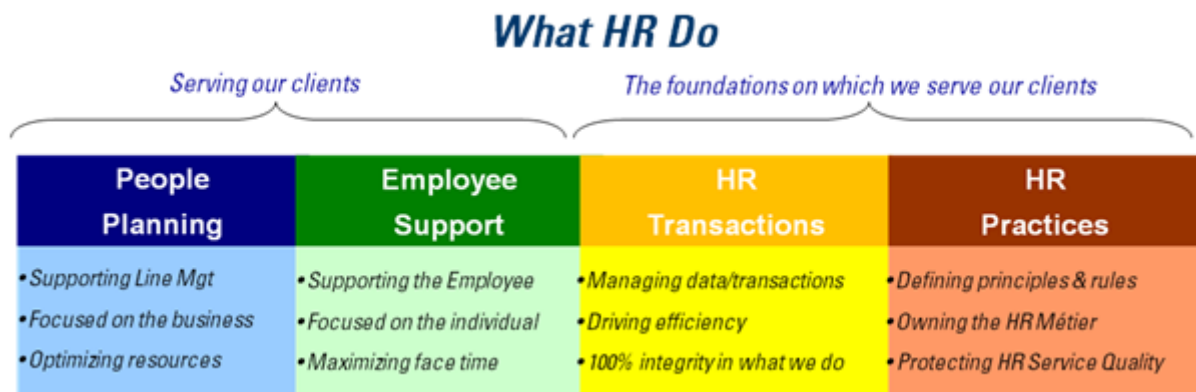


Figure 2: What HR Do, Internal Resources (Internal documentation)

The structure of the Schlumberger HR function is very much in line with the four main HR roles defined by Ulrich (Ulrich, 1997): Strategic Partner, Administrative Expert, Employee Champion and Change Agent. The four HR pillars are also very much in line with the more recent work of Lawler and Mohrman on HR as a business partner (Lawler lii & Mohrman, 2003) and it shows that the way the HR organization is structured within the company is in line with recent developments in the field, labeled HR Business Partner.

The recommended way of structuring the HR organization in order to be a business partner can be illustrated with figure 3:

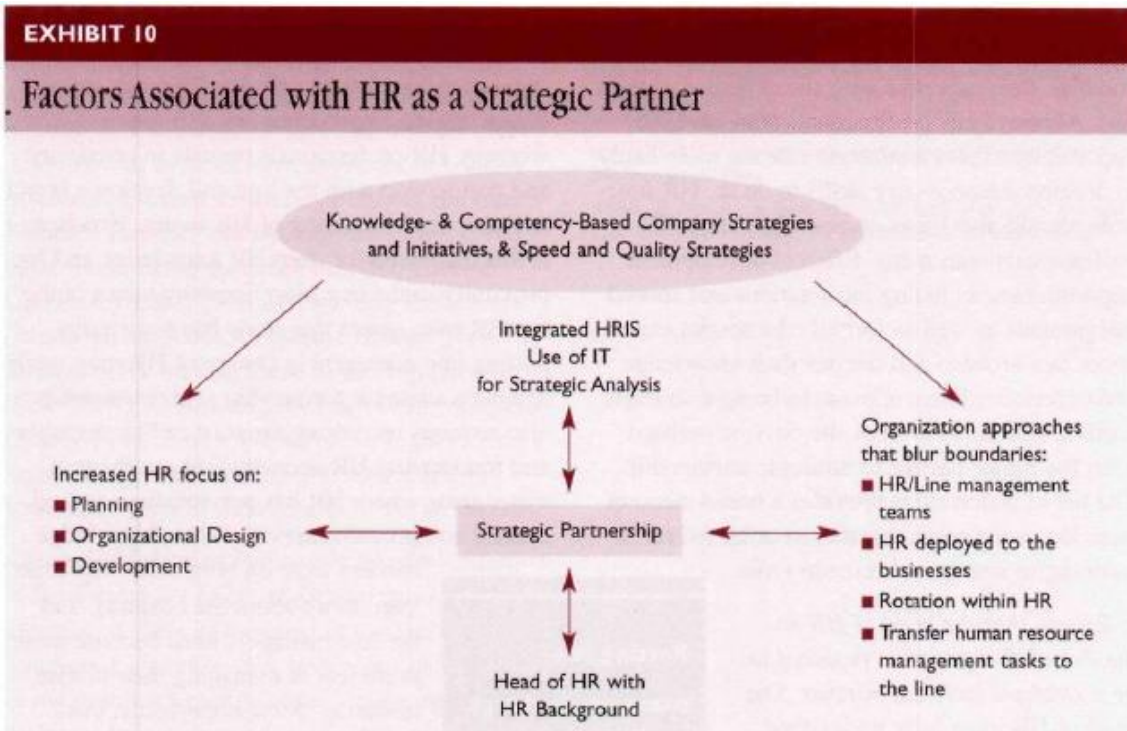


Figure 3: HR as a Strategic Partner (Lawler III & Mohrman, 2003, p. 27)

However, the structure in figure 4 below has been developed internally to suit the size and complexity of Schlumberger. If one look closer at figure 3 above and figure 4 below, there are major similarities in ways of thinking and structuring the organization indeed.

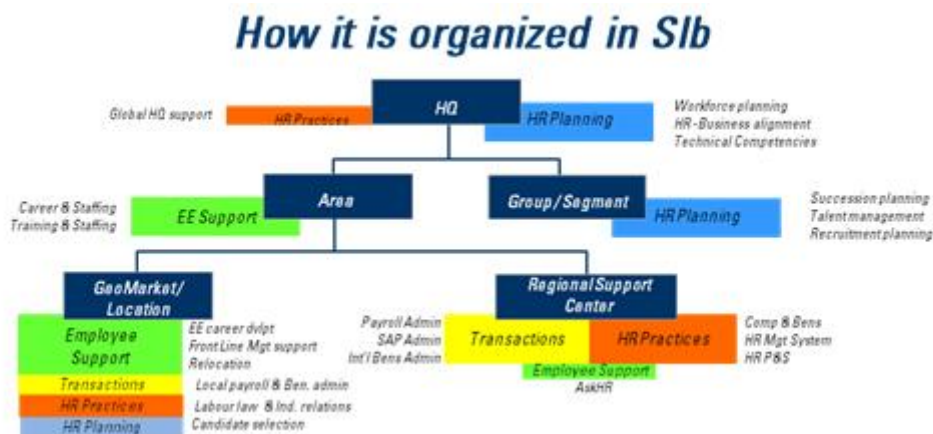


Figure 4: How HR is organized in Schlumberger, Internal Resources

In one study of a best practice (Mitchell Lee Marks & Vansteenkiste, 2008, p. 819), ten critical transition management responsibilities were highlighted as important for the HR function: Resourcing, compensation, benefits, performance management, HR information systems, legal compliance, culture change, employee communication, transition management and the HR organization.

All of these elements are mentioned in various research projects on M&A from an HR perspective. Some are only mentioned "in passing", while other topics are given a lot of space in the literature.

Some of the more major topics evolve around culture change, employee communication and transition management, especially from a planning perspective. Although the mentioned best practice is from a study of the target organization, the responsibilities are highly likely to be the same chosen from the acquiring organization as well.

Others also emphasize the importance of HR and the various roles linked with the HR function during M&As, causing a high demand on the function since it needs to ensure that internal HR practices are integrated. At the same time as it needs to play a strategic role for the company-wide integration and support local business units on the local transactions needed (Antila, 2006). Antila combines her own findings with the HR roles outlined by Ulrich (Ulrich, 1997) and combination and integration HR issues identified by Schuler & Jackson (Schuler & Jackson, 2001) into a table that gives a good overview of some main areas of importance for the HR function in an International M&A (IM&A) perspective (Antila, 2006, pp. 1001 - 1002):

**Table 1** *The roles of HR function and HR issues in the IM&A process*

<i>Role (Ulrich, 1997)</i>	<i>Pre-combination</i>	<i>Combination and integration HR issues in international merger and acquisition process (Schuler and Jackson, 2001)</i>	<i>Solidification and assessment</i>
Management of strategic human resources	–identifying reasons for the IM&A, <sup>(5)</sup> –searching potential partner, <sup>(5)</sup>	–creating new strategies, <sup>(5)</sup> –communicating to and involving stakeholders.	–assessing new strategies, –assessing stakeholders.
<i>Strategic Partner</i>	–selecting a partner, <sup>(5)</sup> –planning for managing the process of the IM or A, –planning to learn from the process.		–revising as needed, –learning from the process,  – <i>monitoring the success of the Integration.</i> * <sup>(6)</sup>
Management of firm infrastructure	–forming IM&A team/leader, –HR due diligence, <sup>(2, 4)</sup> ; *company profile,	–designing/implementing teams, <sup>(5)</sup> –creating new structure, –deciding on the HR policies and Practice.	–solidifying staffing,  –assessing new structure, <sup>(5)</sup> –assessing new HRM policies and practices, <sup>(5)</sup>
<i>Administrative Expert</i>	*compensation audit, *benefits audit.		–revising as needed, –learning from the process.
Management of employee contribution	–communication, <sup>(1,6)</sup> –HR due diligence, *management audit, <sup>(2, 3, 5, 6)</sup> *employee audit, <sup>(2, 3, 5, 6)</sup> *culture audit, <sup>(5,6)</sup>	–selecting the integration manager, <sup>(1)</sup> –creating new leadership, –retaining key employees, <sup>(5)</sup> –motivating the employees, <sup>(5)</sup> –communicating to and involving <sup>(5)</sup> employees, – <i>managing the sense of loss and respect for employees,</i> * <sup>(3)</sup> – <i>managing uncertainty and stress.</i> * <sup>(5, 6)</sup>	–assessing employees, –solidifying leadership, –revising as needed, –learning from the process.
<i>Employee Champion</i>	– <i>understand and content with the first phases of psychological effects.</i> * <sup>(5, 6)</sup>		

**Figure 5:** (Antila, 2006, p. 1001)

**Table 1** (Continued)

Role (Ulrich, 1997)	Pre-combination	Combination and integration HR issues in international merger and acquisition process (Schuler and Jackson, 2001)	Solidification and assessment
Management of transformation and change	–integration preparation, * (1, 5, 6) –begin cultural assessment, * (1) –identify business/cultural barriers to integration success. * (1)	–managing the change process, (5) –integrating cultures. * (5)	–learning from the process. –assessing new culture. (5)
Change Agent			

Source: Antila (2005)

Notes:

Issues addressed also by: 1) Ashkenas *et al.* (1998); 2) Hunt and Dowling (1990); 3) Buono and Bowdich (1989); 4) Evans *et al.* (2002); 5) Marks and Mirvis (1998); 6) Cartwright and Cooper (1992).

\* Issues applied from other studies.

**Figure 6: (Antila, 2006, p. 1002)**

The majority of Antila’s (2006) borrowed research is touched upon during the coming literature review. The overview above does however create a structured idea of what some consider as being important elements of HR management processes during integration projects (Antila, 2006; R. N. Ashkenas, et al., 1998; Ulrich, 1997). It also emphasizes the need for HR to be a more generalist function rather than a specialist function, to be able to contribute strategically as well as operationally (Antila, 2006). Thus, supporting the wide range of topics covered in the coming literature review.

Some important elements for HR are mentioned, linked with the various roles. For administrative experts, the area of employment law and labour relations is especially mentioned. Although, the expert might not know the local legislation during an IM&A process, the general understanding of legislation and unions will be beneficial to ease the integration in a new country.

### 2.1.1 - WHAT IS INTEGRATION?

The process of integration can be shortly defined as “*the process of combining two companies into one entity at every level*” (Knilians, 2009, p. 39). This definition is overly simplified and refers mainly to the cultural aspect of integration, but it is nevertheless descriptive enough, and in most cases, the first part, “the process of combining two companies” is applicable. The level of integration however will vary depending on the type of merger or acquisition. This will be covered in more details in *Mergers and Acquisitions Defined*.

### 2.1.2 - WHY IS HUMAN RESOURCES IMPORTANT DURING TRANSITIONS AND INTEGRATION PROCESSES?

Communication gone wrong can be very difficult to handle. An example of that is when Seagram Spirits & Wine Group (SSWG) was sold in 2000, where disgruntled employees went as far as creating a critical website about the owner, containing numerous anonymous comments. “Bronfman bashing” meetings were also frequently held in offices and hallways (Mitchell Lee Marks & Vansteenkiste,

2008). The selling of SSWG was seen as quite chaotic, with the company being sold at auction to two main competitors. The following approval process with the European Union Commission and the Federal Trade Commission in the US took 14 months to clear, causing turmoil and problems within SSWG during their waiting period (Mitchell Lee Marks & Vansteenkiste, 2008). *“Meanwhile, the HR function took the lead role in preparing the organization for the transition”* (Mitchell Lee Marks & Vansteenkiste, 2008, p. 814). At the psychological level, people will normally meet the acquisition message with feelings of denial, anger, bargaining and depression before hopefully ending up at a level of acceptance. In addition, a crisis mentality tends to develop during transitions, making it difficult to manage using problem solving and open communication (Mitchell Lee Marks & Vansteenkiste, 2008). For HR to be able to act as a strategic partner in solving issues during the waiting period and after the integration process has started, it is important that they have “a seat at the executive table” in the first place. If they are not considered to be a strategic partner, then it is quite unlikely that the HR function will be able to turn the process around. In the case of SSWG, the HR function was highly regarded and their input was welcomed during the transition period (Mitchell Lee Marks & Vansteenkiste, 2008).

Considering how HR is structured in Schlumberger, it is highly likely that input from HR during integration processes will be welcomed and utilized by employees and senior managers. However, it is difficult to know how HR is perceived and organized in the target company, and to understand how Schlumberger can work with HR in the target company to prepare employees for the acquisition during the transition period. Proper due diligence work in the early stages can help allow Schlumberger HR to guide their counterparts in the target company during the transition to ensure that the target is prepared for the integration when the acquisition is approved by the authorities. A proactive approach to the transition by the target HR function can ensure a more humane transition into the new organization (Mitchell Lee Marks & Vansteenkiste, 2008). *“The SSWG HR team crafted customized and innovative approaches to maintaining a business focus while preparing people for organizational death by reviewing all work currently being done; prioritizing projects; and freeing up people, time, and other resources to manage the transition”* (Mitchell Lee Marks & Vansteenkiste, 2008, p. 816).

Someone needs to lead the forces during the integrations process in the same direction every time (Jemison & Sitkin, 1986), and the HR function, covering so many aspects of an organization, is the most logical function to take on this responsibility together with management.

*“Once a deal is done, no task is more important than managing people effectively in the newly created company”* (Cascio, 2010, p. 43). *“The technology is the technology; it’s a tool to support the business. But it requires people to transform it, to develop it and to support it”* (Cascio, 2010, p. 46). These quotes go to show how important the HR function is in M&A integration processes. There are numerous elements where HR should be involved to support an integration process, several of which will be covered in the following literature review.

However, *“considering the importance of human resource management (HRM) in IM&As, it is surprising how little is known about the role and activities of HR managers in these processes”* (Antila, 2006, p. 999). Related to this, the researcher also agrees that HRM is important during any integration process and that little seems to be known about the activities involved. On the other



hand, as will be shown in the various topics reviewed in this study, HR plays a vital role in many of these even if it is not explicitly mentioned in the articles.

*“While some failure can be explained by financial and market factors, a substantial number can be traced to neglected human resource issues and activities”* (Schuler & Jackson, 2001, p. 239). Many companies have learned from past acquisitions and have created a knowledge base within their staff for more efficient and professional integrations, but many companies have a very long way to go (Schuler & Jackson, 2001).

In the same article (Schuler & Jackson, 2001), some major reasons for success in M&A are mentioned and several of these are strongly linked to HR, including: leadership, due diligence on hard and soft issues (especially soft issues for HR), successful learning from previous experience, planning early, key talent retained, extensive and timely communication. They go on to mention some key findings from a Global M&A Survey, which indicates some key lessons for success during the next M&A project, including: starting the planning of integration processes earlier and get HR involved and confront difficult decisions, including employee and human resource issues, earlier (Schuler & Jackson, 2001). These points goes to show that HR is important in very many aspects of M&A and that early inclusion of the function can be key to the success of the integration process to come.

*“Thus, while there are many reasons for success and failure in mergers and acquisitions (...), at the core of many of them are people issues”* (Schuler & Jackson, 2001, p. 242).

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## 2.2 - HR INTEGRATION WITHIN SCHLUMBERGER

To utilize some lessons learned from the latest major integration done by Schlumberger of Smith, MI Swaco and Geoservices, I will use the HR Integration Roadmap set up created for this integration as a backdrop of the various tasks and processes important for HR during integration processes. This will be done from a Schlumberger perspective, but will in many cases be quite similar in other companies as well. Though, my intention with this study is not to create anything that I will claim to be applicable as general knowledge outside of Schlumberger.

The roadmap is illustrated in figure 7:

# HR Integration Roadmap

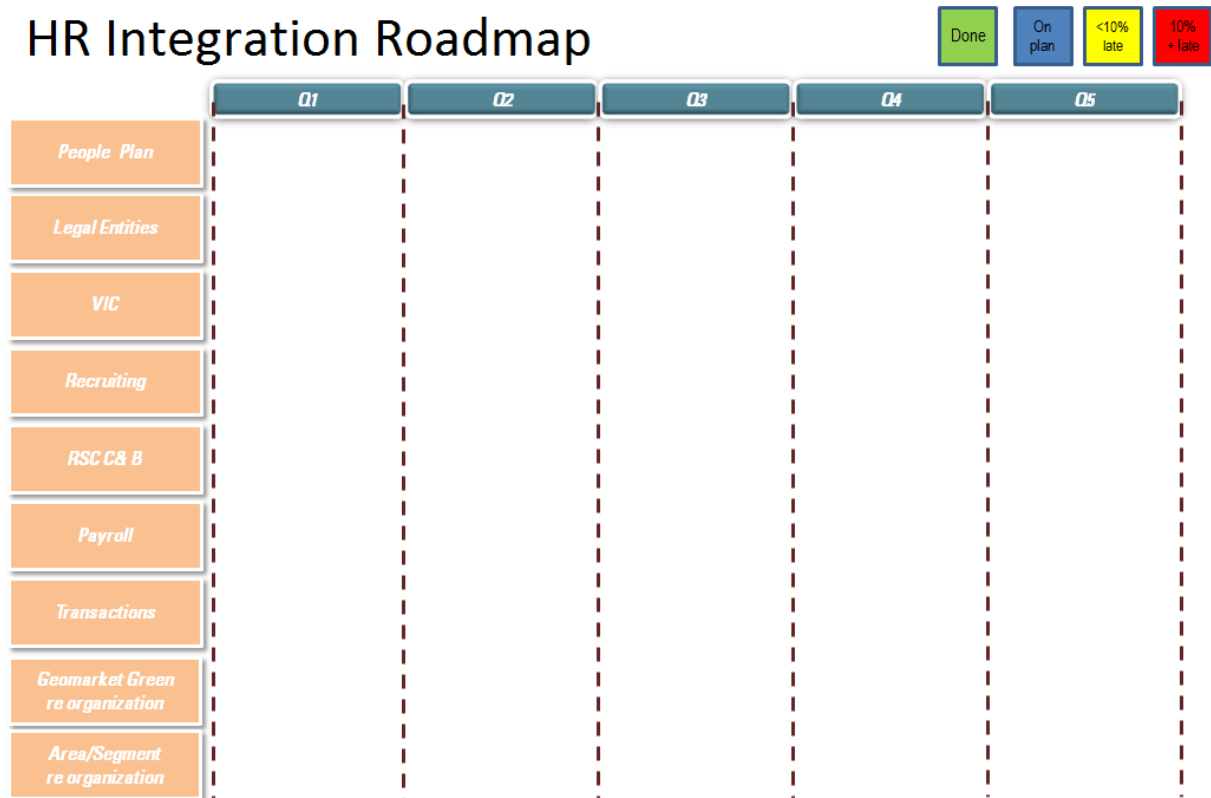


Figure 7: HR Integration Roadmap, internal resources

The roadmap illustrated had been used in the planning and execution of the Smith, MI Swaco and Geoservices integration, but it is a tool that can be used for future integration processes as well. It helps to outline and plan the processes for the various HR functions. This can be very useful considering that some processes have to be completed before others can start. Using a roadmap ensure the possibility of planning streams of actions or processes for the coming first and also second year of an integration process. Using a roadmap will also allow management and stakeholders to measure the progress and performance of an integration team.

The processes involved during integrations will vary from integration to integration and depend on the complexity of the process at hand. Some integrations are larger and more complex than others due to size, others are smaller, but can still be very complex. How to approach the integration from a processes and systems perspective will depend on the systems in use by the acquired company compared to what the acquirer uses, in this case Schlumberger.

This type of roadmap is mainly applicable when looking at a full integration. Smaller versions could be used for “house of brands” approaches or similar, where the acquired company stays entirely or partly as a separate unit.

Since the roadmap streams and processes vary from process to process, this can be a flexible tool if used properly. The roadmap was created internally for the use during the mentioned Smith, MI Swaco and Geoservices integration as part of a toolbox for the Area Integration Managers. This toolbox was developed by consultants and is very specific to the mentioned integration process. However, a lot of the knowledge from this toolbox can be made more generic and usable for future

integrations and this roadmap is one of the more important elements from the toolbox that can help future integrations in an illustrative and easy way.

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### 2.3 - MERGERS AND ACQUISITIONS DEFINED

*“Mergers and acquisitions (M&A) are premised on the belief that the combined company will have greater value than the two companies alone. 1+1>2”* (M. L. Marks & P. H. Mirvis, 2011, p. 161)

Some compare M&As with organizational death and highlight the need to allow employees to mourn before expecting them to be able to look forward onto the new opportunities created through M&A, while also highlighting the importance for HR to help manage the transition process to ensure retention and attentiveness to the continued business, while still allowing for and handling of a mourning process (Mitchell Lee Marks & Vansteenkiste, 2008).

*“Mergers and acquisitions are increasingly being used by firms to strengthen and maintain their position in the market place”* (Schuler & Jackson, 2001, p. 239). *“It appears that it has become all but impossible in our global environment for firms to compete with others without growing and expanding through deals that result in mergers or acquisitions”* (Schuler & Jackson, 2001, p. 239).

The terms mergers and acquisitions are used alone or in combinations in the literature, often with very limited consistency.

A merger can in short be described as *“the integration of two relatively equal entities into a new organization”* (M. L. Marks & P. H. Mirvis, 2011, p. 161).

An acquisitions can also briefly be described as *“the takeover of a target organization by a lead entity”* (M. L. Marks & P. H. Mirvis, 2011, p. 161).

Integration can then defined as *“the process of combining two companies into one entity at every level”* (Knilans, 2009, p. 39). This definition is of course only applicable for integration where one entity is the end goal. For integrations with less integration, similar thoughts still apply. Integration will at any level entail the combination of two entities in some degree or another.

It is not always clear in the literature if researchers are referring to merger or acquisitions or both. This lack in proper distinction between the two terms and interlinked processes makes it difficult to separate out one term above the other. And, as covered in the following section, both are used within Schlumberger. As such, it is found most useful to refer to mergers and acquisitions (M&A) generically for the most part, while elaborating the more important term where this is possible and justifies the topic at hand.

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### 2.3.1 - M&A IN SCHLUMBERGER

Due to the sheer size of the company, the majority of the integration processes will according to the literature be defined as acquisitions. How it is portrayed internally may vary from the literature, where some processes are labeled mergers even if to outsiders it looks like an acquisition. An example of this is the recent integration of Smith, MI Swaco and Geoservices that are significantly inferior in size compared to Schlumberger.

Many of the smaller acquisitions are clear acquisitions with full integration processes attached. However, Schlumberger also has a low level or “house of brands” approach in some cases that only require minimal integration initiatives. Higher level as well as medium level integrations will also vary depending on what is being integrated and not. The different level of integration within Schlumberger will be covered in more detailed in the section “types of M&A within Schlumberger” below.

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### 2.3.2 - M&A STAGES

M&A processes are mainly split into 3 stages where different authors refer to them slightly differently. Marks and Mirvis use the terms (M. L. Marks & Mirvis, 2001):

Combination phases:

- Precombination phase
- Combination phase
- Postcombinations phase

Aguilera and Dencker use some slightly different terms, where the two first stages seem to be the same as Marks & Mirvis’ first phase (Aguilera & Dencker, 2004):

- The pre-announcement stage
- The pre-merger stage
- The integration stage

According to Aguilera & Dencker, the main area in which HR can influence M&As is the integration stage, when practices and policies are implemented. The different terms used have been defined very similarly and therefore will not be discussed further. The terms used in the various literature reviewed varies. It will therefore be somewhat difficult to stick to only one set of terms, but I will try to mainly use the terms by Marks & Mirvis in this research project.

*“The postmerger integration process is a complex phenomenon that probably needs a better conceptualization than the simple linear relationship suggested by the studies reviewed earlier”* (Weber, Tarba, & Reichel, 2011, p. 11). Another recent study also confirms that the integration stage is relevant in understanding acquisition performance from a process-based view (Ahammad & Glaister, 2011; Jemison & Sitkin, 1986).

The boundaries between the different stages can be a bit blurry, but generally one can say that the integration stage starts when the transaction is officially announced (Antila, 2006). For HR, the boundary between due diligence and integration is unclear, where integration picks up when due diligence is finishing. However, if the due diligence process has been poor or lacking, then the integration stage will most likely be complicated (Antila, 2006).

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### 2.3.3 - THE PRE-COMBINATION PHASE

Pre-combination phase is defined as when *“the deal is conceived and negotiated by executives and then legally approved by shareholders and regulators”* (M. L. Marks & Mirvis, 2001, p. 81).

Some specific tasks for HR managers during this stage is explained by HR professionals in a recent study (Antila, 2006):

- Analyze the business culture of the target company.
- Analyze agreements and commitments.
- Analyze compensation structure, pension system and work contracts (costs with potential negative financial effect).
- Analyze employees (competencies, age, educational background and skills). Hereunder also try to understand if the competencies really exist in the organization and if the motivation to stay on is there.
- Attempt to analyze potential resistance.
- Analyze prior change projects in the target organization.
- Map key employees in the target company for retention measures.
- Start working on the layoff/redundancy process, if there will be one. Especially to understand the legislation and union agreements in the relevant countries, together with costs linked with redundancies.
- Understand the motivation of the targets top management, to understand what kind of effect this might have on a future integration.

A general lesson learned from the above mentioned study (Antila, 2006), is that it is vital to have a structured framework for integration planning that has to start before any announcement.

If a company has completed integration projects before, this would be a good time to revisit the lessons learned from last time and use them for the planning of the current or future integrations.

The work listed by Antila (2006), builds on a slightly older research project, which highlights HR issues, implications and actions during the pre-combination stage (Schuler & Jackson, 2001, p. 244), see figure 8:

<u>HR Issues</u>	<u>HR Implications and Actions</u>
<ul style="list-style-type: none"> <li>• Identifying reasons for the M &amp; A</li> <li>• Forming M &amp; A team/leader</li> <li>• Searching for potential partners</li> <li>• Selecting a partner</li> <li>• Planning for managing the process of the M and/or A</li> <li>• Planning to learn from the process</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge and understanding need to be disseminated</li> <li>• Leadership needs to be in place</li> <li>• Composition of team impacts success</li> <li>• Systematic and extensive pre-selection and selection are essential</li> <li>• Conducting thorough due diligence of all areas is vital</li> <li>• Cultural assessment</li> <li>• Planning for combination minimizes problems later</li> <li>• Creating practices for learning and knowledge transfer</li> </ul>

Figure 8: Stage 1 - Pre-combination (Schuler & Jackson, 2001, p. 244).

The elements mentioned here overlap with Antila (2006), since it builds on the elements from this research project. However, I find the figures 8 and also 9 and 10 below are useful because of the distinction between HR issues and the implications it has for the function as well as the actions required.

The major point to take away from this step on implications for HR is for a company to have a knowledge base on their M&A processes and to ensure that this information is shared and disseminated in order to build under future M&A success (Schuler & Jackson, 2001). Some other points mentioned that is believed to need better attention is to conduct proper due diligence on the “soft” issues as well as the “hard” issues, due to the strong belief that overlooking the softer issues during this phase is one of the major reasons why M&As fail in the long run (Schuler & Jackson, 2001). The last key words mentioned comprehensive planning and follow-through, both which are elements eased through knowledge sharing and learning (Schuler & Jackson, 2001).

#### 2.3.4 - THE COMBINATION PHASE

The combination phase is defined in somewhat vague terms as when “*integration planning ensues and implementation decisions are made*” (M. L. Marks & Mirvis, 2001, p. 81)

Looking at literature on so-called lessons learned, it is of course empirically based data, often combined with an element of informed hindsight from top level managers who are contributing to the research. But, the majority of these articles bring a very high-level perspective of the processes, which emphasizes the initial assumption of this research, that the integration or combination stage on a more local level is somewhat overlooked in the literature, or if it is covered it’s quite theoretical.

An example from an article about lessons learned from the HP and Compaq exemplifies the high-level perspective taken in such research, where the strategic dynamics process is described as four processes (Burgelman & McKinney, 2006, pp. 7-9):

1. *Process 1: Formulating the integration logic and performance goals.*

2. *Process 2: Creating the integration plan.*
3. *Process 3: Executing operational integration.*
4. *Process 4: Executing strategic integration.*

Although, they are mentioning specific tasks for some of the processes in their overview, the overall theme of the article is from a high-level, strategic perspective, which is logical considering one of the authors is the former Executive Vice President of Hewlett-Packard.

A different, older study involving Hewlett-Packard also gave some useful lessons learned, but also at a high-level, focusing mainly on planning, assessing and preparation (Mirvis & Marks, 1992).

Literature referring to the integration stage is in many cases highly theoretical, as well as with a very high-level perspective. As an example here, Colman, Stensaker & Tharaldsen (Colman, Stensaker Inger G., & Tharaldsen, 2011), claim that post-merger integration processes can be divided into two conceptually distinct, yet empirically intertwined processes:

- **Social integration:** Activities aimed at socializing and fostering participation of employees in acquisitions. Primarily concerned with ensuring employee satisfaction and developing a shared identity and organizational culture. Social integration is assumed to be important to avoid cultural clashes as it mediates between cultural differences *and looks at* cultural fit between the merging organizations. Cultural differences are seen to be both an asset and an obstacle to integration performance.
- **Task integration:** Activities aimed at facilitating effective functioning of the operations of the combined firms.

A similar overview can be found in a different research project (Birkinshaw, Bresman, & Håkanson, 2000). Their article is based in a process perspective, focusing in actions taken by management to guide the post-acquisition integration process, looking at strategic and organizational fit as potential for synergies. But, realization depends on the ability of the management team to manage the process effectively. They split the integration process into task integration and human integration, as two separate processes, very similar to the more recent research mentioned above. Both task and human integration have to be effective, though they can probably occur at different speeds. Birkinshaw et al. hold a highly international perspective on their approach, which makes it useful to mention for this research project.

They (Birkinshaw, et al., 2000) define task integration as identification and realization of operational synergies, including mechanisms to ensure integration between distributed centers. These mechanisms or tools include quarterly technical center managers meetings, rotation of personnel, standardized documentation, international technical seminars and international project teams.

Human integration is defined as the creation of positive attitudes towards the integration among employees on both sides. Some key mechanisms include rapid communication of information about the acquisition, convening of meetings to answer questions and allay fears, quick decisions about what will happen in various units through international team meetings (Birkinshaw, et al., 2000).

Some of their key insights include the fact that human integration process takes a long time and is extremely difficult to master. They also believe that human integration and employee satisfaction is

only a means to achieving synergies and/or superior operating performance, not an end in itself (Birkinshaw, et al., 2000).

In addition, they mention the "zone of indifference" that may prevent high levels of employee turnover even in hostile environments, claiming that some level of dissatisfaction can be accepted to achieve the necessary task integration, but no-one knows how wide the "zone" is prior to the acquisition and when one has reached the limit. Some tension might indeed be good to foster heterogeneity in the long run (Birkinshaw, et al., 2000).

Having such a split between human/social and task integration seems justifiable. For HR, the human or social side might be the most difficult, yet important tasks to deal with. Task integration will span all areas of integrations (i.e. finance, IT, QHSE and similar) to a greater extent, but there are major tasks linked to HR integration processes as well.

A more specific idea of what the integration process consists of has been covered in recent research (Antila, 2006), where some of the research subjects point out the following processes as important during integration:

- Have a clear plan for the integration.
- As early as possible, ensure that employees are aware that their affairs are being looked after.
- Work on policies and processes.
- Work on how to integrate the two different cultures.
- Resource evaluations.
- Communication and support within the HR function.
- Initiating training programs.
- Internal recruitment for the new positions in the joint company.
- Keep an open dialogue.
- Consider the use of external consultants if the assessments needed are difficult to evaluate fairly.
- Analyze the benefits in both companies and start working on harmonization where/when possible.
- Discussions with unions.
- Create a communication plan for the planned implementations (an overall communication plan should have been created in the pre-combination stage). Ensuring that everyone knows what, how and when to communicate
- Work as internal consultants for management on HR integration issues.
- Support top management on the selection of an integration manager.
- Set measurable sub-projects with sub-goals.
- Ensure that employees are given a sense of direction and that they are kept up to date.
- Consider motivational interventions.
- Define the future.
- Consider setting up integration intranet pages to have one main communication and information source with updated information at all times.



- Negotiate and agree upon terms for layoffs with unions and implement the layoff process and quickly and swiftly as possible.

The majority of these points can easily be plotted into the mentioned HR Integration Roadmap in figure 7, to create a suitable plan for an HR integration project.

Generally, the motivation tends to drop when one enters the combination or integration stage of the project. Having a strict, to a certain extent, day by day plan, can help mitigate this and remind people of the tasks at hand (Antila, 2006).

The work by Antila (2006) builds, as mentioned earlier, on the work of Schuler & Jackson (2001). They highlight some critical HR issues, mainly focusing on the choice of integration manager (covered in more detailed in the section about integration manager/teams), identifying key priorities or drivers for the integration going forward (Schuler & Jackson, 2001). The overall indications for HR issues, implications and actions are shown in figure 9.

<u>HR Issues</u>	<u>HR Implications and Actions</u>
• Selecting the integration manager	• Selecting the appropriate candidate
• Designing/implementing teams	• Creating team design and selection are critical for transition and combination success
• Creating the new structure/strategies/ leadership	• Communicating is essential
• Retaining key employees	• Deciding on who stays and goes
• Motivating the employees	• Establishing a new culture, structure, and HR policies and practices is essential
• Managing the change process	
• Communicating with and involving stakeholders	
• Deciding on the HR policies and practices	

Figure 9: Stage 2 - Combination - Integration of the companies (Schuler & Jackson, 2001, p. 245)

Although the research by Schuler & Jackson (2001) goes a lot more into details than the majority of other research literature, the stage 2 is still very high level focused, highlighting the importance of an integration manager and a new manager for the business. Both of which are important elements during an integration project. But, for Schlumberger, the appointment of members of an integration team lies with the executive team and not with members of the HR function.

### 2.3.5 - THE POST-COMBINATION PHASE

Then what about the post-combination phase, defined as when *“the combined entity and its people regroup from initial implementation and the new organization settles in”* (M. L. Marks & Mirvis, 2001, p. 81)? The transition from combination to post-combination is more vague than the transition from pre-merger to combination. It’s more of a technical verification when it is assumed that all employees and HR can resume business as usual. In practice there will still be work related to the integration for some time to come, but the overall integration projects should be completed. One of the research subjects in the mentioned study (Antila, 2006) says that *“In a best case scenario, after integration the people from both organizations know each other, and the people from the new entity know the systems and contact persons and can work more independently”*(Antila, 2006, p. 1008).

Evaluation is also an important part of the post-combination stage, including measures such as (Antila, 2006):

- Assessment of people to verify if the right people have been given the right jobs.
- Team evaluations.
- A possible post-combination job satisfaction survey.
- Evaluate the completion of the various sub-projects.
- Swap focus from integration to business development.
- Evaluate strengths and weaknesses of the overall project.

In an extension, lessons learned should be created for any future integration processes.

<u>HR Issues</u>	<u>HR Implications and Actions</u>
<ul style="list-style-type: none"> <li>• Solidifying leadership and staffing</li> <li>• Assessing the new strategies and structures</li> <li>• Assessing the new culture</li> <li>• Assessing the new HR P &amp; P</li> <li>• Assessing the concerns of stakeholders</li> <li>• Revising as needed</li> <li>• Learning from the process</li> </ul>	<ul style="list-style-type: none"> <li>• Elective leadership and staffing of the new entity are essential</li> <li>• Creating and evaluating a new structure</li> <li>• Melding two cultures needs assessment revision</li> <li>• The concerns of all stakeholders need to be addressed and satisfied</li> <li>• The new entity must learn</li> </ul>

Figure 10: Stage 3 - Solidification and Assessment (Schuler & Jackson, 2001, p. 248)

### 2.3.6 - TYPES OF M&A

There has been a bit of a development over time on this topic, from “the classic” by Haspeslagh and Jemison to Marks and Mirvis’ extended version of the same terms.

Integration approaches (Haspeslagh & Jemison, 1991):

- Absorption
- Symbiotic
- Preservation
- Holding

The last one, holding, does not seem to be used (Weber, et al., 2011)

Others have also attempted to define different types of M&A, like these three (Cartwright & Cooper, 1993):

- Extension mergers
- Collaborative mergers

- Redesign mergers

The most recent definitions uncovered during this research project were the 5 typologies by Aguilera and Dencker (Aguilera & Dencker, 2004):

- Overcapacity M&A
- Geographic Roll-up M&A
- Product or market extension
- M&A as R&D
- Industry convergence M&A

However, the terms used by Haspeslagh and Jemison have been extended by Marks & Mirvis to include a 5<sup>th</sup> element (M. L. Marks & Mirvis, 2001):

- Absorption: *“When the acquired company is absorbed by a parent and assimilated into its culture, the lead companies generally bring in new management and conform the target to corporate reporting relationships and regimens”* (M. L. Marks & Mirvis, 2001, p. 85).
- Transformation: *“When both companies undergo fundamental change following their combination, synergies come not simply from reorganizing the businesses, but from reinventing the company. This is the trickiest of all the combination types and requires a significant investment and inventive management”* (M. L. Marks & Mirvis, 2001, p. 86).
- Best of both: *“The optimal result is full cultural integration—the blending of both companies' policies and practices”* (M. L. Marks & Mirvis, 2001, p. 86).
- Preservation: *“An end state where the acquired company faces a modest degree of integration and retains its ways of doing business”* (M. L. Marks & Mirvis, 2001, p. 85)
- Reverse takeover: *“In the mirror image of the absorption combination, the acquired company dictates the terms of the combination and effects cultural change in the lead company”* (M. L. Marks & Mirvis, 2001, p. 85).

These five typologies by Marks and Mirvis seem to be the most utilized terms in recent literature on M&A, with 218 citations compared to 65 citations listed for the Aguilera and Dencker article (checked on Google Scholar, 21.11.2012). Although, the classic by Haspeslagh and Jemison has a staggering 1388 citations in comparison, the more recent one by Marks and Mirvis seem to pick up where they left off and have improved on the initial model.

The typologies have been illustrated in a well used figure, shown below in figure 11.

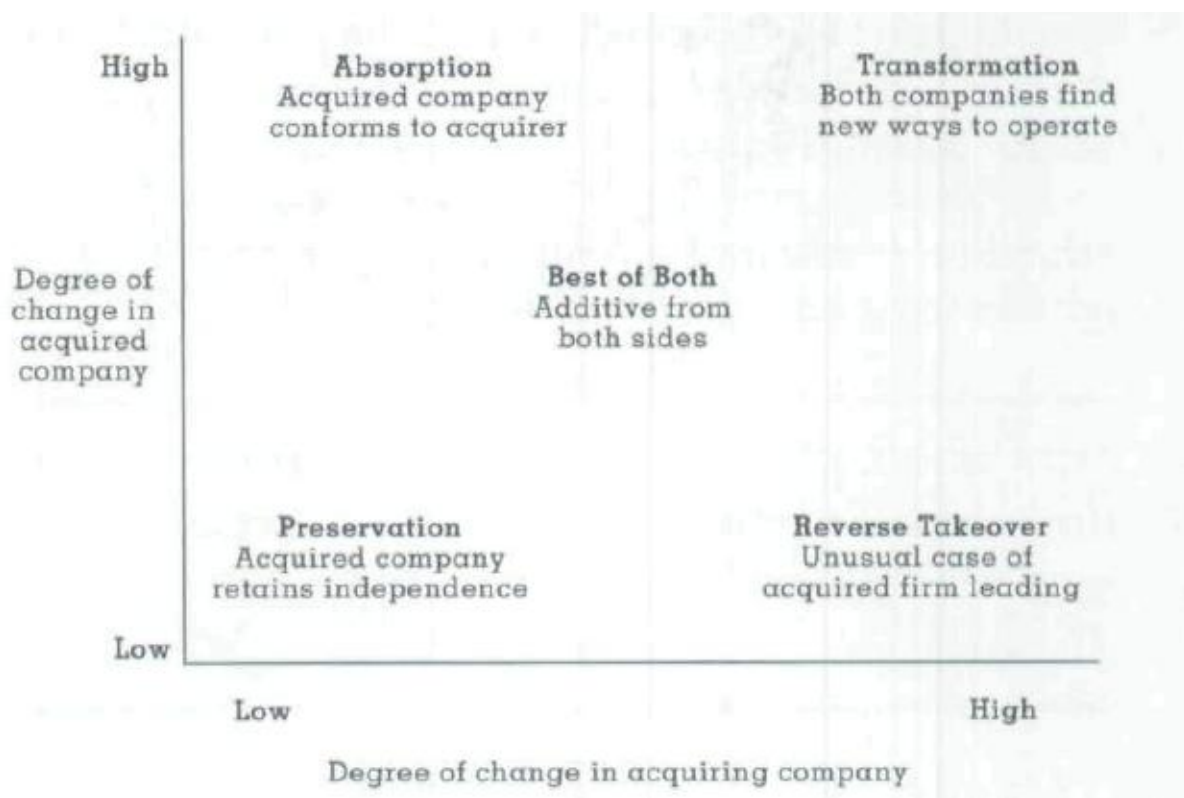


Figure 11: (M. L. Marks & Mirvis, 2001, p. 85)

As with Haspeslagh & Jemison’s approaches, the last one in Marks & Mirvis’ list also seems to be obsolete and if used, it is very rare.

The level chosen should be done wisely as some research shows that choosing an inappropriate level might prove detrimental to the performance (Ahammad & Glaister, 2011). Prior research does not show any definite results when it comes to choosing the level of integration, indicating that there are no right or wrong answers as to what level should be chosen when integrating an acquired company. But, some research shows that in related integrations, there should be a minimum level of organizational integration (Ahammad & Glaister, 2011). The level chosen will determine the extent of centralization or decentralization of strategic and operational decision-making process within the new organization (Ahammad & Glaister, 2011).

### 2.3.7 - DOMESTIC M&A (DM&A)

M&A has been classified in many different ways by different scholars. Some have split the various types into intra-regional, neighbouring domestic, distant domestic and cross-border, defined in the following terms: “M&A is intra-regional when an acquirer (a target) is located in the same domestic region as a target (an acquirer). M&A is neighbouring domestic when an acquirer (a target) is located

*in the neighbouring region of the target's site (an acquirer), and it is distant domestic when an acquirer (a target) is located in another region than a target (an acquirer) and not in the neighbouring region. M&A is cross-border when an acquirer (a target) is located in another country than a target (an acquirer)" (Lehto, 2006, p. 2). Others define it as simply as, "domestic mergers (US acquiring US; Swedish acquiring Swedish)" (Larsson & Lubatkin, 2001, p. 1575)*

Some reasons for favouring domestic M&As or closely linked M&As are mentioned as easing communication, both tacit and explicit, better utilization of assets and easier internalization of potential synergies (Lehto, 2006). *"While the majority of M&As involve two firms within the same country, over 40% of the M&As that were completed between 1999 and 2000 involved firms headquartered in two different countries"* (Shimizu, Hitt, Vaidyanath, & Pisano, 2004, p. 308)

For the purpose of this study, a short definition of domestic M&A to improve the general understanding of the topic is sufficient.

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### 2.3.8 - INTERNATIONAL M&A (IM&A) OR CROSS-BORDER M&A

Cross-border acquisitions (CBAs) are increasing in magnitude, as mentioned in the introduction. It is becoming *"an increasingly common mode of international expansion for companies seeking global reach"* (Ahammad & Glaister, 2011, p. 59). CBAs are in many cases considered to bring larger cultural differences due to differences in values and beliefs (Ahammad & Glaister, 2011). On the other hand, other researchers have found that domestic M&As are considered to be less compatible than CBAs in some cases (Very, Lubatkin, Calori, & Veiga, 1997). When reviewing research on CBAs, the topic of organizational cultural differences or organizational fit is a recurring topic, referring to *"the extent to which the combining firms were similar or different along several organizational dimensions prior to the acquisition"* (Ahammad & Glaister, 2011, p. 65). Culture and its related topics will be covered in more detail later in this study.

The study by Ahammad & Glaister (2011) found significant evidence that level of integration and knowledge transfer affects acquisition performance during CBAs. From an HR perspective, I would believe that the level of integration is directly proportional with the level of integration work and involvement required by the HR function to accomplish a successful integration.

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### 2.3.9 - TYPES OF M&A WITHIN SCHLUMBERGER

According to internal guidelines, Schlumberger currently operates with 3 levels of integration (Schlumberger, 2008, pp. 2 - 3);

**High Level** of integration has the following characteristics:

- *The goal is to ensure that at the end of the integration the cultures, processes, functions and activities of Schlumberger and the acquired company are consolidated into one organization*
- *One business development strategy*

- *May retain company brand for marketing purposes*

**Medium Level** of integration has the following characteristics:

- *Targets standardization and knowledge transfer*
- *Selected processes are integrated*
- *Consistent, but autonomous business strategies*
- *Retains company brand, co-ordinates marketing with Schlumberger*

**Low Level** of integration has the following characteristics:

- *In this case there is a clear decision made at the time of the acquisition that a full integration of processes, systems, functions etc. of the acquired company and Schlumberger will not be made*
- *The 'house of brands' approach*
- *Separate management structure*
- *General strategy of consistent and open communication*
- *The minimum required level of standardization as defined by SL will be implemented in this case, we will also have to comply with all regulatory requirements. This would include minimum QHSE, business ethics and financial standard of practice. There could also be other requirements.*

### 3 - RESEARCH METHODS

When considering the approach to take for this research project, a few qualitative research methods were touched upon and considered. One of the methods considered was to use a case study, defined as *“the detailed examination of an aspect of a historical episode to develop or test historical explanations that may be generalizable to other events”* (GEORGE & BENNETT, 2005, p. 5). The authors of the mentioned book agree in great detail with King, Keohane and Verba (G. King, Keohane, & Verba, 2001) on that one should *“leave a clear and replicable record of your research methods, generate a list of observable implications for alternative hypotheses consideration, specify what empirical findings would call into question each of these hypotheses, and keep in mind science is a social enterprise in which no research is perfect and diversity of belief serves as a useful check on individual misperceptions and biases”* (GEORGE & BENNETT, 2005, pp. 11-12).

However, the case study research method seemed too heavily focused on testing hypotheses and even if George and Bennett criticize King, Keohane and Verba for *“emphasizing almost exclusively the epistemic goal of hypothesis testing”* (GEORGE & BENNETT, 2005, p. 12), they still structure their work around hypotheses in some way or another. After having reviewed this research method, the decision was to rather go with a more flexible approach. Some might argue that the chosen approach is too flexible and does not follow the rules of social science research. It's often only mentioned in the passing when reading books on social science research methods. However, for the purpose of this study, exploratory research seemed to be the most fitting choice.

#### 3.1 - EXPLORATORY RESEARCH

*“Researchers explore when they have little or no scientific knowledge about the group, process, activity or situation they want to examine, but nevertheless have reason to believe it contains elements worth discovering”* (Stebbins, 2001, p. 6). The same author also claims that exploration is about discovering new ideas through a systematic exploration of social groups, processes and activities (Stebbins, 2001). Stebbins also emphasizes the flexibility and open-mindedness in how and where to gather data as a strong point for exploratory research (Stebbins, 2001).

*“Exploratory research may involve the use of a battery of research methods – interviews, observation, documents and so on. However, interviewing is the most commonly used method in Master’s level research into business and organizations and it will be used to provide examples of good practice in open and semi-structured research”* (Fisher, 2010, p. 182).

These points seemed a good introduction to the chosen research method for this research project. However, exploratory research method is not very well covered topic in the literature. Often its footprint consists of only a few lines or pages, including the majority of the references used for this research project (Fisher, 2010; Zikmund, 2003; Zikmund & Business research, 2010). The only complete book found on the topic is the one referred to above, although it is a very short book of only approximately 60 pages. Others, like Mason, Augustyn and Seahoa-King have conducted research on exploratory research, which is covered in the introduction of their article (P. Mason, Augustyn, & Seahoa-King, 2010). They defined social science exploration as; *“a broad ranging,*

*purposive, systematic, pre-arranged undertaking designed to maximize the discovery of generalization leading to description and understanding of an area of social.... life” (P. Mason, et al., 2010, p. 433).*

In social science, the concept of pre-arranged research is dubious and goes against the requirement of generalization. For this study, I will however argue that an exploratory approach is suitable, as generalization outside Schlumberger is not a requirement for this project.

As mentioned in the article by Mason, et al, it is also stated that *“an exploratory study may generate new ideas and opinions about the focus of the research that could help to operationalise important concepts in the research” (P. Mason, et al., 2010, p. 433), further, “exploratory studies usually aim to develop initial understanding of a phenomenon under investigation” (P. Mason, et al., 2010, p. 434).* In this study literature on M&A related to the HR function are frequently used to define concepts, possibly develop hypothesis, refine questions, and provide a platform for further investigation (P. Mason, et al., 2010, p. 434).

And even if the area of exploratory research is not a well-covered phenomenon within social sciences, it still manages to get enough attention to generate discussions on the assumptions behind it.

Stebbins, who was mentioned in the introduction to this part, seems to have a deductive focus on his approach to exploration, where he believes in the ability of the researcher to think deductively based on an emerging framework (Stebbins, 2001). This view is quite opposed to the one of Norman Blaikie (Blaikie, 2010), who holds that exploration is much more linked with an abductive research strategy, than induction and deduction. However, induction and deduction can also be used and is linked with the choice of research questions. This will be covered in more details in the following.

For the purpose of this research projects, these thoughts will be considered, but the main work that will be used as a basis for the research method is the work of Norman Blaikie (Blaikie, 2010). He sets out a structured overview of research purposes and research strategies and how they fit together. In this study, the purposes and strategies that will be used are twofold;

First, an initial exploratory and descriptive stage will be conducted; attempting to first develop a rough description and then provide a more detailed account of the characteristics of the various important topics related to HR in M&A Integration processes. This stage corresponds with the logics of the inductive research strategy (Blaikie, 2010).

Second, a somewhat more applied approach will be undertaken, conducting open-ended surveys and interviews with relevant stakeholders in the HR function in Schlumberger. For this stage, the purposes will be the ones referred to as understanding, change and evaluate, corresponding more with the abductive research strategy (Blaikie, 2010). At this stage, I will try to come up with some suggestions for Schlumberger that will be based on the initial stage of the research.

This approach is highly in line with the purposes of exploratory research described by Zikmund (Zikmund, 2003) as first to diagnose a situation (the literature review), then to screen alternatives (how does Schlumberger do it compared to the literature) and last to discover new ideas (improvement areas for Schlumberger based on the previous findings).



The thesis will be structured around a set of research questions, which relate to the different stages of the study. According to Blaikie, *“a research project is built on the foundation of its research questions”* (Blaikie, 2010, p. 57). The research questions can be grouped into “what”, “why” and “how” questions, all corresponding to specific research purposes and strategies in different ways. For the first stage of this study, the major questions will be “what” questions, fitting very well with the exploration and description purposes using an inductive strategy with the intent to discover and describe (Blaikie, 2010). For the second stage, there will need to be a little element of understanding, using some “why” questions, before taking on the more applied stage of change and evaluation purposes, using “what” and “how” questions, with a focus built on the abductive research strategy.

Research questions should express the research objectives in terms of questions that can be addressed by the research. They should be interrogative as opposed to hypotheses which are declarative (Zikmund & Business research, 2010).

The questions can be set out sequentially (What → Why → How research questions) to build up under the logic of the progress of the research project. In this case this logic will fit quite nicely with the setup chosen to conduct this study. The suggested research questions will be:

The main research question:

- What are considered critical success factors for M&A processes from an HR perspective?

To help answer this question, some subsequent research questions will also be investigated:

- What is the current state on M&A, mainly from an HR perspective, in the literature?
- What are the latest recommendations from the literature for M&A processes in HR?
- What is the current state of HR integration processes in Schlumberger?
- What does the literature recommend that can be implemented in Schlumberger for improvements and why?
- Should Schlumberger change its current state and why?
- If so, how should Schlumberger change its current state to improve M&A HR integration processes? (Recommendations only).

Beginning with an exploratory literature review the research questions may change over the course of this study, as well as the questions asked to interview subjects in Schlumberger.

As mentioned, throughout this project, the objective is to gather relevant information from the literature and also to gather information from stakeholders involved in integration projects. In Schlumberger, the HR function is split into the following (also see illustration in figure 2, section 2.1.1 :

- People Planning
  - Global HR Support
- Employee Support
  - HR Integration Managers, past and current

- HR Transactions
  - Payroll Integration
- HR Practices
  - Compensation & Benefits
  - HR Processes & Systems
  - HR Quality System

The main focus will be to obtain relevant information from HR Integration Managers and their close colleagues.

In addition, the intention is also to get some information from the M&A manager or his team to help fill in holes in the material.

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### 3.1.1 - RESEARCH LIMITATIONS

The choice of research method has its limitations. From a research methods point of view, exploratory research will not be able to produce conclusive results (Stebbins, 2001; Zikmund, 2003), but inconclusiveness comes in degrees. For instance, Stebbins declares that inconclusiveness can be reduced if the sample used is highly representative, thus allowing tentative generalisability in some cases (Stebbins, 2001). With this in mind, it is important for social science explorers to be modest and humble in their claims on what their studies can and can't accomplish. The same author claims however that generalizations can be strengthened by quotes and by writing about concepts and not people and that *"proof and validity in exploration rests on the regularity of thought or behavior"* (Stebbins, 2001, p. 45).

For this thesis, some specific limitations can be pointed out. First, the perspective chosen for this project will reflect the opinions of the HR managers involved in the study and thus, will not reflect the perspective of the acquired organization much. Second and linked to the first one, the use of exploratory research methodology and research subjects incline that the results are not able to achieve wider generalization outside of the organization chosen for this research project. However, an attempt to overcome this limitation is to include the secondary data mentioned above, allowing higher representativeness and triangulation of findings through the search for regularities. Thirdly, the variation in type and size of integrations vary widely within the case company, making the data comparison difficult in some areas.

A fourth limitation is the choice of research methodology in itself. This is due to the lack of literature covering the topic and the variation in beliefs among the few who actually do dive into this research methodology. Some of the claims by some of the authors go against what this research project is all about. One can for instance read in Stebbins' book that he believes true exploratory research has a

short literature review (Stebbins, 2001), which is completely the opposite of this research project. Others don't mention the length of the literature review, only the purpose (Blaikie, 2010).

The final limitation that deserves mentioning is on the topic of interpreter bias, which is indeed important for a research project such as this. Any conclusions derived from qualitative research may indeed be subject to considerable interpreter bias (Zikmund, 2003) and this project is no different. Hopefully the use of several data sources will decrease any bias that might occur.

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### 3.1.2 - THEORETICAL DILEMMAS

Several authors bring to the forefront of their concerns that literature on M&A is mainly based on research done in retrospect, mainly using quantitative, archival and secondary data (D. R. King, et al., 2004). M&A processes and negotiations are very secretive and rarely allow researchers in on the details (M. L. Marks & Mirvis, 2001). Haleblan et al. also bring certain concerns to the surface in their summary, suggesting some future research improvements such as: focusing more on the role of time during the M&A processes, focus on other areas than the US, using other theories than agency theory, large variations in sample compositions and divergent perspectives and objectives in the research approach depending on the discipline (Haleblan, et al., 2009). One last interesting dilemma mentioned by Haleblan et al. is the use of certain terms or labels that have never been appropriately defined to convey what's being studied effectively. Some terms mentioned are acquisition performance and divestiture.

Also, lessons learned from past combinations seem not to be applied in a systematic manner in the current combinations.

In addition, the use of cross-referencing in the literature might be considered a dilemma as well. To a certain extent, this is applicable within the different schools, i.e. the authors within the finance literature cross-reference each other and so does the researchers within management or HRM. But cross-schools referencing seems less common and as such remove learning potential between the various research branches (Haleblan, et al., 2009).

As an extension to the cross-referencing mentioned above, cross-criticism also seems to be a fairly "hot topic" in the various articles. *i.e. "King et al. (2004) (...) failed to find significant results"* (Weber & Drori, 2011, p. 77).

A last, small addition to the theoretical dilemmas is the concern that some authors consider the research that has been done to focus mainly on the implementation and outcome of the integrations (Antila, 2006). That there is a major focus on outcome, i.e. synergies, acquisition performance etc., I can agree to. But, that the literature referred to in this study (Antila, 2006) is focusing on implementation is contrary to my interpretation of what I have read and also contrary to the majority of the criticism found related to research on M&A and the lack of focus on the integration/implementation stage (Y. Weber & Y. Fried, 2011) (for further references, please see the Introduction chapter).

## 3.2 - DATA COLLECTION

Using the overview from Haleblan et al (2009), mentioned during the Introduction chapter, this acts as a good overview and starting point. A similar overview for HR literature only has not been discovered during this research project. Through literature searches and discussions with relevant stakeholders in the HR function important topics were uncovered and the basis for the data collection through the use of interviews and an open-ended survey was created.

### 3.2.1 - INTERVIEWS

Several informal interviews have been conducted throughout the course of this research project. I have met with the HR Integration Manager for the Geoservices integration on several occasions and she has given me very detailed and useful information for further research, but also for use in the thesis. Due to the length and complexity of these conversations, no recordings have been made, only my notes are available for references.

In addition, I have had conversations with other HR professionals involved in integration work, such as an HR advisor, an HR Integration Manager and an Area Integration Manager. These people have also supplied me with a lot of useful information that I have not caught just using the open-ended survey that I will come back to in the following section.

This way of collecting data is not very structured, but absolutely in line with the inductive and abductive research approach that this thesis builds on. As a main recommendation, the use of depth interviews seems to be the recommended way of searching for information during exploratory research. Depth interviews are generally unstructured and extensive (Zikmund, 2003). And one should not spend time transcribing such interviews (Stebbins, 2001) as it will likely not bring any added value to the research project to do so.

The subject matter for this research project is extremely complex and the available data both in the literature and also within Schlumberger as a company is beyond imagination. If I had attacked this research project in a more structured manner, I am convinced that I would not have gained access to the amount of people and information that I have. Finding out who to talk to has been a bit of “learning as we go” and the people I have talked to referring me to other people of interest. Using this snowball or domino method for gathering information has allowed me to cover the main aspects of M&A, from research and due diligence, through to the final integration stages.

Some areas were “black holes” in the beginning of my research project. Due diligence for instance seemed to be an unknown to a lot of the HR professionals I talked to who have been involved in integration projects. In the end, I found one HR Advisor through referral channels who turns out to have been involved in a lot of the due diligence processes from an HR side. I do not believe I would have found this person by other means, like searching through internal registries or similar.

For generalization purposes or social science principles, the research method chosen is indeed not scientific enough. I cannot claim to have drawn respondents randomly, nor can I claim that any of the

material gathered using these methods can be generalized. As mentioned in the introduction to this work, this has never been the intention either, which is why I have relied a lot of my research on open conversations, rather than formalized interviews or surveys.

I have however used an open-ended survey to gather some data that can be quantified a little, which I will come back to in the following. Also, through my conversations with the Geoservices HR Integration Manager, I was made aware of an internal perception survey conducted by one of the Area HR Integration Managers. He was willing to share all of his data with me, allowing me to use his findings for triangulation and verification of my own findings. I will come back to this survey as well in the following.

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### 3.2.2 - OPEN-ENDED SURVEYS

The main data used in this research has been collected via an open-ended survey that was sent to recipients via e-mail. The nature of this project and the survey did not allow for a closed survey and an excel format seemed the best way to collect the data. As mentioned in the information letter to the recipients, no information will be used that can identify the person or project. The data collected will also be deleted once the thesis has been handed in.

The use of an open-ended survey is in line with suggested categories for data gathering in exploratory research as outlined by Zikmund (Zikmund, 2003) as experience surveys or the later label of semi-structured interviews (Zikmund & Business research, 2010). Zikmund explains experience surveys as one to use when respondents are knowledgeable individuals and the intention is to get better understanding of a problem or topic. This type of survey may be quite informal, allowing for discussions with few constraints and is not expected to be conclusive. A semi-structured interview is explained as being in written form, asking for elaborate answers to open-ended questions (Zikmund & Business research, 2010).

The survey was structured with the intention to get an understanding of how HR Integration is structured in Schlumberger, who is responsible for what and how the information flow works internally when it comes to knowledge sharing from previous integration projects. With this survey, I intend to answer the research questions:

- What is the current state of HR Integration Processes in Schlumberger?
- Should Schlumberger change its current state and why?
- If so, how should Schlumberger change its current state to improve M&A HR Integration processes?

The respondents were asked to answer the following questions:

Question	
<b>About integration</b>	
1	What do you believe are the desired outcomes of Schlumberger acquisitions?
2	Which integration project(s) have you been responsible for?
3	When did this integration take place?
4	How long did the integration process last?
5	Would you call this an acquisition or a merger?
6	Was it a domestic or international (cross-border) integration process?
7	Based on your experience, what do you consider major obstacles to good integration performance from a HR perspective?
<b>About your role during the integration(s)</b>	
8	What would you consider your main tasks during the integration process?
9	Did you work closely with an Integration Manager?
10a	Was your job purely on HR Integration or was it a part-time role in addition to other tasks?
10b	If part-time, how much of your time was spent being HR Integration Manager?
10c	If part-time, how much time were you supposed to spend on integration?
10d	Would you recommend a different setup for future integrations?
11a	M&A activity is generally split into 3 stages, pre-combination, combination and post-combination.
11b	At which stage of the integration process were you assigned to the job?
11c	Were you involved in assigning anyone to the integration team?
11d	Would you recommend a different approach for future integrations?
<b>About knowledge sharing/lessons learned</b>	
12	Did you receive any guidance from corporate HR or others within the HR function during the integration project?
13	Did you receive any guidance from the corporate M&A team before or during the integration project?
14	Were you given any documentation to help you during the integration process?
15a	Did you have any other HR Integration Managers to share your experiences with?
15b	Would you have liked to have such a network? Why/why not?
16a	Do you believe that Schlumberger as a company is good at capturing knowledge from previous acquisition integration processes to utilize in future integrations?
16b	If yes, did you find and utilize any such information during your assignment as HR Integration Manager?
16c	If no, do you believe this is information that should be captured in the future? If so, where, how and why?
17	Do you have any other input or suggestions for improvements of HR integration processes within Schlumberger?
18	Can I contact you for follow-up questions if clarifications are required? Follow-up will be either by e-mail or phone.

Figure 12: HR Integration Manager Questionnaire

For the survey, the questionnaire was sent to 21 HR professionals within Schlumberger. Out of which, only 6 responded, giving a response-rate of 28%. In addition, 1 other HR professionals agreed to be interviewed based on this questionnaire.

For this project, the actual response-rate is not as important as the quality of the data received and the responses given were detailed and useful. In addition, a lot of the information given in the survey confirms information given by other HR professionals during meetings and phone conversations about the topic.

### 3.2.3 - SECONDARY DATA

In addition to the above mentioned research, the researcher was given access to a “Perception survey”, which was conducted and administered by an Area Integration Manager at the same time that I was doing my work. I received the raw data collected for this survey and also discussed some of the findings in detail with the owner of the survey.

The use of secondary data is frequently used in exploratory research, since it’s quick and economical to the researcher and allows for clarification of issues or topics (Zikmund, 2003)

In an attempt to triangulate my own findings, I have been given access to a survey conducted by one of the Area HR Integration Managers responsible for the Smith and MI Swaco integration. This is a perception survey, focusing on all areas of the Smith and MI Swaco integration from an HR function perspective. This survey spans wider than my research does, but is a great addition to understate

some of my own findings. One of the definite main findings from this perception survey, which also reflects my own main findings are related to the importance of communication. This will be covered in more details in chapter 5 on findings.

I will not go into details on the research method behind this survey since it was not created or conducted by myself. I will however explain shortly how it was setup in the area. The Area HR Integration Manager created a spreadsheet to use as an interview guide by the local HR Managers and others. The interview guide was used to interview local employees in the various countries in the region.

The interview guide required the local HR Managers to ask questions related to:

- Integration status
- Internal customer's perception (internal customers being local employees and managers).
- Critical issues identified by internal customers
- Positive aspects identified by internal customers
- 3 Actions that you, as an internal customer, recommend to improve our HR support
- In your opinion, what are the best practices in your segment and / or in SLB legacy we absolutely need to share and implement?

And also a separate entry for the interviewer to fill in:

- 3 Actions that you recommend to improve the situation (to be filled by stream owner and HR interviewer)

As can be seen in this overview, the survey is strictly for internal purposes and, like my own research, it is not following a strict methodological regime. As such, it does not allow for generalizations outside Schlumberger, but the findings in this survey definitely helps strengthen my own findings.

For this survey, 440 interviews were conducted with Smith, MI Swaco and Geoservices employees and managers.

Using the data from this survey will allow for triangulation of some of the findings in this research project. *"In research terminology, triangulation has been quite broadly defined as the combination of two or more theories, data sources, methods or investigations in one study of a single phenomenon"* (Foss & Ellefsen, 2002, p. 243). Given such a wide definition, the use of triangulation is not an exact science, but highly in line with the overall theme of this research project for methodological approach. It is worth mentioning that some have argued against triangulation, at least parts of what triangulation might entail (J. Mason, 2002). It still seems worth-while to mention and suitable to this research project as a means of why several sources have been used and how it can be seen as an appropriate approach by some scholars for subjects with no definite or clear answers.

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### 3.2.4 - VALIDITY AND RELIABILITY

Validity and reliability are always important topics in social science and can or can't be the ultimate goal of a research project. For the project at hand, the question of generalizability has already been touched on and is linked with the questions about validity and reliability.

Validity refers to a need to gain an accurate or true impression of the phenomenon one is studying (Stebbins, 2001).

Validity can be defined both using internal and external validity, where internal validity refers to *"the relationship between treatment and effect in experiments"* (Blaikie, 2010, p. 168) and external validity refers to representativeness and ability to make generalizations (Blaikie, 2010). Explained using somewhat simpler terms, validity refers to how one write about and treat universals. This can be done through different positions (Fisher, 2010, p. 268):

- *They are real and more or less reflect reality and are therefore easy to define and measure.*
- *They are just phrases – puffs of wind, arbitrary labels – and because of this ambiguity they are difficult to define and measure. However, the ways in which people deal with ambiguity can be researched.*
- *They are real but exist below the level of our direct experience and although they can be defined and specified it is a difficult intellectual process to excavate through the levels of experiences and events to identify them.*

Some concerns can be mentioned when reviewing validity of an exploratory research project, one being the questions of being able to generalize the knowledge. Another, main one rests with the explorer's or researcher's ability to gain an accurate impression of the topic (Stebbins, 2001). For this research project, the main obstacle to gaining accurate and objective impressions lies with the fact that the researcher works for the company that is being used as a case. Also, as mentioned in the points above, the different data one is looking for may or may not be real, tangible and specific, making it possible to define and measure.

For this research project, it is clear that the elements examined are not necessarily tangible and might not reflect the real picture. Thus, it will, as mentioned before, not be an aim for this project to make generalizations outside of the case company.

To overcome or minimize some concerns, the use of triangulation of results can be a good aid. This can be accomplished using different methods to examine the same activity or phenomenon in order to uncover recurring evidence (Stebbins, 2001). For this research project, an attempt at triangulation is approached through the use of the literature review, an open-ended survey combined with interviews and with confirmatory results from the secondary data. . In general, proof and validity in exploratory research depends on the regularity of thought or behavior and the use of quotes from respondents can strengthen the possibility of generalization (Stebbins, 2001). A researcher can also enhance validity by discussing emergent generalizations with respondents, by looking for contradicting evidence and by consistently and consciously reviewing whether or not enough observations have been made to make valid generalizations.



Reliability is mainly associated with quantitative research (J. Mason, 2002) and can be “conceptualized in terms of how reliable, accurate and precise the research tools or instruments are” (J. Mason, 2002, p. 187). None of the methodologies or tools used for this research project can claim to attempt to find accurate and precise answers to any research questions. Thus making validity a more important element for the quality of the research conducted. This is especially important when reviewing whether the researcher is “measuring, or explaining, what you claim to be measuring or explaining” (J. Mason, 2002, p. 188)

The major limitation, according to Stebbins, when it comes to exploratory research is that it can't produce conclusive results. But, inconclusiveness comes in degrees and can be reduced if the samples used are highly representative. As mentioned earlier, it has never been an objective of this research project to attempt any generalizations applicable outside of the case company, Schlumberger. However, considering the variety in sources of information used during this study, tentative generalization for Schlumberger should be achievable

The choice of research strategies (Blaikie, 2010) through the choices of research questions and methodology also supports the goals of the research and limited generalization. An inductive research strategy only aims “to establish limited generalizations about the distribution of, and patterns of association amongst observed or measured characteristics of individuals and social phenomena” (Blaikie, 2010, p. 83). The abductive research strategy on the other hand is more linked to the researcher getting an increased understanding of the problem or topic at hand, in order to “discover and describe an “insider” view, rather than to impose an “outsider” view on it” (Blaikie, 2010, p. 89).

This also emphasizes the mentioned concern above about the researcher being employed by the case company. However, the M&A processes and integrations are not part of the researchers every day job and the respondents to the open-ended survey are from various parts of the company and not closely linked to the area or department where the researcher currently works. Therefore, and also linked to the size of the company, it is possible to claim that the researcher should be able to hold a somewhat objective, curious and critical view on the data gathered.

One last element to mention is the need to be cautious about how one portray and write about the topics as well. Especially when writing about something with no right or wrong answer, it is important not to portray the universals as if they are a precise image or the only possible interpretation, when indeed they are not (Fisher, 2010).

## 4 - LITERATURE REVIEW

For this research project, the approach taken is not as systematic as the one taken by Haleblan et al. However, many major renowned sources were used, including Business Source Premier, Business Source Complete, Scopus, EconLit and Google Scholar just to name a few, and many major journals, including Human Resource Management, Strategic Management Journal, Journal of Management and Journal of Business Research etc., have been utilized for the literature exploration. As shown, a lot of the topics that were found to be relevant are under the Management category. Searches on key words like “mergers & acquisitions” or “human resources in mergers & acquisitions” etc. yield enormous amounts of information in several categories. A manual exploratory and “ancestral” approach has been applied to the search, where I have sorted through what seemed to be relevant or not from the searches based on quick reviews of abstracts as a first step. Those that passed the initial review were read in more detailed unless initial read-through found them to be irrelevant as well.

During the exploration of the literature, one of the main topics believed to be missing in details from the literature is on the actual integration process. This process has been referred to as the post-combination phase (M. L. Marks & Mirvis, 2001) or the integration stage (Aguilera & Dencker, 2004). Or, by others just referred to as the “black box” (Weber & Drori, 2011), which might indeed be the most fitting description. As mentioned in the introduction, my initial findings seems to be supported by recent literature also calling for more research on the topic (Y. Weber & Y. Fried, 2011; Yaakov Weber & Yitzhak Fried, 2011). Other authors have in recent articles called for more research on issues such as impact of national and corporate cultural differences on M&A performance, factors that may affect the cultural differences and the nature of the various possible relationships between cultural differences (Weber & Drori, 2011)

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### 4.1 - MAIN TOPICS OF M&A IN THE LITERATURE

Some of the topics that have crystallized themselves during the literature review are important, but can't be considered as main topic. This is because of limited focus on the topic as separate articles, but many of them are well used as citations in research on relevant topics, i.e. the article below by Ashkenas et al. from 1998, which has been cited on 196 occasions according to Google Scholar. Some of the articles below are too recent to have any citations, but are written by acknowledge authors if one looks at citation rates on some of their older works.

In this section, the main topics found during the literature review will be covered in detail and have been broken into categories or chapters that seemed logical and appropriate to the researcher. The findings in this section are in no way exhaustive of the available topics in the literature, but should however cover the main topics in good detail.

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#### 4.1.1 - PLANNING AN ACQUISITION

The topic of acquisition integration planning is, as mentioned, very well covered in the literature and to a major extent outside of the scope of this study. The main elements of the planning stage include establishing a direction and a strategic framework for the deal and developing an integration plan (including elements such as culture, organization, people and systems) (Thomas, 1997). It is considered critical to involve senior management and to have an integration manager in place as early as possible, reporting to senior management of the acquiring company (R. N. Ashkenas & Francis, 2000; Burgelman & McKinney, 2006; Thomas, 1997).

Some general planning guidelines given to have an idea of what to consider during implementation (Thomas, 1997, p. 41):

- *Communicate a clear strategy.*
- *Have a clear sense of corporate identity.*
- *Develop clear accountabilities and reporting structures.*
- *Ensure senior management are highly visible.*
- *Have a project plan with critical timescales.*
- *Communicate tough or difficult news early and directly.*
- *Think culture, constantly.*
- *Put in place talent retention strategies.*

These elements seem simple enough, but are of course only a simplified overview. A lot of these topics do however repeat themselves in the literature studied throughout this exploratory review.

One clear message from the article mentioned above is that *“decisive action is always favorable”* (Thomas, 1997, p. 45), meaning that failure to plan for the coming integration is almost the same as planning for failure.

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#### 4.1.2 - DUE DILIGENCE

For HR not to have been involved in the due diligence procedure has by one research subject purely been referred to as a *“dreadful experience”* (Antila, 2006, p. 1009).

Research shows that the HR function is essential during the M&A planning stage, but HR managers do not seem to be very involved in M&A strategy, although the HR expertise is heavily depended upon HR during the implementation (Antila, 2006).

The questions of what due diligence includes vary from the perspective of the individuals asked. When asking a senior executive in the HR function, the likely answer will be that they are looking at it from a high level perspective, evaluating the fit of overall management practices between acquirer and target organization. On the other hand, if one ask some of the other involved functions, they might believe that HR is mainly focused on pension and insurance plans, compensation schemes etc. (Antila, 2006). To start with the high level focus is probably the most appropriate approach, to first establish organizational and cultural fit before attacking the more technical and practical details.

With proper due diligence and integration planning, the new company should be ready to “go” on the day when the merger is announced. Those involved in the planning of the new organization should know exactly what to do and be ready to start the integration once the green light is given by the governing authorities.

To achieve a thorough analysis of the potential culture fit, a checklist of various cultural dimensions can be useful to assess the target organization. See figure 13.

The current organizational culture and underlying values of the target company will have a lot to say in the way the transition plays out, explicitly stated or not (Mitchell Lee Marks & Vansteenkiste, 2008). This makes it important for the acquiring organization to understand the cultural aspects, allowing for some planning and preparation on how the transition process might play out.

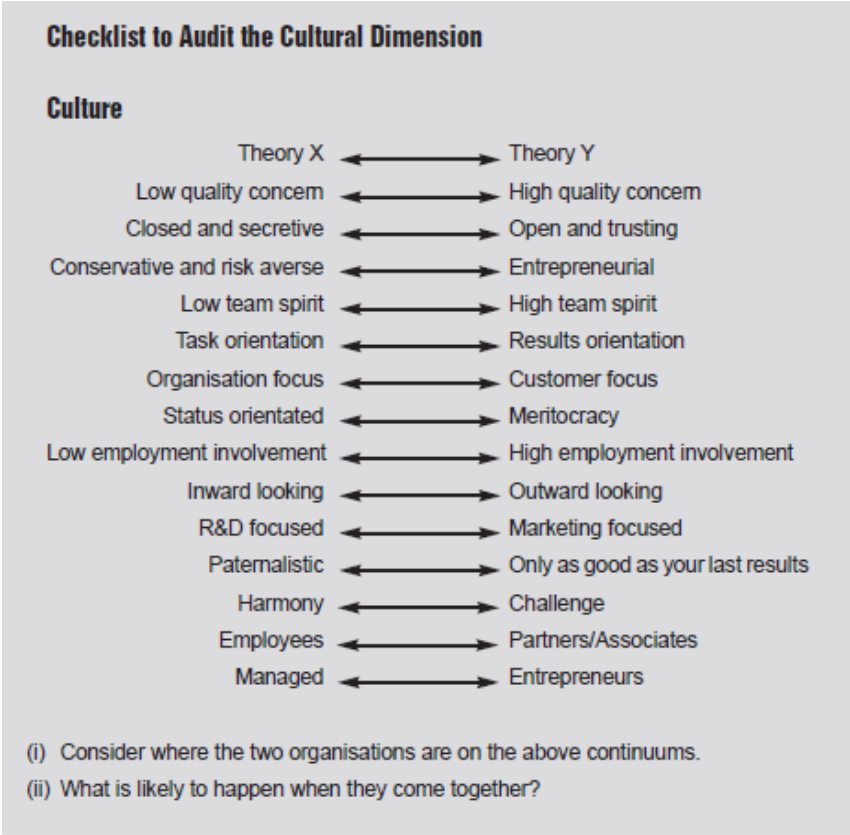


Figure 13: Audit of the Cultural Dimension (Thomas, M., 1997, p. 43)

The same author has also created checklists to assess the organizational dimension, see figure 14 below and the people dimension, see figure 25 in a later section.

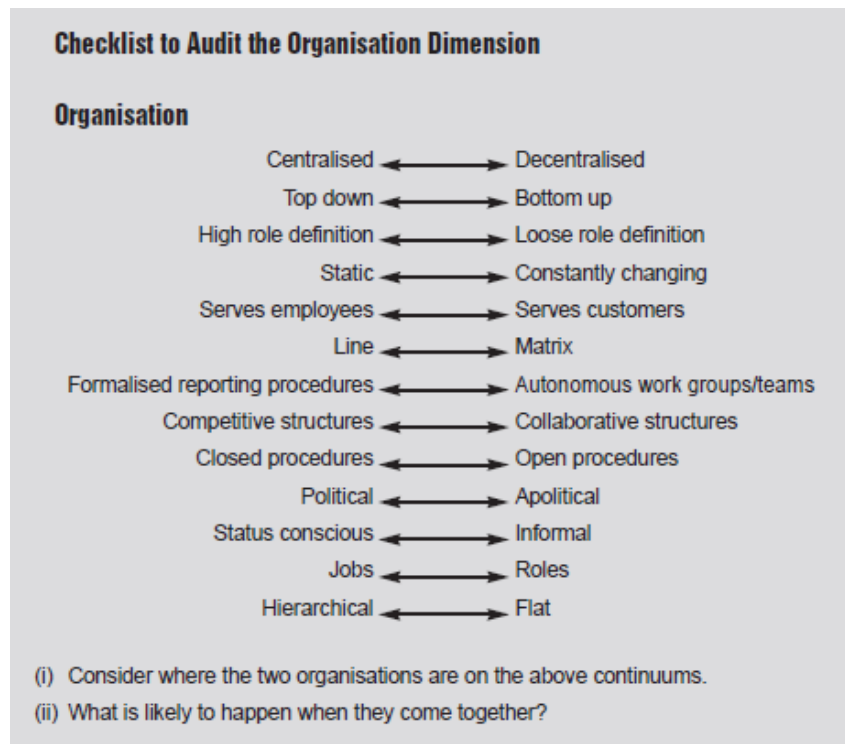


Figure 14: Audit of the Organization Dimension (Thomas, M., 1997, p. 46)

Using such checklists can be useful as a guide to assess the target organization. It highlights some important elements of what HR can contribute to during the due diligence process to help prepare the organization for the integration process to come and to help establish the angle of attack from HR on which processes and procedures to implement and potentially a layout of the order it should be done in. Some articles can be criticized for being too theoretical, the above mentioned book chapter however is perhaps a little too specific and “practical”. The author gives some checkpoints and lists, without much elaboration on the practicalities or the theoretical aspect behind the lists. From a practical perspective, they are however useful and somewhat logically constructed, without covering all relevant aspects of an integration from an HR perspective.

Other tools that can prove useful during an integration if started at the due diligence stage, is the use of a job satisfaction survey (Antila, 2006). If one is completed before the integration is started, there will be a reference point to evaluate the job satisfaction during the evaluation stage as well.

Retention is often also a topic at the pre-combination stage, and the use of retention bonuses to keep key employees during the transition period can prove to be powerful, with some research showing that as much as 95% of those offered retention bonuses choose to stay (Burgelman & McKinney, 2006). Other measures that can be useful to keep key employees can be to offer more flexible work schedules, opportunities to work from home or by giving some employees broadened job responsibilities (Mitchell Lee Marks & Vansteenkiste, 2008).

An example, illustrating well conducted due diligence, is from a US company called Cooper Industries (Schuler & Jackson, 2001). They typically have a due diligence team of 7 to 20 people, normally

including three to four HR professionals. Their team spends around two weeks on their average due diligence projects. The HR professional interviewed in the example spends the majority of his time looking at the records of the target company, in a search for potential liabilities related to medical benefits, severance payment obligations and the executive employment contracts. During this process he uses a detailed checklist to ease the work.

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#### 4.1.3 - CULTURE

Several of the articles reviewed only refer to the notion of culture in their research, not acknowledging how corporate and national cultures differ and how to best handle differences in corporate and national culture during cross-border M&As. And, studies of cross-border M&As seem to rarely include both national and corporate culture as separate dimensions in the same study (Weber, et al., 2011).

A lot of the articles on culture in M&A build on the classical study by Hofstede (Hofstede, 1983), using his four cultural dimensions as the background for newer research. One very recent study (Weber, et al., 2011), utilizes the knowledge from Hofstede and compares it with Haspeslagh & Jemison's integration approaches (Haspeslagh & Jemison, 1991) in an attempt to figure out which combination accounts for successful M&A integrations. According to the authors, their *"framework emphasizes the role cultural differences play in the choice of integration approaches and provides a solution for the conflicting results of empirical studies about the effect of culture clash and integration approaches on the performance of international and domestic M&As"* (Weber, et al., 2011, p. 21). The usage of Hofstede's (Hofstede, 1983) dimensions are most applicable at the level of national culture and is often utilized via Kogut and Singh's (Kogut & Singh, 1988) index, which builds on Hofstede's dimensions (Günter K. Stahl & Voigt, 2008). Conceptual and methodological problems with the index created by Kogut and Singh (1988) are well documented, but still widely used when investigating the culture-performance link in M&A (Günter K. Stahl & Voigt, 2008)

As mentioned under the section about theoretical dilemmas, the term M&A performance is not very well defined in the literature and this becomes quite visible in the article by Weber, et al. (2011) where the term is mentioned quite frequently in their study, without having spent much time on defining this. In this specific case, their research is also based on the review of others' research whereby one could expect the term to have been applied somewhat differently in the different research projects. Even though this is not the major topic of the research, it stands as a question of the comparability between the studies used in the project. In addition, their main objective has been to create *"a theoretical framework that addresses the effects of national and corporate cultural distance on various integration approaches, thereby explaining international M&A performance"* (Weber, et al., 2011, p. 21). This they do through 17 different propositions, combining integration approaches with the characteristics from Hofstede's (1983) study. As with many other studies reviewed during this thesis, it is all very theoretical and provides limited evidence of practical applicability. Additionally, Stahl & Voigt (2008) claim that *"cultural differences may be positively or negatively associated with M&A performance, depending on factors that are currently poorly*

*understood*” (Günter K. Stahl & Voigt, 2008, p. 172), adding to the confusion surrounding a lot of the M&A literature.

Another element that adds to the cultural questions is the somewhat uncritical use or reference of the cultural dimensions created by Hofstede (1983) to understand cultural differences. This has been criticized and suggested reviewed and researched upon by several to extend the categories by which psychic distance or cultural distance are measured (Dow & Karunaratna, 2006; Günter K. Stahl & Voigt, 2008). The suggested categories to include has varied with different authors, but the most recent study found on the topic includes the following categories: culture, language, education level, industrial development, political systems, religions, time zones and colonial links to better understand cultural differences or psychic distance as it’s referred to by some (Dow & Karunaratna, 2006). A related problem is also the fact that cultural differences or perceived psychic distances will never be stable over time, across firms or between countries (Dow & Karunaratna, 2006; Shenkar, 2001), indicating that generating a table or dimensions for measuring the distances will only be partially useful to understand possible conflicts between two different cultures. The above mentioned authors also came to the conclusion that at best, Hofstede’s cultural distance dimensions only make up parts of a broader set of what they call psychic distance stimuli (Dow & Karunaratna, 2006).

Cultural changes are also heavily linked to the type of integration chosen. *“Difficult culture changes will generally be associated with best of both, transformation and reverse engineered goals”* (DiGeorgio, 2003, p. 262). The same author has also given examples of companies that generally apply or has applied one level of integration or another, based on the various levels of integration as explained by Marks and Mirvis in figure 11 above (section 2.1.3). This is illustrated by figure 15:

<i>High</i>	<i>Absorption</i> GE Capital Coke Cisco Systems		<i>Transformation</i> Unisys
Degree of culture change in acquired company		<i>Best of both</i> ExxonMobil	
<i>Low</i>	<i>Preservation of both</i> USX/Marathon		<i>Reverse engineered</i> Lotus/IBM
	<i>Low</i>	Amount of culture change in acquiree	<i>High</i>

Figure 15: Culture change options in mergers and acquisitions (DiGeorgio, 2003, p. 262)

In an attempt to see if cultural differences are being considered during actual M&As, a follow up question has been asked to the respondents of the open-ended survey. This will be included in the data collection part at the end.

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#### 4.1.4 - NATIONAL CULTURE

Organizations are embedded in national and supra-national environments that can provide competitive advantages as well as constraints in cross-border M&As. It is important to understand when and how the national environment influences the M&As (Aguilera & Dencker, 2004).

Cultural differences between countries can be a source for culture clashes during M&A processes and it is likely that the relative differences are greater between two companies from different countries than two local companies, but this does not necessarily incline that the culture clash between the companies will be greater during cross-border acquisitions compared to a domestic one (Ahammad & Glaister, 2011).

Having tools in place to capture and minimize issues linked with culture might turn out crucial to integration success.

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##### 4.1.4.1 - NATIONAL CORPORATE GOVERNANCE

National legislation is a very important topic when dealing with M&A and especially cross-border M&As. If a company enters a M&A process in a different country without knowing what to expect and how to deal with certain issues, it could in a worst-case-scenario mean total failure of the deal.

The main article on this topic used for this research looks at the effects of national corporate governance on M&A activity, specifically exploring the effects of the degree of protection of shareholder and employee rights on post-acquisition target reorganization (Capron & Guillén, 2009).

When acquiring, the buyer will often want to do some level of reorganization in the target organization. These types of reorganizations have been labeled (Capron & Guillén, 2009):

- Asset restructuring: *“actions such as the disposal of some of the acquired assets (which may entail layoffs), the recombination of those kept by the acquirer under a different organizational or managerial structure, and the elimination of redundant activities and inefficient management practices, most likely in the target firm”* (Capron & Guillén, 2009, p. 804)
- Resource redeployment: *“actual shift of technological, marketing, or operational knowledge from the acquirer to the target or vice versa”* (Capron & Guillén, 2009, p. 804)

This is studied *“by focusing attention on regulatory institutions at the national level (...);we argue that regulatory corporate governance institutions affect the reorganization process by giving the various stakeholders in the firm different degrees of power and influence over corporate decisions”* (Capron & Guillén, 2009, p. 804).

Corporate governance can be defined as *“the allocation of rights and obligations among the firm’s stakeholders, including shareholders, managers, workers, and others with a stake in the corporation (...) include formal laws and regulations, codes of good governance, taken-for-granted assumptions about the appropriate role of the various stakeholders, and other informal norms of behavior*



*sanctioned by tradition or practice*” (Capron & Guillén, 2009, p. 805). These are not just constraints, but also elements for support and empowerment.

An important element to understand about national corporate governance traditions is that they *“are distinctive, deeply rooted and relatively resistant to change”* (Capron & Guillén, 2009, p. 805). This of course varies with country and fall along a continuum from liberal market economies to coordinated market economies.

According to the article, when new owners are from countries with better-protected shareholder rights, the target will most likely experience more restructuring, whereas when the rights of target employees are better protected in the target country, they will experience less restructuring and less redeployment (Capron & Guillén, 2009). Results also suggest that M&A experience may mitigate negative effects of target country labor rights.

From a managerial perspective and also HR, there is a need to take the role of national governance institutions into account when making acquisitions, since it can prevent planned changes.

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#### 4.1.5 - CORPORATE CULTURE

Definition (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 861):

*Culture encompasses the way things get done in an organization. It represents the shared goals, norms, and ideologies held by a given organization and its members and includes the set of important, often unstated assumptions, beliefs, and values that guide an organization’s business practices.*

*An effective culture is closely related to business strategy (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 866). A culture cannot be crafted until a business strategy has been developed.*

Organizational culture defined by Schweiger & Goulet: *“Shared goals, roles, norms, ideologies and values held by the organizational members, and includes a set of important, often unstated assumptions, beliefs and values that guide business practices”* (Schweiger & Goulet, 2005, p. 1477).

Managing culture in M&A *“working with two organizational cultures to help achieve desired business results, starts by understanding the way in which a culture clash unfolds as companies combine”* (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 862). The culture clashes unfold through 4 stages:

1. *“Perceive differences: During the first stage, people will focus on differences between the two companies.*
2. *Magnify differences: People begin to magnify differences that they observe.*
3. *Stereotypes: People start to typecast others in a partner company.*
4. *Put-downs: Full height as the partner company is put down as inferior”* (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 862).

Social identity theory also plays an important role in corporate culture, where organizational identity, a construct that links the individual to an organizational group it an important aspect of social

identity(Weber & Drori, 2011). Social identity is defined as *“that part of an individual’s self-concept which derives from his knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership”* (Weber & Drori, 2011, p. 84).

Taking the aspects of social identity theory into consideration when reviewing potential cultural issues linked to M&A, one can understand the severe effect M&A might have on the individuals in an organization. On the other hand, a lot of research also seems to support positive effects of cultural differences on M&As. One major challenge following an M&A will be to create an organizational identity that acts as a new *“strategic social construct created through the integration of the merged organizations, which have social and material consequences”*(Weber & Drori, 2011, p. 84), which is in line with the visions for the new organization and preferably in a strengthening and productive manner, causing a sense of direction for the new organization.

Some M&A literature highlight potential mechanisms to overcome or smooth the potential negative outcomes during postmerger integration. These include preserving pre-merger identity, acculturation to achieve congruence, promoting synergies and increasing awareness of cultural compatibility (Weber & Drori, 2011)

Multicultural tolerance may be an asset in post acquisition integration processes, providing a repertoire or ideas, practices and values (Weber & Drori, 2011).

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#### 4.1.5.1 - CULTURE COMPATIBILITY

The topic of strategic versus organizational fit has been addressed in some older research, where strategic fit is defined as *“strategic analysis and negotiation during the preacquisition period, focusing on the analysis of “strategic fit” between suitor and target firms in light of general industry, market, or technology-related issues”* (Jemison & Sitkin, 1986, p. 146). The, according to the authors, less highlighted topic of organizational fit *“has attempted to highlight the role of “organizational fit” in acquisition success, focusing on how two firms can be integrated with respect to day-to-day operations once an acquisition has been made”* (Jemison & Sitkin, 1986, p. 146). *Organizational fit is defined as the match between administrative practices, cultural practices, and personnel characteristics of the target and parent firms and may directly affect how the firms can be integrated with respect to day-to-day operations once an acquisition has been made”* (Jemison & Sitkin, 1986, p. 147). This indicates that the lack of focus on research on post-merger integration processes was addressed almost 30 years ago, but seemingly did not ignite too much of a spark among the research societies.

More recent research only finds limited support indicating that organizational cultural differences affects acquisition performance (Ahammad & Glaister, 2011).

#### 4.1.5.2 - ACCULTURATION

Acculturation is described in very theoretical terms, when there is a requirement for change in one or both groups (Mitchell Lee Marks & Philip H. Mirvis, 2011):

- *Cultural pluralism, in which the partners coexist;*
- *Cultural integration, in which the partner companies blend current cultures together;*
- *Cultural assimilation, in which one company absorbs the other one; and*
- *Cultural transformation, in which the partner companies abandon key elements of their current cultures and adopt new values and norms (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 863),*

During M&A, one group typically always dominates, but a force for changing culture will normally generate more resistance than efforts to work together to create a desired cultural endstate.

One suggestion for how to go about changing culture is illustrated in figure 16 below.

Combination phase	Change Management Stage		
	Unfreezing	Moving	Refreezing
Precombination	1. Set the cultural endstate		
Combination	2. Unfreeze cultural mind-sets	3. Move toward desired culture	
Postcombination			4. Refreeze the desired culture

Figure 16: Marks & Mirvis, 2011, p. 863

According to this figure, you can't get to where you want to go with an integration if you don't know where you are headed. The work of building a new organization also means building a new culture.

1. Doing this sets a context and *"creates guidelines for transition teams to plan desired levels of integration"* (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 865).
2. *"Identifies any disconnects between the expectations of buyers and sellers"* (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 865).
3. Can provide behavioral anchors for employees. A statement of a desired endstate counters ambiguity and shapes outlooks (Mitchell Lee Marks & Philip H. Mirvis, 2011).
4. Helps employees determine whether their leaders possess skills needed to successfully move the org. To a desired state. People need direction during uncertain times. *"A clear statement of the desired cultural endstate, backed up by executive actions that reinforce the desired ways of doing things, satisfies this need and reassures employees that the combination is being well managed"* (Mitchell Lee Marks & Philip H. Mirvis, 2011, p. 865).

Within this setup lies the assumption that there is an open-mindedness creating room for change at the early stages of an acquisition. During this period, the acquirer needs to act with a certain level of

speed and force to achieve what Marks & Mirvis (2011) refers to as a desired end-state. How long this window of opportunity is will vary and not many authors give any guidance as to how long one should expect this window to be open. Others have tried to give an estimate, where one author claims that the window is open for about four months after the initial “stir up” (Thomas, 1997).

The model by Marks & Mirvis (2011) above is however somewhat theoretical and does not mention many actual ways of achieving a desired end-state. To find some more practical suggestions for how to achieve this, I will turn to an article by Larsson & Lubatkin (2001) on a similar topic.

*“Acculturation is best achieved when the buying firms rely on social controls”* (Larsson & Lubatkin, 2001, p. 1573).

Within the topic of acculturation, it is believed that with some elements of control, including induction programs, training programs, cross-company visits, celebrations and other socialization rituals, a joint corporate culture will emerge regardless of synergy expectations and organizational size and differences during integration processes (Larsson & Lubatkin, 2001). These findings could be good news to a company like Schlumberger, which has a lot of strong corporate programs around induction, training, celebration and other socialization rituals.

According to Cartwright & Cooper, *“acculturation occurs through four different modes depending on the extent to which members are satisfied with and value their existing culture and their evaluation of the attractiveness of the other culture”* (Cartwright & Cooper, 1993, p. 65)

The four stages are:

- Assimilation: *“When members of the acquired organization willingly relinquish their existing culture, and adopt and become absorbed into the culture of the acquirer or dominant merger partner, they assimilate”* (Cartwright & Cooper, 1993, p. 65).
- Integration: *“Ideally, there are interaction and adaptation between the two cultures, which result in the evolvment of a new culture which represents the best of each culture”* (Cartwright & Cooper, 1993, p. 66).
- Deculturation: *“When members of the acquired organization are dissatisfied with their existing culture, but unconvinced as to the attractiveness of the other culture, deculturation occurs”* (Cartwright & Cooper, 1993, p. 66).
- Separation: *“This occurs when members of the acquired organization resist any attempt to assimilate or adapt to the culture of the acquirer”* (Cartwright & Cooper, 1993, p. 66).

These are illustrated in figure 17 below.

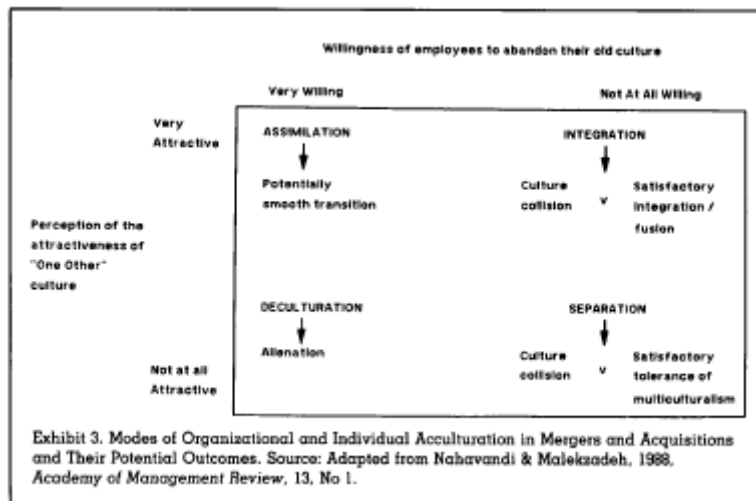


Figure 17: The Acculturation Model (Cartwright & Cooper, 1993, p. 65)

#### 4.1.6 - COMMUNICATION

During the initial M&A process a lot of uncertainty arises and if this is not addressed immediately and properly, it can lead to disaster in the upcoming integration process. It is imminent that a communication strategy is created and that it involves a two way communication process that is as transparent as possible. In dealing with communication, management will often encounter the “me”/“us” and “them” factors and need to be able to answer important questions linked to these, such as if the employees can expect to keep their jobs, managers, compensation, rewards and what kind of changes they can expect related to department/unit, career prospects, relocation and similar topics (Thomas, 1997). Related to the “them” factor, questions will also arise, such as why the merger or acquisition is happening and who “the others” are with respect to values, competence, structure, processes, reputation, rewards and similar topics. They will also want to know the answer to questions such as how the new organization will be, how an acquirer will manage “us” and what changes to expect (Thomas, 1997).

In order to answer these and other questions in a timely and accurate manner, a “central mission message” must be communicated positively and rapidly to reassure people that they are being listened to. This they can assure through communicating clearly from the top management level, providing honest and timely communications (“we don’t know yet” is a better answer than no answer), avoiding that employees read about it in the newspaper first and tackle negative views in the general population aggressively (Thomas, 1997).

Some statements should be avoided all together during a merger or acquisitions, illustrated in figure 18.

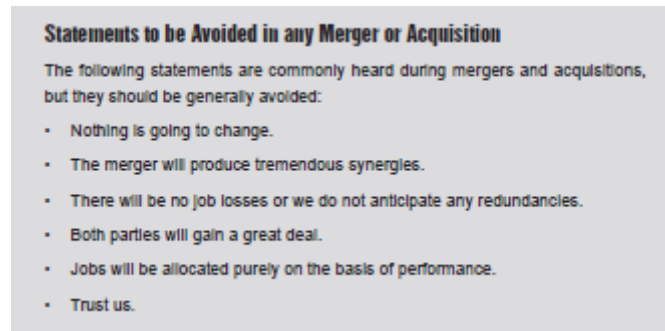


Figure 18: (Thomas, M., 1997, p. 51)

Said in even easier terms through *“the four no’s of communication: no secrets, no surprises, no hype and no empty promises”* (Cascio, 2010, p. 46). Living by these fairly simple rules when it comes to communication during an integration process might seem easy enough. But, the practical implication might become more complicated than one might think.

Creativity when it comes to communication is also greatly recommended to ensure that obstacles and concerns are identified and addressed as quickly as possible. The use of gatekeepers within the organization, two way communication from top management to the employees, customers, shareholders, media and other interested parties, and early and clear messages are among the recommended measures to ensure that communication can help leverage the integration process (Thomas, 1997). On a more practical level, the use of an integration intranet page (Antila, 2006) as the main source of information is generally considered to be a powerful tool in ensuring consistent and timely information.

In a more psychological perspective, the choice of words for defining the integration process can also affect the way it’s perceived by employees. I.e. will the use of the word “change” or “change process” indicate that the path is known and that the anticipated end-state is also known, by which one will arrive with orderly, incremental steps. The use of the word “transition” or “transition process” will however spike other associations with employees, anticipating an unknown end-state, involving simultaneous and interactive changes that includes new ways of thinking, organizing things and conducting activities (Mitchell Lee Marks & Vansteenkiste, 2008).

#### 4.1.6.1 - EMPLOYEE SENSEMAKING

We can expect employees to engage in cognitive processes, attempting to understand the meaning of an announced M&A and how it will affect them (Katty Marmenout, 2010).

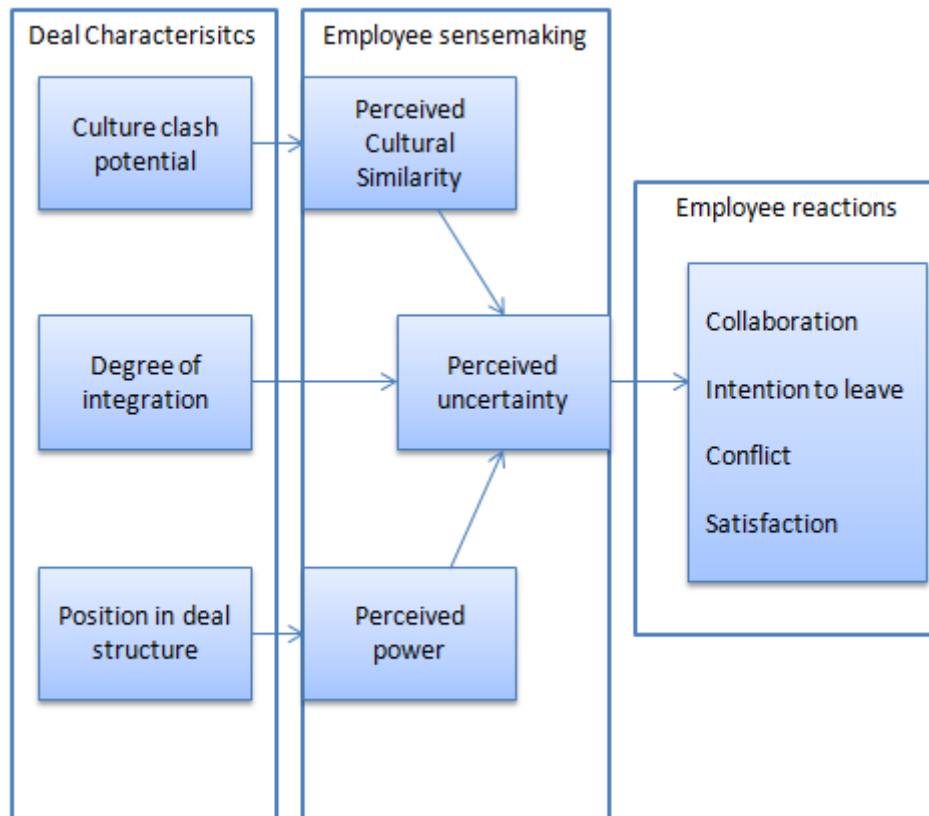


Figure 19: Proposed theoretical model of employee reactions to a merger announcement (Katty Marmenout, 2010, p. 331)

3 major perspectives that “can be seen as complementary paradigms to examine the same phenomenon” (K. Marmenout, 2011, p. 784):

- Psychological: “looks at the individual and how the merger affects stress levels, coping, and commitment”(K. Marmenout, 2011, p. 784)
- Social: “is based on group dynamics and tackles issues associated with group membership, social comparison, and status” (K. Marmenout, 2011, p. 784)
- Cultural; “looks at organizations as a whole and considers culture clashes to be the core of decreased performance in mergers” (K. Marmenout, 2011, p. 784)

In her articles, the author attempts to investigate how employee’s perception of an integration greatly affects reactions to a merger and how employees reactions evolve over time following interaction with peers (Katty Marmenout, 2010; K. Marmenout, 2011). The most recent article builds on the first one, so this study will mainly utilize the 2011 article.

We can expect employees to engage in cognitive processes, attempting to understand the meaning of an announced M&A and how it will affect them. This is referred to as sensemaking, a social process. Individual sensemaking is only the starting point to a collective sensemaking process,

followed by the shaping of attitudes through group processes, collective sensemaking and social influence (K. Marmenout, 2011). The first article tries to increase understanding of how employees make sense of a merger announcement, whereas the second one is more focused on the element of peer interaction.

In the first article, the hypotheses are all linked back to the way the M&A is announced and the effect it has on employees especially in the acquired company. The major elements to take from this are to consider how one announces the merger or acquisition and how this affects the perception of the coming integration by employees and other relevant stakeholders. If one is honest in the announcement, stating that this is an acquisition, immediately removing some of the major doubts of the end-state, one could be on a better track from day one compared to being closed or dishonest in the announcement.

The second article has strong links with another recent article by Melkonian, Monin and Noorderhaven (2011) on distributive justice, procedural justice and behavioral exemplarity. This article will be revisited under the section about resistance. But the mentioning of it here shows how overlapping and interlinked the different topics are and how difficult it is to separate them into set categories.

In her research, the author comes up with four dependent variables, related to employees reactions to M&A situations (K. Marmenout, 2011, p. 785):

1. *Willingness to cooperate: the intention of the employee to work toward common organizational goals together with employees of the merger partner*
2. *Anticipated conflict: degree of disagreement between members of both parties expected to occur after the merger.*
3. *Intention to leave: the extent to which the employee considers quitting the organization following the merger.*
4. *Satisfaction: The extent to which the employee anticipates feeling content or happy after the merger.*

Where, low satisfaction (4) and low willingness to cooperate (1) and high anticipated conflict (2) and intention to leave (3) will create dysfunctional outcomes.

The author also theorizes three deal characteristics (K. Marmenout, 2011, pp. 785 - 786):

1. *“Culture clash potential: The extent to which organizational cultures are expected to be different, as assessed and predicted by external institutional intermediaries, such as the popular press and financial analysts.*
2. *Announced degree of integration: The extent to which the two units are to be combined (or not) into a single unit following the merger and the extent to which this would affect the work of employees, both as announced by management.*
3. *Position in deal structure: Who is acquirer and acquired.”*

Based on this, she makes some theorizations about employees' reactions to the deal, illustrated in figure 20:



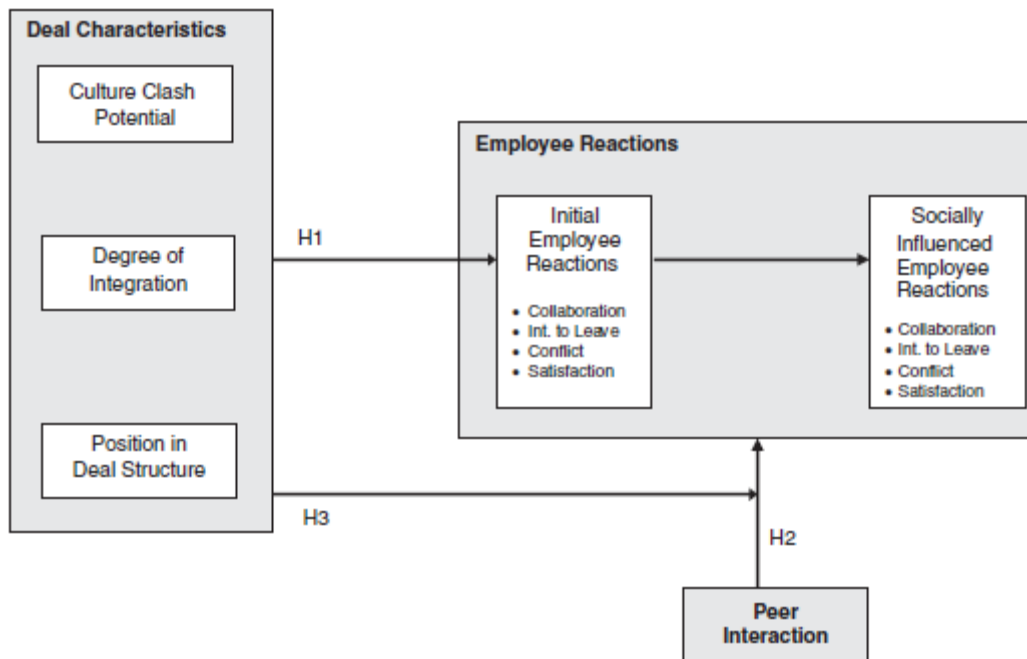


Figure 20: Proposed theoretical model (K. Marmenout, 2011, p. 786)

The rest of the second article focuses heavily on peer interaction: “*The exchange of information and discussion of viewpoints with colleagues. In absence of clear information and guidance from their supervisor or organization, employees will tend to seek information from coworkers (peers)*” (K. Marmenout, 2011, p. 787).

With peer interaction come certain areas of concern, with dominant themes in group discussions including fear and uncertainty, integration and change, layoffs and skepticism (K. Marmenout, 2011).

Typically there is a heavy negativity bias, where discussions mainly focus on difficulties and threats. Negative discourse is a lot more predominant than positive comments (K. Marmenout, 2011).

Also, there is the topic of rumination, when peers are reinforcing each other’s concerns, and one will see evidence of repetition of the same negative idea. “*Rumination is a cognitive process and is seen as a particular form of self-reflecting*” (K. Marmenout, 2011, p. 798). It does not lead to active problem-solving. It is a mode of responding to distress that involves repetitively and passively focusing on symptoms of distress and possible causes, through a pessimistic explanatory style. It is also related to depression, anxiety, neuroticism, dysfunctional attitudes and self-criticism (K. Marmenout, 2011).

This in turn also leads to Co-rumination or collective rumination: extensively discussing and revisiting problems, speculating about problems, and focusing on negative feelings (K. Marmenout, 2011, p. 798)

According to the author, dysfunctional employee attitudes in M&A can be understood as the result of collective rumination. In practice we cannot avoid that employees will discuss the event, but the

author suggests 3 theoretical levers (only based on recommendations from the literature) (K. Marmenout, 2011):

1. Active involvement: encourages engagement in problem-solving by working on a suitable solution on an integration issue. Empowerment initiatives, i.e. Task forces or committees.
2. Engaging in pleasant or neutral distractions: activities to divert attention. Work related (i.e. Rallying around a new interesting product, initiating community projects) or entertaining. (I.e. Sports event (watching or hosting), inviting a speaker during lunch, physical exercise).
3. Positive leadership: creating a positive climate, relationships, communication and meaning. I.e. Through open and transparent communication in a timely manner, This may also lead to enhancing a positive climate, trust and psychological safety. Shared vision. Stressing similarities in terms of values and practices during communication efforts. But, one should be cautious not to present the deal in unrealistic terms, leading to more skepticism and rumination.

The third lever matches well the KLM/Air France success story (Melkonian, Monin, & Noorderhaven, 2011).

In their article on critique of the literature on resistance to change, Ford, Ford & D'Amelio (2008) also raises awareness on the concept of sensemaking as "an active process that involves the interaction of information seeking, meaning ascription, and associated responses" (Ford, Ford, & D'Amelio, 2008, p. 363).

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#### 4.1.6.2 - EMOTIONS

When working with communication, the emotions floating around in the organization also plays a major part in how one should handle integration.

*"Strong feelings are elicited upon the announcement of any organization transition, and they ebb and flow as people experience the emotional roller coaster of moving through transition – one day they are angry and spoiling for a fight while the next they are optimistic and have a temporary sense of relief"* (Mitchell Lee Marks & Vansteenkiste, 2008, p. 824).

To manage a transition process well from an HR standpoint, it is important to be prepared to manage emotions and to leave room allowing emotions to come into play when employees need to. This needs to be dealt with sensitively and give the time needed. The use of structured events where employees are allowed to vent anger and express feelings can be useful when dealing with emotions. It also gives the impression of demonstrating care for employees through active listening and actually setting aside time to listen (Mitchell Lee Marks & Vansteenkiste, 2008). It is also important to remember that in situations dealing with employee's emotions, there will never be a "one-size-fits-all" approach. Creating several options, i.e. workshops with various programs, for employees to choose from freely can be useful tools to retain and prepare people (Mitchell Lee Marks & Vansteenkiste, 2008)

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#### 4.1.7 - INTEGRATION MANAGER/TEAM

An integration manager is defined as *“the project manager that the acquiring firm appoints to be responsible for coordinating all activities related to successfully integrating the acquired organization, as well as coordinating the work of those involved in the integration activities”* (Teerikangas, Véry, & Pisano, 2011, p. 653).

Generally, involvement of the integration manager already during the due diligence phase is regarded as guaranteeing a more efficient integration. This is also mentioned during the introductory part of this research about the different phases of an integration, that earlier involvement is a crucial impediment for the success of the integration, both for an integration manager as well as for the HR function.

At best, an integration manager will support the progress integration by (Teerikangas, et al., 2011, p. 654):

- *Injecting speed into the work, starting before the deal, especially important the first 100 days.*
- *Creating an integration structure for the postacquisition phase.*
- *Forging social connections.*
- *Helping to engineer short-term successes.*

These elements are clearly inspired by the research of Ashkenas, who created a figure to illustrate what integration managers should do, illustrated in figure 21:

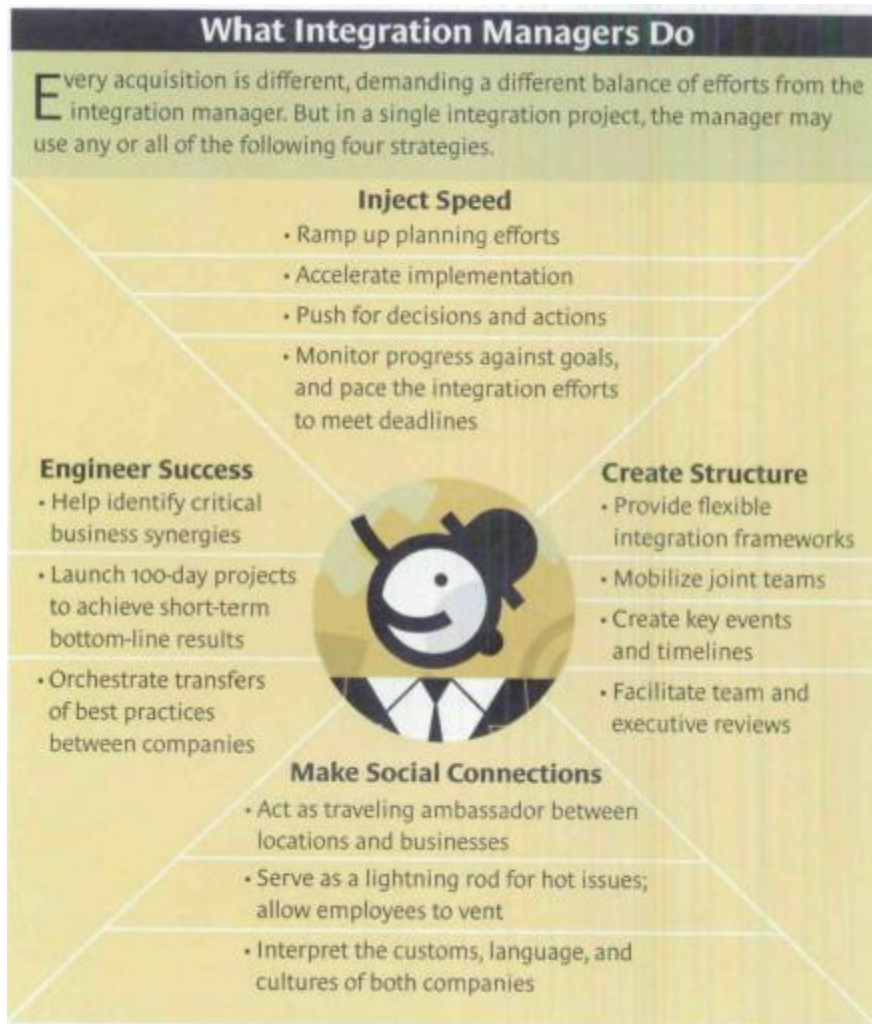


Figure 21: What Integration Managers Do (R. N. Ashkenas & Francis, 2000, p. 115)

The emphasis on having an integration manager or team has been mentioned by others as well, where the composition of the team has been mentioned to include *“a corporate-level sponsor, a member of the HR department, and a representative from each area of company’s operations. Members are also selected from the company being acquired.”* (Knillans, 2009, p. 41).

Some are underlining the distinction between the integration team and other employees, where the integration team only has to be concerned with integration planning and execution on the strategic and operational level, leaving the rest of the work force to focus on every day activities and keeping the business going (Burgelman & McKinney, 2006; Schuler & Jackson, 2001). The team also needs to stay and work on the integration after the deal has closed. According to benchmark studies done for the HP/Compaq merger, data showed that the team needed to stay actively involved anywhere from 10-24 months to help achieve the integration goals (Burgelman & McKinney, 2006). From the above mentioned example from HP, it became clear that the use of the integration team should have lasted longer than only for the duration of the operational integration. There is no harm in altering or slimming down the size of the team at the end of an integration process, but it seems imminent that the team is still operational until the strategic integration process has also been completed (Burgelman & McKinney, 2006). *“Victory was claimed too soon”* (Burgelman & McKinney, 2006, p. 23).

According to one study, combinations that are guided by an integration manager (Schuler & Jackson, 2001, p. 245):

- *Retained a higher % of the acquired companies' leaders.*
- *Retained a higher % of the total employees.*
- *Achieved business goals earlier.*

The process of selecting an integration manager may or may not include the HR function, but the importance of having one is imminent according to the researched mentioned above. The overall idea of running integration without an integration manager seems indeed somewhat poorly conceived.

A good integration manager should be able to hold down a diverse set of roles and also needs to entail a certain set of characteristics in order to be a successful integration manager. All of these elements are listed in figure 22.

- |                            |   |
|----------------------------|---|
| ❖ Project Manager          | ❖ Sensitive to cultural differences   |
| ❖ Communicator             | ❖ Open-minded   |
| ❖ Advisor                  | ❖ Flexible  |
| ❖ Advocate                 | ❖ Able to recognize the relative strengths and weaknesses of both companies   |
| ❖ Relationship Builder     | ❖ Committed to retaining key employees  |
| ❖ Facilitator              | ❖ Good listeners  |
| ❖ Team Leader              | ❖ Visionary   |
| ❖ Ombudsperson             | ❖ Able to filter out distractions and focus on integrating key business drivers such as R&D and customer interfaces <sup>25</sup> |
| ❖ Negotiator <sup>21</sup> |   |

Figure 22: Integration Manager Roles & Characteristics (Schuler & Jackson, 2001, p. 246)

Others have also attempted to make similar lists of characteristics or competencies of an integration manager, such as illustrated in figure 23:

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*Note:* The lower and more functional the integration team, the more important technical/functional knowledge is, the higher and more important a General Management perspective is. All rationale for selection of a competence is the author's.

1. *Self-confidence* — A strong sense of one's self-worth and capabilities. There are no road maps, this is a very difficult task to do well, and it is done under pressure. Leaders without sufficient self-confidence will not be up to the task.
2. *Adaptability* — Flexibility in handling change — the situation demands flexibility.
3. *Achievement drive* — Striving to improve or meet a standard of excellence. Given the promises of synergy at the announcements of mergers and the desire to move quickly, the leader must push the team to achieve to get the hoped-for synergies quickly.
4. *Optimism* — Persistence in pursuing goals despite obstacles and setbacks. Inevitably, there will be significant obstacles and problems to overcome in a combination, it is easy for leaders to get down.
5. *Political awareness* — Reading a group's emotional currents and power relationships. The integration team is often made up of people from both organisations, many of whom are unknown to the leader. Whoever the integration leader reports to will probably be a person the integration leader does not know. The situation they are working in is emotionally charged.
6. *Influence* — Wielding effective tactics for persuasion. Integration managers need to influence a number of people, including senior executives that their recommendations are the right ones.
7. *Communication* — Listening openly and sending convincing messages. There are a number of different ideas and issues that need to be heard to be effective. There is a lot of cynicism from employees about the organisation. Integration leaders are often on point to communicate with employees.
8. *Conflict management* — Negotiating and resolving disagreements. There will be a number of significant conflicts to be resolved in a situation like this.
9. *Change management* — Initiating or managing change. This is one of the most stressful types of change situations you can be part of.
10. *Team capabilities* — Creating group synergy in pursuing collective goals. Teamwork is important to success, and it is a difficult environment to build a team in, owing to culture differences, the stress of the situation, and demands for results.

Source: Selected from Goleman (1998).

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Figure 23: Integration Manager Competencies (DiGeorgio, 2003, p. 264)

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#### 4.1.8 - RESISTANCE TO CHANGE

From a sociological perspective, the term resistance is very widely used and often not very well defined. It has been used to describe everything from revolutions to hairstyles, spanning across individual, collective and institutional levels of social life (Hollander & Einwohner, 2004). This problem became very clear during my review of the literature, where resistance to change was mentioned in a lot of articles on cultural differences, but mainly just briefly touched on as resistance to a change proposal or as culture clash (Larsson & Lubatkin, 2001). A lot of the time it seems to be described in very static terms.

In the mentioned sociological study, Hollander and Einwohner (2004) give a comprehensive overview of various views and definitions of resistance, elaborating on the main elements they have found such as that resistance has to include a sense of action and also have a sense of opposition. They also highlight the main disagreements on the topic, must resistance be recognized and does it have to include an intent (Hollander & Einwohner, 2004)?

A completely different view on resistance is undertaken in a recent study (Ford, et al., 2008), where the critique is directed at the "universal" perspective taken in research on the topic, which presumes

that the change agents are doing the right things while change recipients or resisters are being “unreasonable obstacles or barriers” (Ford, et al., 2008, p. 362) to the proposed change. The authors use quite aggressive language to get their point across that they consider this topic to be one-sided, favoring change agents and not taking into consideration that these change agents contribute to occurrence of resistance through their actions and inactions, and that resistance (or what is labeled as such) under some circumstances can be a positive contribution to change (Ford, et al., 2008).

The above mentioned discussions are interesting. However, to get a more useful insight into what the term resistance incorporates relevant to this thesis, I had to turn to literature in the world of social psychology. The following article is among those discredited by Ford, Ford & D’Amelio (2008) above. But, contrasting to their view, I found the article very useful and practically oriented, even if it is from the perspective of the change agent. I found that resistance to change has been conceptualized in a less static way and is not necessarily only seen as a negative, i.e. as employees being disobedient to their managers by resisting or objecting to a change, but also as positive challenges to the status quo (Piderit, 2000). Resistance to change in this perspective has been described along three dimensions (Piderit, 2000, p. 787):

- The cognitive dimension, ranging from strong positive to strong negative beliefs.
- The emotional dimension, ranging from strong positive to strong negative emotions.
- The intentional dimension, ranging from positive intentions of support to negative intentions of opposition to a change.

These dimensions open up for the recognition of ambivalent attitudes towards a change, meaning that two or all of the dimensions can be experienced from alternative perspectives by one person. Incongruent emotions are even possible within one dimension, i.e. the feeling of fear and excitement simultaneously (Piderit, 2000). Through this research, Piderit (2000) advocates an approach of responses to change as multidimensional attitudes, rather than as pure resistance. This approach seems a lot more useful and less rigid than what is being mentioned in other articles. In my opinion, it also opens a wider opportunity to work with the different dimensions to convert the negative beliefs, emotions and intentions to positive ones through proper integration processes.

As a practical implication for change agents (i.e. HR Integration Managers), the recommendation is to foster widespread conversations about ambivalence to gain the support of employees. This has to be done with care to avoid spinning out of proportion, nurturing only the extremes. But, with a good balance, fostering ambivalence could help the change process in the long run (Piderit, 2000). How this balance is achieved is not answered by the author.

Another practical implication mentioned, is to observe patterns of changes in employees attitudes and ambivalence over time, to attempt to use these observations to predict the success of the change initiative (Piderit, 2000).

A recent article from the M&A field looks at employees willingness to cooperate in M&As through the use of distributive justice, procedural justice and behavioral exemplarity (Melkonian, et al., 2011). This article holds more of a top-down view on the change process, which is probably necessary during an integration process considering the number of functions, systems and people

normally involved. Yet, there are some useful similarities in the way of thinking in this article and the one mentioned above by Piderit (2000).

Justice perception is seen to impact employees' attitudes and behaviors in the context of change, meaning that when they feel they have been treated fairly, they will be more likely to accept and act upon an authority's decision and to cooperate (Melkonian, et al., 2011). This is elaborated using the terms distributive and procedural justice:

- Distributive justice: *"The fairness of outcome distributions"* (Melkonian, et al., 2011, p. 812). At M&A level; *"the extent to which the resource allocation at the level of an employee's group of reference is perceived as fair"* (Melkonian, et al., 2011, p. 813).
- Procedural justice: *"Fairness of decision-making procedures"* (Melkonian, et al., 2011, p. 812). At M&A level; *"the extent to which strategic decision processes and procedures that impact the gains and interests of an employee's group of reference are perceived as fair"* (Melkonian, et al., 2011, p. 813).

In situations of drastic changes (i.e. M&A), employees have to decide whether to cooperate in the uncertain situation. To do so, they need to assess the trustworthiness of the organization. This is referred to as fairness heuristic theory (Melkonian, et al., 2011). In information-uncertain M&A situations, the suggestion is that employees will scrutinize the behaviors of relevant authority figures, looking for consistency with behaviors they are expected to display. The first available information would have greater impact on fairness judgments than later available information. (I.e. announcements of acquisitions). Powerful organizational agents may also have an impact on the interpretation and judgment process employees go through (Melkonian, et al., 2011).

The article is also one of few that goes on to suggest HR practices during M&A processes, such as (Melkonian, et al., 2011):

- Focus on the perceptions developed by employees to perceived fairness of decisions concerning their department and in relation to the perceived fairness of procedures used to decide upon their department's future.
- Play a major role in reducing information uncertainty.
- Develop instruments for monitoring employees' perceptions of distributive, procedural justice and exemplarity.
- Training managers to behave as examples during the process.

*"Research on procedural and interactional research indicates that if change agents fail to treat the communications of change recipients as genuine and legitimate, or as extensions and translations of the change, they may be seen as resistant by change recipients"* (Ford, et al., 2008, p. 368). This indicates that a company must be careful in their selection of change agents to ensure that i.e. the HR Integration Manager chosen for the integration project is on-board with the needs and visions of the company.

On a more positive note, Ford, et al. (2008), also touches on *"resistance as a resource"* (Ford, et al., 2008, p. 368). They found that resistance can be used as a resource in change projects in three ways:



1. Existence value; entailing new conversations and shifting existing discourses. *“Criticism (...) helped keep the conversation active, gave agents an opportunity to clarify and further legitimize the change, and gave recipients an opportunity to create translations and understandings that contributed to their subsequent acceptance and expansion of the change”* (Ford, et al., 2008, p. 368).
2. Engagement value; resistance may in the end represent a higher level of commitment than acceptance. *“Attitudes based on high levels of information processing (...) are more likely to generate scrutiny and well-considered counterarguments. (...) changes in these attitudes represent a significant “win” (...) that can give them highly committed and motivated partners over the duration of change”* (Ford, et al., 2008, p. 369).
3. Strengthening value; resistance as a functional conflict can strengthen a change project and its implementation. Emotional resistance may invite change agents to do some “housekeeping” before a new big change event. This in turn might provide an opportunity to strengthen the relationship with employees, gaining stronger support for future changes (Ford, et al., 2008).

These points highlight areas where change agents or integration managers can utilize the resistance to potentially gain stronger acceptance and commitment from employees through the use of information and extensive communication, discussion and participation opportunities, improvement of the process through the scrutiny and feedback they receive, providing necessary resources and developing stronger working relationships (Ford, et al., 2008).

#### 4.1.9 - ETHICAL CONSIDERATIONS

Some of the most prevalent and complex ethical dilemmas are confronted by managers in their daily human resources-related responsibilities (Buono & Bowditch, 1990).

M&As can transform structures and cultures in either involved firms and lead to people feeling stressed, angry, disoriented, frustrated, confused and frightened. These feelings can lead to a sense of loss, psychosomatic difficulties and marital as well as personal problems. Organizationally, they often lead to lowered commitment and productivity, increased dissatisfaction and disloyalty, high turnover, leadership and power struggles, sabotage and a general rise in dysfunctional behaviors.

TABLE 1 HUMAN RESOURCE CONSIDERATIONS IN MERGERS AND ACQUISITIONS		
	TYPICAL APPROACH	RECOMMENDED APPROACH
<b>COMPETING CLAIMS</b>	<ul style="list-style-type: none"> <li>Limited View</li> <li>Stockholder Emphasis</li> <li>Cultural Takeover</li> </ul>	<ul style="list-style-type: none"> <li>Broader View</li> <li>Stakeholder Emphasis</li> <li>Cultural Pluralism and Cultural Blending</li> </ul>
<b>SECRECY versus DECEPTION</b>	<ul style="list-style-type: none"> <li>Controlled Release of Information</li> <li>Use of Information to Manipulate Employees</li> <li>One-Way Communication</li> </ul>	<ul style="list-style-type: none"> <li>Realistic Merger Previews</li> <li>Presentations, Workshops, Hot-Lines</li> <li>Two-Way Communication</li> </ul>
<b>COERCION versus PARTICIPATION</b>	<ul style="list-style-type: none"> <li>Autocratic Decision Making</li> <li>Cultural Takeover</li> <li>“Do It or Else” Attitude</li> </ul>	<ul style="list-style-type: none"> <li>Transition Teams and Team Building</li> <li>Merger Oversight Structures</li> <li>Survey Feedback</li> </ul>
<b>GRIEF, LOSS and TERMINATION</b>	<ul style="list-style-type: none"> <li>Limited Efforts to Work Through Employee Grief and Loss</li> <li>Terminations Based on Organizational Politics Rather than Performance</li> <li>Limited Outplacement Assistance</li> <li>No Support for Stayers</li> <li>Low: Utilitarian Focus on “Greater Good” Overrides Concern for Individuals</li> </ul>	<ul style="list-style-type: none"> <li>Focused Efforts to Counsel Employees</li> <li>Merger-Related Workshops</li> <li>Reduction in Force Through Attrition and Voluntary Separation</li> <li>Supportive Outplacement Assistance</li> <li>High: Balance Between Questions of Fairness and Individual Rights and Broader Company/ Stockholder/Stakeholder Needs</li> </ul>

Figure 24: HR considerations in M&A (Buono & Bowditch, 1990, p. 19)

This article is short, but concise and raises many valid points and suggestions to bring into integration processes.

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#### 4.1.10 - ORGANIZATIONAL LEARNING IN M&A

With the numerous reasons for M&A explained earlier in this research and the growth in numbers of M&As, it appears that learning from ones experiences can become a major competitive advantage in the market. Companies that have learned from their previous integration efforts are often better at recognizing and addressing assumptions about M&A (Schuler & Jackson, 2001). And, with experience that generate a more systematic approach to M&A deals are more likely to generate more successful integrations (Schuler & Jackson, 2001).

*“Companies that embark on a program of M&A should build up a pool of talent, which they can redeploy to share and apply the learning gained around the organization. Similarly, they could and should be turning the knowledge and experience acquired in each deal into comprehensive, streamlined and pragmatic processes and knowledge centers, which can be applied in future deals”* (Schuler & Jackson, 2001, p. 244).

The very last part of this research project will attempt to follow the advice given here, answering the last research question on how Schlumberger can improve their current integration processes.

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#### 4.1.11 - SERIAL ACQUISITIONS / DEVELOPING ACQUISITION CAPABILITIES

Acquisitions capabilities, defined as “the knowledge, skills, systems, structures, and processes that a firm can draw upon when performing acquisitions” (Laamanen & Keil, 2008, p. 644), including various organizational skills, such as how to manage the integration process, developed at a program level after having completed multiple acquisitions (Laamanen & Keil, 2008). Linked with acquisition capabilities, the authors mention variability in the acquisition capabilities, meaning “*a measure of the sequencing of individual acquisitions in an acquisition program*” (Laamanen & Keil, 2008, p. 664). This means that one should be able to achieve some elements of predictability into acquisition integration processes, even when the acquisitions differ in type, size and strategy.

For a company like Schlumberger, this is an important point to bring forward, with the rate of acquisitions in the last few years, it should definitely be possible to learn from past experience, develop some patterns to establish certain acquisition capabilities in line with the theories from both organizational learning and acquisition capabilities. During the very last section of this thesis, some areas of improvement for Schlumberger will be outlined. The authors claim that acquiring at a predictable rate would also contribute to smoother integrations and utilization of resources (Laamanen & Keil, 2008). This might indeed be true, but, as with many other aspects of the business world one can't plan for everything. A company can't turn down an acquisition opportunity just because it doesn't fit the schedule. This argument I hold from the perspective of a large multinational company with resources to handle many and major acquisitions. The picture would probably be a bit different from the perspective of a much smaller company. But I believe there is a lot of truth in the possibility of discovering patterns and making sure processes are put in place for future integrations. By developing a certain level of acquisition capabilities, some integration tasks should become more of a routine, thus increasing efficiency during integration processes. Also, size matters: *“Larger firms can develop specialized personnel, processes, and establish dedicated teams to manage acquisition*

*processes*” (Laamanen & Keil, 2008, p. 666). And, according to the concluding elements of the same study, it seems that serial acquirers tend to outperform less frequent acquirers when looking at a long term perspective (10 to 13 years) (Laamanen & Keil, 2008). The study lacks an explanation and a strong link to what they consider an acquisition program, leaving the reader to interpret this into the context themselves. As mentioned above, the end-goal of this work is to outline an integration process for HR. I believe that doing so would be in line with what is considered an acquisition program by Laamanen & Keil (2008), at least an outline for the HR part of such a program.

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#### 4.1.12 - EMPLOYEE RETENTION

Following the announcement of an acquisition, retention can become a major factor for the future success of the integration of the two organizations. Several studies have shown that retention of executive staff following an acquisition can prove to be difficult, with as much as 75 percent being found to have left within three years after the acquisition and the turnover continued into the fourth year as well (Ahammad & Glaister, 2011). If the success of the acquisition hinges on the retention of senior management, then the work to keep this staff can be a major challenge during the integration period (Ahammad & Glaister, 2011), which can entail that HR needs to think in creative ways when it comes to retention measures, including the use of retention bonuses and other rewards for staying on with the new organization.

If success hinges on employee knowledge, which often is the case in high technology integrations, then employee retention will be important at all levels in the organization to foster the necessary knowledge transfer needed for the new organization to flourish. However, little research seems to have been done on the link between knowledge transfer and acquisition performance, and the little that is found focuses more on value creation through knowledge transfer (Haspeslagh & Jemison, 1991), rather than acquisition performance (Ahammad & Glaister, 2011). The research mentioned in this part does on the other hand find a significant positive impact of knowledge transfer, especially during CBAs (Ahammad & Glaister, 2011).

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#### 4.1.13 - PRACTICAL ELEMENTS OF WHAT IT MEANS TO BE AN HR INTEGRATION MANAGER

In my quest for information about what an HR Integration Manager is supposed to do during an integration process, I did come across some more practically oriented information, such as the checklists in figure 13 and 14 mentioned earlier. The same author also created a checklist for the people dimension of an integration as shown here in figure 25.

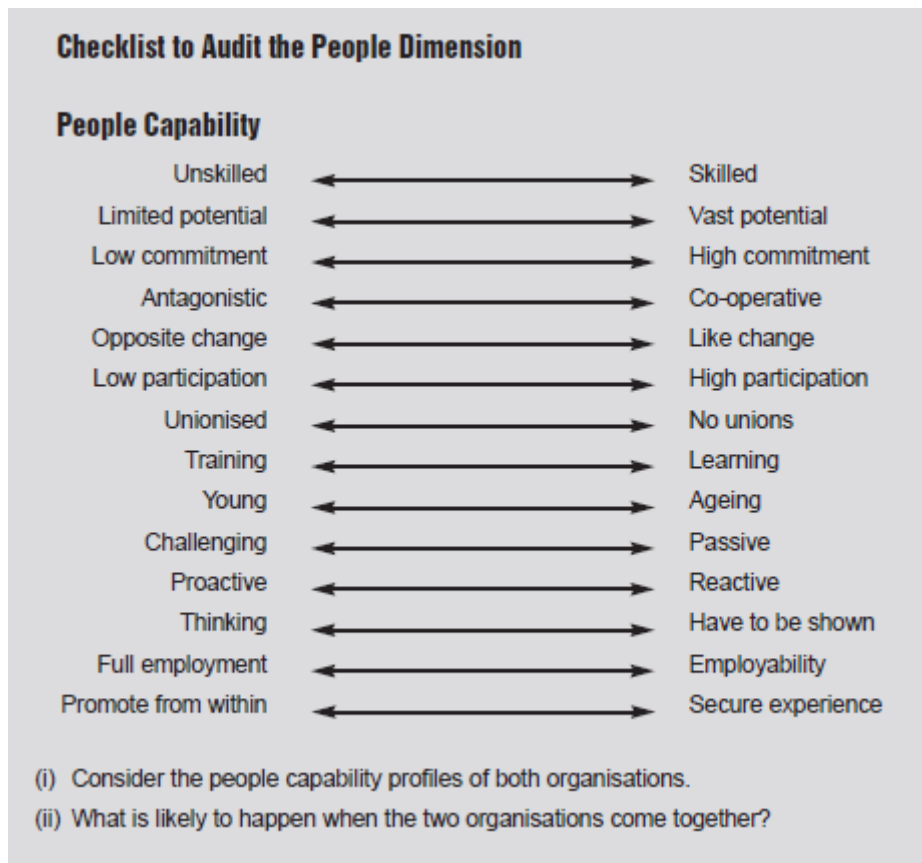


Figure 25: Audit of the People Dimension (Thomas, M., 1997, 48)

Some other practical elements mentioned include: Review existing staff levels, decisions on business direction on recruitment and training plans, decisions related to new recruiting, training, management development or redeployment actions, decisions and implementation of redundancy, retraining and recruitment (in accordance with local legislation), and provide a management development program to retain key staff and managers (Thomas, 1997). In a separate section some more possible tasks are mentioned, including: review existing implications on legislation and union agreements, consider actions for short- and long-term employee morale, consider old practices for removal and/or renewal, consider cost benefit analysis for actions planned, and structure, bargain and implementation of strategies and policies (Thomas, 1997).

These examples are in no way exhaustive of the elements linked to an HR Integration Manager job role, but it is a good starting point to understand what such a role should include.

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#### 4.1.14 - REWARD SYSTEMS

With any acquisition, the current compensation package, grading structure and incentive schemes will have to be evaluated. For a company like Schlumberger, it will in the majority of the cases be a question of if and how the reward policies of the acquired company can be harmonized with the Schlumberger policies. According to Thomas (1997), it is recommended as simpler to introduce a completely new structure rather than bringing an acquired company onboard an existing one

(Thomas, 1997). I would expect that in a lot of cases where the acquiring company is a lot bigger than the target, like the case of Schlumberger, this is not even something that will be considered. Even with the largest integration project to date, with Smith and MI Swaco, Schlumberger grading, salary and benefits schemes are being rolled out wherever possible. The recommendations in the article by Thomas (1997) are to a certain extent in line with the current processes in Schlumberger, including the use of salary surveys to review competitiveness of packages, having detailed rules and policies for determining benefits packages and salary levels and also having a program in place for reviewing and resolving issues linked with the policies (Thomas, 1997).

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#### 4.1.15 - REDUNDANCIES

In many cases redundancies are unavoidable and employees are fully aware that this can become the reality when facing an acquisition. How redundancies are handled can however have a lot to say on how the exit is affecting both the employees leaving, but also the “surviving” employees. The use of i.e. job application aids, trainings on how to write good applications and CVs can be very useful for the ones leaving and also ensure that the redundancy process is not seen entirely through gloomy eyes. Also, *“interventions that help individuals take stock of their skills and interests and develop personal transition plans benefit them on a practical level”* (Mitchell Lee Marks & Vansteenkiste, 2008, p. 825). For some the acquisition and its consequences might be exactly what they needed, but sometimes people need help realizing that the change might be a good thing.

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#### 4.1.16 - MEASURING M&A PERFORMANCE

How can one say if the M&A has been successful and why do acquisitions keep being such a powerful tool for business expansion when nearly all articles on M&A open with phrases such as: *“managers of acquiring firms reported that only 56% of their acquisitions could be considered successful when measured against their original goals”* (Yaakov Weber & Yitzhak Fried, 2011, p. 565). An older study claims that *“between two-thirds and three fourths of all corporate mergers and acquisitions fail”* (M. L. Marks & Mirvis, 1992, p. 18). Others claim that *“50 per cent of domestic acquisitions – and 70 per cent of cross-border acquisitions – failing to produce intended results”* (Aguilera & Dencker, 2004, p. 1355). Others are mentioning increasing failure rates (Lakshman, 2011), that only half or less of M&As meet initial strategic and financial expectations (Ahammad & Glaister, 2011; R. N. Ashkenas & Francis, 2000; Cartwright & Cooper, 1993; Cascio, 2010; Schuler & Jackson, 2001), that M&As *“neither lived up to the financial expectations of those who have transacted them nor produced shareholder value for acquirers”* (Schweiger & Goulet, 2005, p. 1477) and that *“the reason why so many M&A fail remain poorly understood”* (Günter K. Stahl, Larsson, Kremershof, & Sitkin, 2011, p. 575). The list of others introducing their articles with similar quotes is long (R. Ashkenas, 2000; Halebian, et al., 2009; Jemison & Sitkin, 1986; D. R. King, et al., 2004; Park & Vambery, 2010).

These less than impressive track rates indicated in all of these articles makes one wonder why acquisitions keep happening at such a high rate. Are these numbers wrong? Are the measurements used wrong? Are the companies acquiring doing the wrong thing? These questions are of course

probed by a lot of the authors mentioned above, but none seem to find a given answer to why M&A continues to happen at such an incredible speed and involving such vast amounts of money. Some of the possible motives given are the ability to move into a new market or product displacement quicker than one could have done by inventing or developing the product internally. It could involve products that are too technologically advanced to be achievable internally. Sometimes it could be an opportunistic deal or the opposite, namely a defensive move to protect i.e. a market share (M. L. Marks & P. H. Mirvis, 2011). In addition, the access to local competencies and intelligence without having to build it from scratch internally (Ahammad & Glaister, 2011). Others mention the belief in the “*two plus two equals five effect*” (Cartwright & Cooper, 1993, p. 57), indicating that many top level managers must believe that engaging in a merger or acquisition will bring more to the table than what the company can achieve internally and then disregarding some of the financial elements that obviously seem to fail to meet their target according to the above mentioned studies. Yet, others also claim that M&A are driven by strategy and the intention to ensure future success (R. Ashkenas, Francis, & Heinick, 2011). Other ways of achieving synergies that shows in the financial statements can be cost savings from a procurement perspective. Larger companies will be able to review the deals they have compared with what the acquired company has with their vendors and use the data and the increased size to negotiate their prices, with a potential to save substantial amounts of money (Burgelman & McKinney, 2006).

In one recent study, a number of potential reasons for continued mergers and acquisitions are mentioned. The most frequent include (Schuler & Jackson, 2001, p. 240):

- *Market dominance, economies of scale.*
- *Channel control.*
- *Risk spreading, cost cutting, synergies, defensive drivers.*
- *World-class leadership and global reach.*
- *Survival, critical mass.*
- *Acquisition of cash, deferred taxes and excess dept capacity.*
- *Move quickly and inexpensively.*
- *Flexibility and leverage.*
- *Bigger asset base to leverage borrowing.*
- *Adopt potentially disruptive technologies.*
- *Financial gain and personal power.*
- *Gaining core competence to do more combinations.*
- *Talent, knowledge and recent technology.*

If the last reason or other retention critical points are the main motivation for an acquisition, then the role of HR becomes increasingly important.

The same research mentions some of the more common reasons for why M&As fail, and often several of the reasons occur simultaneously (Schuler & Jackson, 2001, p. 241):

- *“Expectations are unrealistic.*
- *Hastily constructed strategy, poor planning, unskilled execution.*
- *Failure/inability to unify behind a single macro message.*

- *Talent is lost or mismanaged.*
- *Power and politics are the driving forces, rather than productive objectives.*
- *Requires an impossible degree of synergy.*
- *Culture clashes between the two entities go unchecked.*
- *Transition management fails.*
- *The underestimation of transition costs.*
- *Financial drain.*
- *Defensive motivation.*
- *Focus of executives is distracted from the core business.”*

The typical financial measurements of acquisition performance are indicators such as market share and sales growth, earnings per share and share price, and profitability measurements like return on investment (Ahammad & Glaister, 2011). Some research shows that there is a positive link between the level of integration and acquisition performance (i.e. measured in terms of market share, sales growth, profitability and cost efficiencies) (Ahammad & Glaister, 2011; Zollo & Singh, 2004)

Some specific suggestions on how to measure integration success other than the financial and synergy elements mentioned below, are: talent retained, speed to market, customer survey, synergy capture, employee surveys, measuring service problems and measuring product problems (DiGeorgio, 2003, p. 273).

In a different study, one respondent answered *“it is a common belief that most acquisitions will fail, but I believe it is also a question of time frame”* (Antila, 2006, p. 1008). This indicates that the measures taken that indicate these extensive failure rates might just be completed too early to really be able to declare the acquisition a success.

Since the topic of failure is mentioned in the majority of introductions to research articles on M&A, is there any evidence or suggestions of why some mergers or acquisitions failed, where better utilization and inclusion of HR might have helped on the outcome? This research will not make any argumentative attempts to prove that better work in HR would have saved the integration, but in some of the research read it is evident that HR processes and practices have been missing to a certain extent.

The Daimler-Chrysler merger is one case that has been mentioned as a failure case in several studies (Aguilera & Dencker, 2004; Froese, 2010; Schuler & Jackson, 2001; Shuhui Sophy & Seeger, 2012; Günter K. Stahl, et al., 2011; Gunter K. Stahl & Mendenhall, 2005; VÜ, Moiserscu, & HÀ, 2011). In one of the articles, cultural issues and the lack of cultural integration is mentioned as a main reason for the failure. Cultural issues were ignored and in August 2000, one Daimler executive was quoted as saying *“one company, one vision, one chairman, two cultures”* (Schuler & Jackson, 2001, p. 242).

One of the major findings from their research, suggests that earlier and better involvement of HR can indeed improve the likelihood of success (Schuler & Jackson, 2001, p. 242):

- *Develop a more realistic time scale, including allowance for the time required to prepare for effective due diligence*
- *Start the planning of integration processes sooner and get HR involved earlier*



- *Work to align expectations in the acquirer and acquired businesses*
- *Confront difficult decisions, including employee and human resource issues, earlier in the process*
- *Change managers quickly if they fail to adapt*

Two different companies, which seems to be consistently mentioned for their successful M&A approaches are Cisco Systems (Aguilera & Dencker, 2004; Chatman & Eunyoung Cha, 2003; DiGeorgio, 2003; Knilans, 2009; M. L. Marks & Mirvis, 2001; Günter K. Stahl, et al., 2011) and General Electric (especially GE Capital) (Aguilera & Dencker, 2004; R. Ashkenas, 2000; R. N. Ashkenas, et al., 1998; R. N. Ashkenas & Francis, 2000; Chatman & Eunyoung Cha, 2003; DiGeorgio, 2003; Mitchell Lee Marks & Philip H. Mirvis, 2011; Teerikangas, et al., 2011), with quotes such as; *“Central to Cisco’s fine reputation as a successful acquirer (..)”* (M. L. Marks & Mirvis, 2001, p. 88).

This has made these companies models for many articles on best practices, some which have been mentioned in this research project. One useful best practice from GE Capital is shown in one of the last sections in this project, in figure 29, The Wheel Of Fortune. Such examples show how much proper planning and preparation means for the success of integration projects.

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#### 4.1.16.1 - SYNERGY REALIZATION

Some specific topics on how one can measure M&A success has been mentioned in some articles. One of the topics is synergy realization (Larsson & Finkelstein, 1999) which has a general focus on the importance of looking at M&A from all functions, not pure HRM, finance, legal or similar. They believe that this has to be an integrated process with roots in all functions. Larsson and Finkelstein also points out that the literature is fragmented, only focusing on parts of M&As and not on the bigger picture. This is very much in line with the impression gotten by the researcher of this thesis project.

Studies of M&A with an HRM perspective are less concerned with profitability. But, there is still a perspective on how to gain value or avoid major losses through an integrated integration process.

The term synergy realization is widely used in the literature, but poorly defined. One short definition obtained explains it as; transfer of capabilities or resource sharing (Günter K. Stahl & Voigt, 2008).

In most studies, accounting performance measures seems to be much more widely utilized, i.e. in terms of sales growth or rate of increase in return on assets (ROA) as a proxy, and this seems to be a widely accepted practice (Günter K. Stahl & Voigt, 2008).

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#### 4.1.16.2 - SHAREHOLDER VALUE

Shareholder value is another measurement used to measure M&A success, where cumulative abnormal returns (CAR) are commonly used to measure performance shortly after the announcement of an M&A, and is *“calculated as the difference between the actual stock return and*

*the return that would be expected given the performance of the market”* (Günter K. Stahl & Voigt, 2008, p. 167). The use of such a measurement can also capture long-term performance, because it might reflect the expectations on future earnings (Günter K. Stahl & Voigt, 2008).

#### 4.1.16.3 - ACHIEVING SHORT-TERM GOALS

One less obvious and perhaps more indirect way of measuring M&A performance can be through the use of short-term goals. Setting aims and achieving short-term goals can be linked to financial targets or synergy effects (Burgelman & McKinney, 2006), but it can also be related to functional goals within the HR function. Having a set roadmap for the process and achieving these goals will strengthen the ongoing process. To do so, having transparent goals which can be communicated within and outside of the function is necessary to ensure that the overall population being served by the function also knows about the progress and what it means to them. For the HR function, these types of short-term goals are very important. I.e. for completing salary related coding and being able to roll this out to the merged population, benefits programs being harmonized and communicated, training programs being launched etc. Elements like these are crucial to the end result and the progresses of these HR projects are important to the employees at all levels. From a level of employee uncertainty, a quick execution of a reduction plan can also be important to remove as much uncertainty as possible from the process (Burgelman & McKinney, 2006). The topic of uncertainty is also important when reviewing topics such as resistance to change and communication later on.

It is important however to ensure that some focus remains on the long-term goals as well as the short-term goals to avoid the longer-term ones suffering at the expense of the more visible short-term goals, as was the case in i.e. the HP/Compaq merger (Burgelman & McKinney, 2006). *“The vicious circle caused by not executing the strategic integration process with the required focus and urgency – and thereby lacking an effective feedback loop to measure progress against the assumptions underlying the integration logic – caused top management to fail to achieve the full promise of the merger and to miss projected growth and profit goals”* (Burgelman & McKinney, 2006, p. 21).

Even if HR is not a key decision-maker when it comes to the financial results and achieving these, there are a lot of indirect links from the various HR processes that help achieve the financial goals. Also, going back to the questions of what makes a merger successful, other than financial achievements, there is significant reason to believe that the contribution from the HR function on the non-financial elements are quite substantial to the success on the people side of M&A. For the example case of HP/Compaq, the HR function had a key role in the management selection process and in retaining key senior manager specifically (Burgelman & McKinney, 2006).

Even though M&A performance is not part of the main topics for this research project, it seems important to touch on it for the understanding of business perspectives and also to understand better what some of these definitions entail.

## 4.2 - MISSING LINKS?

After having undertaken such an extensive literature review, one is left wondering what might be missing. What does not seem to be covered thoroughly as part of research projects? After some discussions with representatives of the HR function involved in integrations in Schlumberger, it became clear that one important aspect is lacking: the legal entity integration. Integration of legal entities defined as the incorporation of one legal entity into the acquired companies legal entity for the purpose of company name, tax, stock market, marketing, legal issues just to name a few. This part of an integration has immense cross-functional effects, but is often led by HR. This also shows the importance of having HR representatives who knows what they are doing to be able to avoid issues when it is time to work on the integration of the legal entity.

To illustrate the effects of such an integration, a couple of case-stories from Schlumberger integration projects can server useful. The first example is very recent from when Schlumberger considered whether or not to bring MI Swaco in Russia onto the Schlumberger legal entity or not. Bringing the acquired company onto Schlumberger legal entity would generate huge tax benefits for the combined company and seemed like a “no-brainer”. However, when doing some more extensive research, it was discovered that the MI Swaco brand name was considerably stronger in Russia than the Schlumberger brand name. As such, the cost in potential lost contracts and clients and overall reputation were calculated to sums in great excess of the tax benefit. Thus, justifying keeping the separate legal entities for the time being. For this example, the HR function and payroll had all the data they needed to support the integration of the legal entity. After talking with management, supply chain and marketing, it was discovered that other impacts were at stake as well and the decision then ended with separate legal entities instead of joint ones. This creates a strong argument for both a strong HR integration function, but also for a cross-functional team of integration experts to ensure that all aspects are considered.

A different example from Schlumberger dates a few years back to when it acquired a smaller software technology company in France called Techsia. This company was acquired in 2009 (<http://www.slb.com/about/history/2000s.aspx>). The main reason for buying this company was to ensure the right to their software package and to also avoid a major competitor from acquiring the company. At the time of acquisition, one of the major competitors also had a bid on the target company. In France, there are many tax rules and benefits to be aware of, and one is the right to profit sharing when the company grows beyond 50 employees. Once Techsia was obtained and the right to licensing of the software was transferred to Schlumberger, this generated revenue for the company due to the way licenses are owned and handled within Schlumberger. If the transfer to a Schlumberger legal entity had occurred during the same fiscal year as the license transfer, Schlumberger would have become liable to pay profit sharing not only to the Techsia employees, but also to the rest of the employees in France. As such, the legal entity issues and legal and financial aspects linked to the timing of an integration can end up being very important during M&A processes and the planning of different activities linked to the integration.

## 5 – FINDINGS AND DISCUSSIONS

One observation in choice of research methodology is of the open and qualitative way of thinking, which seemingly does not allow for quantification of results and generalization as an end-result. General limitations in choice of research method were covered in details in section 3.1.1. Not all research projects need to have two lines under the answer to bring value to the field of study and this is the case in this research project. The choice of research method has rather allowed for a focus on words, observations, stories, visual portrayals, meaningful characterizations, interpretations and other descriptions (Zikmund, 2003, p. 111), ensuring a much richer coverage of the topics reviewed than would have been possible through a closed questionnaire.

Another valuable benefit related to the choice of research method is that it generates insights and also helps clarify business problems (Zikmund, 2003) linked with how to deal with integration issues, the latter of which is to a major extent the main goal behind this research project.

### 5.1 - LITERATURE REVIEW

The literature review has by far been the most time consuming and extensive part of this research project, spanning several months and including around 100 articles read thoroughly. An unknown number of articles were discarded after the initial review and a couple of books have been read for the purpose of this study, while others were not used after initial review.

Throughout the literature review, it became very clear that the available material is immense and quite difficult to search, organize and work through. Articles did not necessarily emphasize belonging to a certain scientific field or organizational area, meaning that what can be considered relevant to HR becomes quite subjective to the reader. Some articles can be argued as belonging to the field of HR, when they are from the journal “Human Resource Management” or even one of the management journals, however it might not be as clear when the article might be from Harvard Business Review or Journal of International Business Studies or similar. In an ideal setting, anything that is related to working with people and leading and managing people should be linked to HR in some way or another. If it is a strong and important field for HR is of course debatable depending on the topic at hand. The main instances where HR in most businesses plays a major role are on the management and maintaining of personnel systems (HRIS, training and development systems and others), organizational development and talent management and general development of staff.

Very few of the articles reviewed have contained specific ideas and pointers for the HR function. In the vast majority of the literature, the angle is very theoretical, based on hindsight. A few do however dig deeper into the HR function and give ideas of what the important elements for HR are (Antila, 2006; Schuler & Jackson, 2001). It took quite some time before I found something that seemed relevant and had this more “hands on” approach. I do not necessarily agree with everything in the articles, as mentioned during the literature review. But the articles with a bit more hands on approach have been a welcomed change in the study process.

The main finding from the literature review is the lack of coverage of the actual integration process. This is what is referred to as the post-combination phase (M. L. Marks & Mirvis, 2001) or the integration stage (Aguilera & Dencker, 2004). This finding is supported by the recent special edition of Human Resource Management from fall 2011, where the editorials (Y. Weber & Y. Fried, 2011; Yaakov Weber & Yitzhak Fried, 2011) indeed calls for more focus on the integration itself and not just single elements linked to integration, such as culture, communication, change management or similar. This is also something that came to mind when reading all the articles. Articles very often only cover one or two small areas of integration and not the entire process. This became evident already during the introduction of this research when introducing the various topics to be covered; planning of M&A (DiGeorgio, 2003; Knilans, 2009; M. L. Marks & Mirvis, 2001), cultural issues (Cartwright & Cooper, 1993; Chatman & Eunyoung Cha, 2003; Mitchell Lee Marks & Philip H. Mirvis, 2011; Schweiger & Goulet, 2005), national culture (Aguilera & Dencker, 2004; Morosini, et al., 1998), resistance to change (Larsson & Finkelstein, 1999; M. L. Marks & Mirvis, 2001), communication (Buono & Bowditch, 1990; M. L. Marks & Mirvis, 2001; Katty Marmenout, 2010) and due diligence (M. L. Marks & Mirvis, 2001; M. L. Marks & P. H. Mirvis, 2011; Mirvis & Marks, 1992).

An even broader range of topics have been investigated than what was expected during the initial stages. This is evident when looking at the table of content for chapter 4 of this thesis, where several more topics are listed than what was already discovered during the initial stages of the project.

Some authors have tried to give an overview of the key levers or key success factors for integration processes. One article that is mainly focused around cultural integration listed seven key levers that are believed to influence the success of failure of integrations. These are (Knilans, 2009, p. 41):

1. Integration Teams
2. Speed
3. Leadership
4. Communication
5. Retention
6. Culture
7. Results (the ultimate goal)

Others have a slightly more extensive view on what it takes to succeed with integration processes, illustrated by the right hand side in figure 26:

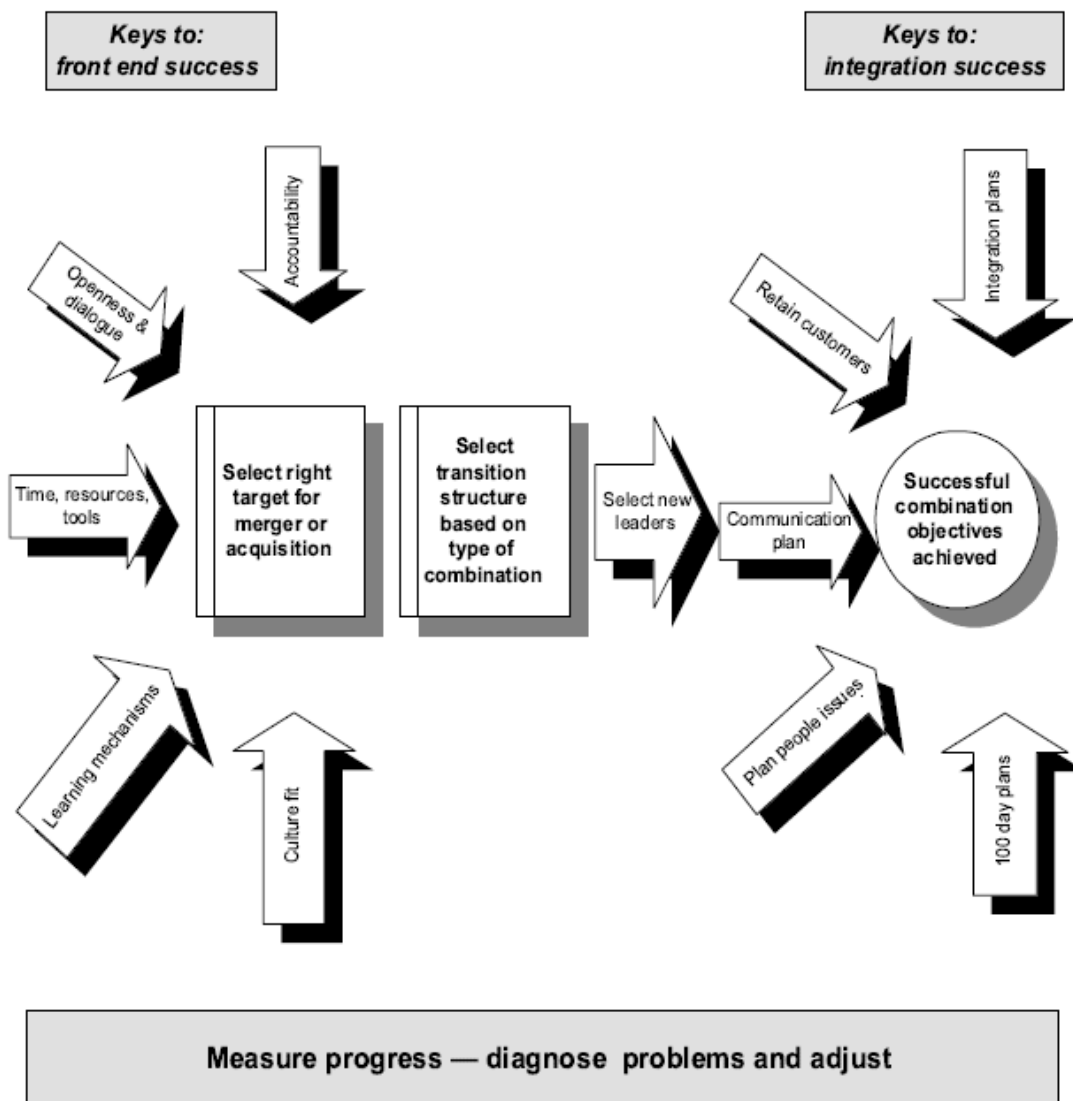


Figure 26: A systems approach to successful mergers and acquisitions (DiGeorgio, 2003, p. 260)

Both of these authors mention several of the same points as discovered during this research project as main findings, such as communication and integration teams. The main findings will be explained in more details in the following sections, 5.3 and 5.4.

Looking back at all articles read during this study, I have encountered many good ideas, including the ones mentioned above. But, also some very strange ones have been discovered as well as some less fortunate analogies used. One article is actually called *“Preparing for Organizational Death”* (Mitchell Lee Marks & Vansteenkiste, 2008). Had the article been about bankruptcy or similar topics, the analogy could have been quite suitable, but when writing about transition processes during M&A, it becomes rather grim and depressing to read quotes like *“individuals who make a healthy transition from their predeath to postdeath work situations”* (Mitchell Lee Marks & Vansteenkiste, 2008, p. 811).

Although I have been trying to focus on the latest literature in my study, limiting mainly to the last +/- 15 years, several “classics” keep popping up and some other older studies have also been

included as interesting. The main classics referred to in the articles I have reviewed have been Kurt Lewin and Geert Hofstede. Both have conducted studies that are considered important and that are cited in many later research projects. I.e. Hofstede's book from 1984, where he proposes the four cultural dimensions, is cited by almost 26000 other research works according to Google Scholar (accessed on 13<sup>th</sup> July 2012). The majority of Lewin's work is also cited in several thousand later research projects, justifying the classification of these authors' work as classics in their genre and thus important to mention for the historical background of certain theories.

The majority of the literature reviewed can be seen as Western influenced and thus portraying the views of Western culture, meaning USA and Western Europe as the main sources of data. This can be seen as an academic hegemony from the Western world and probably also causes biased results and viewpoints, ensuring that the results of this research project also has the same biases. It is likely that other research from Asian or African countries would have held a different perspective. But, with limited literature available from other cultures than the one closest to home, it will not be possible to include more insight into this area in this research project. It also lies outside the scope of this project to review such differences. The fact that Schlumberger has its main offices in USA and France also means that the most relevant viewpoints are the Western version.

The reader may wonder why change management has not been covered as a separate topic for this research project. This was given a lot of thought, but in the end, the decision was to not include this separately because the various elements of change management are covered in the individual chapters.

## 5.2 – EMPIRICAL DATA

Data gathered through the open ended survey turned out to be very limited, with a poor response rate. This limits the emphasis that can be put on this part of the research, making the theoretical section the stronger element of this research work. On the other hand, the findings were highly qualitative and descriptive, and especially the main finding on communication was also emphasized through the secondary data source, ensuring that the overall quality of the empirical data can be confirmed for the organization. It is still important to emphasize that the strength of this work in the end lies in the literature review rather than the empirical section.

Also, processes or lack of them pinpointed itself as one area of concern for the current and future integrations. Several of the respondents mentioned having the feeling of having to reinvent the wheel for many of the processes involved.

Schlumberger has a wide variety of types of integration, both when looking at companies acquired, size, complexity, length of process and elements involved in the integration. It has become quite clear that the process is not always to "paint everything blue" (referring to Schlumberger's "nick name" Big Blue) as often seems to be the expectancy or perception by the acquired company. Even if there is a major difference in size between the target company and Schlumberger, Schlumberger seems to be open to looking at best practices from the acquired company as well. This was evident in

the case of the Smith, MI Swaco and Geoservices integration. These findings were also supported by the perception survey.

On a different note, the limited responses to the survey may be an example of why so much of the literature holds such a highly theoretical orientation. The difficulty faced in obtaining proper empirical data when in fact being an employee of the company under investigation can only mean that for non-employed researchers, the task would be almost impossible. This has also been mentioned in several articles that the data obtained is indeed hindsight information once the process has been chewed and processed by the company already. Rarely is anyone let in on the action from the beginning of the process for the purpose of research. M&A processes are surrounded by a lot of secrecy, especially before the deal is closed and communicated, making it difficult to get a foot in the door early enough to get “real world” data.

### 5.3 - COMMUNICATION IS KEY!

Throughout this study, it has become evident that communication is one, if not the most crucial element to succeeding with any integration. The responses to the open-ended survey did not clearly state communication explicitly as a success factor, with only one respondent answering “communication” to the question “Based on your experience, what do you consider major obstacles to good integration performance from a HR perspective?” However, communication is raised as an important issue on several of the other questions. In addition, communication was raised as crucial during interviews and conversations with other HR Integration Managers during the thesis work.

To confirm this finding, the secondary survey data source was also reviewed and this survey also concluded that communication can and should be improved across all parts of the integration process. These findings in addition to some extensive emphasis and good arguments and examples from the literature together allow for conclusions to be drawn.

In the secondary data, communication is listed as the top area of concern for the majority of the countries within the area where the survey was conducted, with mentioning of areas of concerns such as “communication, communication and communication” or “communication is the major issue”. The survey summary concludes with a very good statement: “Say what we do, do what we say”. This statement fits very well with the findings in my own research.

Although communication can be expensive, not communicating well enough can end up being a lot more costly to the company in the long term. An example of this was given during a conversation with one HR Integration Manager, who could tell that in one country, the local HR Integration Manager spent considerable time and resources on traveling to all locations, bringing with her representatives from Schlumberger, the acquired company and also line managers involved in the integration. It was evident that the time and effort spent on these visits and meetings were paying off. The integration message was conveyed positively throughout the country and the overall integration was running smoothly. In another country in the same area, the HR Integration Manager had a completely different approach to the integration. The numbers reported to the headquarters on progression was showing very good progression on the different elements of the process. But,



when digging a little deeper into the ways things were handled, it became clear that things might not be running as smoothly as perceived. Among other things, the acquired staff was told via e-mail about changes to their overall benefits. Through the perception survey conducted by the Area HR Integration Manager, it was clear that there was close to no trust in Schlumberger as a company in that country. The way the communication was handled in this country was almost non-existent and there was no trust in the messages conveyed to the employees. To rectify such damages can prove much more expensive than doing it right the first time.

Having timely, accurate, open and honest communication is an important factor to success or failure of an integration and one element that is important to remember is that no news or no change is also important news to the employees involved.

This finding is in line with lesson 3 from Ashkenas, DeMonaco and Francis:

**LESSON 3:**  
Decisions about management structure, key roles, reporting relationships, layoffs, restructuring, and other career-affecting aspects of the integration should be made, announced, and implemented as soon as possible after the deal is signed – within days, if possible. Creeping changes, uncertainty, and anxiety that last for months are debilitating and immediately start to drain value from an acquisition.

Figure 27: Lesson 3 (R. N. Ashkenas, et al., 1998, p. 172)

Based on the research for this thesis it has become very clear that the success stories can be found in cases where the HR Integration Manager (and in most cases also the Integration Manager) engaged in direct, timely and open communication with the involved employees. This can range from “Monday morning meetings”, to regular e-mails or newsletters, formal information meetings or even training courses, both relevant to the integration process, but also other more “fun” activities like team building events. From my conversations with relevant HR stakeholders, it has been clearly emphasized that communication must start immediately and be constant. Initial communication will in the majority of the cases be met with fear, disbelief and distrust. In order to build the necessary trust, belief and credibility in the messages conveyed, the HR Integration Manager and the rest of the integration management team must never stop communication efforts and they have to follow through on the promises made. They must also handle presenting the not so popular news and deal with these in a timely manner too. Painting everything “rosy-red” will ensure a failed integration.

Several suggestions for communication efforts have come up during my research. These include internal news magazine, internal newsletters via e-mails, coffee or lunch meetings, more formalized meetings, team building events, training courses on Schlumberger business, systems or applications, training courses in other topics such as first aid, excel, outlook or similar and also other social events such as Christmas parties or family events.

During the literature review and discussions with my mentor, it became clear that some elements seem to be missing. Communication can be split into three elements:

1. Line/function communication, what is communicated internally through the functions or reporting lines.
2. Professional communication, what is created and communicated by professionals (marketing, communications department etc.)
3. Informal communication channels, what is discussed among employees, rumors and similar.

Of these, the line/function and the informal communication channels are the ones mainly mentioned in the literature. The professional communication channel is mainly mentioned for the communication of the deal at hand and rarely touched upon beyond this point in the HR relevant literature. This is still an important communication element and is the one mainly linked with external communication channels and the surrounding world, guiding the understanding and perception of the integration and how it's portrayed in the media. The media often has a lot to say on if the integration can be considered a success or not, which is why it's mainly covered by those trained in such communication strategies and not necessarily of the same importance to HR.

The line/function communication is well covered in the literature review on communication and the informal channels are covered in more detail in the section on Employee Sensemaking in section 4.1.6. The professional communication is not covered much in this research, except a mention on the importance of the initial statement of the deal. As such, this communication element is missing from the HR literature and is most likely more relevant and important for marketing and communication strategists. It is however an area HR should be conscious and aware of, since the line/function and informal communication channels are linked with what is communicated externally to media or others. Consistency is key here and all functions need to be aligned in order to send the same message to all parties involved.

All of these elements are strongly supported by one bold statement from the perception survey summary; "integration is about people".

## 5.4 - INTEGRATION TEAM

The importance of and possible composition of an integration team is covered in details in section 4.1.7. To have an integration team and especially a well-functioning and experienced integration team was discussed extensively with an HR Integration Manager in Schlumberger. She emphasized that she had been part of numerous integrations and that one of the main success factors for the success of her most recent integration was the fact the both she and the Integration Manager had worked together and separately on integrations in the past and could collaborate well on the latest integration project they were assigned to.

For all integrations within Schlumberger, an integration team of some sorts seems to be assigned to the project. There seems to always be one Integration Manager assigned to the project and this person seems to be assigned full time. For the rest of the team, a person from HR is normally involved and seemingly also a controller or business analyst to take care of the financial aspects of

the integration. These two roles seems to often be assigned only part-time to the integration project, which is against the recommendations from the literature and also something that seems to cause concern among the HR Integration Managers assigned.

One respondent to the open-ended survey has been assigned part-time to two separate integration projects and has raised this as a concern during follow-up questions that not being able to be a dedicated resource to the project is causing constraints and limits the speed and success of the integration. Another respondent has been involved in an integration part-time besides being a segment Personnel Manager, which is a senior manager position with extensive responsibilities in itself.

Finding the obvious success stories has not been easy, but the integration mentioned in the introduction to this section was said to be widely acknowledged as a success story. Her main argument for the success of this integration was the fact that there was an experienced, well-oiled team consisting of herself and the Integration Manager that led the project.

The integration she led is the acquisition and integration of Reslink in Norway. For this integration, of a relatively small company of approximately 60 employees, a dedicated Integration Manager and HR Integration Manager were appointed for the first years. These two worked as dedicated resources to integrate Reslink into the Schlumberger umbrella in a timely and efficient manner. They spent a lot of time on communication efforts with the employees, from the very basics through team building exercises to the more detailed processes and elements of being part of Schlumberger. In addition, the two Schlumberger managers were experienced in integration processes, with the HR Integration Manager having been involved in at least 6 other integrations in the past. During my discussion with her, it was very clear that she feels this is one point where Schlumberger can improve their integration processes, by utilizing the existing experience within the organization when initiating a new integration process. This finding is also in line with one of the lessons from Ashkenas, DeMonaco and Francis:

**LESSON 2:**  
Integration management is a  
full-time job and needs to be  
recognized as a distinct business  
function, just like operations,  
marketing, or finance.

Figure 28: Lesson 2 (R. N. Ashkenas, et al., 1998, p. 169)

For the larger integration of Smith, MI Swaco and Geoservices, there is a huge integration team in place to take care of all aspects of the integration. This is of course not a luxury that can be afforded in any integration project, but there seems to be a consistent message that the resources in an integration team should be dedicated to the integration only for some period of time.

*“Few companies go through the process often enough to develop a pattern. Thus it tends to be seen not as a process- as something replicable – but only as something to get finished, so everyone can get back to business”* (R. N. Ashkenas, et al., 1998). Reviewing the track record of Schlumberger and the number of acquisitions or mergers in the past years, it is evident that it should be possible to develop a process pattern, allowing for some good best practices for future integrations.

This article also has one of the most useful models discovered during this study, which shows how an integration process can be structured given the requirements of the company.

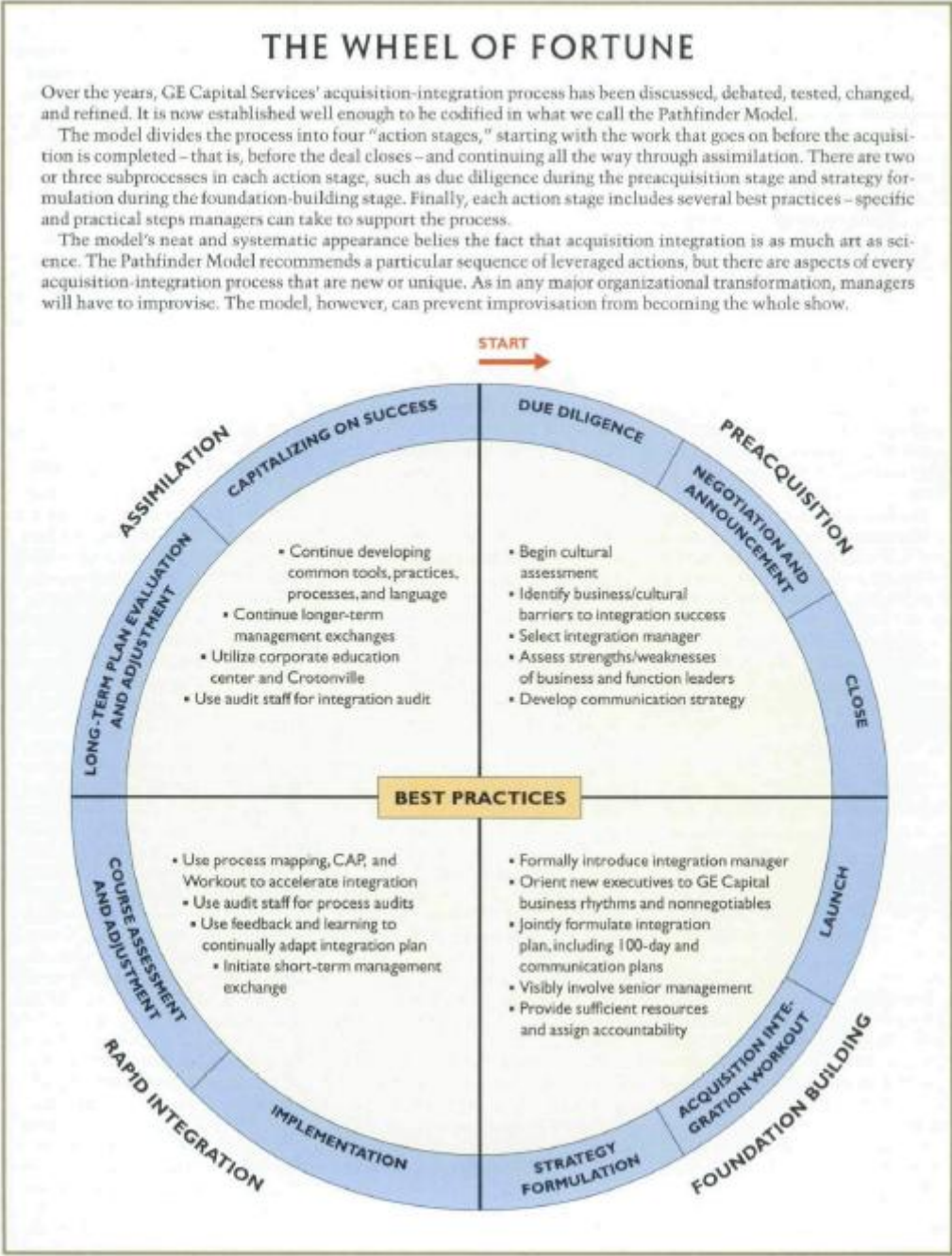


Figure 29: The Wheel of Fortune Ashkenas, DeMonaco & Francis, 1998, p. 167

The wheel of fortune above, the overview on “what integration managers do” in figure 21 and also the Schlumberger HR Integration Roadmap in figure 7 are all tools that are highly illustrative and in line with main recommendations from the literature. Already at the very beginning of this research project, when covering the planning of an acquisition it became clear that a proper tool is desirable.

None of these tools can be used as exact blueprints for Schlumberger integrations, but are a good source for inspiration and lessons learned to create an internal tool to use for the various integrations Schlumberger involves itself in. It is important to keep in mind that no integration will ever be the same. The complexity, size and work involved will always vary from integration to integration, thus making any tool created a guidance document more than a “how to” process document. Still, having good references, documentation and proper knowledge sharing can make a great difference in the success of any integration process a company embarks on.

## 5.5 - KNOWLEDGE CAPTURING AND KNOWLEDGE SHARING

Learning from prior experience is often considered as a “taken for granted”. Knowledge should be captured and shared, however, this does not always happen and became evident in the initial stages of this research, where searches in internal HR databases in Schlumberger yielded close to no useful results on best practices or similar for integration processes.

To investigate further, the open-ended survey included questions such as “Do you believe that Schlumberger as a company is good at capturing knowledge from previous acquisition integration processes to utilize in future integrations?” and “Do you have any other input or suggestions for improvements of HR integration processes within Schlumberger?”

The answers to these were somewhat twofold. No one wants to criticize their own employer, but based on the answers, it is clear that more information would be appreciated. What also became evident was that for those involved in the Smith, MI Swaco and GeoServices integration, the information was readily available and useful. Plans were in place according to the HR Integration Roadmap (see figure 7), due to the sheer size of this integration process. For the rest of the responses, answers like “quite so in the M&A team; probably not as much for the Integration process itself” and “Would have been useful to have one tool box area. I was also missing a lot of practical information and had to develop my own checklists and detailed schedules” were given. Confirmed again by answer to the second question mentioned, with statements such as:

- “Again, for me it should mature in a standard process (or at least guidelines) as I said: It would be a standard duty not always at the level of Smith/MI integration but as part of our business role & expertise.”
- “I think Integration teams should get a basic training session before starting the integration, outlining what needs to be achieved, to set up a timeline with the help of people who know the process, get some communication advice (SLB is huge, we need to be humble ....) and get a list of people on whom to contact.”
- “Main one is knowledge capture - best practices/do's and don'ts.”
- “Would be good to have best practices.”

This story is also confirmed by conversations with the Reslink HR Integration Manager who confirms that she, even with her extensive knowledge-base, has never actually written down her wealth of knowledge for sharing with the general HR community, nor has she ever been asked to do so by central HR management.

The answers to the survey and the story from the Reslink HR Integration Manager are very much in line with my impression from meetings with other stakeholders in the HR function as well. It seems a great job is being done at creating documentation for use in the Smith, MI Swaco and Geoservices integration process. However, it is still unclear if these will be made available and applicable for future integrations.

## 5.6 – DUE DILIGENCE, A BLACK BOX?

Throughout this research project, due diligence has seemed to be somewhat of a black box. None of the respondents have been involved in the due diligence process themselves. Only through referrals did the researcher succeed in identifying an HR Advisor who could shed some light on this part of the M&A process. Very few of the HR stakeholders who responded to the open-ended survey knew who had been part of the due diligence from HR for their respective integration projects. Neither did any of the respondents seem to have any knowledge of the findings from the due diligence process.

The HR Advisor identified through referrals turned out to have quite an insight into the due diligence process and had been involved in many of these processes with the corporate M&A team. This obvious missing link between the due diligence process and the M&A team with the integration team opens for several improvements suggestions in section 6.1.6 and 6.1.7.

As mentioned by Antila (2006), poor or lacking due diligence will most likely complicate integration processes and the same can probably be said by due diligence processes conducted properly but not utilized to its full potential. As outlined in the introductory section 2.1.3 on the pre-combination phase, (Schuler & Jackson, 2001) some simple checklists have been created that act as good advice on what the due diligence process should include. These are illustrated in figure 8. However, having talked with the HR Advisor, it seemed clear that the processes were in place for conducting proper due diligence, although the majority of this information was classified as confidential and not shared within the HR community.

The main area of improvement seems to be on the link between the M&A due diligence team and the HR Integration Manager and the rest of the integration team. A better link and communication channel between these two teams could improve understanding of possible challenges, conflicts and bumps on the road to integration success.

From an external perspective, it seems like there is a great potential for minimizing double work by having a link to the expert, especially to enable some initial understanding of potential resistance, to gain knowledge about prior large change projects in the acquired organization, desirable retention measures based on who is believed to be key technical people in the organization and also to plan layoffs and/or redundancy as early as possible (Antila, 2006).

Proper knowledge sharing between the due diligence owners and the HR Integration Manager and the integration team could ensure the success of the integration project (Schuler & Jackson, 2001).

Again, this finding is in line with one of the lessons learned by Ashkenas, DeMonaco and Francis:

LESSON 1:  
Acquisition integration is not a discrete phase of a deal and does not begin when the documents are signed. Rather, it is a process that begins with due diligence and runs through the ongoing management of the new enterprise.

Figure 30: Lesson 1 (R. N. Ashkenas, et al., 1998, p. 168)

## 5.7 – WHAT IS A MERGER AND WHAT IS AN ACQUISITION?

The literature might seem clear on what a merger and what an acquisition is, but to the business, the picture might not be that clear. As mentioned in the introduction on M&A, what the process is portrayed as internally within Schlumberger (and potentially other companies as well) might not be in line with the literature and its definitions.

The findings from the open-ended survey also show that it's not necessarily consistent what integration is called. Take for instance the Smith, MI Swaco and Geoservices integration, which is labeled "merger" by the company. This label is given even if the size between acquirer and acquired is about a 5 to 1 ratio, with 115 000 employees compared to approximately 25 000. From conversations with other HR stakeholders, it also became clear that other and smaller integrations were labeled as mergers, even if it to the outside looked like a clear acquisition.

The picture on what is a merger and what is an acquisition is definitely not as black and white as it might come across in the literature and the perception and messages might vary depending on the intention behind the acquisition and integration.

However, it is important to consider how an integration is labeled and how it is communicated to the acquired employees to avoid confusion, distrust and a distorted picture of the reality. Considering how important communication is for the success of an integration process, to start off by calling it something it definitely is not could prove to be catastrophic to the outcome.

## 5.8 - IS THERE SUCH A THING AS A MERGER?

In the literature, the terms mergers and acquisitions are used interchangeably and rarely with much refined definition. Several articles also refer to merger successes such as HP and Compaq (Burgelman & McKinney, 2006) or Statoil and Hydro.

However, the majority of the so-called mergers in the oil and gas sector all seem to be acquisitions rather than mergers. Of the major integrations in this sector in recent time, they all seem to have become part of the major stakeholder in the process. This can be seen in the way they have processed from independent companies, to an interim merged organization, only to return to the major stakeholder by name.

Examples of these are:

- Exxon & Mobil, now Exxon
- Chevron & Texaco, now Chevron
- BP & Amoco, now BP
- Total, Fina & Elf, now Total
- Statoil & Hydro, now Statoil

In a longer term perspective, one may wonder if the interim merged organization is just a stage of the integration before reaching the end goal of an absorption or similar of the acquired company.

On the other hand, with examples from Schlumberger, the minority stakeholders are in many cases be allowed to continue to operate using their company name under the Schlumberger umbrella, such as:

- Framo, a Schlumberger Company
- Geoservices, a Schlumberger Company
- MI Swaco, a Schlumberger Company
- Smith Bits, a Schlumberger Company

This can be illustrated with the company logos below (all obtained from the Schlumberger website, [www.slb.com](http://www.slb.com) ).



This is not to say that all Schlumberger integrations end up with this solution, and these companies may very well see the notation of a Schlumberger Company moving into just being Schlumberger over time.

I believe this sheds some light on the somewhat vague and ambiguous use of the term merger, when in reality, the process seemingly should be labeled acquisition from day one. On the other hand, the term chosen for the integration of course bears with it certain psychological impacts, all which have been mentioned in the literature review.



## 5.9 – WHAT ABOUT CULTURE?

This topic was completely lacking from the material in the survey. No one has mentioned it with a single word. To investigate this, a follow up question was sent to the respondents to investigate why they believed it had not been mentioned. Was it because they did not believe that culture is a concern or possible issue during integration processes? Or, if it could be due to the sheer size and diversity of Schlumberger in general, that they operate in the countries where they acquire companies already? Or, is culture actually an area of concern during integrations, it is just not considered the main area of concern?

The responses to the follow up questions showed that the respondents believe this to be such an overarching element that they forget to mention it. However, when asked to elaborate, it seems clear that national culture is not seen to be a major obstacle, since the acquired company is normally integrated with an entity from the same country. Corporate culture on the other hand can cause a lot more questions and concern, especially due to the immense differences in size between Schlumberger and normal target companies.

During the introduction there was a reference to Weber and Fried (Yaakov Weber & Yitzhak Fried, 2011) on the poor understanding of cross-cultural issues during integrations. To further investigate the question on culture, a key word search was done of the summaries of both the open-ended survey and the secondary data source, but the word culture is not mentioned once. What was mentioned, that is linked to culture, was more related to issues on corporate governance, legislation and union issues. The fact that what seems to be the largest topic in the literature is not necessarily seen as a major issue within a company like Schlumberger could of course also be linked to the sheer size and diversity of the company. As mentioned in the section on Schlumberger background info, the company employs around 115 000 people of roughly 140 different nationalities and operates in approximately 85 countries. This could ensure that especially national culture is taken care of by the fact that Schlumberger most likely already has an office and operations in a country where it acquires or merge with a company.

Adding to the equation from the case company, Schlumberger's staffing model is made up of numerous amounts of expatriate workers in addition to locals in the locations where the company operates. This could simplify or complicate a transition process depending on the various nationalities, languages, religions, political systems and similar involved in the individual integration project. If it is managed by a local or by someone brought in from a different country with a completely different cultural, political and religious background could make a huge difference. Some integration processes will also be worldwide projects, where the cultural dimensions are brought to a global level, with various local elements in different locations where the acquired firm operates.

## 5.10 – DOES IT WORK IN PRACTICE?

As mentioned several times during this research project, the theories covered during the literature review are just that, highly theoretical. Only limited research is based on proven practice. The few best practices mentioned are from GE Capital or Cisco Systems, such as figure 29. This makes it hard to understand if any of it actually applies to and will work in the real world. One can't predict from the theory if it is possible to translate to the practical world. It might only sound nice on paper. This leaves a major room for improvements on future research projects on the topic, where active involvement in the M&A and the integration process would be the absolute best approach.

On a similar note, the best practice recommendations on integration teams or managers do not go into details on the size and complexity of the team or who should be the team members. One interesting topic here would be to see more on what is considered an optimal composition for an integration team in proportion to the size and complexity of the integration at hand. The smaller integrations in Schlumberger that have been reviewed for this research had an Integration Manager, a HR Integration Manager, a Controller and sometimes also a Technology Integration Manager. These integrations have included anywhere from approximately 50 to 300 employees in the acquired company. The larger integration of Smith, MI Swaco and Geoservices had a much larger integration team, where the team within the HR function alone was huge, including local HR Integration Managers, Area HR Integration Managers, dedicated staff in the support centers for the HR function (administrators, compensation and benefits team and similar). It is not possible to say if any of these sizes or compositions of teams are optimal for the integration at hand, but it is logical to assume that the number of various members of the team should increase with the size and complexity of the integration.

It seems a review of the types of teams used in small, medium and large integrations can be a useful research topic for the future, allowing for guidelines on what makes a good integration team, both in size and participants.

## 6 - CONCLUSION

### 6.1 - RESEARCH QUESTIONS

Returning back to the start and looking at the proposed research questions, can any of these be answered with the findings throughout this study?

#### 6.1.1 - WHAT IS THE CURRENT STATE ON M&A, MAINLY FROM AN HR PERSPECTIVE, IN THE LITERATURE?

After having reviewed numerous articles, a few main topics crystallized themselves as being the main areas of interest for HR during integration processes. These topics were undoubtedly communication, culture and resistance in addition to general change management approaches. A lot of the smaller topics touched upon during this research project can be grouped into one of these main categories.

From a practical point of view, very little of the literature is based on “real world” examples and very little is easily translated into practical tasks, check lists or similar. I have raised this issue earlier in this thesis as well, but the fact that a lot of the literature is not very hands-on of course makes it difficult to understand how and if it would work in a real organization. It also means that topics that are not as important when you get into an actual integration are given more space and emphasis than what might be applicable. One of these topics is culture. Culture is indeed an important element of an integration, but my findings do not seem to reflect the same importance as the amount of research on the topic suggests. There is no doubt that culture, both national and corporate culture are important for integration success, but other topics seem to be somewhat “hotter” when it comes to actual integration work. In my research, communication has clearly stood out as the crucial factor to integration success.

#### 6.1.2 - WHAT ARE THE LATEST RECOMMENDATIONS FROM THE LITERATURE FOR M&A PROCESSES IN HR?

For the main topics mentioned, in addition to culture, the majority of the recommendations uncovered during the research project also relates to the same topics. Communication and the importance of having a plan for communication and also the importance of conducting a proper communication effort are essential. Both the literature and my own findings illustrate the importance of communication and the devastating results one can end up with if not doing it properly from the very beginning of an integration process. This was illustrated by the story from the perception survey under section “Communication is Key” (section 5.3).

Success stories are not very common in the literature on M&A, but certain mergers or acquisitions are considered to have been a success when looking at the overall picture. One merger that has been

considered a success and that has been well covered in the literature is the merger between Statoil and Hydro’s oil and gas division. Several authors have covered this merger and a lot of research has been conducted on this integration process.

By one of them, the critical success factors for an integration process are outlined as follows:

<b>Organizational measures</b>	<b>Contributions in process</b>	<b>Contributions justice</b>
Establish projects on several levels, with strong central control	Reduce complexity and uncertainty	Ensuring equal treatment of all employees
Communicate and live by clear principles	Consistency, reduces uncertainty and acts as navigational stars in the dark	Creates predictability, transparency and appeal basis
Limit scope and implement piece by piece	Creating stability along some dimensions: Ex. Nothing shall affect the safety critical operations negatively	Visibility, it is possible to keep track
Involve the employees (eg. When volunteering or showing interest)	To give choice and control over their own situation	Employees can partly determine future employment situation

Figure 31: Organisatoriske grep for å oppnå en effektiv og rettferdig integrasjonsprosess. Figure has been translated from Norwegian by the researcher. (Stensaker, 2009)

This overview summarizes the current recommendations from the literature well, focusing on the importance of:

1. Having a project team responsible for the integration.
2. Clear communication and clear principles for the integration.
3. Have clear boundaries and plans for integration piece by piece.
4. Involving each employee in the integration.

This set of guideline easily summarizes the main findings from my literature review. As mentioned above, communication is key! And, in line with this overview, I would also like to emphasize the importance of having an integration team, preferably a team that is not part of the daily operation. This team also needs to have a clear plan for the integration process, with timely goals and transparency that allows for involvement of the individual employees.

### 6.1.3 - WHAT IS THE CURRENT STATE OF HR INTEGRATION PROCESSES IN SCHLUMBERGER?

In my quest to explore the M&A literature for useful information, one of my main goals was to find information about what it means to be an HR Integration Manager. Within Schlumberger, this role is to a major extent seen as a “side-role” to being a Personnel Manager or in many cases Segment Personnel Manager, at least for the smaller integration processes when the company acquires small businesses.

Reviewing the list of job descriptions internally available in Schlumberger, there is actually no job description for a HR Integration Manager. For the integration of Smith, MI Swaco and Geoservices, a job description for an Area Integration Manager (AIM) (HR role) was created, containing certain elements relevant to the average HR Integration Manager as well.

## AIM job description

Main Missions		Functional scope
<ul style="list-style-type: none"> <li>• Is the guardian of HR integration rules (e.g. priority to fill new positions with SII / GSS staff)</li> <li>• Oversees all implementation tasks to coordinate them between segments / geomarkets / RSC</li> <li>• Actively engages with area and geomarkets SII / GSS management (OFS)</li> <li>• Ensures people plan (ranking, COR, transfer, reclassification) is in place including retention plan</li> <li>• Manages and is accountable for the area headcount plan (quarterly review with top management on RSC / GM / Hubs headcount)</li> <li>• Is responsible for designing &amp; coordinating HR training plans</li> <li>• Is accountable for legal entity clarification</li> <li>• Has a focus on evolution of OFS HR organization to take into consideration Segment specificities</li> <li>• Maps processes between geomarkets and RSC / Hub</li> <li>• Educates Line managers about the changes in HR with Segment HR</li> <li>• Communicates effectively to HR &amp; Line managers; more generally acts as a focal point for HR integration communication</li> <li>• Plays the lead role on technical issues behind secondments</li> </ul>		<ul style="list-style-type: none"> <li>• HR Planning</li> <li>• Employee support</li> <li>• HR compliance</li> <li>• Staffing in countries &amp; RSC</li> <li>• Area HR integration:               <ul style="list-style-type: none"> <li>• Organization</li> <li>• Programs</li> <li>• Systems</li> </ul> </li> </ul>
Reporting line	Relationships	Competencies & Behaviors
<ul style="list-style-type: none"> <li>• [REDACTED]</li> <li>• Functionally to Area PM</li> </ul>	<ul style="list-style-type: none"> <li>• Area / Geomarket PMs</li> <li>• Drilling Group PM</li> <li>• SII / GSS HR Managers</li> <li>• Line Management (Area and Gmkt level)</li> <li>• VP Drilling Group</li> <li>• Finance/Tax/Legal including facilities</li> <li>• SL HR central team</li> <li>• SII and GSS Integration team</li> </ul>	<ul style="list-style-type: none"> <li>• Project management</li> <li>• Communication skills</li> <li>• Influence</li> <li>• Organization skills</li> <li>• Pragmatic</li> <li>• Flexible</li> <li>• Result oriented</li> <li>• Leader/Coach/Enabler</li> </ul>

Figure 32: AIMs job description. (Name of overall HR Integration Manager has been removed), Internal Resources

As mentioned during the discussions, the time and effort spent creating all the plans, toolboxes etc. for the Smith/MI Swaco/Geoservices integration process has been huge. As such, one of my main recommendations from this research will clearly be to ensure that the work will be captured for future integrations. There is no doubt that Schlumberger will acquire other companies in the future and the success of those integrations could very well hinge on some of the knowledge gained during this massive process ongoing now.

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#### 6.1.4 - WHAT DOES THE LITERATURE RECOMMEND THAT CAN BE IMPLEMENTED IN SCHLUMBERGER FOR IMPROVEMENTS AND WHY?

Building on best practices such as the Wheel of Fortune, figure 29 and making it applicable to Schlumberger through proper processes would most likely help improve future integration processes. This best practice highlights the main elements of an integration and includes the major elements of each phase. The main elements also ensure an understanding of what are considered important for the company as part of their integration strategy. For this best practice, culture, structure, communication, transparency and speed are of the highlighted elements.

A company like Schlumberger can't copy such a "blueprint" directly, but rather edit it for an internally developed process that fits its organizational model and strategies.

The way this best practice is set up also gives an illustration of continuity throughout the process. A continuity that seems to be lacking during integration processes in Schlumberger. I will comment more on this in section 6.1.6 below.

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#### 6.1.5 - SHOULD SCHLUMBERGER CHANGE ITS CURRENT STATE AND WHY?

Based on the findings in the open-ended survey, literature review, interviews and also on several elements confirmed by the secondary data in the perception survey, there is always room for improvements. Looking at the main findings, the general area of improvement will definitely be how communication is handled during integrations. Of course not only during the integration process itself, but also before, during due diligence and around the time of announcement as well as what, how and when one communicate during the integration itself.

Several very good suggestions for communication channels were given, but also considering that "no news is also news" can be important. As mentioned during the literature review, having a transparent, two-way communication process can help eliminate a lot of the initial uncertainty and the "us" versus "them" factors.

As the acquiring company, one is often considered intimidating and acquired employees will immediately fear for their jobs. Establishing the communication link and developing joint trust and respect can be both time consuming and extremely difficult if not handled properly. This was illustrated by the story from the perception survey earlier and also confirmed during interviews with experienced HR Integration Managers.

So, in summary to this research question, yes, Schlumberger should definitely change some of the current processes, but absolutely not all. Based on the main findings, communication and knowledge capturing and possibly also basic training of HR Integration Managers are areas where improvements would be beneficial to future integration processes.

### 6.1.6 - IF SO, HOW SHOULD SCHLUMBERGER CHANGE ITS CURRENT STATE TO IMPROVE M&A HR INTEGRATION PROCESSES? (RECOMMENDATIONS ONLY).

Based on the answer to the previous research question, certain suggestions for how to improve will also be suitable to round off this thesis work.

When looking at the communication issue, it is clear that some guidance should be given on how to approach this important element of an integration process. A clear communication plan should be planned already at the initiation of the due diligence phase, to be ready for launch if the decision is to acquire the target company. Such a plan must include both the high-level communication of announcing the acquisition or merger, and also a plan of how to approach employees in both the acquired company and acquiring company. These plans should also include a plan for portraying any negative news and information in a timely and accurate manner, this is especially important where layoffs or other reductions are planned.

Several suggestions for communication methods were given, including internal news magazine, internal newsletters via e-mails, coffee or lunch meetings, more formalized meetings, team building events, training courses on Schlumberger business, systems or applications, training courses in other topics such as first aid, excel, outlook or similar and also other social events such as Christmas parties or family events. All of these could be part of a best practice document for integration process communication, but such a document or guideline should also have clear guidelines on how to approach a general communication strategy and what type of strategy is recommended by Schlumberger. Should a HR Integration Manager or other Schlumberger representatives meet with all employees of the acquired company to deliver certain messages? Can some information be sent via e-mail or newsletters? What information is it recommended giving as part of a roundtable, presentation or for instance a web/phone meeting? Other specific suggestions related to communication can be to create a communication package with recommendations to the target company on best practices for preparing the employees for the future transition and integration. Another recommendation package can be on schemes for retention bonuses and other incentives to keep key employees during the transition stage.

Some do's and don'ts for communication and typical answer to certain questions could also be useful (a FAQ document is one option).

This brings us over to one of the other main findings of knowledge capturing and knowledge sharing, which also crystallized itself as an area for improvement.

Looking at the Smith, MI Swaco and Geoservices integration, a vast amount of money has been spent on a huge and very professional HR integration team and a lot of money has also been spent on external consultants, who amongst other things created the Area Integration Manager Toolbox mentioned earlier. The knowledge gained from this and other previous integrations should be captured and shared for the benefit of future integrations. As shown in the main findings, several respondents were asking for better capturing of previous knowledge and one even went as far as mentioning that *"in my case I felt I had to 'reinvent the wheel' (...). Given the number of acquisitions we do, there should be some lessons learned captured. This could take the form of integration plans, best practices on various subject matters (HR, legal, finance, etc). Due to the sensitive nature of some*

*of this information, it should be captured in a place with restricted access. Maybe managed by M&A team?"*

Summarizing the main findings above (and in the section below), the main recommendation is continuity and structure. All the mentioned suggestions so far can be captured if there is a proper process in place, ensuring continuity from the due diligence team through the integration stages, until the process can be deemed completed. If everyone has a fair idea of what is going on, what their role is intended to capture and who to talk to during the process to obtain relevant and necessary information to do their job, then a lot of the other suggestions for improvements will come as part of this overarching process.

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### 6.1.7 - OTHER SUGGESTIONS FOR FUTURE IMPROVEMENTS

Several authors have attempted to list the characteristics an integration manager should encompass to be suited for the role (see figure 22 and figure 23 in section 4.1.7 on integration managers and teams). Having reviewed the internal database of job descriptions, none exists for the integration managers (nor the HR Integration Managers, as already mentioned) within Schlumberger even if several people hold the job and title of integration manager at any given time. The suggestions in the mentioned figures above could certainly be used as a guide to creating job descriptions for this important role.

The same goes for the HR Integration Manager. As a matter of fact, no one in Schlumberger is assigned to an actual HR Integration Manager within the company's HRIS systems as this is not job code that exists in the organization. Without the job code, no job description is relevant either and as such nothing other than the Area HR Integration Manager job description, which is a temporary role ending on December 31<sup>st</sup> 2012, has been created for HR roles in integrations. This opens for significant improvements in firstly creating HR Integration Manager as a formal job within Schlumberger and as part of that creating a proper job description covering the tasks and responsibilities of this role.

There is a seeming lack of main process owner when it comes to integration of acquired companies. As mentioned also in the responses to the survey, the M&A team seem to have very good processes in place and generally good overview of what to do. But, to a new HR Integration Manager, there does not seem to be any link into the M&A team for the purpose of giving advice and following up on the progress of the integration after the acquisition (or merger) is announced.

Based on this, one final suggestion from this research will be to have a dedicated HR person on the M&A team who can participate in the early stages, due diligence and other research, but who also owns the integration process and can advise on plans, timing, processes, people and other issues that come up during an integration. By no means must this be someone who deals hands on with the actual integration, but someone who has the experience and knowledge and knows where to find information, how to find information and who to talk to for the various elements in the HR Integration Roadmap mentioned previously.



## 6.2 – BACK TO SQUARE ONE

As mentioned in the introduction, a vast knowledgebase exists within Schlumberger when it comes to mergers & acquisitions and the integration processes, both with senior HR people, the M&A team and others.

During the research process, it was proven to be both difficult and easy to obtain information for use in this thesis due to the sheer size and complexity of the company. It was hard to know who to talk to, even with good internal directories to use to search for possible important stakeholders. It was also difficult due to the limited responses to the open-ended survey.

However, once relevant stakeholders had been identified, either through searches or referrals, the majority were extremely open and sharing. And, in a lot of cases, these were senior level managers with a wealth of knowledge and experience. It was through referrals that the secondary data was obtained and also through referrals that the “black box of due diligence” was finally opened. Both of these were elements that strengthened the researchers understanding of internal processes and expanded the big picture of the thesis.

All the findings in this thesis confirm that M&A activity within Schlumberger is still very much alive and that the company continues to expand both in size and new technology and business areas through M&A. This definitely confirms the need for improved internal processes on how the integrations are handled.

To use a Schlumberger internal concept that was developed in 2007, called Excellence in Execution, which spans over all parts of the business, including HR, the company should strive for nothing less in its integration processes as well.

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## 8 – TABLE OF FIGURES

Figure 1: Haleblian et al., 2009, p. 473.....	10
Figure 2: What HR Do, Internal Resources (Internal documentation) .....	12
Figure 3: HR as a Strategic Partner (Lawler Iii & Mohrman, 2003, p. 27) .....	13
Figure 4: How HR is organized in Schlumberger, Internal Resources .....	13
Figure 5: (Antila, 2006, p. 1001) .....	14
Figure 6: (Antila, 2006, p. 1002) .....	15
Figure 7: HR Integration Roadmap, internal resources.....	18
Figure 8: Stage 1 - Pre-combination (Schuler & Jackson, 2001, p. 244).....	22
Figure 9: Stage 2 - Combination - Integration of the companies (Schuler & Jackson, 2001, p. 245) ....	25
Figure 10: Stage 3 - Solidification and Assessment (Schuler & Jackson, 2001, p. 248).....	26
Figure 11: (M. L. Marks & Mirvis, 2001, p. 85) .....	28
Figure 12: HR Integration Manager Questionnaire.....	38
Figure 13: Audit of the Cultural Dimension (Thomas, M., 1997, p. 43) .....	44
Figure 14: Audit of the Organization Dimension (Thomas, M., 1997, p. 46) .....	45
Figure 15: Culture change options in mergers and acquisitions (DiGeorgio, 2003, p. 262).....	47
Figure 16: Marks & Mirvis, 2011, p. 863 .....	51
Figure 17: The Acculturation Model (Cartwright & Cooper, 1993, p. 65).....	53
Figure 18: (Thomas, M., 1997, p. 51) .....	54
Figure 19: Proposed theoretical model of employee reactions to a merger announcement (Katty Marmenout, 2010, p. 331) .....	55
Figure 20: Proposed theoretical model (K. Marmenout, 2011, p. 786) .....	57
Figure 21: What Integration Managers Do (R. N. Ashkenas & Francis, 2000, p. 115).....	60
Figure 22: Integration Manager Roles & Characteristics (Schuler & Jackson, 2001, p. 246) .....	61
Figure 23: Integration Manager Competencies (DiGeorgio, 2003, p. 264) .....	62
Figure 24: HR considerations in M&A (Buono & Bowditch, 1990, p. 19).....	66
Figure 25: Audit of the People Dimension (Thomas, M., 1997, 48) .....	69



Figure 26: A systems approach to successful mergers and acquisitions (DiGeorgio, 2003, p. 260) .....	78
Figure 27: Lesson 3 (R. N. Ashkenas, et al., 1998, p. 172) .....	81
Figure 28: Lesson 2 (R. N. Ashkenas, et al., 1998, p. 169) .....	83
Figure 29: The Wheel of Fortune Ashkenas, DeMonaco & Francis, 1998, p. 167 .....	84
Figure 30: Lesson 1 (R. N. Ashkenas, et al., 1998, p. 168) .....	87
Figure 31: Organisatoriske grep for å oppnå en effektiv og rettferdig integrasjonsprosess. Figure has been translated from Norwegian by the researcher. (Stensaker, 2009) .....	92
Figure 32: AIMS job description. (Name of overall HR Integration Manager has been removed), Internal Resources.....	93

## 9 – APPENDICES

### APPENDIX 1 – DATA CONFIRMATION ON SECONDARY DATA SOURCE

**Silje Rimestad Daber**

---

**From:** Stephane Tetreau  
**Sent:** 8. januar 2013 21:57  
**To:** Silje Rimestad Daber  
**Subject:** RE: Data used in my thesis

Hi there

No objections!

And good luck!

stef

---

**From:** Silje Rimestad Daber  
**Sent:** Tuesday, January 08, 2013 4:11 AM  
**To:** Stephane Tetreau  
**Subject:** RE: Data used in my thesis

Hi,

Just a reminder on the e-mail below.  
I will hand in the thesis on Monday, so any feedback and verifications from you would be highly appreciated.

Best regards,  
Silje

---

**From:** Silje Rimestad Daber  
**Sent:** 30. desember 2012 16:01  
**To:** Stephane Tetreau  
**Subject:** Data used in my thesis

Hi Stephane,

I am in the final stages of my thesis and was wondering if you can review the sections where I have included elements from my discussion with you or from the dataset you sent me? It is not a huge amount, so I'll just copy it into this mail.

If you have any objections, please let me know. And if everything looks fine, can you please send me an e-mail confirming that the data referred to and the use of it is correct? That would help me a great deal in confirming the quality of the thesis work.

Your support is highly appreciated.

Thanks and regards,  
Silje

### APPENDIX 2 – RESLINK DATA CONFIRMATION

**Silje Rimestad Daber**

---

**From:** Kari Margrethe Angell-Olsen  
**Sent:** 2. januar 2013 14:18  
**To:** Silje Rimestad Daber  
**Subject:** RE: Kan du se på?

Hei Silje, veldig bra!

Thanks,  
Kari Margrethe Angell-Olsen  
Personnel Manager OFS/DCS/SIS/WG/Wireline Norway

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Office Phone +47 51 94 95 39  
Mobile: +47 93 05 88 94

For future references, higher efficiency and a greater employee service please send future queries and need for assistance to our [AskHR@slb.com](mailto:AskHR@slb.com) or to our ASKHR website: [askhr.slb.com](http://askhr.slb.com)

---

**From:** Silje Rimestad Daber  
**Sent:** Sunday, December 30, 2012 3:43 PM  
**To:** Kari Margrethe Angell-Olsen  
**Subject:** Kan du se på?

Hei Kari,

Kan du se kjapt over dette som jeg har inkludert i oppgaven min og si om det er greit eller ikke at jeg bruker denne "historien"? Om dette er ok, kan du sende meg en bekreftelse på at referansen til Reslink er korrekt og brukt med din tillatelse? Det vil styrke troverdigheten i oppgaven.