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# How might your staff react to news of an institutional merger? - A psychological contract approach

## Abstract

*Purpose* – To understand the nature of staff/ employee (i.e. learning and teaching, curriculum support, and administrative staff) perceptions, anxieties and worries about early merger change in the UK further education (FE) sector.

*Design/methodology/approach* – Survey data was collected from 128 out of 562 employees to examine perceptions of psychological contract (post-merger announcement) on an FE college in England. Paired t-tests were used to analyse quantitative data. Additionally, a content analysis of open-ended questions was incorporated as part of a combined methods survey evaluation approach for discussion and triangulation purposes.

*Findings* – Quantitative results from t-tests showed there had been a decrease in the perception of fulfilled obligations in nine of the ten areas of the psychological contract. Qualitative results indicated that communications, job security and uncertainty were common negative outcomes post-merger announcement. Implications for education managers from the case study include: a need for improved organizational communication; developing trust and mentorship for greater employee support, as well as; promoting further employee training and new opportunities for teamwork.

*Research implications-* Psychological contract theories for evaluating organizational change are useful given the recent interest in sharing public services and institutional mergers in the UK. This research demonstrates the benefits of using psychological contract, as well as how to apply such an evaluation for understanding staff concerns.

*Originality/value* – The article demonstrates a usable (psychological contract) survey evaluation approach for studying the impact of early merger change on staff in the FE, or higher (HE) education sectors in the UK (or elsewhere).

## INTRODUCTION

This article employs a survey-based evaluation approach using psychological contract to better understand staff/ employees anxieties and reactions to merger and

acquisition (M&A)[i] related organizational change (Brockner *et al.,* 1992; Seo and Hill, 2005). Mergers and acquisitions in the UK public and education sectors have increased dramatically in recent years (Searle and Ball, 2004; CIPD, 2007; Davies, 2011) with greater financial and organizational pressures to consolidate and share services (Davies, 2011). However, as we will see, many mergers crucially fail to get employees on board during the early stages of the change process. Reasons for typical early and later stage M&A failure from a human resource (HR) perspective include: (a) a lack of shared trust and people integration within the newly merged organization; (b) inefficient sharing and transfer of organizational knowledge and; (c) problems resulting from the weak cultural fit, of two or more merging organizations (Armenakis and Harris, 2009; Azzone and Palerno, 2011). Employee reactions to M&A (regardless of industry sector) can lead to decreased organizational commitment and loyalty, as well as increased turnover intention and on-going productivity problems (Bellou, 2007; Arshad and Sparrow, 2010). As a type of organisational change event, mergers are often associated with employee feelings of vulnerability and perceptions of job insecurity (Searle and Ball, 2004). We will explore some of these issues in the context of managing employee/ staff relationships in the UK further education (FE) sector. This article contributes to the literature by discussing case-study findings and offering implications for managers, principals, or heads of department dealing with organizational change in the FE education environments, as well as the wider public sector.

In our study, psychological contract is used as a lens for measuring and understanding employee/ staff reactions to merger related change in the FE sector. Psychological contract is often used to measure perceptions of mutual obligations, future promises (and responsibilities) resulting from the reciprocal exchange relationship between the employee and employer (Rousseau, 1998, 2011). **A central research question (RQ) was developed as follows, namely: '*How do employees/ staff view their employment relationship after a merger is announced?'* We address this RQ by combining analysis of self-reported staff perceptions of psychological contract, with thematic open/free text commentary of the wider issues involved. This helped us as researchers and co-authors make sense of staff reactions to change at the time of formal merger announcement.

The rest of the article is organised as follows. Firstly, theoretical propositions are developed (as opposed to hypotheses testing). Propositions were deemed more

appropriate as we are not attempting to fit, or test a generalizable empirical model using sophisticated statistical techniques (e.g. structured equation modelling). Rather, we explore the research question (RQ) within an interpretive setting to develop key themes and propositions based on extant literatures. We begin with an '*a priori*' assumption that most staff sentiment or reaction to a new (FE college) M&A would in essence, be negative. Four linked theoretical propositions are developed based on this core assumption. We justify all four propositions in the following theory development sections based on a review of psychological contract theory, social identity approaches, and organizational/ social justice literatures in an M&A context. Secondly, the methodology and analysis of research data is presented by extending an existing (t-tests only) research instrument used by Bellou (2007). In the results section, we present both quantitative t-test results and a thematic analysis of qualitative comments to help us understand and contextualise staff reactions to early merger change. Thirdly, the discussion section outlines key theoretical issues and implications for policy makers. Finally, the article finishes with a justification of the combined survey analysis approach adopted, its limitations and concluding remarks.

Before we commence our literature review in earnest, it is useful to provide a short background to M&A in the (UK) FE sector (for our international readers). This will also help contextualise the development of our four core propositions, as well as later analysis and discussion of results.

## Background to M&A in the (UK) FE sector

M&A can be characterized, or defined as a strategic manoeuvre to attain growth, diversification, or profitability through the amalgamation of two or more organizations (Bellou, 2007). There are typically three classifications for mergers: (a) *'horizontal',* which involves organizations within the same market; (b) *'vertical',* involving two organizations operating in the same supply chain; and (c) *'conglomerate',* which is the amalgamation of organizations in different sectors *(ibid)*. There are also two generic sub-types of mergers to consider. These are: *'Type-A',* which occur when both organizations are dissolved and a new organization is created and; *'Type-B'*, which occurs when one organization is dissolved and the rights, liabilities and properties are transferred to another organization.

From incorporation in 1993 to the end of the millennium, there were 37 mergers between FE Colleges in England with 22 of these occurring after the election of the Labour Government in 1997 (Stewart, 2003). Payne (2008) identified 72 mergers between 1993 and 2008 in the FE sector as a whole, resulting in 43 newly merged institutions and a definite trend towards mergers, as opposed to closing down institutions without recourse (JISC-Infonet, 2011). Increasingly in 2016, with the advent of academies and the prospect of further changes in secondary and tertiary education, merger research is arguably more topical than ever.

Mergers within (UK) FE can be divided into two broad categories. The first merger category is that of *'rescue'*, where a strong college takes over a struggling college (Type-B merger), the second is a *'strategic'* merger, where two successful colleges merge for mutual benefit (Type-A merger) (Calvert, 2009). The Department for Education and Skills stated that of 17 college mergers recently reviewed, 10 were Type-B thus indicating that financial or quality issues are the main motivation, with the Office for Standards in Education (Ofsted) inspection providing the major impetus for such strategic decisions (Calvert, 2009).

However, decisions on mergers in FE involve a long and complicated process and can take at least 24-36 months before the whole merger process completes and is embedded (Stewart, 2003). The DfES (2003) found that a little over half (53%) of mergers in FE were considered successful, while less than half were only partly successful (42%) and a small minority enjoyed limited success (5%). From a human resource management perspective, the study *(ibid)* found that 79% of mergers experienced problems relating to staff post-merger. Further analysis showed that 63% of mergers experienced severe culture clashes and 74% of management in the colleges underestimated the problems that were caused by mergers in FE.

With the above M&A characteristics and descriptive statistics in mind, we suggest that our research will be important for the FE education sector in particular. In the next sections, we develop literature review arguments and propositions which help underpin the research question (RQ), as well as justify the combined survey approach used in the study.

## LITERATURE REVIEW

### Drawing upon psychological contract theory

Psychological contract is considered by many academics and practitioners alike as a useful way for managers to better understand the nature of the employee-employer relationship. According to Purvis and Cropley (2003), and Fielden and Whiting (2007), psychological contract may develop prior to the commencement of employment. It often begins with the recruitment process, where the potential employee sense-makes what is being offered by the organization. In turn, this can develop into a sense of perceived obligation(s) from *'organization-to-employee'*, and thus, the basis of a psychological contract is formed (Coyle-Shapiro and Kessler, 2000; Tomprou and Nikolaou, 2011).

Of course, any meaningful psychological contract is essentially understood from the perspective, or viewpoint of the employee. Perceived employer obligations are often entirely subjective, and can depend upon the affective state of employee(s), as well as the nature of socialisation processes in the workplace (Rousseau, 2011; Tomprou and Nikolaou, 2011). Through a cognitive rationalisation of one's organizational and social environment, a schemata, or mental map can help employee(s) internalise their evolving psychological contract (Rousseau, 2011). As part of each employee's mental map, implicit expectations are constantly being shaped and unwritten promises exchanged. There are different interpretations of what constitutes legitimate employer obligations, which are encoded and decoded by individuals in a variety of ways (Rousseau, 1990, 2001, 2011; Roehling, 2008). CIPD (2010) suggested that some obligations are considered *'direct promises',* inferred from the recruitment process, or through formal appraisals, whilst other more *'general expectations'* are often informal and imprecise. Nevertheless, perceived fulfilment of both obligations and on-going expectations contribute to the goodwill and effectiveness of the employment relationship, thus adding to a sense of employee satisfaction and well-being.

However, a rapidly changing 21st century economic environment has altered perceptions of traditional career obligations and expectations in FE settings. Increasingly, newer forms of psychological contract contend that individuals take greater self-directed responsibility for developing their own careers (Baruch and

Bozionelos, 2010). Perceptions of obligations and expectations within psychological contract are becoming more dynamic as the FE (and increasingly higher education HE) sector changes and adapts to increased student fees, marketization, and less public funding. There are also rising levels of job uncertainty throughout the UK education and public sectors, and thus question marks over the extent to which organizations can now truly support and reassure employees in ways quite common only a few years ago (Baltes *et al.,* 2009; Zagenczyk *et al.,* 2009).

Nevertheless, we argue that increased environmental uncertainty and organizational change doesn't mean an end to psychological contracts. There is still a need to ask, *'what happens if existing psychological contract obligations and expectations are not fulfilled?'*. The next section explores the theoretical implications, if perceived obligations are not met. This gap is explained in terms of *'breach'* and *'violation'* of psychological contract, and we offer some additional theoretical insight in the context of M&A.

**Psychological contract *'breach'* and *'violation'***

Theoretically, Pate *et al.* (2003) and (see also Robinson and Morrison, 2000) defines the distinction between a breach and violation of the psychological contract. A breach is the; *'identification of perceived unmet obligations'* (Pate *et al.* 2003, p.557) whereas a (serious) violation is an; *'emotional and affective state which occurs following failure by the organization to meet the psychological contract of the employee' (ibid*). Typically, these involve employee feelings of anger, betrayal and resentment at perceived broken contract promises on the part of the employer, (Coyle-Shapiro and Parzefall, 2008). Therefore, while contract breach is linked to more immediate events that occur in relation to work, or within the workplace (Conway and Briner, 2005), violation typically occurs after breach and may result in more long term changes and persistent negative employee attitudes and behaviour towards the employer (Guest, 1998; Atkinson, 2007; Zagenczyk *et al.,* 2009).

According to Turnley and Feldman (2000), violation of the psychological contract may result in a decline of what Meyer and Allen (1997) refer to as affective commitment, or a long term decrease in emotional contribution towards the employer. Other effects include an increase in the employee's intention to leave, and reluctance to go beyond what is expected in the job description, thus adversely

affecting employee work engagement (Turnley and Feldman, 2000; Cunningham, 2010). Therefore, violation of the psychological contract should be treated as a serious issue by management, as it can lead to a decrease in employee performance and reduced long term trust in the employment relationship (Tomprou and Nikolaou, 2011). It is also argued that breach, or violation of a long term *'relational'* psychological contract, such as those experienced by long term employees working in FE can seriously affect the employee relationship by eroding overall trust in the employer brand (Rousseau, 1990, 1998, 2001; Tomprou *et al.,* 2015). However, even if there is breach (or violation), employees still engage in an dynamic self-regulation process, so that they can either re-activate or repair an original contract, form an entirely new contract, or in the worst case, fail to engage in a contract process at all (Tomprou *et al.,* 2015).

In situations of FE sector merger, where colleagues have developed long-term working relationships with their existing organization, and working practices have become highly routinized, the danger of breach (and possibly violation, if change issues are not dealt with properly) are arguably high. It is reasonable to suggest that staff will be especially worried and anxious when it comes to announcements of restructuring, or merger changes. Our proposition 1 (P1) is based on this theoretical logic, and we suggest that in the face of uncertainty and change, most FE staff will automatically perceive a sense of short term breach/gap, and that long standing psychological contract obligations are no longer being fulfilled.

> ***P1. On announcement of merger change, most FE employees will perceive that psychological contract obligations are not being fulfilled.***

However, the literature also suggests this might only be a temporary situation (at M&A announcement), and that psychological contract *'repair'* or *'renewal'* is possible, providing that employees are able to develop coping mechanisms and management takes suitable remedial actions to allay employee fears and anxieties (Bankins, 2015; Tomprou *et al.* 2015). In the next section, we discuss further, and explain some of the key socio-psychological processes involved in the M&A change process. We also consider three further linked propositions and the implications for managing change in the FE sector.

**Pre-merger and acquisition (M&A) process**

The early stages of M&A, or what Seo and Hill (2005) refer to as, *'pre-merger and announcement',* as well as *'initial planning and formal combination',* are important from an individual and personal employee perspective. These are acknowledged in the M&A literature as being the single most anxious time for employees, often characterised by a lack of formal communication and senior management support (Cartwright and Cooper, 2000; Nikandrou *et al.,* 2000). According to Seo and Hill (2005), personal anxiety is also a major issue during these early stages of M&A, the authors argue that according to the theory of social anxiety, employees will remain anxious because of the high degree of job, task and role uncertainty. There may be concerns over career prospects, as well as new employee roles, and training and work group status in the newly merged organization (Saunders and Thornhill, 2006). Therefore, it is reasonable to propose that in a merger situation anxiety levels will be high:

>*P2. At merger announcement, FE employees will exhibit a high degree of anxiety about the future.*

Of course, there may also be a more immediate fear of losing one's job, or a pre-existing work role, which can result in increased self-centered behaviours *(ibid).* Personal employee fears, and stress reactions at the time of M&A announcement are often based on *'thinking the worst',* with adverse emotional reactions, including fears over potential redundancies, as well as loss of work identity status by the acquiring (dominant) organization in the merger process (Kusstatscher and Cooper, 2005). However, there may also be fears and anxieties exhibited by employees in the "stronger and more valuable" acquiring organization during early stages of the merger process, including fear of contamination, loss of valued organizational status and identity, or weakened corporate image, as a consequence of a forced merger event (Kusstatscher and Cooper, 2005, p.39).

Whenever major organizational change occurs, there is evidence that many psychological contracts are restructured, or renewed as a consequence (Baruch and Hind, 1999; Coyle-Shapiro and Kessler, 2000). In the early stages of M&A, obligations or direct promises inferred from the previous contract may simply no

longer apply (Morrison, 1994; Bellou, 2007). In addition, new structural arrangements have often yet to be discussed with employees, which may add to employee frustrations at a sensitive time of change. For public sector workers, organizational members may experience anger and denial, as well as a sense of some becoming *'winners'* and others *'losing out'* (e.g. redundancy) as part of the M&A change process (Davey *et al.,* 2012, 2013). Kusstatscher and Cooper (2005) discussed their findings from case interviews, where prolonged uncertainty during the period of merger announcement left employees in a state of emotional turmoil. The authors *(ibid)* noted that in practice, early stages of merger can last for a protracted period, until management work out the best strategies for achieving new organizational synergies and a migration route to fully merged integration. This prolonged period of job uncertainty and lack of information can be particularly distressing for employees in either the public or education sectors, who will often seek further clarification and communication, simply asking their employers, *what happens next?* (Davey *et al.,* 2012, 2013).

**Perceptions of organizational justice, fairness and trust during M&A**

There is evidence that as organizational change progresses, employee perceptions of procedural, distributive and interactional justice become important, as individuals measure and compare the perceived fairness of management decisions made and outcomes realized (Saunders and Thornhill, 2003; Searle and Ball, 2004). To build trust during the M&A change process, it is important for organizations to be consistent and communicate well, thus avoiding employee perceptions of deceit, or lack of procedural transparency, and helping avert unnecessary feelings of psychological contract breach/ violation (Saunders and Thornhill, 2003; 2006; Lee *et al.,* 2009).

Based on the Mayer *et al.,* (1995, p.172) definition, trust in an M&A context is particularly important, as it suggests the *'willingness'* of an employee to become *'vulnerable'* in the process of change, with the expectation that a new employer will perform actions and fulfill mutual obligations in a trustworthy way (Saunders and Thornhill, 2003; Atkinson, 2007). Saunders and Thornhill (2003) who cited Möllering (2001, p.412), suggest the process of developing trust in organizational change situations is a socially constructed interpretation of the new reality, whereby

employees make "mental leaps of trust", and expect that change managers will be truthful and act in the best interest of employees. According to Saunders and Thornhill (2003), employees place faith in the abilities of change managers, and perceive a sense of benevolence, born of the vulnerability aspects of being in a high trust employment relationship. In terms of employee faith and trust in the management process and ability to integrate M&A, it is important to be aware of the above issues and develop appropriate management and leadership interventions. Based on these arguments, it is reasonable to propose that:

> *P3. FE employees expect fairness and transparency from the organization and persons leading the merger change process.*

**Social identity approaches and M&A related change**

How fairly employees and work groups are treated by the newly merged organization becomes a highly sensitive issue as organizational members are assimilated and people start to work together (Ullrich and van Dick, 2007). Many researchers argue that understanding social identity approaches and the processes of self-categorisation, acculturation and assimilation are important for understanding post-merger identification (Seo and Hill, 2005; Ullrich and van Dick, 2007; Barling and Cooper, 2008). From the employee perspective, several social categories, boundaries and identities are impacting on each other during the M&A process (Kusstatscher and Cooper, 2005; Barling and Cooper, 2008). For example, organizational identities will change after a merger, and there will also be new emerging socialisation norms. These emerging norms may lead to (individual) employee resistance, or accommodation and assimilation into new ways of doing things, member groups and sub-groups, as well as new patterns of social identification. The extent of cultural change expected from newly *'acquired'* organizational employees post-merger can have an effect on post-merger success and organizational identification (Marks and Mirvis, 2001; Millward and Kyriakidou, 2004). There may be *'in-group/ out-group'* tendencies and intergroup conflicts as new social groupings are formed and legitimated in the newly merged organization (van Dick *et al.,* 2006; Barling and Cooper, 2008).

A number of authors suggest that the success of post-merger social groupings will depend on the extent of continuance, as well as salient identification and cultural similarities with previous social work groupings (pre-merger) (van Dick *et al.,* 2006; Lee *et al.,* 2009; Geissner *et al.,* 2012). However, employee *'over identification'* with a pre-merger culture and previous organizational arrangements can lead to resistance in the post-merger integration process, which manifests in personal and out-group conflicts, as well as problems with shared member identification in new organizational communities (Gleibs *et al.,* 2008). Based on the social identity approach, employee perceptions of social identification and employee sub group comparisons are often based upon status differences between the *'acquiring'* and *'acquired'* organizational partners pre and post-merger (Barling and Cooper, 2008; Lee *et al.,* 2009; Geissner *et al.,* 2012). Positive, or negative implications for the employment relationship may depend on employee perceptions of winning and losing status in a new merger situation (Terry and O'Brien, 2001; Terry *et al.,* 2001). According to Giessner *et al.* (2006), employees from higher status groups (pre-merger) are less concerned about fairness and procedural justice, if they are able to maintain, or increase their dominance in the post-merger scenario. However, lower status groups, or individuals adversely affected by the M&A, may be outraged and react more negatively to merger related changes *(ibid).* Nevertheless, matters of procedural justice and employee trust have been found to be universally important issues in the post-merger organizational identification process (Lipponen *et al.* 2004; Lee *et al.,* 2009).

**Role of organizational interventions in M&A's**

Cortvriend (2004) found that when researching the impact of M&A on psychological contract in the National Health Service, leadership style played a vital role in how the merger was perceived by staff, as this helped with managing the change process. Communication interventions are also important for understanding and shaping psychological contracts during a merger process (Nikandrou *et al.,* 2000; Cortvriend, 2004; Searle and Ball, 2004). If top-down communication messages and organizational communication mechanisms are weak, it can lead to feelings of disempowerment and increase the likelihood of listening to the negative views of other employees, which in turn, can lead to perceptions of breach (Searle and Ball,

2004). Nikandrou *et al.* (2000) discussed the need for appropriate communications both pre and post-merger to help maintain a sense of trust between employees and the management team as the M&A progressed. Kessler and Coyle-Shapiro (1998) also discussed the relevance of investing in portable skills which can be developed when the employer cannot guarantee job security post a merger event. Similarly, in a downsizing situation, employee perceptions of fairness and justice are important during the change process, which may lead to positive behaviours associated with organizational citizenship (Arshad and Sparrow, 2010). This leads to our final proposition, namely:

> *P4. Most FE employees are both trusting and vulnerable, and expect a high degree of organizational communication throughout the early merger process.*

From the above M&A literature, it has been possible to draw upon the usefulness of psychological contract, as well as the roles of trust and justice, and social identity approaches, for a discussion of findings presented later. The rationale and methodology of the combined methods evaluation approach are now discussed below.

## RESEARCH METHODOLOGY

Of the recent literature, some studies have adopted quantitative analyses: using t-tests and analysis of variance (Bellou, 2007; 2009); moderated regression analysis (Zagenczyk *et al.,* 2009); uncovering patterns through latent cluster analysis (De Cuyper *et al.,* 2011); understanding direct, indirect and partial mediating effects on psychological contract through structured equation modelling (Arshad and Sparrow, 2010). Other interpretive approaches have presented findings from interviews (Saunders and Thornhill, 2006; Cunningham, 2010; Seeck and Parzefall, 2010), focus groups (Cortvriend, 2004) and daily diaries (Benmore, 2002) to evaluate the impact of psychological contract. Guest and Conway (2002) in their major empirical study used a mixed methods approach, combining 80 interviews with descriptive statistics from over 1300 senior managers.

In order to explore the impact of the early merger's impact on psychological contract, a combined/ mixed analysis of quantitative and qualitative views of respondents was employed, using a survey to capture a sense of how the majority of staff perceived the intended merger. A combined methods survey approach was employed, using paired t-tests (Bellou, 2007a) with a coded content analysis of qualitative responses (Coolican, 2004) was employed. In this way, it has been possible to identify a range of issues for discussion concerning perceived fulfilment of obligations in an early merger situation, using psychological contract as a theoretical and applied lens on the employment relationship. To achieve this, Bellou's (2007) questionnaire instrument was extended to include an open ended section at the end of the survey, for a content analysis of respondent views concerning their employment situation post-merger announcement. The case-based survey design was consciously interpretive and exploratory, to evaluate and signpost areas where perceived *"lack of fulfilment/ fulfilment"* of obligations could help lead to better management of change. We also wanted to demonstrate how this survey-based approach could be readily employed by other FE managers and educational policy makers for understanding employee reactions to proposed merger change. Ethical assurances of anonymity and data confidentiality were given to survey respondents and the case organisation in question, and the researchers have made every attempt to disguise the names of the organisation(s) involved.

**Measures**

Bellou (2007a) adopted Rousseau's (1990) methodology to investigate psychological contract within a merger scenario. Bellou's (2007) instrument incorporated single item measures adapted from Rousseau (1990): *opportunity to promote, high pay, pay according to performance, continuous education, long term employment, personal development* and *support for personal problems*. In terms of construct validity, the survey scales and instrument were justified based on previously published work i.e. Bellou (2007). Internal reliability statistics were not considered necessary, as no attempt was made to group items, identify principal components, or perform latent factor analysis. See Table 1 for a complete list of measures used in this study, based on Bellou's (2007) methodology.

All staff (learning and teaching, curriculum support, and administrative support) were asked to measure perceptions of fulfilled psychological contract obligations (pre-merger) and then consider addressing the same questions again based on their psychological contract (post-merger announcement). Perceptual responses were measured on a five-point Likert scale, ranging from obligations *"not at all fulfilled"* to *"absolutely fulfilled"*. These results are then combined with a content analysis (see Table 2) to elicit views concerning the announcement of the merger. The research provided an opportunity for a large number of staff to convey thoughts and evaluate how the announcement had affected their employment relationship with the College. As our survey occurred shortly after announcement of the new merger, this particular evaluation acts as a lens on the role of obligations and employment perceptions of change. It must be stressed, it was not possible to accurately capture the extent to which new obligations have been fulfilled, because insufficient time had yet passed, and the full merger implementation was not fully underway. Nevertheless, it was useful in gaining a snapshot of how the College was managing early change and more specifically, how employees were reacting to the early merger process.

**Data collection methods**

Questionnaires were sent to those employees/ staff who were considered as having sufficient time develop a psychological contract with the main existing College before the merger was announced (2 years). This information was obtained via the College's payroll system of existing staff members and compared with more recent staff arrivals post-merger announcement. Questionnaires were sent to existing employees via the internal mail system with a letter explaining the purpose of the research and an envelope for them to return the questionnaire. According to Anderson (2004), this approach allows participants to respond in their own time. In addition, anonymity was preserved and researcher bias kept to a minimum. Some disadvantages of this method include the potential for a low response rate and late returns (Anderson 2004). To deal with these weaknesses, reminders were sent on a regular basis to inform participants about the completion deadline and to give contact details to anyone who had any questions about the questionnaire.

# RESULTS

Of the 562 questionnaires distributed to staff/ employees at Acme College, 128 were returned giving a usable response rate of 22.7%. A minority of 29% respondents were male, whilst the majority, 71% were female. 62.5% of all employees surveyed self-reported as full-time staff, (i.e. 37.5 hours per week). 37.5% of respondents self-reported as part-time staff (0-37.5 hours per week). 47.6% of respondents were learning and teaching staff (i.e. responsible for development, delivery of teaching and classes). 35.2% were curriculum support (i.e. those assisting in learning and delivery, occasionally outside of class). Finally, 17.2% were administration/ support staff (i.e. not directly involved with learning and teaching delivery). Average length of service for all staff surveyed was 7.2 years.

An aggregate analysis of psychological contracts was carried out and key results presented in Tables 1 and 2. Given the size constraints of this article, as well as the need to remain clear and provide a focused evaluation of major findings, the decision was taken to omit minor sub-analyses of tabular statistical data in the results section. Instead, highlights (of results by age, job category, length of service etc) and psychological contract are summarised where relevant.

## Quantitative data

For the quantitative data, Table 1 shows the mean, standard deviation and t-test scores for perceived fulfilment of psychological contract obligations pre and post the announcement of the proposed merger.

[…INSERT TABLE 1 HERE]

## Pre and post-merger fulfilment of obligation scores

These overall scores reveal that a change did occur in the perceived fulfilment of obligations post announcement, which were generally lower, thus indicating an overall negative impact. Paired t-tests were used to analyse the significance of this change and statistically significant scores were found for all items except for pay in

accordance with performance. A more in-depth analysis of what these results mean is provided in conjunction with a discussion of qualitative findings. What is interesting from Table 1 (as an overall analysis) is that perceptions have indeed changed, reflecting widespread concerns among employees about the new merger (thus affirming P1).

From additional sub-analyses (t-tests results not shown in Table 1 or 2), learning and teaching staff reported the most significant psychological contract fulfilment gaps in terms of: fair pay ($t=2.186$, $p=0.033$); opportunities for continuous employment ($t=3.181$ $p=0.002$); long term employment ($t=4.507$ $p=0.000$); personal development ($t=2.800$, $p=0.007$); support for personal problems ($t=2.448$, $p=0.017$); interesting work ($t=2.427$, $p=0.018$); involvement in decision making ($t=2.880$, $p=0.006$) and recognition ($t=2.025$, $p=0.047$). For those with 6 to 10 years of service, the following areas showed a significant decrease in fulfilment: personal development ($t=2.892$, $p=0.006$); interesting work ($t=2.549$, $p=0.015$); involvement in decision making ($t=2.549$, $p=0.015$) and recognition ($t=2.610$, $p=0.013$). Interestingly, it was the 45 to 54 years group that showed the greatest number of significant results, indicating a widespread lack of perceived employer obligation fulfilment. For the 55-64 age group, opportunities to promote ($t=2.842$, $p=0.009$); fair pay ($t=2.798$ $p=0.009$) and interesting work ($t=2.656$, $p=0.013$) represented the most significant shortfalls in terms of fulfilling psychological contract.

**Qualitative data**

The qualitative section of the questionnaire was designed to give employees an opportunity to comment on how (if at all) the proposed merger has affected their perceived employment relationship with the College. The questionnaires returned were analysed and content coded according to the responses given. Of the 128 questionnaires returned, 24 had no responses. Sub-categories coded for discussion included: job security, organization stability, uncertainty, trust, communication, promotion opportunities, morale, support, stress and motivation. Key themes were also identified based on the nature of responses in conjunction with the literature, with examples highlighted in Table 2.

In addition, the overall nature of responses was categorised as positive, neutral and negative, regarding the merger announcement. A neutral response was

recorded for those who specifically stated that the new merger would have no impact on their perception of psychological contract. Of the responses received, 10 statements were construed as positive, 22 were neutral and 114 were negative. The sub-category which received the most negative comments was job security with 38 comments made (See Table 2).

[…INSERT TABLE 2 HERE]

## DISCUSSION

The purpose of this integrated discussion section (which includes results, comments/ findings and literature) is to interpret the views and concerns of staff after merger announcement. The analysis of results, findings and integrated discussion is based on the central RQ: *'How do employees/ staff view their employment relationship after a merger is announced?'*

Key issues are highlighted in order to better understand the processes of organizational and social identification early post-merger, and to make suitable suggestions going forward for organizations facing similar merger situations (Ullrich and van Dick, 2007).

### A 'negative' employee view of M&A

As expected (based on P1), results from both the qualitative and quantitative research in this study indicated the overall effect of the merger announcement was perceived as negative by most employees. The t-test results showed significant decreases in perceived fulfilment from nine of the ten areas of psychological contract. The qualitative findings also supported the results of the quantitative analysis, in that there are substantially more negative comments about the merger than positive, or neutral comments. Job (*personal*) insecurity, weak communication and employment uncertainty were the most frequently cited negative themes (thus supporting P2). As theorised by Searle and Ball (2004), the announcement of a new merger can increase a sense of employee vulnerability through heightened uncertainty and fears over job security. This is evident from Table 2 with employee comments such as: 'The potential merger has removed any job security' (Questionnaire Ref: 0099); 'The

announcement has not given me any feeling of job security' (Questionnaire Ref: 0122).

Interestingly in this study, results pertaining to perceived fulfilment of obligations concerning long term employment decreased significantly post-merger announcement (see Table 1), thus affirming P1. As the literature review highlighted (Kusstatscher and Cooper, 2005; Saunders and Thornhill, 2006), respondents were typically worried about career prospects, job security and levels of uncertainty. Qualitative findings suggest staff were particularly worried about their future employment prospects, for example: 'it has left the staff feeling unsettled but is due to the uncertainty of jobs' (Questionnaire Ref: 0057); 'employment at Acme College is very precarious at the moment' (Questionnaire Ref: 0027); 'nervous about future long term employment' (Questionnaire Ref: 0097).

The qualitative comments (see Table 2) also illustrate concerns over the procedural aspects of M&A integration, for example, the lack of effective communication mechanisms such as staff meetings, periodic reviews, consultations and messages over the College intranet. Not surprisingly perhaps, involvement in decision making and personal recognition also showed a decrease in fulfilment scores from pre to post merger. As Saunders and Thornhill (2003, 2006) suggest, employees place faith and trust in the change process, yet procedurally in the current case study, employees felt they were not sufficiently informed through the normal communication channels (see P3). The qualitative findings from wider analysis of comments indicated twenty nine negative comments concerning the quality of management communication (see P4), which is worrying, both from an employment relationship and post-merger identification perspective.

There were also some positive comments concerning the announcement of the potential merger, albeit limited in number. Of the positive responses, organizational stability received four responses which included comments such as:

> *'I feel that the merger will be beneficial to us as a department as we may be more structured and have more guidance' (Questionnaire Ref: 0025).*
> *'I feel the merger, due to financial reasons is a good idea' (Questionnaire Ref: 0036).*

Communication with management also received a limited number of neutral/ positive responses (4) which included:

> *'The Principal gives us weekly updates to keep us informed, this sometimes mentions the merger' (Questionnaire Ref: 0083).*

> *'I think the Principal's updates have been a great way of keeping us all informed' (Questionnaire Ref: 0110).*

The results and open commentary findings have provided a wealth of information which demonstrates the negative impact of the merger announcement on psychological contract and potentially on employment relationships going forward at the College. The following sections discuss results, findings and implications in light of the literature.

**Personal development and employer support obligations**

The decrease in the fulfilment of perceived obligations dealing with personal development, continual education and opportunities for promotion highlighted a particular problem with lack of personal development opportunities since the merger announcement. These are also issues discussed in the literature, where employees have strong concerns over how the changing organization will deal with staff development and help overcome feelings of vulnerability (Kusstatscher and Cooper, 2005; Seo and Hill, 2005). Employment uncertainty was identified twenty five times as a negative impact in the study (see P1 and P2), suggesting that job uncertainty is indeed a major problem during merger change, affecting employee perceptions of a long term future career. Unfortunately, it has been increasingly reported that many public sector employers are now delaying key announcements over roles and redundancies for as long as possible, or failing to provide sufficient retraining opportunities after M&A (Davey *et al.,* 2012, 2013).

The current case study also demonstrated that staff wanted the opportunity to personally develop and progress, and they perceived the employer lacking in this regard. This is arguably an important aspect of the softer side of HR and psychological contract (Seeck and Parzefall, 2010). Evidence from the quantitative

data in the case study showed that fulfilment in terms of support for personal problems decreased when the merger was first announced. One response suggested that College managers were discussing the merger as little as possible (Questionnaire Ref: 0033), while another cited the reluctance of the Senior Management Team to engage in two way communication (Questionnaire Ref: 0027). Whilst there were some positive responses, employee perceptions about the general level of communication and the number of communication mechanisms remained negative for most respondents. This is also worrying as the literature suggests a likely negative effect on the process of organizational identification post-merger (see also P3 and P4), if communication mechanisms and procedural transparency are weak (Searle and Ball, 2004; Lee *et al.,* 2009).

## IMPLICATIONS FOR M&A

### Need for effective managerial communication as part of merger change

This *'lack of managerial communication'* theme comes across strongly in Table 2 (see also P4). Again, this is not new and is mentioned by Stewart (2003) who stated that a manager's own uncertainty in a merger situation often results in avoidance of communication with employees about a major change event. The CIPD (2006) stated; *'regular, consistent and targeted communications are critical to the success of any reorganization'* (CIPD 2006, p.10). Therefore, P4 makes sense, and a strategy of deliberately increasing communication regarding any merger is important (Nikandrou *et al.* 2000; Guest and Conway 2002).

As stated by Searle and Ball (2004), a lack of formal communication increases the dependence on information from other employees, and their personal experiences which can adversely increase levels of uncertainty and a lack of trust, especially where past employee experiences of similar situations have been negative (Kim and Choi, 2010). Developing effective communication mechanisms for dealing with day-to-day, top-down and organizational futures related communication are important for any organization to consider in a merger situation. They can lead to better organization-employee exchanges, a more positive impact on psychological

contract and less frequent perceptions of breach (Guest and Conway, 2002; Conway and Briner, 2005).

**Need for developing training, mentoring and teamwork**

Further implications include a need for developing appropriate training, teamwork, mentoring and support mechanisms to increase employee ability in coping with M&A related change These new support interventions (underpinned by theory) should also help develop the post-merger social and organizational identification process during the earlier stages of M&A (Cartwright and Cooper, 2000; Seo and Hill, 2005). For example, in a study of Dutch middle managers in the education sector, Bal and Vink (2011) found that team relationships moderated aspects of employer contract obligations and fulfilment, thus helping with the transition and change process. Zagenczyk *et al.* (2009) in their study found that mentorship and organizational support mechanisms can help moderate perceptions of psychological contract breach and reduce negative impacts. Tomprou et *al.* (2012) also found that trust in the employer helped mediate perceptions of violation, or breach of contract and it is therefore important to keep building trust and developing support mechanisms during periods of organizational change such as M&A.

**Wider theory implications for M&A**

Firstly, from an identification perspective, the principles of distributive, procedural and interactional justice should be incorporated into the design of all post-merger interventions. Educational employers must be ready to develop interactional communication mechanisms, so that employees can take those 'mental leaps' of faith, in times of uncertainty, with the favourable expectation that managers and the post-merger organization will behave according to Möllering's (2001) principles of trust and reflexivity (Saunders and Thornhill, 2003, 2006). Education managers should also consider open commentary, and 'airtime' for voicing legitimate staff concerns at micro and meso levels, possibly through self-reported employee reviews, and well as meeting plans with pre and post-merger sub-groups to identify salient issues. Post-merger managerial organizing should also facilitate new emergent

relationships as soon as possible, as opposed to over reliance on traditional formal communication protocols, and in some cases avoidance, until all M&A formal planning is in place.

Secondly, it appears as if M&A will be something that educational providers, managers and employees will have to contend with more in the future. Payne (2008) identified 72 mergers between 1993 and 2008 in the UK further education (FE) sector as a whole, resulting in 43 newly merged institutions and a definite trend towards M&A, as opposed to closing down institutions without any further recourse (JISC-Infonet, 2011). More recently, financial troubles in the (UK) FE sector suggest a greater rationalization of courses, fewer and larger colleges, further mergers and sharing of back-office services. As the (UK) Association of Colleges (2016) report, this will mean approximately 12 new mergers, scheduled for August 2016 alone. Against this background, we hope our study offers some invaluable lessons for leading and managing FE merger related change.

## LIMITATIONS

Of course, a survey can really only represent a cross-sectional view of any organizational change process and, as such, cannot effectively capture a longitudinal sense of the changing employment relationship at different stages after M&A. Follow-up semi-structured interviews would have helped in this regard. However, it was not possible to carry out interviews at the time. Nevertheless, the use of open commentary sections in the questionnaire enables greater employee voice and contextualisation of staff perceptions of obligations fulfilment at the point of *'merger announcement'*. The applied theoretical contribution involves demonstrating a useable (psychological contract) survey evaluation approach that can be easily employed by other educational managers and providers.

The self-reported assessments focussed on the perceptions of *learning and teaching, curriculum support and administration staff* (i.e. excluding an in-depth analysis of the employer and managerial viewpoints) which is another research limitation. Nevertheless, our results are still interesting, as the interpretation of psychological contracts must ultimately be from the viewpoint of employees, and

cannot be easily cross compared or substituted with the views of management (e.g. Freese and Schalk, 2008).

Finally, similar to Freese *et al.* (2011), a longitudinal approach could have incorporated multiple psychological contract surveys and thereby investigated organizational change using more sophisticated quantitative techniques over the first year of M&A. Whilst beyond the immediate scope of the current exploratory study, a more longitudinal and empirical research design is under consideration for investigating another merger related change, albeit within a HE setting.

## CONCLUDING REMARKS

It has been possible to analyse the effects of the announcement of a new merger within an FE College using a survey method and self-reported scores relating to psychological contract. The evaluation approach extended the instrument of Bellou (2007) to allow the consideration of qualitative comments, in conjunction with t-test analyses of perceptual data. An advantage of considering qualitative comments was the ability to contextualise results and provide useful triangulation of t-test findings.

It must be stressed that this study was exploratory and findings in this article are used to demonstrate a usable evaluation approach within a single case setting, undergoing early merger. The overall approach was used to capture a sense of general employee/ staff sentiment, useful in the context of managing and understanding this type of early merger change. The self-assessed perceptual results are not meant to be an absolute measure, nor are they a definitive statement against the College in the case study. In fact, the results are relative, and only meant to act as a useful signpost for managerial action in the face of complex changes in the FE and HE sectors. It is hoped this type of study, using t-tests in combination with qualitative comments, can be adopted by other HR practitioners and academics in the education and public sectors as part of understanding and managing change within their organizations.

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**Table 1. Paired t-tests of pre and post-merger fulfilment of obligations**

| | Perceived fulfilment of obligations | | | | | |
|---|---|---|---|---|---|---|
| | Pre-Merger Announcement | | Post-Merger Announcement | | T Score | P = |
| | Mean | SD | Mean | SD | | |
| Opportunities to promote | 2.767 | 1.202 | 2.504 | 1.112 | 3.474 | *0.001 |
| Fair pay | 2.798 | 1.188 | 2.612 | 1.194 | 2.909 | *0.004 |
| Pay in accordance to performance | 2.132 | 1.018 | 2.171 | 1.016 | 0.639 | 0.524 |
| Opportunities for continuous education | 3.411 | 1.065 | 3.217 | 1.139 | 2.782 | *0.006 |
| Long term employment | 3.178 | 1.093 | 2.713 | 1.213 | 5.323 | **0.000 |
| Personal development | 3.341 | 1.064 | 3.047 | 1.158 | 4.563 | **0.000 |
| Support for personal problems | 3.388 | 0.963 | 3.178 | 0.996 | 3.682 | **0.000 |
| Providing interesting work | 3.450 | 0.829 | 3.186 | 0.990 | 4.335 | **0.000 |
| Involvement in decision making | 2.535 | 1.090 | 2.248 | 1.166 | 4.061 | **0.000 |
| Recognition | 2.434 | 1.074 | 2.256 | 1.063 | 2.844 | *0.005 |

**Table 2.  Key themes emerging from the more negative responses**

| Negative responses | Sample Supporting Evidence |
|---|---|
| Employment uncertainty | 'The proposed merger has left me feeling more vulnerable in my current employment' (Questionnaire Ref: 0011). 'It has left the staff feeling unsettled but is due to the uncertainty of jobs' (Questionnaire Ref: 0057). 'Employment at Acme College is very precarious at the moment' (Questionnaire Ref: 0027). 'Nervous about future long term employment' (Questionnaire Ref: 0097). |
| Insecurity | 'Little is known, I feel insecure' (Questionnaire Ref: 0019). 'I feel it has led to insecurity, the possibility/probability that my role could be fulfilled by other staff, that in a merger the system used at Gamma College could be dismantled in favour of the system at Acme College' (Questionnaire Ref: 0060). 'The potential merger has removed any job security' (Questionnaire Ref: 0099). 'The announcement has not given me any feeling of job security' (Questionnaire Ref: 0122). |
| Weak communication mechanisms | ' Information has not been dispersed about whether this merger is of equals or a takeover… this has led to a lot of corridor discussion and rumour as to what the future may hold' (Questionnaire Ref: 0010). 'I feel there have been many varied stories in the press and that there has been little attempt to calm any fears' (Questionnaire Ref: 0012). 'I feel we should have more communication with regards to how the merger is going. We should be informed of any news before the local paper or be made aware if something is going to be advertised' (Questionnaire Ref: 0024).  'The lack of communication and involvement has affected my employment relationship' (Questionnaire Ref: 0070). |

| | |
|---|---|
| Lack of managerial Communication | 'To date the announcement has caused nothing but concern. Managers seem determined to discuss it as little as possible and have in some cases, actually misinformed staff' (Questionnaire Ref: 0033).'I do not feel that I really know what is happening. There have been no meetings with the Principal so rumours amongst staff are rife' (Questionnaire Ref: 0082). 'The merger has cast a further cloud of uncertainty over the College and has further reinforced the idea that the Senior Management are to blame' (Questionnaire Ref: 0037). |
| Other areas receiving negative responses. | Morale (7); organizational stability (4); support (3); stress (3); trust (3); promotion opportunities (1) and motivation (1). |