

# The Effect of Mergers and Acquisitions on Voluntary Turnover

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“Why do my good employees want to leave the organization after our merger, while the lesser employees want to stay?”

## Summary

Mergers and acquisitions have become more popular through the last decades. However, financially they are not always successful. A reason might be that employees leave the organization. This has been studied in this thesis.

Mergers and acquisitions generate several reactions by employees. These reactions are various factors which can influence voluntary turnover. With the help of theory, hypotheses have been constructed to study how mergers and acquisitions affect voluntary turnover.

The hypotheses are being tested while using the statistic program STATA. Data were obtained via the Workplace Employment Relations Study (WERS2004). It is a survey conducted in Great Britain, where several topics were studied. Correlation analysis, regression analysis and mediating tests were conducted. Several sub-hypotheses were confirmed that mergers and acquisitions indeed have an effect on voluntary turnover, depending on the type of merger or acquisition.

Job satisfaction and organizational commitment were used as mediators and only mediate the relationship between social support and voluntary turnover within certain groups of mergers and acquisitions. Also, organizational commitment proved to be important within one group of mergers and acquisitions. It is important for the organization dealing with a merger or acquisition to recognize these factors. They are able to alter these factors and retain their employees.

There are several recommendations provided for organizations and researchers. Organizations need to be aware of the types of mergers. Once the types of mergers are classified, they can retain their employees. Supervisors need to understand their role in this process. Their role is very important seeing that they can greatly influence several factors. This study provides insight in voluntary turnover after mergers and acquisitions. However, communication can be added as a mediator effect. It might improve satisfaction and organizational commitment. Financial results of the mergers and acquisition and turnover could also be studied. Lastly, the intention to leave should be studied as well, seeing that not every employee leaves, but still might be dissatisfied or not committed.

## ***Preface***

After more than a year, I am glad to present my master thesis. This is my final paper, done in conclusion of my Masters in Business Administration at the University of Twente.

This thesis was a great learning opportunity for me. Doing quantitative research, writing the paper, setting deadlines and continuing to work on the thesis even though there were a lot more fun things to do. Although it took me longer than expected, I had a great and fun time while studying at the University, and during this thesis.

This thesis could not have been completed without the help of several people, which I want to thank. First, Dr. A.A.M. Wognum, my supervisor. She helped me understanding the basics of quantitative research, gave me pointers in which direction to look, and her overall support. Secondly, my former supervisor Dr. S. Zagelmeyer. He helped me understand the data and the basics of the statistical program STATA. Thirdly, my second supervisor, Prof. Dr. J.C. Looise. He introduced me to Dr. A.A.M. Wognum and gave me several points on which my thesis could improve.

Lastly, I would like to thank my friends and family for helping me with years as a student and during this thesis. A special word of thanks goes to Peter van Liere. He helped me a lot during my time as a student. Helping me with studying, discussing and quizzing before exams, and helping me get through the colleges.

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## ***Chapter 1 - Introduction***

### **1.1 Background**

Once I was talking with a manager. His organization had merged with another organization and he had to make sure daily work was operating at a pre-merger level again. However, this was difficult since he thought his better employees were leaving the organization. He asked: “why do my good employees want to leave the organization after our merger, while the lesser employees want to stay?”

This conversation forms the basis for this thesis, especially his question. There are not many studies conducted regarding voluntary turnover after mergers and acquisitions (M&A). However, M&A's occur more often for various reasons. In the period between 1980 and 1990, 23,000 M&A's occurred, while in 2004 alone, 30,000 M&A's were completed (Cartwright & Schoenberg, 2006).

Although increasing in numbers, M&A's do not always yield the prospected results, for reasons still unclear. According to Bastien (2006), the change of ownership or top management, is among the most traumatic organizational changes and generates a mood of profound uncertainty throughout the acquired company and could lead to voluntary turnover. It could thus be that the voluntary turnover of employees is a reason why organizations do not yield the prospected results.

Siegel and Simons (2008) studied the effects of M&A's on employment. This study shows that turnover rates were higher for organizations which underwent an M&A, as opposed to organizations which did not undergo an M&A.

According to Price (1977), turnover is the movement of members across the boundaries of an organization. Voluntary turnover means that employees are leaving by their own choice, while involuntary turnover means that employees are forced to leave.

Although voluntary turnover might be a good thing in certain situations, it can also become expensive for the organization due to employees' expertise and training



(Noe, Hollenbeck, Gerhart & Wright, 2010; Baron & Krepps, 1999). If an M&A produces involuntary turnover, the best employees will most likely retain their job since they are important for the organization.

Voluntary turnover could be a reason why M&A's do not yield the prospected financial results. And since voluntary turnover can become expensive for the organization, it is important to understand if and how M&A's affect voluntary turnover.

## **1.2 Objective**

Voluntary turnover can become expensive for organizations, especially after they have undergone an M&A. The goal of this study is to find out if and how voluntary turnover is affected by M&A's. This thesis will therefore produce recommendations for what organizations need to be aware of considering voluntary turnover, after an M&A. The central question will be:

*How is voluntary turnover affected by mergers and acquisitions?*

This question will be studied through various hypotheses, which will be explained and discussed in chapter two. These hypotheses are based upon several theories, which will be discussed in chapter two.

### **1.3 Research structure**

In this study, the effect of M&A's on voluntary turnover is studied. This thesis consists of five chapters, which will be briefly discussed below.

Chapter one "Introduction" contains the background of this research. Also, the objective of this thesis will be explained, and the research structure will be given.

Chapter two "Theoretical framework and hypotheses" contains the theoretical framework used in this thesis. Several studies, theories and concepts will be explained. In chapter two, four themes can be identified. First, mergers and acquisitions will be discussed, followed by reactions from employees, given after M&A's. Thirdly, job satisfaction and organizational commitment will be discussed, followed by turnover. These theories explain the reasoning behind the given hypotheses, which can also be found in chapter two. The relevance of this study will also be discussed.

Chapter three "Method" contains the research design. First, the dataset will be discussed, followed by the selection of variables. Lastly, the research methods will be discussed.

Chapter four "Results" consists of the results of this thesis. Background data will be shown. Correlation and regression analysis will be discussed and finally, the hypotheses will be answered.

Chapter five "Discussion and conclusion" is the concluding part of this thesis. First, a discussion regarding the results will be presented, followed by the limitations of this study. Finally, recommendations will be given to organizations and future researchers.

The remaining pages of this thesis contain the reference list.

## ***Chapter 2 – Theoretical framework and hypotheses***

“Why do good employees leave my organization, why the lesser ones stay?” is the question that started this research. This chapter consists of five parts. First, mergers and acquisitions will be explained, followed by reactions from employees. Then, these reactions are shown as aspects influencing turnover, followed by theories regarding turnover. Lastly, a summary will be given.

### **2.1 Mergers and acquisitions**

An acquisition occurs when one organization takes over another organization. These two organizations are not equal to each other in terms of size and finances. A merger occurs when two equal organizations make a mutual decision to combine and become one.

Although there are several differences between mergers and acquisitions, both have similar goals, namely to gain performance advantages and improve organizational performances (Noe, Hollenbeck, Gerhart & Wright, 2010). Although both are different, due to the similar goals both share, the terms merger and acquisition will be used interchangeably.

There are several types of M&A's. An hostile M&A is where the buying organization aggressively pursues another organization. The buying organization will transform the bought organization into their, leaving nothing to be seen of the bought organization (Noe, Hollenbeck, Gerhart & Wright, 2010).

Agreed M&A's occur when both organizations agree on the terms of the M&A. Both parties discuss the agreement and work out a binding that works out for parties (Noe, Hollenbeck, Gerhart & Wright, 2010).

M&A's are popular in corporate development and occur more often compared to twenty years ago. In 2004 alone, 30,000 M&A's took place, while in the period from 1980 till 1990, 23,000 M&As took place (Cartwright & Cooper, 1990; Cartwright & Schoenberg, 2006).

Financial results regarding M&A's are mixed. Within two years after the M&A, approximately 35 – 45% of M&A's report profits. Also, 56% of managers dealing with M&A's, state that the M&A itself was successful. This would mean that of the 30,000 M&A's in 2004, 13,200 M&A's have not been successful. The reasons why many are not successful financially, have been studied several times, however no clear answer can be given. Currently, the research is shifting towards Human Resource Management (HRM) (Cartwright & Schoenberg, 2006).

HRM is in practice often overlooked by management. However, HRM can have a big role dealing with M&A's. "The failure to account for personnel issues is somewhat surprising since HRM has the potential to play an important role in M&A integration, for example, by managing personnel conflict, reinforcing the new HRM system and corporate culture and providing communication and leadership to reduce turnover." (Aguilera & Dencker, 2004, p. 1356).

To summarize, M&A's are the binding of multiple organizations, either hostile or agreed. However, M&A's do not yield the projected financial results. Several market and financial studies have been conducted, although no straight answer can be given why the financial targets are not met. Therefore, research has shifted their focus to HRM. HRM can help support the M&A integration, providing communication and leadership. Several studies have been conducted regarding the reactions of employees towards mergers and acquisitions, which will be discussed below.

## **2.2 Employee reactions towards mergers and acquisitions**

Employees can have several reactions regarding mergers and acquisitions. A merger or an acquisition comes with several organizational changes which can either lead to stress, anxiety, role conflicts or to the feeling that employees are not being treated fairly. These feelings could have several implications for the employees and their future careers with the organization.

According to the Kubler-Ross model of bereavement (1969) employee's reactions go through four stages. First there is disbelief and denial, followed by anger and resentment. Thirdly, there is emotional bargaining, and finally acceptance. Stages

one through three can result in unproductive behavior or can be seen as reason for employees to leave the organization.

Due to the changes after a M&A, employees' roles might change. According to Igbaria and Siegel (1992) employees' roles and tasks are important for employees while deciding whether they should leave the organization. This can cause employees to come into a conflict with what they are used to do, or the new roles are too hard to fulfill, also known as role conflict. In a role conflict, there is an psychological tension which occurs when a person is engaged in multiple roles which are not compatible. This tension can lead to stress or can even lead to the employee leaving the organization (Katz & Kahn, 1979).

Dahl (2011) and Cartwright and Cooper (1990) conducted studies regarding organizational change and stress. They found that organizational changes could increase stress and uncertainty for employees, causing employees to leave. Since a M&A implies several broad and extensive changes, the probability that employees are getting stressed is high. "Even when career related concerns may have been resolved, and employees have survived the initial aftermath, many employees are likely to find themselves unable to fit into the new or dominant organizational culture, and this is also likely to be stressful." (Cartwright & Cooper, 1990, p. 8).

M&A's are disturbers of cultural peace and frequently lead in organizational culture collisions. An organizational culture collision is when two different organizations with different organizational cultures collide with each other. A culture collision can create ambiguous working environments conflict employee incongruity and stress, and it will affect organizational performance (Cartwright & Cooper, 1990). Culture collisions might lead to threats to employees' social and security needs, which in turn lead to job dissatisfaction and less organizational commitment.

Besides disturbing the organizational culture, M&A's also disturbs the work environment. Disturbances in the work environment can lead to anxiety, role conflict or employees might feel that they are not being treated fairly. According to Schweiger and Denisi (1991) M&A's produce a lot anxiety with employees.

Anxiety after an M&A varies per employee, as well as it depends on the scale of the M&A characteristics. The anxiety theory in M&A's tells us that employees are anxious regarding the M&A (Seo & Hill, 2005). Employees are uncertain and afraid regarding the negative impact the M&A can have on their job and career. Separation anxiety can also occur when colleagues are let go. People become scared that they will lose their own job, but are also dissatisfied that befriended colleagues are leaving. This can lead to low productivity and a lack of motivation (Seo & Hill, 2005). Cartwright and Schoenberg (2006) studied that proper communication can be an effective manner to cope with anxiety.

Employees value honesty and fairness by their employers. Employees might not see the fairness in certain decisions employers make, especially after M&A's. M&A often involves displacing and reselecting employees. These decisions have to be justified by using clear criteria. If no clear criteria are used to fire or relocate employees, employees might get dissatisfied. Many researchers have found that organizational justice can influence employees' attitudes and behaviors in forms of psychological withdrawal and voluntary turnover (Seo & Hill, 2005).

To summarize, M&A's can cause role conflicts, culture collisions, anxiety, cause injustice or cause stress. This will affect employees, causing them to rethink their current and future position in the organization. It can lead to unproductive behavior or turnover. The reactions by employees are aspects influencing their job satisfaction and their commitment to the organization.

## **2.3 Job satisfaction and organizational commitment**

Usually when employees leave, they are dissatisfied with the job or not committed to the organization. This might have several reasons. Studies by Al Arkoubi, Bishop and Scott (2007), Van Dick et al., (2004) and Price (2001) showed that job satisfaction and organizational commitment are related to turnover.

### **2.3.1 Job satisfaction, organizational commitment and job withdrawal**

Job satisfaction is the extent to which employees like their work (Price, 2001). According to Noe, Hollenbeck, Gerhart and Wright (2010) job satisfaction is the key driving force behind all the different forms of jobs withdrawal. They define it as a

pleasurable feeling that results from the perception that one's job fulfills or allows for the fulfillment of one's important job values. It is believed that if employees are satisfied with their work, they will not as likely leave the organization as opposed to those who are not satisfied with their job.

Organizational commitment is the commitment employees have towards the organization (Price, 2001). When employees are highly committed, they tend to stay longer with their organization, as opposed to those employees who are not, or less committed to the organization. Both organizational commitment and job satisfaction are influenced by the following aspects: justice, stress, autonomy, career opportunities, routinization, support, skills and recognition. These aspects, are similar to the reactions shown by employees following an M&A and thus will be discussed briefly.

### **2.3.2 Factors influencing job satisfaction and organizational commitment**

Both organizational commitment and job satisfaction after M&A's can be influenced by communication. When the communication before an M&A is done properly and in an understanding way, job satisfaction and organizational commitment will be better compared to M&A's where there was little communication, according Schweiger and Denisi (1991). Other factors will be discussed below.

#### **Justice:**

Justice is the extent to which all procedures are done fairly, and every employee is treated equally (Price, 2001). Justice within the organization influences both job satisfaction and organizational commitment, be it via the equal fair treatment by managers, procedures, or via justice policies (Mueller & Price, 1990). If employees feel they are not being treated fairly, turnover will increase. According to Schweiger and Denisi (1991) honesty and fairness by the organization can be influenced if there is enough and understanding information.

#### **Stress:**

Mueller (1994) defined stress as the extent in which job duties are hard to fulfill. Stress influences both job satisfaction and organizational commitment. As stated before, role conflict is an important cause for stress. Other factors also weigh in on

the stress factor such as the lack of resources or time pressure. When an employee perceives stress, he tends to be less satisfied with his job and committed to the organization. Too much stress can cause an employee to leave the organization. According to Schweiger and Denisi (1991) stress after M&A's can be decreased if the information regarding the M&A is given in a proper and understanding way.

### **Autonomy:**

Mueller and Price (1990) defined autonomy as the degree to which an employee exercises power, relative to his job. When employees are free to fill in their job tasks any way they see fit, they are more satisfied and committed with their job, in contrast with employees who have jobs which are predetermined how to do it. If the employee perceives there is autonomy in the job, he will most likely find the job more satisfying and will be committed. If there is little autonomy, the employee will be less satisfied and committed and possibly leave the organization.

### **Career opportunities:**

Mueller and Price (1990) defined career opportunities as the degree of potential occupational mobility within an organization. When employees see that they could have a long and interesting career with the organization, they will be more satisfied with the job and committed to the organization. However, if an employee feels that he is getting nowhere within the organization, he will likely be less satisfied and less committed and possibly leave the organization.

### **Routinization:**

Routinization is described by Mueller and Price (1990) as the extent to which jobs are repetitive. When employees find their jobs repetitive and there is a lot of routine, they will see their jobs as not challenging. Employees value challenges in their work, thus too much routine will decrease job satisfaction and commitment. If there is too much routine, the employee will likely leave the organization.



### **Social support:**

Social support is defined by Mueller and Price (1990) as assistance with job related problems. A high degree of different kinds of support, kinship support, or aiding with job related problems, will increase job satisfaction and organizational commitment. Cohen (1993) found that befriended colleagues are perceived as a positive aspect towards job satisfaction and organizational commitment. According to Soltis, Agneessens, Sasovova, and Labianca (2013) employees seek advice of other employees regarding whether they should turn over or not. When coworkers indeed confirmed it would be wise to leave to organization (for various reasons), employees tend to leave the organization quicker.

### **Supervisor support:**

Supervisor support contains the support given by managers or supervisors. According to Maertz, Griffeth, Campbell and Allen (2007), perceived supervisor support increase both organizational commitment and job satisfaction, and thus the employee will likely not leave the organization.

### **Skills:**

Although skills are not directly an antecedent of job satisfaction or organizational commitment, Mone (1997) believes it is important for job satisfaction and organizational commitment. When employees are highly skilled but they fulfill tasks which are below their skill level, their motivation decreases. Thus when the skills of an employee do not match the skills needed for their job, self-esteem and task-esteem can decrease. Task-esteem and task self-esteem can increase role self-esteem, which can increase satisfaction and commitment. If the skills an employee possesses does not match the skills needed for the job, he will likely leave the organization.

### **Recognition:**

Recognition in the workplace is defined by Al Arkoubi, Bishop, and Scott (2007) as acknowledging employees efforts and their accomplishments through praise, respect, thanks, and providing new opportunities for learning and advancement.

Recognition can be a small gesture from the organization to the employee, which demonstrates that the organization values the employee and that it is proud of their achievements.

Recognition can have a positive impact on job satisfaction and organizational commitment. When employees feel that they are being valued, job satisfaction and organizational commitment can increase. The self-esteem regarding their jobs can increase, since they believe the organization values them. However, does the employee believe the organization does not value him, he will leave the organization.

### **2.3.3 Three categories of influencing factors**

The above factors can all influence voluntary turnover. As stated in chapter 2.2 “Employee reactions towards mergers and acquisitions”, these factors are also reactions shown by employees after M&A’s. These factors can be categorized into three types: job-related factors, person-related factors and organization-related factors.

#### **Job-related factors:**

The job-related factors are factors which affect employees through aspects of the job. Every job has a job description which is usually predefined and set. Tasks are usually already found on job applications. These tasks in the job description can be routine. Therefore, routinization belongs to the job-related factors. If tasks are predefined and results can easily be measured, employees will have little power relative to his job. However, if tasks are not predefined and results cannot be measured easily, the employee will have more power relative to his job. Therefore, autonomy belongs to the job-related factors. Both are thus aspects of a job and affect the employee. When routinization and autonomy are deemed as negative by an employee, the employee will likely be dissatisfied and not be committed and leave the organization.

### **Person-related factors:**

Person-related factors are factors which only have meaning to one employee and these factors can vary per employee. The factors stress and skills belong to this group.

Stress varies per employee, since every employee can become stressed by other aspects. Also, each employee handles stress differently. One employee can handle more stress than others. Some employees might get stressed by small aspects, while others might not even care about the same aspects. Since stress varies per employee, it belongs to the person-related skills.

Each employee has an unique skill set. One employee can perform certain tasks better or faster than others, even though both received the same training. Since the skill set varies per employee, it belongs to the person-related factors.

When stress and skills are deemed as negative by an employee, the employee will likely be dissatisfied and not be committed and leave the organization.

### **Organization-related factors**

The organization-related factors are the factors which are present in the organization, including managers and coworkers. Employees have little control over these factors since these factors are a part of the organization. The organization-related factors we can categorize are social support, supervisor support, recognition, justice and career opportunities. These are factors which can only be instigated by supervisors or colleagues. The supervisor must treat employees equally and fair, while recognizing and supporting the employees. Career opportunities are available within the organization, which the supervisors decide upon.

When organization-related factors are deemed as negative, the employee will likely be dissatisfied and not be committed and leave the organization.

To summarize, there are several factors which in turn influence turnover, which can be categorized into three groups, job-related factors, person-related factors, organization-related factors. When these are deemed as negative, employees are not satisfied nor are they committed, which can lead to turnover.

## 2.4 Voluntary turnover and hypotheses

The factors as explained in chapter 2.3 are connected to voluntary turnover. Below, voluntary turnover will be discussed as will the hypotheses be explained.

### 2.4.1 Voluntary turnover

According to Price (1977) turnover is the movement of members across the boundary of an organization. In other words, employees are leaving the organization. This can happen either voluntarily, or involuntarily. Voluntary turnover can also be termed as avoidable, whereas involuntary turnover can be termed as unavoidable (Price, 2001). Turnover could cost a lot of money due to replacement costs and costs for training.

Voluntary turnover is initiated by the employee. Employees can leave an organization for a variety of reasons, e.g. a better job offer or unsatisfied with the current organization. It is important for organizations to know the reasoning behind the employees leaving, to better cope with voluntary turnover in the future.

Usually when employees leave, they are dissatisfied with the job or organization. This might have several reasons. Studies by Al Arkoubi, Bishop and Scott (2007), Van Dick et al., (2004) and Price (2001) showed that job satisfaction and organizational commitment are related to turnover. If employees are not satisfied nor committed, they tend to leave the organization. Job satisfaction and organizational commitment are influenced by several aspects as stated above in chapter 2.3. Several researchers (Al Arkoubi, Bishop, and Scott, 2007, Geartner, 2000; Mone, 1997; Mueller and Price, 1990; Price, 2001, and Seo and Hill, 2005; Price, 2001) found support for justice, stress, autonomy, career opportunities, routinization, social support, supervisor support, skills and recognition to influence job satisfaction, organizational commitment and voluntary turnover. When these factors are deemed as negative by the employee, the employee will likely leave sooner as opposed to employees who deem these factors as positive.

## 2.4.2 Hypotheses

As stated before, jobs can alter after an M&A. When the job-related factors of turnover (autonomy and routinization) alter too much negatively, employees will likely look for other options.

*Hypothesis 1: When the job-related factors (1A, routinization) (1B, autonomy) are deemed as negative after an M&A, turnover will increase.*

Employees after an M&A will rethink their position in the organization. His job might alter, which could cause that his skills do not match the skills needed for the job. Also, M&A's can cause stress for employees due to various reasons. When the skills and stress are negative, or the person-related factors, employees will likely look for other options.

*Hypothesis 2: When the person-related factors (2A, stress) (2B, skills) are deemed negative, turnover will increase after an M&A.*

Mergers and acquisitions cause many changes in the organization. Roles change, coworkers might get transferred to other departments, career paths might alter and managers might have less time to answer questions due to all the changes. Employees might feel that they are not being treated justly, support might diminish, or employees feel a lack of recognition. When these organization-related factors are negative, employees will likely look for other options.

*Hypothesis 3: When the organization-related factors (3A, career opportunities) (3B, social support) (3C, supervisor support) (3D, recognition) (3E, justice) are deemed as negative, turnover will increase after an M&A.*

The three hypotheses are testing a direct relationship between the factors and voluntary turnover after M&A's. However, these factors are all factors of job satisfaction and organizational commitment. It could be that these mediate between a factor and voluntary turnover.

*Hypothesis 4: Job satisfaction mediates the relationship between job-related factors(4A), person-related factors (4B) organization-related factors (4C) and voluntary turnover after an M&A.*

*Hypothesis 5: Organizational commitment mediates the relationship between job-related factors(5A), person-related factors (5B), organization-related factors (5C) and voluntary turnover after an M&A.*

When job satisfaction is deemed as low, turnover will increase, which also goes for organizational commitment.

To summarize, voluntary turnover can be initiated by various reasons which can be categorized into job-factors, personal-factors and organization-factors. Employees will show a variety of reactions due to an M&A. They will rethink about certain aspects concerning them and their work. These aspects can be reasons for employees to leave the organization. Thus, it can cause voluntary turnover, as it is initiated by the employee himself.

## 2.5 Summary

Employees react to mergers and acquisitions in various ways. These reactions will make the employee rethink his position within the organization.

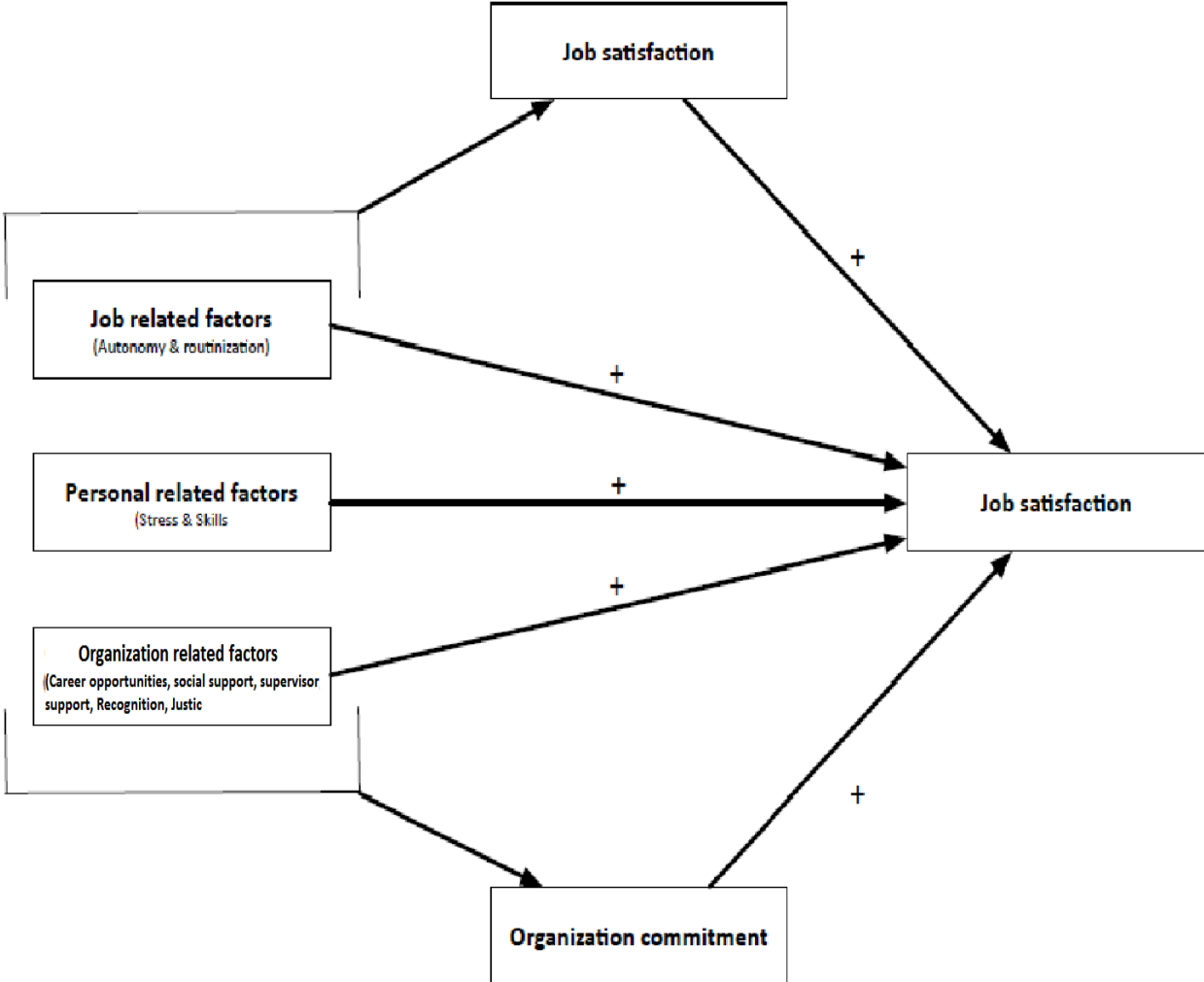
When employees rethink their position, they will think about job, personal and organization related factors. This thesis studies whether these factors influence turnover after M&A's or not. When the factors are deemed as negative, voluntary turnover will increase is the notion in this thesis.

Voluntary turnover occurs when the employee leaves by his own choice. There are several factors which in turn influence voluntary turnover, which can be categorized into three groups, job-related factors, person-related factors and organization-related factors. Table 1 shows these factors and various other concepts used in this thesis.

**Table 1: Concepts and their Definitions**

Concept	Definition
Voluntary turnover	Employees leaving the organization based on their own initiative
M&A	The binding of multiple organizations, either hostile or agreed upon.
Job satisfaction	The degree to which employees are satisfied with their job
Organizational commitment	The commitment employees have towards the organization
Justice	The extent to which all procedures are done fairly, and every employee is treated equally
Stress	The extent in which job duties are hard to fulfill
Autonomy	The extent to which an employee exercises power, relative to his job
Career opportunities	Degree of potential occupational mobility within an organization
Routinization	The extent to which jobs are repetitive
Social support (work related)	The assistance received with job related problems
Supervisor support	The amount of support employees receive from their supervisors
Skills	The work related skills an employee has
Recognition	Acknowledging employees' efforts and their accomplishments through praise, respect, thanks and providing new opportunities for learning and advancement

Figure 1: Factors influencing Voluntary Turnover, Possibly Mediated by Job Satisfaction and Organizational Commitment After Mergers and Acquisitions





## **2.6 Relevance of this research**

There are several factors which influence turnover. When managers want to retain their employees, it is vital for managers to focus on these factors. An M&A can be shocking for employees and might cause them to leave the organization.

The practical relevance of this research is that managers might be able to cope with turnover after mergers and acquisitions. M&A's do not meet the financial targets managers have set. With all the changes incurred by the M&A, managers want to retain their valuable employees. This thesis will help managers understand which factors can be of influence for employees to decide whether they should leave the organization. Also, this thesis will highlight factors which will influence job satisfaction and organizational commitment after an M&A. These factors are important since it can diminish turnover and it will ensure more satisfied and committed employees.

Research about M&A's has shifted towards HRM (Cartwright & Schoenberg, 2006). Although in practice often overlooked, HRM plays a vital part in dealing with M&A's. If the HRM department of an organization is aware of the factors influencing turnover after M&A's, they can help supervisors retaining employees. HRM can help supervisors and possibly alter jobs and policies to ensure employees are being retained.

There has been little research about turnover after an M&A. This thesis will contribute to this topic. It will contribute to the existing theory regarding turnover and the factors influencing turnover, since these variables will be examined extensively. Thus, this thesis has a scientific relevance in the fact that it will enhance existing theory regarding job satisfaction and organizational commitment. It will also increase the theory regarding voluntary turnover after M&A's.

## ***Chapter 3 – Method***

This chapter describes how the research will be carried out. In this section, an explanation will be given about the use of methods, the sample and the variables will be operationalized.

### **3.1 Dataset**

To answer the research question a quantitative research has been conducted. Data were used from the Workplace Employment Relations Survey in 2004, or in short: WERS2004. The survey was held in 2004 and can be attained via the WERS2004 website. The goal of the WERS2004 study was to provide information about employment relations practices and to monitor their changes, and to inform policy development (WERS, 2004). This survey took place in Great Britain and was sent to a sample which is based on a stratified random sample of establishments and a sample of employees at those establishments.

All interviewers received training on how to conduct the interviews and surveys with managers and employees. In total, 2,295 surveys to managers returned yielding a response rate of 53.5%. In total, 1965 surveys were given to employees of the 2,295 participating organizations, resulting in a response rate of 85.6%. 50.5% of the responding managers were female, while 61.9% of the responding employees were male. The average age of the employees was 45 years while there were no questions regarding age for managers (WERS, 2004).

Next to data on background issues, such as sector and number of employees, the data file contains various data on issues as establishment performance, fair treatment at work, HR policies, unions and workplace chance. HR policies include, among others, recruitment, training, payment, promotion opportunities, supervision and employee consultation.

The survey also contained questions regarding stress, workload, fair treatment policies, the relation between managers and employees, satisfaction with several

aspects of the job, and commitment towards the organization. Questions regarding turnover, takeovers and mergers were also included in the survey.

All answers were carefully coded and stored in a database, which has been used for many research purposes. The first step in researching the research question is to attain all variables and operationalize them based on the theory and the variables in the dataset.

### 3.2 Selection of data

In this section, the variables will be operationalized based on the theory and the questions used in the WERS 2004 survey. These operationalizations will be used to answer the hypotheses formulated in chapter 2.4.

Many questions will be used to measure the concepts which are being used in this thesis. Definitions of the concepts can be found in chapter 2. These concepts will be used to answer study the hypotheses, formulated in chapter 2.4.

The WERS2004 survey contains several questions regarding various subjects. These questions are similar to the concepts used in this thesis. Some of these were asked to either managers, employees or both. Table 2 contains the questions and answers to managers. Table 3 contains the questions and answers to employees. Table 4 contains the questions and answers asked to both groups.

**Table 2: Questions asked in WERS2004 Dataset to Managers with Answers**

Variable	Definition	Question	Answers
<b>Turnover</b>	Employees leaving the organization based on their own initiative	How many people left the organization in the last year?	Numeric answer
<b>M&amp;A</b>	The binding of multiple organizations, either hostile or agreed upon	Which organizational changes occurred in the last two years?	Agreed takeover; hostile takeover; sold by parent organization
<b>Career opportunities</b>	Degree of potential mobility within an organization	How do you fill in vacant positions?	5 point scale: 1= internal only... 5= external only
<b>Routinization</b>	The extent to which jobs are repetitive	How many times do employees other work than prescribed?	4 point scale: 1= a lot ... 4 = none

**Table 3: Questions asked in WERS2004 Dataset to Employees with Answers**

Variable	Definition	Question	Answer
<b>Job satisfaction</b>	The degree to which employees are satisfied with their job	How satisfied are you with the following aspects (job related)	5 point scale: 1= very satisfied ... 5= very dissatisfied
<b>Stress</b>	The extent in which job duties are hard to fulfill	To what extent do you agree with the following statements regarding stress?	5 point scale: 1= completely agree ... 5= completely disagree
<b>Autonomy</b>	The extent to which an employee exercises power, relative to his job	How satisfied are you with the following aspects regarding autonomy?	5 point scale: 1= very satisfied ... 5= very dissatisfied
<b>Recognition</b>	Acknowledging employees' efforts and their accomplishments through praise, respect, thanks and providing new opportunities for learning and advancement	Overall, how satisfied are you with the following statements regarding recognition?	5 point scale: 1= very satisfied ... 5= very dissatisfied
<b>Organizational commitment</b>	The commitment employees have towards the organization	To what extent do you agree with the following statements regarding organizational commitment	5 point scale: 1= completely agree ... 5= completely disagree
<b>Supervisor support</b>	The amount of support employees receive from their supervisors	To what extent do you agree with the following statements regarding supervisor support	5 point scale: 1= completely agree ... 5= completely disagree
<b>Skills</b>	The work related skills an employee has	How well do the work skills you personally have match the skills needed to perform your job?	5 point scale: 1= much higher ... 5= much lower

**Table 4: Questions asked in WERS2004 Dataset to both Managers and Employees with Answers**

Variable	Definition	Question	Answer
<b>Justice</b>	The extent to which all procedures are done fairly, and every employee is treated fairly	1) Is there a justice policy present at this organization? / 2) To what extent do you agree with the following statements?	1) Yes / No; 2) 5 point scale: 1= completely agree ... 5= completely disagree
<b>Social support (work related)</b>	The assistance received with job related problems	How would you rate the relations between management and employees?	5 point scale: 1= very good ... 5= very bad

### 3.3 Data preparation and analysis

For analysis of the data the program STATA is used. Background information regarding the data will be given via descriptive statistics.

Through correlation analysis, the strength and direction between the variables will be given. The values of the correlations will range from -1 till +1. A correlation between 0.5 and 1 will be considered as strong, while a correlation between 0.3 and 0.5 will be considered as average, while a correlation between 0.1 and 0.3 will be considered as below average (Pallant, 2010). In this thesis we use the Pearson correlation coefficient, because not all variables are ordinal.

Several concepts are comprised of multiple questions. To measure these concepts, scale constructs are needed to see whether they fit. Scales are constructed via STATA. Cronbach's Alpha helped determine whether these variables indeed belonged to each other. Since it is the first time these variables are merged together with these data, an Cronbach's Alpha of .6 is sufficient (Pallant, 2010).

Furthermore, to check the relationships between the variables, stepwise regression analysis will be conducted. This thesis studies if mergers and acquisitions will have an effect on voluntary turnover. Since the variables being used have an effect on voluntary turnover, as confirmed by other researchers, M&A's will be included in this thesis to see whether this has an effect on turnover, and whether it will increase turnover if an M&A is present and the concepts (e.g. stress, recognition) are negatively present. To test for mediating effects, Preacher and Hayes (2004) bootstrap method will be used. This method is recommended for small samples.

Therefore, the hypotheses will be checked using regression analysis. First to see whether M&A's have a direct relationship with voluntary turnover. Second to see if it mediates between voluntary turnover and the various aspects influencing turnover.

## Chapter 4 – Results

This chapter is build up in several parts. First, the background regarding turnover, employment and M&A's will be shown. Second, the factors influencing turnover will be discussed. Scales will also be included in this paragraph. Third, the correlations between the variables will be discussed. Fourth, regression analysis and the mediators will be discussed. Lastly, the hypotheses will be answered.

### 4.1 Background

Below the descriptives will be given to provide more insight into the data. Analysis will be done regarding employment, voluntary turnover and M&A's.

#### 4.1.1 Descriptive analysis of employment, voluntary turnover and M&A's

In total, almost 900,000 employees were working at the organizations and 85,314 people resigned from their job, with an average of 44 people per organization which did not undergo an M&A, or 8,76%. There are 223 reported cases of M&A's which had an average of 503 employees per organization and an average turnover rate of 50, or 9.94%, which is shown in Table 5. We see that the overall turnover within the M&A group is slightly higher than the non-M&A group.

Table 5: Average Number of Employees and Average Turnover Rate for M&A's and non M&A's

	<i>N organizations</i>	<i>Average number of employees</i>	<i>Average turnover rate</i>	<i>Percentage of turnover vs. amount of employees</i>
<b>M&amp;A's</b>	223	503	50	9.94
<b>Non M&amp;A's</b>	2072	383	44	8.76

N = 2295

Of the 2,295 surveys returned by managers, 223 reported going through an 'agreed takeover / merger', 'a takeover / merger formally opposed', or 'sold by parent organization'. Looking at Table 6, we see that agreed mergers occurred most often (65%), followed by organizations sold by their parent organization (29%)

**Table 6: M&A's by Type in Total and Percentages**

Type of merger	Frequency	Percentage
Agreed M&A	145	65
Hostile M&A	14	6
Sold by parent organization	64	29

N = 223

If we check the mean of the types of M&A in Table 7, the mean of voluntary turnover is the highest within the hostile M&A group with 168 employees leaving. The agreed M&A group shows the second highest voluntary turnover with 51 employees leaving the organization. The organizations which were sold by their parent organization had 21 employees leaving the organization.

The turnover rate for agreed M&A's lies close to the average voluntary turnover rate of all M&A's (M = 50), whereas the organizations which was sold by their parents showed little turnover. However, looking at the percentages, we see that all groups have a higher percentage of turnover than the non-M&A group (8.76%), although the agreed M&A group only varies slightly and is lower than the overall M&A group. Both the hostile M&A's and the organization sold by their parent organization, have percentages of 14.04% and 11.29% respectively. Both are higher than the non-M&A group and the overall M&A's (9.94%).

**Table 7: Average Voluntary Turnover and Average Employees per M&A Type and non-M&A's**

Type of M&A	Average voluntary turnover rate	Average number of employees per type	Percentage of turnover
Agreed M&A	51	576	8.85
Hostile M&A	168	1197	14.04
Sold by parent organization	21	186	11.29

N = 223

The total voluntary turnover was 85,314 employees for all 2,295 organizations. Of these organizations, 223 reported having undergone a M&A. We see that organizations which have not undergone an M&A and the overall M&A group have similar turnover rates, percentage wise. However, the turnover rate for hostile takeovers and organizations sold by their parent organization are both higher.

### 4.1.2 Concluding

In all the organizations, the average voluntary turnover was 44 employees per organization. The average voluntary turnover of organizations which went through an M&A was 50 employees per organization in a year. However, percentages were slightly different (8.76% and 9.94% respectively). Thus, M&A's have a slightly higher turnover rate. Agreed M&A's showed a percentage of turnover rate (8.85%), while hostile M&A's and organizations sold by their parent organization showed turnover percentages (14.04% and 11.29% respectively). A reason for the higher turnover rate in hostile M&A's might be that there are conflicts between the merging organizations. A reason for the higher turnover rate in organizations sold by their parent organization might be that employees feel betrayed and are less committed.

## 4.2 Scales and turnover factors

Several factors consist of multiple questions from the WERS2004 dataset. Using these questions, scales have been constructed. For Cronbach's Alpha's the rule of thumb is that if the alpha is between a .6 and a .9, the internal consistency ranges from acceptable to excellent (Pallant, 2010).

**Table 8: Cronbach's Alpha of Factors for Voluntary Turnover, Mean (SD)**

Variable Name	Cronbach's Alpha	Mean (SD)
Job satisfaction	.81 (N item=2)	2.4 (.12)
Stress	.67 (N item=3)	2.6 (.15)
Recognition	.9 (N item=2)	3.2 (.13)
Organizational commitment	.83 (N item=2)	2.5 (.16)
Justice	.9 (N item=2)	2.9 (.16)
Supervisor support	.81 (N item=3)	2.9 (.15)

When looking at Table 9, we see all the variables' means, standard deviation. Except for routinization, all variables were answers to scaling questions ranging from 1 till 5, with 1 meaning very satisfied or completely agree, with 5 meaning very dissatisfied or completely disagree.



**Table 9: Descriptive Analysis of Voluntary Turnover Factors for M&A's and no M&A's (with 5-point scaling ranging from 1 = positive to 5 = negative)**

Variable	Mean (SD) agreed takeover	Mean (SD) Hostile takeover	Mean (SD) sold by parent organization	Mean (SD) for no M&A's
Routinization*	1.7 (.7)	1.6 (.22)	1.9 (.09)	1.7 (.02)
Autonomy	2.6 (.09)	2.7 (.42)	2.5 (.13)	2.6 (.02)
Stress	2.7 (.08)	2.4 (.35)	2.6 (.15)	2.7 (.02)
Skills	2.3 (.08)	2 (.3)	2.3 (.11)	2.3 (.02)
Career opportunities	2.7 (.06)	2.6 (.16)	2.7 (.07)	2.7 (.04)
Recognition	2.9 (.1)	4.1 (.23) **	2.8 (.17)	2.9 (.03)
Social support	1.9 (.06)	1.7 (.21)	1.8 (.09)	1.7 (.02)
Supervisor support	2.6 (.1)	3.5 (.33) **	2.6 (.15)	2.7 (.02)
Justice	2.7 (.1)	3.6 (.34) **	2.6 (.16)	2.7 (.02)
Job satisfaction	2.5 (.09)	2.3 (.21)	2.4 (.14)	2.3 (.02)
Organizational commitment	2.4 (.09)	2.7 (.37)	2.4 (.14)	2.3 (.02)

\* Routinization has a scaling from 1 till 4 with 1 meaning a lot and 4 meaning none

\*\* significantly different at 95% with the non-M&A group

In Table 9 we see the means and standard deviations of all the voluntary turnover factors for the three kinds of mergers and for organizations which have undergone an M&A and for the group of organizations which have not undergone an M&A. Most variables have a mean range between 2 and 3, meaning people mostly agree, or are mostly satisfied, to don't agree or don't disagree, or are not satisfied but also not dissatisfied. Means between the groups were compared using independent samples t-tests.

It is notable, that people are generally more positive about the factors than negative. Also, an assumption on forehand could be made that employees in the sold by parent organization group would be less committed to the organization. The reason could be that the employees feel betrayed by the parent organization by selling them. However, the organizational commitment between all groups show no significant differences based on the means.

Although the three groups of M&A's showed a higher percentage of turnover, there are no significant differences between the agreed M&A, the sold by parent organization group, and the non-M&A group which is notable. However, the hostile M&A group show three significant differences. Recognition, supervisor support and justice seem to be worse compared to the non-M&A group.

The results show that the hostile M&A's pay less attention to supervisor support, recognition and justice as compared to the non-M&A's group. These are organization-related factors and can influence turnover. Results show that employees believe that employees are being treated unfair. Employees do not receive recognition by their supervisors, and there is less support from supervisors as compared to the non-M&A's group. In the agreed M&A's group and the organizations sold by their parent organization, no significant results were found. Based on these means it appears that there are no differences in these factors between the agreed M&A's, organizations sold by their parent organization and the non-M&A group.

### 4.3 Correlation analysis

Below in Table 10, the correlations between the variables are shown.

Turnover is only significant and negatively correlated with autonomy ( $r = -.12, p < .1$ ). This could be explained by the other correlations autonomy has with other variables.

We see that if there is autonomy, fairness is significant and positively correlated with ( $r = .72, p < .05$ ), supervisor supports is significant and positively correlated ( $r = .46, p < .05$ ), recognition is significant and positively correlated ( $r = .45, p < .05$ ). It is also significant and negatively related to stress ( $r = -.03, p < .05$ ). This could indicate that if employees have autonomy, they feel recognized, feel that supervisors support, feel less stress, which all leads to less turnover.

We see that both organization commitment and job satisfaction show correlations with most of the other variables, which is to be expected. These variables are influencing factors of job satisfaction and organizational commitment.

The correlations of supervisor support show results which are not surprising. Job satisfaction ( $r = .46, p < .05$ ), organizational commitment ( $r = .55, p < .05$ ), justice ( $r = .83, p < .05$ ), recognition ( $r = .74, p < .05$ ), doing other work ( $r = .18, p < .05$ ), autonomy ( $r = .46, p < .05$ ) all have significant and positive relationships with supervisor support, and stress with employees ( $r = -.05, p < .05$ ), will decrease. This indicates that if the supervisor support is high, employees tend to be satisfied,

committed, have less stress, feeling treated fairly feel recognized, and do other work, but they do feel their skills are under appreciated.

The variable 'skills' show significant and negative correlations with most variables. However this can be explained that employees believe that their skills are better than the skills required to do their jobs. This would likely decrease satisfaction and commitment, but would also decrease stress since their tasks are easy to fulfill. However, the organizational related factors decrease as well, meaning that employees believe that they receive little supervisor support or recognition. This could be due to the fact that supervisors trust the employees to do their job right, but they neglect to show the employees.

As was expected, both job satisfaction and organizational commitment show correlations with almost all variables except routinization. Social support is not correlated with job satisfaction, however it is correlated with organizational commitment. These results are expected since various researchers studied the relationships between the variables and job satisfaction and organizational commitment. Although various researchers studied the relationships between voluntary turnover, job satisfaction and organizational commitment, these correlations were not found in this study. Therefore, regression analysis will be done to see whether there are relationships between these variables.

**Table 10: Pearson Correlations of Factors for Voluntary Turnover, with Voluntary Turnover and M&A**

Variable	Job. Sat	Org. Com.	Justice	Stress	Recognition	Routinization	Autonomy	Social support	Supervisor Support	Skills	Vol. turnover	M&A
Job. Sat.	1											
Org. Com.	.52*	1										
Justice	.43*	.53*	1									
Stress	-.01**	.08*	-.08*	1								
Recognition	.42*	.5*	.72*	-.04*	1							
Routinization	-.04	.01	.08	.07	.05	1						
Autonomy	.61*	.42*	.43*	-.03*	.45*	-.04	1					
Social support	.03	.26*	.07	.08	.04	.14*	-.07	1				
Supervisor support	.46*	.55*	.83*	-.05*	.74*	.06	.46*	.11	1			
Skills	-.1*	-.09*	-.13*	-.05*	-.13*	0	-.1*	-.04	-.14*	1		
Voluntary turnover	0	.02	.02	.01	0	.01	-.12**	.04	.05	0	1	
M&A	-.04	-.01	.13*	-.12**	0	.09	-.04	.09	.06	.03	-.09	1

Note: Correlations are significant at \*p<0.05, \*\*p<0.1

## 4.4 Results of regression analysis

With STATA a stepwise regression analysis has been conducted to see which factor influences turnover after an M&A. Various researchers found relationships between factors and voluntary turnover. These results will be discussed below.

### 4.4.1 Regression analysis for all M&A's

Looking at Table 11 below, the significant results of the regression analysis of all M&A's is shown. This means employees will leave the organization if they feel they are not being treated fair, or if certain policies are not handled fairly. Also, if employees have less autonomy after an M&A, employees will leave the organization. Thus, overall after an M&A, employees value fairness and autonomy during and after an M&A.

The 'Adjusted R-square' is .03. Thus, in this stepwise regression justice and autonomy explain 3% of the variance in voluntary turnover after M&A's.

**Table 11: Stepwise Regression for all M&A's with Voluntary Turnover as the Dependent Variable (Only significant variables are shown)**

<i>Variable</i>	<i>Coef. (std. Err.)</i>	<i>t</i>	<i>P &gt; t</i>
<b><i>Justice</i></b>	18.69 (7.81)	2.39	.018
<b><i>Autonomy</i></b>	24.97 (9.49)	2.63	.009

There were three types of M&A's, as shown in chapter 4.1. It might be that results vary from the overall M&A's. Therefore, stepwise regression analysis will be done for the three types of different M&A's. Results will be discussed below through Tables 12 till 14.

### 4.4.2 Regression analysis for agreed M&A's

In Table 12 below, the significant results of the regression analysis of the agreed M&A's is shown. Employees leave an organization due to a lack of recognition, a lack of supervisor support and having better skills than required for the job after an agreed M&A. The 'adjusted R-squared' is .06. Thus, in this stepwise regression recognition,

supervisor support and skills explain 6% of the variance in voluntary turnover after agreed M&A's.

The lack of recognition and supervisor support can be explained by the notion that supervisors are dealing with the M&A, causing the supervisor to have less time to deal with their employees. Jobs and tasks of employees might alter as well due to the M&A. Therefore, the skills the employees possesses, might not match the skills needed for the job.

The employee will reconsider his position after an M&A, and based on the lack of supervisor support, recognition and his skills not matching the required skills, will make the employee leave the organization.

**Table 12: Stepwise Regression for Agreed Takeover with Voluntary Turnover as the Dependent Variable (Only significant variables are shown)**

Variable	Coef. (std. err.)	t	P > t
Recognition	26.32 (12.22)	2.15	.03
Supervisor support	28.74 (12.9)	2.22	.03
Skills	21.32 (7.74)	2.75	.007

N = 145

**4.4.3 Regression results for hostile M&A's**

In Table 13 below, the significant results of the regression analysis of the hostile M&A's is shown. After a hostile takeover, employees leave the organization due to a lack of variety in work, stress and a lack of autonomy. The 'adjusted R-squared' for these three variables is .43. Thus in this stepwise regression, routinization, stress and autonomy explain 43% of the variance in voluntary turnover after voluntary turnover.

Stress after a hostile M&A can be explained via the stress incurred by the M&A itself. Employees will face new employees and there might be a culture shock. His career path might alter, or the tasks in his work might change completely. This also goes for autonomy and routinization. Due to all the changes in the organization, jobs and task might change, causing the employee to have less autonomy and more routinization. Employees in an organization which underwent a hostile takeover will therefore reconsider these factors and leave the organization.

**Table 13: Stepwise Regression for Hostile takeover with Voluntary Turnover as the Dependent Variable (Only significant variables are shown)**

Variable	Coef. (std. err.)	t	P > t
<b>Routinization</b>	219.24 (93.87)	2.34	.04
<b>Stress</b>	196 (89.97)	2.18	.03
<b>Autonomy</b>	212.22 (71.64)	2.96	.01

N = 14

#### 4.4.4 Regression results for organizations sold by their parent organization

In Table 14 below, the significant results of the regression analysis is shown for the organizations which were sold by their parent organization. Employees will leave in these organizations due to a lack of organizational commitment after their organization has been sold by the parent organization.

The 'adjusted R-squared' for organizational commitment after an organization has been sold by his parent, is .06. Thus, in this stepwise regression, organizational commitment explains 6% of the variance in voluntary turnover after an organization has been sold by his parent organization.

This can be explained by the lack of commitment employees have due to the fact that the parent organization sold them. Employees might be in disbelief since the parent organization sold their branch and therefore do not wish to work for the organization anymore. After the M&A, the employee will rethink his position and believes he is not committed to the organization anymore and will therefore leave the organization.

**Table 14: Stepwise Regression for Organizations Sold by Parent Organization with Voluntary Turnover as the Dependent Variable**

Variable	Coef. (std. err)	t	P > t
<b>Organizational commitment</b>	10.34 (4.91)	2.11	.04

N = 64

#### 4.4.5 Job satisfaction and organizational commitment as mediator

Job satisfaction and organizational commitment were the mediators between the job-related, person-related and organization-related factors and voluntary turnover after M&A's. In Table 15 below we see the results for job satisfaction and organizational commitment as mediators. We see that only social support is mediated by job satisfaction and organizational commitment. Thus, social support influences voluntary turnover via job satisfaction and organizational commitment. Other results were not significant.

**Table 15: Preacher and Hayes Mediation Method for voluntary turnover after M&A's, with Job Satisfaction and Organizational Commitment as Mediators**

<b>Variable</b>	<b>Coef. (std. err.)*</b>	<b>t*</b>	<b>P&gt;t*</b>	<b>Coef. (std. Err.)**</b>	<b>t**</b>	<b>P&gt;t**</b>
<b>Fairness</b>	.24 (5.12)	.05	.962	.24 (4.62)	.05	.958
<b>Autonomy</b>	-1.7 (2.67)	-.65	.517	-1.7 (2.27)	-.76	.446
<b>Recognition</b>	-3.08 (4.19)	-.73	.464	-3.08 (3.93)	-.78	.435
<b>Stress</b>	2.69 (2.53)	1.06	.291	2.69 (2.63)	1.02	.309
<b>Routinization</b>	1.97 (2.71)	.73	.468	1.97 (4.04)	.49	.626
<b>Social support</b>	9.22 (3.40)	2.71	.02***	9.22 (3.45)	2.68	.019***
<b>Supervisor support</b>	4.04 (2.75)	1.47	.143	4.04 (5.12)	.79	.432
<b>Skills</b>	.96 (2.79)	.34	.731	.96 (2.69)	.36	.722
<b>Career opportunities</b>	-1.5 (1.74)	-.86	.390	-1.5 (2.27)	-.66	.510

\*Job satisfaction

\*\* Organizational commitment

\*\*\* Significant at 95%



Tables 16 through 18 show the mediating results for the different types of the three different types of M&A's. Only for agreed M&A's, both job satisfaction and organizational commitment mediate the relationship between social support and voluntary turnover. Within an agreed M&A, new colleagues are met, while older colleagues might get transferred. There will be a shift in the culture, causing the social support to decrease. Within the other types of M&A's, employees will likely stick together due to the nature of the M&A. They want to retain the old culture, for which they will possibly show stronger social support. Other results were not significant.

**Table 16: Preacher and Hayes Mediation Method for Voluntary Turnover after Agreed M&A's, with Job Satisfaction and Organizational Commitment as Mediators**

<i>Variable</i>	<i>Coef. (std. Err.)*</i>	<i>t*</i>	<i>P&gt;t *</i>	<i>Coef. (std. Err.)**</i>	<i>t**</i>	<i>P&gt;t**</i>
<b>Fairness</b>	1.566 (7.16)	.22	.827	1.57 (5.42)	.29	.773
<b>Autonomy</b>	-4.85 (4.56)	-1.06	.29	-4.85 (6.8)	-.71	.477
<b>Recognition</b>	-2.29 (4.26)	-.54	.591	-2.3 (7.44)	-.31	.758
<b>Stress</b>	-1.79 (4.67)	-.38	.703	-1.79 (4.81)	-.37	.711
<b>Routinization</b>	.2 (6.32)	.03	.974	.2 (4.28)	.05	.962
<b>Social support</b>	9.92 (4.20)	2.36	.02***	9.92 (4.58)	2.17	.032***
<b>Supervisor support</b>	3.78 (11.74)	.32	.748	3.78 (8.9)	.42	.672
<b>Skills</b>	5.93 (4.03)	1.47	.144	5.93 (3.84)	1.54	.126
<b>Career opportunities</b>	-3.5 (1.63)	-2.155	.34	-3.5 (1.61)	-2.17	.32

\*Job satisfaction

\*\* Organizational commitment

\*\*\* Significant at 95%

**Table 17: Preacher and Hayes Mediation Method for Voluntary Turnover after Hostile M&A's, with Job Satisfaction and Organizational Commitment as Mediators**

<b>Variable</b>	<b>Coef (std. Err) *</b>	<b>t*</b>	<b>P&gt;t*</b>	<b>Coef. (std. Err.) **</b>	<b>t**</b>	<b>P&gt;t**</b>
<b>Justice</b>	131.9 (2.93)	0	1	131.9 (1.24)	0	1
<b>Autonomy</b>	-47.76 (1.13)	0	1	-47.76 (5.18)	0	1
<b>Recognition</b>	-56.99 (2.08)	0	1	-56.99 (1.11)	0	1
<b>Stress</b>	-103.85 (3.87)	0	1	-103.85 (1.58)	0	1
<b>Routinization</b>	-111.03 (3.81)	0	1	-111.03 (2.99)	0	1
<b>Social support</b>	444.4 (6.04)	0	1	444.4 (9.12)	0	1
<b>Supervisor support</b>	-188.48 (3.27)	0	1	-188.48 (2.33)	0	1
<b>Skills</b>	-292.93 (9.23)	0	1	-292.93 (1.78)	0	1
<b>Career opportunities</b>	53 (39.4)	1.35	.203	53 (48.16)	1.1	.293

\* Job satisfaction

\*\* Organizational commitment

**Table 18: Preacher and Hayes Mediation Method for Voluntary Turnover after Organizations have been sold by their Parent Organization, with Job Satisfaction and Organizational Commitment as Mediators**

<b>Variable</b>	<b>Coeff (std. Err) *</b>	<b>t*</b>	<b>P&gt;t*</b>	<b>Coeff. (std. Err.) **</b>	<b>t**</b>	<b>P&gt;t**</b>
<b>Justice</b>	.6 (4.71)	.13	0.900	.6 (5.56)	.11	.915
<b>Autonomy</b>	-2.55 (4.39)	-.58	0.564	-2.55 (4.09)	-.62	.536
<b>Recognition</b>	-9.21 (6.59)	-1.40	0.168	-9.21 (8.57)	-1.07	.288
<b>Stress</b>	5.46 (4.69)	1.16	0.250	5.46 (5.87)	.93	.357
<b>Routinization</b>	5.9 (6.2)	.95	0.346	5.9 (8.16)	.72	.473
<b>Social support</b>	8.11 (5.38)	1.51	.138	8.11 (5.38)	1.51	.136
<b>Supervisor support</b>	6.18 (9.03)	.68	0.497	6.18 (10.22)	.61	.548
<b>Skills</b>	-5.66 (4.1)	-1.38	0.174	-5.66 (5.27)	-1.07	.289
<b>Career opportunities</b>	0 (4.06)	0	1	0 (4.9)	0	1

\*job satisfaction

\*\* Organizational commitment

Using the Bootstrap method for mediators, we found that job satisfaction and organizational commitment mediate the relationship between social support and voluntary turnover. This only happened in the overall M&A's group and the agreed M&A's. Therefore, in this study, job satisfaction and organizational commitment only mediates the relationship between social support and voluntary turnover within agreed M&A's and overall M&A's.

## 4.5 Answering the hypotheses

There are several factors influencing turnover after M&A's. However, some of these factors are dependent on the type of M&A. First, the factors belonging to each type will be discussed. Second, the hypotheses will be discussed.

### 4.5.1 Significant factors influencing voluntary turnover

The factors influencing voluntary turnover are the following: justice, autonomy, recognition, supervisor support, skills, routinization, stress, autonomy and organizational commitment. Career opportunities and social support did not influence voluntary turnover after any type of M&A. These factors influenced turnover, however it differs per type of M&A. Below in Table 19 we see the factors directly influencing turnover after each type of M&A. We see that autonomy is the only factor influencing both overall M&A's and hostile M&A's. Organizational commitment influenced the sold by parent organization group. However, since it is not a job-related, person-related, or organization-related factor, it is not included in Table 19. Organizations sold by the parent organization has no other factors influencing voluntary turnover.

**Table 19: Job-related, Person-related, and Organization-related Factors directly Influencing Voluntary Turnover after each Type of M&A**

<i>Overall M&amp;A's</i>	<i>Agreed M&amp;A's</i>	<i>Hostile M&amp;A's</i>	<i>Sold by parent organization</i>
<i>Justice</i>	Recognition	Autonomy	
<i>Autonomy</i>	Supervisor support	Routinization	
	Skills	Stress	

These factors belong to either job-related, person-related, or organization-related factors. The factors will be briefly mentioned per type of factor.

### **Job-related factors**

Routinization and autonomy belong to the job-related factors. Both can be found within hostile M&A's, and autonomy can be found in the overall M&A's.

### **Person-related factors**

Stress and skills both belong to the person-related factors. Stress was found to be a factor within hostile M&A's, while skills influenced turnover within agreed M&A's.

### **Organization-related factors**

Justice, recognition and supervisor support belong to the organization-related factors. Justice is significantly related with voluntary turnover within the overall M&A group. Recognition and supervision support are significantly related with voluntary turnover within the agreed M&A's. Career opportunities and social support showed no significant relationship with voluntary turnover in none of the groups. However, job satisfaction and organizational commitment mediates the relationship between social support and voluntary turnover after agreed M&A's.

#### **4.5.2 Hypothesis one**

Hypothesis 1 "*When the job-related factors (1A, routinization) (1B, autonomy) are deemed as negative after an M&A, turnover will increase*" can be partially confirmed. Autonomy was found in the overall M&A group and the hostile M&A's. Routinization was also found in the hostile M&A's. Both the agreed M&A's and the sold by parent organization group showed no job-related factors to be of influence for voluntary turnover. Hypothesis 1A can thus only be confirmed for hostile M&A's, while hypothesis 1B can be confirmed for the overall M&A group and the hostile M&A's. Within Hostile M&A's, job-related factors are thus important.

#### **4.5.3 Hypothesis two**

Hypothesis 2 concerns the person-related factors stress and skills. hypothesis 2 "*When the person-related factors (2A, stress) (2B, skills) are deemed negative, turnover will increase after an M&A*".

Stress was found to be a factor within hostile M&A's, while skills are a factor within agreed M&A's. Both skills and stress were not found to be a factor within the other

groups. Thus, hypothesis 2A can only be confirmed for hostile M&A's. Hypothesis 2B can only be confirmed for agreed M&A's.

#### 4.5.4 Hypothesis three

Hypothesis 3 concerns the organization-related factors career opportunities, social support, supervisor support, recognition and justice. *Hypothesis 3: When the organization-related factors (3A, career opportunities) (3B, social support) (3C, supervisor support) (3D, recognition) (3E, justice) are deemed as negative, turnover will increase after an M&A.*

Supervisor support and recognition were found to be a factor within agreed M&A's. Justice was found to be of influence within the overall M&A's. The other types of M&A's showed no organization-related factors to be of influence on voluntary turnover. Career opportunities and social support did not influence voluntary turnover in any group.

Hypothesis 3C and hypothesis 3D can both be confirmed for only the agreed M&A's. Hypothesis 3E can only be confirmed for the overall M&A group.

#### 4.5.5 Hypotheses four and five

Hypotheses 4 and 5 concerned the mediating effects of job satisfaction and organizational commitment on job-related, person-related and organization-related factors and voluntary turnover after M&A's. Using the Preacher and Hayes mediation model to find mediating effects, only social support was significant for both organizational commitment and job satisfaction within agreed M&A's and the overall M&A group. Social support is an organization-related factor. Thus, social support only influences voluntary turnover, if job satisfaction or organizational commitment is used as a mediator.

*Hypothesis 4: Job satisfaction mediates the relationship between job-related factors(4A), person-related factors (4B) organization-related factors (4C) and voluntary turnover after an M&A, can only be confirmed for the organization-related factor social support within agreed M&A's and overall M&A's.*

Hypothesis 5: *Hypothesis 5: Organizational commitment mediates the relationship between job-related factors(5A), person-related factors (5B), organization-related factors (5C) and voluntary turnover after an M&A, can only be confirmed for the organization-related factor social support within agreed M&A's and overall M&A's.*

Organizational commitment itself also was found to influence voluntary turnover in the sold by the parent organization group. It has a direct relationship with voluntary turnover after an organization was sold by the parent organization. A reason could be that the employees are in disbelief and dislike the notion that they are being sold.

## ***Chapter 5 – Discussion and conclusion***

Below the several the conclusion will be given, as will several recommendations be given.

### **5.1 Results and Discussion**

This chapter consists of two parts. First, the results will be discussed followed by an overall discussion.

#### **5.1.1 Results**

Research of the unsatisfactory results of M&A's has shifted from financial and market studies to HRM studies. Little research had been done on the aspect of employees leaving the organization after an M&A, however turnover has been widely studied. With the use of these turnover studies and the WERS2004 dataset, this thesis has found support that several turnover factors influence turnover after certain types of M&A.

Support was found for several job-related, person-related, and organization-related factors to influence voluntary turnover after different types of M&A's. The organizations which were sold by their parent organization only showed that organizational commitment influenced voluntary turnover. This is not surprising since employees might feel betrayed or are in disbelief since their parent organization sold them.

Within overall M&A's, justice and autonomy are important when dealing with voluntary turnover. These are organization-related and job-related factors. Person-related factors appear to be not as important within this group. When looking at the agreed M&A's, person-related and organization-related factors are influencing voluntary turnover. Recognition, supervisor support and skills are the most important within this group. No job-related factors were found in this group. When we look at the hostile M&A's, we find both job-related factors. The person-related factor stress was also found. No organization-related factors were found within this group.



Organizations sold by their parent organization showed that organizational commitment influences voluntary turnover.

In the overall M&A group, no person-related factors were found. Thus, there is no stress and the skills of employees are appropriately matched with their work.

Within the agreed M&A's, no job-related factors were found. There is little routinization and employees enjoy the amount of routinization they receive. However, employees do not like the amount of recognition and supervisor support, and feel their skills are not matched with their work. A reason could be that that supervisors are occupied dealing with the M&A, leaving them to neglect their employees. The skills not matching the work could be caused by the notion that their work has changed due to the M&A.

Within hostile M&A's, no organization-related factors were found. According to the employees, these factors are thus in order. However, both-job related factors and stress are problematic. It could be that the work of employees has changed due to the merger, causing their work to be more routine. Stress can be explained by the notion that employees are anxious regarding the M&A. This could lead to stress, since employees can be anxious about all the current and possible future change.

Within organizations sold by their parent organization, no job-related, person-related, or organization-related factors were found to influence voluntary turnover. However, there was little organizational commitment with these employees, which can be explained by the notion that they are in disbelief that they were being sold.

Organizational commitment and job satisfaction were used as mediators in this thesis. Only within the overall M&A's and the agreed M&A's, a significant result was found. Job satisfaction and organizational commitment mediate the relationship between social support and voluntary turnover. Within the other groups, no significant mediation results were found. This means that social support only influences voluntary turnover if employees are not satisfied or committed.

The research question *How is voluntary turnover affected by mergers and acquisitions?* can now be answered.

It depends on the type of M&A how voluntary turnover is affected. Autonomy, stress, skills, routinization, justice, recognition, supervisor support all influence voluntary turnover after a certain type of M&A. Within organizations sold by their parent organization, organizational commitment influences voluntary turnover. Social support is mediated by job satisfaction and organizational commitment within agreed M&A's and the overall M&A group.

Every organization wants to have satisfied and committed employees. With the correlation analysis we also found support that several factors correlate with job satisfaction and organizational commitment. Justice, stress, recognition, autonomy, supervisor support and skills all correlated both with job satisfaction and organizational commitment. Social support correlated only with organizational commitment. If any organization, despite going through an M&A, wants to have satisfied and committed employees, they should look at these factors and act accordingly.

### **5.1.2 Discussion**

Chapter 2.6 'Relevance of this study' contains the practical and theoretical relevance of this thesis. With this thesis, managers can learn how to cope with employees voluntarily leaving after M&A's. Different types of M&A's affect voluntary turnover in different ways. While recognition, supervisor support and the right skills are important for agreed takeovers, it is less important in hostile takeovers, where variety in work, stress and autonomy are more important factors influencing turnover. Therefore, it is important for managers to understand which merger their organization is undergoing to take the right actions.

There are differences in the factors influencing voluntary turnover and the types of M&A's. A reason for this is the differences in types of M&A. A hostile M&A occurs where the buying organization pursues another organization. The bought organization will be transformed, leaving nothing to be seen of the bought organization (Noe, Hollenbeck, Gerhart & Wright, 2010). When everything

transforms, jobs will alter, which could increase routinization and decrease autonomy. Also, since everything changes, employees feel stressed since they do not know what they can expect. Within an agreed M&A, both organizations do not transform as much. Therefore, jobs will not alter and stay the same. Employees will therefore also perceive less stress.

After an M&A, some positions might become redundant. For instance, there might be two supervisors, managing the same office. If one of these two supervisors might be laid off, they will likely focus their attention more tangible results, therefore paying less attention to their employees. Thus, recognition and supervisor support will decrease. Within hostile M&A's this problem would be less, since the buying organization will likely fire the supervisor from the bought organization.

Organizational commitment within the sold by the parent organization proved to be important. It is understandable for these employees to feel less committed. However, it is peculiar that organizational commitment did not influence voluntary turnover after a hostile M&A. The buying organization will transform the bought organization, which will likely not please the employees of the bought organization. Therefore, they will likely feel less committed due to all the changes. Agreed M&A's will less likely have this problem since there will be far less changes.

Social support is only mediated by job satisfaction and organizational commitment within the agreed M&A's and the overall M&A's. Employees within the two organization of an agreed M&A would likely cooperate more easily as opposed to those in an organization sold by their parent or within a hostile M&A. However, this might actually be the other way around. Many employees in agreed M&A's will blend together, forming a new culture. New colleagues are met, but older colleagues might be placed at another workstation, thus losing their old friends. Thus, if they already were less committed or satisfied, losing their social support would lead them to leaving the organization. Within a hostile M&A, or an organization sold by their parent organization however, there might be a stronger group or culture, protesting against the M&A. Since they are protesting, employees stay together and have a higher social support amongst each other. Even though old colleagues might be replaced, they will still form a group together due to their shared dislike of the M&A. And as we

can see in Table 9 (chapter 4.2) employees within agreed M&A's are less satisfied with the social support as opposed to the other groups, although these results do not differ significantly from each other.

Autonomy influenced voluntary turnover within the overall M&A's and within the hostile M&A's. It was also the only factor correlating with voluntary turnover. Looking at the significant correlations with job satisfaction (.61) and organizational commitment (.42), managers would be wise to deal with autonomy. It influences the commitment and satisfaction of employees, and it influences voluntary turnover within hostile M&A's and overall M&A's.

Dealing with voluntary turnover, supervisors have an important role. However, how can they know that employees are thinking about leaving? According to Griffeth, Hom and Gaertner (2000) employees tend to withdraw themselves from the organization. Employees will be more absent from work and will be later to work. Supervisors thus have an important role in identifying which employees are more absent and how employees react to the type of merger. Thus, if supervisors wish to retain their employees, they must acknowledge that the supervisor role is very important, and embrace their role before, during and after a merger or acquisition.

Employees might be willing to leave the organization, however they are unable to do so. For instance, there might not be another suitable job present. This could lead to unsatisfied employees, who will be likely less productive than those who do not wish to leave the organization. Further studies regarding the intention to leave after mergers and acquisitions could help understand this.

Chapter 2.3 contains the factors influencing voluntary turnover. According to Schweiger and Denisi (1991) both organizational commitment and job satisfaction after M&A's can be influenced by communication. However, this has not been tested in this thesis due to a lack of data and thus needs to be studied further. Communication before, during and after an M&A could prove to help understand the reasons why there are many changes in the organization. It could help to raise satisfaction and commitment overall.

Culture can play an important role regarding the results of this thesis. Some cultures prefer a lot of autonomy, whereas other cultures might not prefer a lot of autonomy. The assumption in this thesis is that employees like autonomy supervisor support, social support and recognition, and dislike routinization. In other cultures, this might be different. Several Asian countries will prefer a job where everything is described, whereas Western cultures will most likely not like a fully described job. This is also a limitation, which will be discussed in the following chapter.

## **5.2 Limitations**

A limitation of this thesis lies in its generalizability. In this thesis the WERS2004 survey was used. This survey has been conducted in a Western culture. However, different cultures might not agree with certain notions. Some cultures prefer routine and little autonomy, whereas other cultures dislike routine and little autonomy. Therefore the question arises whether this thesis can be applied to organizations in other cultures.

The second and last limitation is the assumption that in the theoretical framework, employees will leave an organization when one or some job-related, person-related and organization-related factors are not present. However, employees might not leave when there is not another job available. Thus employees might be staying with the organization, even though one or some job-related, person-related and organization-related factors are not present. This is a possibility, causing the employee likely to be less satisfied and committed, and thus not as productive. Therefore, the intention to leave should also be studied to find out whether employees are not satisfied and committed.

## 5.3 Recommendations

Below, three recommendations will be given regarding the type of merger, the role of the supervisor, and future research.

### **Recommendation one: Identify the type of M&A**

If organizations want to retain their employees after an M&A, it is wise for managers to identify the type of M&A. Depending on the type of M&A, turnover can be influenced through justice, recognition, supervisor support, skills, routinization, stress and autonomy. It is therefore important for managers to identify which type of M&A their organization is undergoing and to take steps accordingly, to diminish turnover in their organization.

If the organization undergoes a hostile takeover, employees tend to leave sooner when there is routinization, too much stress, and a lack of autonomy. When an organization undergoes an agreed takeover, employees value recognition, supervisor support and the right use of their skills. Employees in an organization which has been sold by their parent organization might feel betrayed seeing that their commitment is the reason for them to leave. It is therefore important for managers to identify the exact type of merger their organization is going through, since the different types of mergers might look the same.

Thus, to retain employees, managers need to identify the type of M&A, learn which aspects cause employees to leave, and act accordingly if they wish to retain the employee.

When the type of M&A is identified, actions can be taken to cope with the factors influencing voluntary turnover. When the job-related factors are a cause for voluntary turnover, jobs might be needed to be altered. If an employee feels stressful, counselling could be offered, or stress factors could be diminished. If the skills an employee has do not match the required skills for the job, the person might be ready for a promotion, other tasks, or he might need additional training. Supervisors need to keep in mind that they still need to recognize their employees and support them. Also, fairness policies should be installed to make sure everyone is treated the same.

## **Recommendation two: Supervisors must know their role**

Supervisors can have a very important role dealing with voluntary turnover after M&A's. Depending on the type of merger, employee's value supervisor support and recognition, which is given by the supervisor. When the supervisor does not recognize or support the employees after an M&A, the employee will leave the organization. Also autonomy can be given by the supervisor if the supervisor trusts the employee.

The supervisor however, must also deal with the M&A itself, since there can be several changes. Also, he must make sure that the employees of the merging organizations will work properly together. Thus, the supervisor has to deal with the employees, and it is very important for the supervisor to recognize this role. If he does not, employees can leave.

A good relationship between employees and the supervisor makes the employees believe their supervisor trusts them. To get a good relationship with the employees, supervisors can do several things.

First, supervisors should communicate with their employees regarding the organizational changes. This might create an understanding with the employee regarding the M&A. Also, non work related talks can create a bond.

Second, supervisors and employees should not be separated from each other during lunch time. Employees should be able to sit next their supervisor. This will likely also increase the chances of them speaking about non-work related aspects of life, increasing their bond.

Lastly, supervisors should have an open door policy, meaning employees can always come with questions and suggestions. The supervisor should make time for their employees, and not kill every suggestion immediately. This will make the employee feel valued and will most likely make the bond stronger.

### **Recommendation three: Future research.**

Within this thesis we studied how M&A's influence voluntary turnover. This could be a reason why organizations which dealt with an M&A do not yield the financial results managers were aiming for. However, this needs to be studied further. Does voluntary turnover after M&A's indeed affect the financial results? If this proves to be the case, managers need to pay more attention to the voluntary turnover within their organization.

A second study which can be done is to see whether communication is important when dealing with voluntary turnover after M&A's. According to Schweiger and Denisi (1991) communication is very important when dealing with M&A's. Communication should be used as a mediator, as it can decrease stress, and increase organizational commitment and job satisfaction. The study should also consist which types of communication can be best used and how much employees need to know. The timing of the communication should also be measured. How much information should the employee receive before, during and after the M&A?

Lastly, in this thesis the direct link between the factors and voluntary turnover was tested. However, if there is no other suitable job is present, employees will not as likely leave, but they still want to. The intention to leave can thus also be tested. Employees, who intend to leave, are usually less satisfied with their work, and less committed to the organization. He will likely be less productive, compared to those who do not wish to leave the organization. This could harm the financial results of the organization. Thus, the intention to leave the organization after an M&A needs to be tested further.

Future studies could thus be the use of communication as a mediator, linking financial results and voluntary turnover after M&A's and the intention to leave the organization.



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