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Pride and fear during major organisational change

By ***Cees van Riel and Guido Berens***

Organisational behaviour experts have known for a long time that when employees identify closely with their company, the company functions better. People quit less often, they work harder, and they tend to be more supportive of their employer. And in a volatile time, such as during a merger, corporate success may depend on nurturing employees' pride and alleviating their fears.

A number of studies have found that employees' degree of self-identification with their company depends on the degree of pride they feel in belonging to that organisation. However, researchers are much less clear yet about how other emotions employees feel about their employer might affect their degree of self-identification.

To find out what other factors besides pride might affect this sense of closeness, we decided to study the attitudes of employees working for a famous retail bank in the Netherlands that was in the process of a forced merger with its multinational parent.

Both the bank and its parent had strong brands. Strategically, the decision to merge the bank's brand into the larger corporate identity was criticised by many external consultants who saw this as a mistake, but for us, as corporate communication scholars, it provided the perfect situation to examine the dynamics that drive employee alignment in a volatile time.

In addition to these theoretical interests, we hoped to discover what kind of messages managers should give to their employees in order to encourage them to maintain their feelings of closeness to the company during a major corporate event such as a merger or a spin-off.

Unwilling assimilation

Our study was conducted at a European bank we will call Pecunia that employs approximately 2,500 employees. Pecunia used to be a government-owned institution before its privatisation in 1990. In 1991 it merged with two other financial institutions to create the APEX group (another pseudonym). In 2005, APEX prepared to discontinue the Pecunia brand and bring it under the marketing umbrella of its global financial services brand. At the same time, APEX managers intended to reduce the unit's degree of autonomy as part of a larger push to consolidate its global operations.

Our questions concerned how employees felt about the bank where they worked, how they felt about the larger parent company that intended to assimilate them, and their perception of the bank's external image.

We reviewed the bank's internal and external communications, to better un-

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derstand how the bank projected its identity to the outside world. We also conducted one-hour interviews with 52 bank employees, including the entire top-management team. In the interview, we asked the respondents to provide characteristics that they found to be essential to their organisation and those they used when they described their organisation to others.

We asked such questions as 'Which organisational characteristics are crucial to the organisation; in other words, if removed, your organisation would no longer be the organisation as you know it?' and 'How does your organisation differ from competitors and other financial companies?' A total of 25 characteristics were mentioned by more than half of the interviewees.

Popular characteristics

Using a chart that listed the 25 characteristics, we designed a survey and asked respondents to indicate (1) the extent to which they agree these characteristics apply to Pecunia on a five-point scale ranging from "completely disagree" to "completely agree"; and (2) the extent to which they regard the characteristics as attractive (irrespective of whether they believe they apply to Pecunia) on a five-point scale ranging from "very unattractive" to "very attractive". We collected surveys from 751 employees of the bank.

Our theory was that the more attractive the respondents felt the bank to be, the more strongly they would identify with it. At the same time, the greater they believed the external prestige of the bank to be, the stronger their identification would be. However, we also guessed that the strength of their positive feeling for the new company would weaken the importance of their perception of the bank's external prestige to the employees.

As we had predicted, the values projected about the organisation's identity and a positive bond with the new company (APEX) increased employee identification with the old company. Our explanation is that because the identity of the parent corporation was stable, it served as a source of certainty and continuity during the merger.

This suggested to us that in addition to pride, a second factor also affected self-identification: fear. We believe employees may start to feel closer to their employer if the employer helps reduce their uncertainty about the future, and farther away if it doesn't. Their heart might be with the old brand, but because their salary depends on the new company, their loyalty will follow.

These findings could help explain the resilience of employee identification even in the event of a company scandal or external threat. In such situations, people may be less vulnerable to doubt when they can depend on multiple motives for identification. One might even argue that the existence of multiple motives makes the identification more robust.

Finally, as with any kind of relationship, our research suggests that multiple motives probably play a role in the kind of attachment an employee feels for his or her company. In this case, when it comes to deciding whether to identify more with the new owner or the acquired business unit,

RSM Expertise

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employees tend to prefer the group that offers more certainty, even if the group doesn't offer as much prestige. One result of this is that the more employees identify with the acquirer, the less likely they are to identify with the business unit where they are actually employed.

Counting the ways

We have much more to learn about the self-identification process, including all of the motives that may affect its intensity. Nor are we entirely clear yet about the effect of interplay of these motives on employee identification. On the one hand, having multiple motives may make the connection more robust and resilient: if one motive weakens, it could be substituted by another motive. On the other hand, it's also possible that motives may sometimes conflict, particularly in a time of change.

However, we believe managers can draw at least four important communication lessons from this study:

1. In an uncertain time, employees need plenty of reassurance. To reduce employee anxiety, be crystal clear about who you are as an organisation. For the most part, employees will cling to a projected organisational identity that offers a feeling of certainty.

2. Before, during and after a major event, such as a merger, emphasise the mechanics and the rationale of the event less and the identity of the company they will be working for more.

3. In the event of a merger, it's usually better to make the brand change gradually, so employees and customers have time to grow accustomed to the identity of the new organisation.

4. Whether the transition is long or short, try to encourage employee identification with the new company. The better the employees feel about the parent, the more likely they are to feel a part of it. ■

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This article draws its inspiration from the paper *Organizational Identification during a Merger: The Role of Self-Enhancement and Uncertainty Reduction Motives during a Major Organizational Change*, written by Mirdita N. Elstak, Mamta Bhatt, Cees B. M. Van Riel, Michael G. Pratt and Guido A. J. M. Berens, and published in the *Journal of Management Studies* 52:1 Jan. 2015. DOI: http://dx.doi.org/10.1111/joms.12105

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