

# **ROUGH WINDS?**

## **EMOTIONAL CLIMATE FOLLOWING ACQUISITIONS**

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## ABSTRACT

Despite growing literature, many companies struggle with post-acquisition integration. In the last three decades, the discussion has turned towards how employees' emotions complicate the process. This chapter discusses those emotions paying special attention to the emotional climate surrounding change. The focus is on examining how an organization's emotional climate influences employees' emotions following an acquisition. This chapter explores *how organizations can influence the emotional climate surrounding change*, and thereby encourage the emergence of positive rather than negative emotions. The chapter takes the acquired company point of view, following a German–Finnish deal completed in January 2017 over one year. The theoretical contribution lies in the introduction of emotional climate rather than organizational culture as a key factor for employees during the early integration period. The findings reveal that employees are likely to have emotional reactions even when relatively little integration is intended. In addition, the surrounding emotional climate – whether positive or negative – is likely to trigger similarly valenced emotions. For positivity to dominate, organizations need to make the benefits of the deal and the future of the company clear to the employees.

**Keywords:** Emotion, Emotional Climate, Positivity, Organizational Change, Post-acquisition Integration, Mergers and Acquisitions

## INTRODUCTION

Acquisitions are increasing in popularity as an international growth strategy, yet often fail to fully reach the set objectives (e.g. Graebner et al., 2017). Over decades of research, many reasons have been suggested for such failure. One critical factor seems to be post-acquisition integration. During integration, a functioning whole is built from two previously separate organizations. Over the last three decades, the human side of acquisitions has received increasing interest among researchers (e.g. Cartwright & Cooper, 1993; Sarala et al., 2017). Integration may trigger major organizational changes, which employees often experience as threats to the organizational identity. Such perceptions increase employees' protectionist attitudes, at the same time potentially endangering sought synergy benefits (Menges & Kilduff, 2015). Consequently, acquisition researchers have turned to employees' negative emotions as a potential cause of integration problems (Clarke & Salleh, 2011).

An emotion is a transitory, multicomponent response to an appraisal of an event (Fredrickson, 2013). Emotions in general are an underresearched area in acquisition literature (Sarala et al., 2017). Nevertheless, studies have shown that negative emotions can encumber integration (Kusstatscher & Cooper, 2005), whereas positive emotions enhance cooperation and encourage organizational identification (Fischer & Manstead, 2008). While researchers have found that acquisitions also raise positive emotions (Kusstatscher, 2006), previous acquisition literature focuses largely on negative emotions such as stress and anxiety (Graebner et al., 2017). An underlying assumption is that emotions altogether are something harmful that must be minimized. However, emotions cannot be simply switched off. Following an acquisition, for example changes in organizational values or goals can trigger emotions (Sinkovics et al., 2011). A positive emotional climate supports the emergence of positive emotions (Bartol et al., 2007). It is therefore important to create and maintain a healthy emotional climate during organizational change (Ashkanasy & Daus, 2002).

Through emphasis on emotions and particularly the means to increase positivity in the organization's emotional climate this chapter questions the dominance of negative outcomes as the focus of integration research (cf. Raitis et al., 2017; Harikkala-Laihinén, 2018). Unlike previous research, however, this chapter emphasizes the influence of the organizational climate in which emotions emerge. The focus here is on examining how the surrounding emotional climate influences the emotions emerging during the integration period. More particularly, this chapter answers *how organizations can influence the emotional climate surrounding change*, and thereby encourage the emergence of positive rather than negative employee emotions. This question is examined from the acquired company point of view in a German–Finnish deal completed in early 2017.

The findings reveal that even when relatively little integration is intended, employees are likely to react emotionally. The surrounding emotional climate – whether positive or negative – is likely to trigger similarly valenced emotions. However, for positivity and motivation to dominate, the benefits of the deal and future of the company must be made clear to the employees. The emotional climate surrounding change is dynamic, and thus maintaining positivity requires constant attention from integration management – for example through boosting team spirit and investing in employees' well-being.

## **EMOTIONAL CLIMATE FOLLOWING ACQUISITIONS**

### Post-acquisition integration

Integration includes the activities and resources used to achieve the desired level of unification between the acquirer and the target (Pablo, 1994). Often the process is divided into two spheres, task and human integration, where focus on only one aspect causes sub-optimal success. A focus on human integration increases employee satisfaction but at the cost of operational synergies, whereas a focus on task integration will enable synergy realization but potentially decrease employee wellbeing. A successful acquisition thus is achieved when both task and human integration at a satisfactory level. (Birkinshaw et

al., 2000.) The human side of acquisitions has been of increasing interest to scholars since the 1990s, revealing the nature of acquisitions as softer, human processes rather than mere hard cold facts (Cartwright & Cooper, 1995). Although this chapter focuses on the emotional climate surrounding both integration streams, as emotions are an innately human experience, the theoretical focus is on the softer, human side of acquisitions.

Rather than singular life-cycle events, from the human point of view acquisitions can be considered as adaptation processes (Cartwright & Cooper, 1995), or acculturation. Acculturation refers to the meeting, clashing, and eventual coexistence or joining together of separate cultures (Nahavandi & Malekzadeh, 1988). Following acquisitions, acculturation most often refers to a unified culture emerging through the amalgamation of two previously separate sets of organizational beliefs, assumptions and values. This process is largely dependent on the success of social controls utilized during integration. Successful social controls in turn center on the socialization of affected employees for example through information exchange, training or social gatherings (Larsson & Lubatkin, 2001).

Organizational socialization essentially means the process through which employees learn the social knowledge and skills to fulfill their organizational role (van Maanen & Schein, 1979). Such socialization is most intense, when an employee joins a new organization – such as following an acquisition. When successful, organizational socialization has significant benefits for integration: a decrease of employee turnover, an increase of commitment, ensuring the continuity of organizational values and norms, and establishing the power dynamics of the organization to new members. (Bauer et al., 1998.) Fundamentally, socialization is how new members learn the organizational culture.

#### From organizational culture to emotional climate

Organizational culture offers consistency to organizational practice and behavior, enabling harmonious coexistence (Cartwright & Cooper, 1993). Organizational climate, in turn, “constitutes the collective

mood of organizational members toward their jobs, the organization, and management” (Ashkanasy, 2003, p. 38). It entails the visible features of organizational culture (Momeni, 2009). The emotional climate is a subcategory of a company’s organizational climate, and reflects the experienced working atmosphere. Although socially constructed, it is independent from employees’ individual emotions, and thus forms an objective entity (DeRivera & Páez, 2007).

An emotional climate is born out of shared values, objectives, and beliefs, and dictates which emotion experiences and expressions are appropriate within the organization. Thus, it can be considered the outcome as well as the rule of individual emotions within an organization (Tran, 1998). An emotional climate thereby connotes both emotional reactions to organizational events as well as the sensemaking tools necessary for interpreting the social reality and govern behavior within the organization (Ruiz, 2007). For example, they entail the experienced power dynamics within an organization, as well as perspectives on trust and security (DeRivera & Páez, 2007). Although relatively stable, emotional climates are dynamic, and thus change more easily than organizational cultures. For example, new leadership can influence the emotional climate of an organization. (DeRivera, 1992.) Thus, it is possible for an acquisition to prompt a change also in the involved organizations’ emotional climates.

As post-acquisition integration essentially connotes change, it is important to remember that during organizational change creating and maintaining a healthy emotional climate is crucial (Ashkanasy & Daus, 2002). More particularly, positivity can be the key to successful integration (cf. Birkinshaw et al., 2000). For example, positive emotions can enhance organizational identification and support cooperation (Fischer & Manstead, 2008). Moreover, positive emotional climates can support organizational transformation (Sekerka & Fredrickson, 2008).

### The importance of a positive emotional climate

A positive emotional climate means “an organizational environment where managers take into consideration the emotional needs and personal growth of employees and encourage the sharing of positive emotions” (Ozcelik et al., 2008, p. 187). It therefore does not refute the existence of negative emotions, but emphasizes the effect of positive features in the climate (Bar-tal et al., 2007). Aiming at employee contentment, ensuring the efficiency of the physical workspace, and paying attention to leadership are key ways for organizations to influence the development of a positive emotional climate (Maimone & Sinclair, 2010). This can include compassion for employees’ emotional needs, positive feedback, or active initiative to create a pleasing atmosphere at work (Ozcelik et al., 2008).

A positive emotional climate is beneficial for change efforts in many ways. It can improve strategic growth (Ozcelik et al., 2008), ease organizational identification, improve performance, and increase relational strength. This, in turn, facilitates change (Vacharkulksemsuk, Sekerka, & Fredrickson, 2010). In addition, a positive emotional climate encourages harmonious coexistence with colleagues, and highlights encouragement and inspiration in daily work (Geue, 2018).

Nevertheless, acquisitions raise a myriad of emotions in both acquirer and target employees. For example, employees can experience satisfaction with improved conditions, or sadness – even pining over the pre-acquisition identity. Very often, also anxiety and worry arise (Lawlor, 2013). Therefore it is significant that both positivity and negativity are contagious (cf. Hatfield et al., 1994; Tran, 1998; Maimone & Sinclair, 2014). This reflects the emergence of group emotions, which refer to a number of individuals experiencing an emotion sufficiently similar to be labelled collective (Kemper, 2002). Group emotions are most often triggered either by group membership (e.g. national pride), or out of co-presence (e.g. the crowd energy at a sports event or rock concert) (Menges & Kilduff, 2015). Following acquisitions, positive emotions therefore are likely to predict positive work-related events, whereas

negative emotions often lead to increased negativity (cf. Casper, Tremmel, & Sonnentag, 2019). This increases the importance of generating positive experiences at work.

### Analytical framework

Although previous acquisition literature highlights the negative aspects of emotion, uncertainty need not always be dominant. Employees can become guided by motivation, if the consequences of the acquisition are perceived as positive. In contrast, when the consequences appear negative, uncertainty prevails (Teerikangas, 2012). This suggests that the key to successful integration may be in creating positive perceptions regarding the organizational outcomes of the deal. Whereas a negative climate leads to increased negativity, a positive climate can generate positive emotions and organizational outcomes (figure 1) (Bar-tal et al., 2007). This reflects the nature of emotions following acquisitions illustrated as a continuum from antecedent events through emotional reactions to outcomes such as employee attitudes and behavior (Sinkovics et al., 2011, p. 30). The reasoning builds on cognitive appraisal and affective events theory.

PLACE FIGURE 1 HERE

According to cognitive appraisal theory, emotions are reactive in nature. They are born when individuals interpret events as pleasant or unpleasant – in effect positive or negative (Lazarus, 1991). Emotions include an antecedent stimulus (i.e. triggering event), an appraisal of the stimulus (i.e. cognitive evaluation), and a reaction to the outcome of the appraisal (i.e. the labeled emotion). The emotional reaction can include for example a subjective experience (the “feeling” of the emotion), facial expressions (such as raising eyebrows when surprised), or other physiological signs (such as blushing) (Fredrickson, 2001).



Affective events theory explains the structure, triggers and consequences of emotions in organizations, thus linking emotions to the workplace. It argues that events at the workplace cause emotional reactions in the employees. Employee emotions in turn influence work-related attitudes and behavior (Weiss & Cropanzano, 1996). Affective events refer to situations at the workplace that trigger an evaluation of a work-related instance (Basch & Fisher, 1998). Such events can reflect both interpersonal relationships and the execution of job assignments (Casper et al., 2019). The work environment influences these affective events in making certain outcomes – and thereby certain emotional reactions – appear more or less likely (Weiss & Cropanzano, 1996).

Figure 1 reflects cognitive appraisal theory and affective events theory during the integration process, suggesting that a negative work climate is likely to lead to negative appraisals and behavioral outcomes, while a positive climate increases the likelihood of positive appraisals and behaviors. However, it is also possible for negative emotions to have positive consequences (for example anger prompting quick and effective task completion) or positive emotions to turn into negative consequences (for example pride over positive feedback causing lower productivity). Nevertheless, over time, both negativity and positivity are more likely to trigger similarly valenced behaviors.

### **QUALITATIVE CASE STUDY DESIGN**

As research on the relationship between emotional climates and post-acquisition integration is still scarce, a qualitative approach is useful as it allows the discovery of interrelated patterns as well as the formation of deeper understanding (cf. Edmondson & McManus, 2007). In this chapter, attention is directed at understanding human experience (cf. Welch & Piekkari, 2017). This chapter adopts an interpretive sensemaking lens to theorizing from case studies, seeking to find meaning and in-depth understanding (cf. Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). The case here is instrumental, in that the study began with a research question and with a pre-understanding from theory,

which a case could shed light on – not to understand the particulars of the organization, but to understand the phenomenon (cf. Stake, 1995). Thus, a case that is particularly helpful rather than statistically typical was chosen (cf. Eisenhardt & Graebner, 2007). The case here is not a company but an acquisition process, and the unit of analysis the evolving emotional climate as seen by informants influenced by the acquisition (cf. Fletcher & Plakoyiannaki, 2011).

This approach also allows for contextualized, rich description (cf. Dyer & Wilkins, 1991; Stake, 1995; Welch et al., 2011), increasing the trustworthiness of the findings. The quality of a single case study lies not in the generalizability of the findings to any population, but in the intimacy between the researcher and informants during fieldwork. This occurred in practice through cooperation over one year. Triangulation was used to capture different points of view within the company, and the researcher was personally involved in the data collection in order to capture meaningful findings (cf. Welch & Piekkari, 2017).

### The acquisition

German Gamma bought Finnish Delta in January 2017. Gamma was a large, international group, whose operations were chiefly complementary to Delta's. Delta was a small manufacturing company, at the time of the deal employing 77 workers. It struggled with profitability and had suffered from occasional lay-offs for years. Nevertheless, the quality standards were high and the product range competitive. Delta also had wide sales across Europe, Middle East and India. Thus, the deal was an opportunity for Delta to regain competitiveness and Gamma to expand its product portfolio. This chapter represents Delta's point of view.

Gamma was a large, powerful buyer and therefore drove the integration. Nevertheless, the chosen integration approach was relatively slow, as few changes occurred in the first six months. The company names and product brands remained intact, with no plans of amalgamation in the near future. Gamma

reported a willingness to learn from the acquisition, as it was the largest deal they had yet made. Still, immediate unification was necessary with regard to quality standards as well as reporting practices, financial systems, and management structures.

### Data collection and analysis

Primary data collection occurred over 11 months. First, 17 interviews were conducted in summer 2017, complemented with 9 follow-up interviews in spring 2018. The interviewees (table 1) represented a total cross-section of different functions at Delta, including the integration manager from Gamma. Most interviews were conducted face-to-face, but two were conducted via skype due to the overseas location of the informants. Most of the interviews were conducted in the Finnish language – the mother tongue of both parties – but foreign employees were interviewed in English. The interviews lasted 30–60 minutes and were later transcribed to ease analysis. NVivo software was used to categorize the data according to both theory-based and data-driven themes. The core themes reflected the deal itself, changes, communication, emotions, the emotional climate, and management.

### PLACE TABLE 1 HERE

The second set of data – short, memo-like diaries – was gathered in autumn 2017 and spring 2018. Diaries enable the collection of personal, context-specific data (Bolger et al., 2003), which are sensitive and time-bound in nature (Kenten, 2010). They also enable researcher objectivity and detachment from data creation (Hurmerinta & Paavilainen-Mäntymäki, 2013), thereby increasing trustworthiness. The diary frame was available both in print and online, and asked the respondent to rate the emotional climate of that day, share any emotions they may have felt or detected in their colleagues, as well as contemplate how the company or they themselves could improve the working atmosphere at Delta. Diarists were advised to make three to five consecutive daily entries. In autumn 2017, altogether ten respondents made 44 diary entries: 29 online and 15 manually. In spring 2018, altogether six respondents made 21 online

entries. All diary entries were in Finnish, and analyzed iteratively based on a pre-understanding from theory and from the interview data.

Third, four open-ended, research-specific questions were added to an employee satisfaction survey in late October 2017. The survey had 56 respondents, representing some 59 % of Delta employees (at that time totaling 95). The questions asked employees to consider emotions, communication, working atmosphere, and management following the acquisition, reflecting the key issues found in the interviews. Most respondents were Finnish-speaking, but a few replied in English. Again, the analysis was an iterative process. The findings from each set of data are intertwined in the following discussion. Any direct quotations have been translated by the author, unless originally in English. To protect anonymity, direct quotations are completely masked.

## **EMOTIONAL CLIMATE IN THE GAMMA–DELTA ACQUISITION**

### Employee reactions to Gamma

The employees considered Gamma a good buyer, hoping it would increase investments at Delta, thereby opening a brighter future. This perspective was strong in all collected data. As a management level employee put it in 2017 “- - *Now we have more resources backing us so that we can develop production. I have been saying for years that we need certain things, more investments and improved efficiency, but it has always been so that we have no money. Now I am hoping there will be some.*”

Employees were interested in Gamma, perceiving it as proficient, progressive company that made long-term investments. Gamma’s family ownership was a key aspect for Delta employees, because it was linked with desirable organizational values. This perception made Delta employees’ more comfortable with Gamma, encouraging them to think that Gamma cares for its employees. Delta employees also appreciated Gamma’s keen sense of quality. Still, Delta employees felt that Gamma had not embraced

them as part of the new organization. One key aspect causing this perception was the feeling of not being heard: *“We can [bring matters to the attention of Gamma], but so far it has had no influence. It is their rules, and we must [follow].”*

Still, relief over being bought by a company with a complementary rather than competing product range was great. Because their recent history had been rather gloomy, the deal showed to Delta employees as a way to increase the longevity of the company, as well as increase investments. The possibility of intra-group trade was also welcomed, as were the increased international networks provided by Gamma. Continuity of work was appreciated, even though Delta employees were expecting the nature of their work to change somewhat. During Gamma’s previous acquisitions no major lay-offs had occurred, increasing a sense of safety also at Delta. As one employee stated in 2017: *“- - When the new owners were here to introduce themselves it gave me a good feeling. And that they had production all over Europe, they are not concentrated in just one country – I mean, if all their production was in China it would feel like we will be gone too – but now I don’t feel like that, as they have production in Europe in many countries, so in that way I feel peaceful.”*

Nevertheless, becoming a part of Gamma’s wider networks also caused confusion, as the number of suppliers, customers and colleagues increased, and responsibilities changed. Similarly, Delta’s organizational structure changed, causing anxiety over some former positions. Although most employees were confident that Delta’s existence as a part of Gamma would continue, some felt uncertain over what Delta’s place in the more hierarchical Gamma would look like. The longevity of Delta triggered hope, but the deal also caused fears that in the future, Delta would be completely amalgamated into Gamma. In 2017, one employee reflected that *“- - somehow you want to hold on to that we are not German but Finnish.”*

### Employee reactions to changes at Delta

Despite its positive aspects, growth brought also challenges to Delta. For example, financial reporting underwent significant restructuring, which was extremely laborious and stressful. The renewal of the enterprise resource planning system was feared to cause similar workloads – and cause a myriad of problems before functional. Overall, integration caused stress and tiredness. *“I think there is quite a lot of tension.”*

However, the visibility of changes varied between employee groups. Very few changes actualized for example in manufacturing in the first six months. Many were even hoping for more tangible changes, as that was perceived as proving the success of integration and the deal as a whole. Improvements in quality, for example through new machinery, would have been especially welcome to the employees. Yet some of the changes that did occur caused negative reactions; they seemed either too slow, so nothing happened, or too fast, so employees did not have time to digest. When changes became more visible in 2018, employees felt the pressure of multiple ongoing processes: *“We have no choice, things just have to move forwards, so we just grit our teeth. And then you can’t even take a look around yourself or do anything else, you just have to get the job done and that’s it.”*

Although in the beginning the future of Delta had seemed brightened, the picture remained blurry. Especially the strategic direction of Delta was causing wonderment: *“One [challenge] is making out the future. What we are going to continue, what is left here, and what might move somewhere else. And what it is sensible to do here. There are still many questions; this integration is still in such an early stage. And of course the same questions should be presented to Gamma, how they have perceived us. Have we been what they thought, or have we been a disappointment or the fulfillment of hopes.”* The uncertainty also lowered motivation, as the future Delta employees were building was not clear. Some even feared

that completing changes was a step towards shutting down the Finnish plant. Similarly de-motivating was when significant changes in job descriptions occurred due to restructuring.

In 2018, the fears over Delta's bottom line that had begun when foreign customers were moved to Gamma's local subsidiaries early on increased significantly. Internal sales had not picked up as hoped, and employees considered it Gamma's responsibility to boost them. Internal sales had been a key point in the integration plan, as that would have compensated for the shift in foreign sales. Indeed, the biggest challenge was considered to be *"Raising internal sales now that external clients have been handed over. Our company will not do very well if our margins fall and our sales fall and our costs rise – it is not a long-term solution."*

More work was seen as a positive improvement, but in 2017 the expected investments were raising questions regarding future workloads and possible recruitment: *"- - in the latest info we were promised many kinds of investments, so what does that mean – we only have a few people here, so when are we going to hire more. You cannot find ready workers for these tasks and the training periods are rather long."* These questions became more timely when in 2018 new machinery was ordered and new personnel hired.

The new hierarchy in the organizational structure also caused frustration. As a small, agile company Delta was used to informal power, yet Gamma as a much larger player had always been hierarchical. Gamma often had several people doing the tasks that at Delta were previously handled by one, causing difficulties in workloads and communication. As a management level employee mentioned in 2017: *"There is still some slowness, and they have a complex organization. It is problematic to know, who is in charge of what. - - It is difficult to identify with whom one should discuss things."* In 2018, concern over losing Delta's best practices was added to this confusion: *"Well, it doesn't feel all that nice, when..."*

*When things happen that you don't see as very sensible.*" Employees felt like Gamma did not understand Delta processes.

In some functions at Delta, workloads seemed unsustainably heavy throughout data collection. Particularly employees involved in information gathering and planning for integration, as well as those most involved in implementing changes, were very stressed. Similarly, those who were involved in planning and knew of changes that were coming felt overwhelmed by the number of overlapping projects. Employees were hoping that workloads could be evened out. Likewise, improvements in efficiency in terms of machine repairs and improved communication were called for.

Nonetheless, Delta employees welcomed Gamma colleagues, and valued face-to-face meetings. Although communication was perceived as insufficient in the beginning, Delta management felt motivated to change this, and employee views on internal communication were improving by 2018. However, the grapevine was still a key communication method, and particularly communication from Gamma seemed too infrequent. Still, as one employee stated in 2017: *"I don't think it [change] is necessarily a bad thing. It just makes me laugh that some people argue that this is how it has always been, how it was always done, when you are trying to ask for change – to make suggestions how things could be done, bring out your own ideas – some are like this is how it has always been, but not me. - - I am always ready to try. - - I am always willing to learn new things."*

#### Evolving emotional climate at Delta

Employees had always experienced a positive climate at Delta, which helped it to remain so during integration. Employees found positivity in enjoyment at work: being able to joke and laugh with colleagues. They found it easy to discuss social issues along with work-related matters, and felt comfortable reaching out to anyone at Delta. The employee turnover rate had always been very low, and the company was perceived to treat the employees well. This also motivated employees to reciprocate.



In the words of one diarist from 2017: *“I think everyone has been in positive spirits. There has been joyful chat around the coffee and lunch table.”* Success was experienced as a key positivity trigger, for example, when employees achieved or even surpassed objectives. The possibility for concentration without rushing to new tasks was also valued.

The positive climate was seen to clearly improve work. It helped employees be proactive and complete tasks outside the immediate scope of their job. It increased cooperation and caring about colleagues, and allowed employees to feel free to ask questions, knowing they would always receive constructive advice. The employees also perceived that the positive climate increased their working pace, and thereby productivity. In 2017, one employee considered that *“It [a positive emotional climate] is – in terms of working atmosphere it is essential. That it is nice to come [to work] and work goes well. That there is more than just completing tasks at your post, that you have breaks and what not. It is essential. If we didn’t have that, this would be quite a gloomy toil.”*

However, the climate at Delta was not solely positive. Many rumors regarding the acquisition were flying about, raising anxiety and deteriorating the climate. Employees saw this a consequence of communication lags. The stress caused by extra work also shortened employees’ tempers and deteriorated interaction with colleagues. Perceptions of unfair workloads caused friction between individuals and functions. Similarly, it was noted in the satisfaction survey that *“The work load doesn’t allow to carry out tasks properly. Many tasks cannot be handled at all.”* Although employees were assured their jobs were safe, many felt anxious regarding the future.

Communication lags also caused annoyance. Employees wished for more open and honest communication that could discourage rumors and speculation. As was noted in the employee satisfaction survey, *“The only thing I look back on negatively is that communication emphasized that for customers or employees nothing will change. In reality changes will occur and especially for customers the*

*channels will change.*” Employees also hoped that managers could increase the positivity of communication, believing that would inspire unity and motivation. In 2017, management was also called upon to *“Listen to employees (at all levels) and make an effort in fixing problems. There are real problems, but no-one cares, and some are overworked, which slows down others.”* Having to rush and falling behind objectives was seen as the main cause of “bad” work days. One diarist from 2017 even mentioned feeling *“Hopeless. Because there is too much work.”* Employees were feeling expectant, looking forward to more clarity in Delta’s future.

Compared to what it was pre-deal, Delta employees felt a deterioration in the emotional climate in 2018. It had become more critical and achievement-centered. Even some resignations were attributed to integration pressures. The “us” versus “them” attitudes often linked with acquisitions were clear. Rumors were still strong and Delta’s future still seemed foggy. The worries over how Gamma interpreted Delta’s bottom line were increasing, and at the same time causing feelings of unfairness. Employees were becoming worried about how they could cope with the future, and tensions were rising: *“People are rather irritable and tired, and you can see that the positivity I always thought was our strength has decreased considerably.”*

Yet all was not gloomy. Some integration projects had been successfully closed, triggering positivity. Likewise, the friendliness and helpfulness were not lost, and teams continued to enjoy good atmosphere. Similar positivity was experienced with Gamma colleagues. Overall, that work would continue was a key positivity trigger. The realization of investments increased employees’ sense of security in the future: *“In the end I feel better than last autumn, and we have now had many positive things like investments and such, so of course they build faith in the future.”*

In 2018, employees also saw improvement opportunities at Delta. Help in prioritizing tasks was asked for, and questions if some of the old flexibility could be regained were raised. Delta employees

considered it would be beneficial for Gamma to allow some differences in practices, where Delta's old ways had been better than Gamma's. Employees wished immediate supervisors could take on a proactive role in increasing positivity, as this would help boost morale. However, supervisors were "*feeling confused... and at the same time you should try not to show the negative emotions.*" Nevertheless, in the employee satisfaction survey in October 2017 employees evaluated their job satisfaction at 7.8 out of 10, which is extremely good.

## DISCUSSION

At Delta, it seems like Gamma was not aiming for a particularly high level of unification. Instead, they seemed to focus on task integration, with very little human integration visibly taking place. This may have influenced employees' perceptions of deterioration emotional climate (cf. Birkinshaw et al., 2000), highlighting the importance of considering the softer side of acquisitions (cf. Cartwright & Cooper, 1995). As amalgamation was not Gamma's objectives, it is clear that very little acculturation took place. However, employees at Delta welcomed social controls such as information sessions and social gatherings, emphasizing the importance of socialization during integration (cf. Bauer et al., 1998; Larsson & Lubatkin, 2001; van Maanen & Schein, 1979). This shows that even when human integration is not a key objective, considering the human factor can be highly relevant for carrying out task-related changes.

Similarly, as full amalgamation was not Gamma's objective, very little cultural change was visible at Delta. However, it was clear that the organizational climate was changing; employees' moods regarding their jobs, the company, and the management were fluctuating (cf. Ashkanasy, 2003). This highlights that although much of acquisition literature especially on the human side focuses on cultural change, employees react emotionally also to other types of change. Although it is important to consider cultural compatibility following acquisitions, cultures change very slowly (cf. Cartwright & Cooper, 1993;

Kusstascher & Cooper, 2005). Thus, it is very likely that even when no cultural change is intended, or when cultural change has not yet taken place, something within the organizational environment changes, causing emotional reactions. This chapter suggests it is the emotional climate of the organization, as the climate is more susceptible to change following new leadership (cf. DeRivera, 1992).

The Delta case shows that employees do experience and perceive the benefits of a positive emotional climate during organizational change (cf. Ashkanasy & Daus, 2002; Birkinshaw et al., 2000; Sekerka & Fredrickson, 2008). Employees expressly mentioned how a positive emotional climate supports cooperation (cf. Fischer & Manstead, 2008), encourages positive relationships among colleagues (cf. Geue, 2018), and improves performance (cf. Ozcelik et al., 2008). The positive climate employees experienced at Delta reflects that managers and colleagues were ready and willing to listen to possible concerns, and wished to encourage positivity among employees (cf. Ozcelik et al., 2008). Although this did not rule out the existence of negative emotions, it maintained the overall atmosphere at Delta more positive than negative (cf. Bar-tal et al., 2007).

Employees did, indeed, experience a myriad of emotions with regard to the acquisition (cf. Lawlor, 2013). In many interviews, employees also reported their colleagues experiencing similar emotions, suggesting that some level of contagion had occurred (cf. Hatfield et al., 1994; Maimone & Sinclair, 2014; Tran, 1998). Group emotions seemed to be triggered both through membership (such as taking pride in Delta's old best practices, which were seen as superior to Gamma's) and co-presence (such as enjoying team meetings and socialization efforts) (cf. Menges & Kilduff, 2015).

At Delta, the positive climate seemed to facilitate change (cf. Vacharkulksemsuk et al., 2010) mainly through boosting morale. Positivity did seem to create more positivity, whereas negative emotions grew as they spread (cf. Bar-tal et al., 2007; Casper et al., 2019). The reactive nature of emotions (cf. Fredrickson, 2001; Lazarus, 1991) was visible in employees' explanations of why events and changes

felt the way they did. This also proves that events in the workplace do trigger emotions (cf. Basch & Fisher, 1998; Weiss & Cropanzano, 1996). The behavioral effects of emotional events were visible for example in lowering morale and motivation following negative emotions (cf. Weiss & Cropanzano, 1996).

### **MANAGERIAL IMPLICATIONS**

At Delta, employees reacted to all integration-related changes as predicted in the literature on human integration. This suggests that although the acquirer may not intend to carry out socio-cultural changes, employees can react very emotionally. Thus, employee emotions need to be taken into consideration when planning post-acquisition changes. The employee experiences at Delta also show that the emotional climate is indeed dynamic, and can change during the integration process. Employee emotions did seem to feed similarly valenced experiences, meaning that a positive climate can encourage positive experiences. However, it does not rule out negative ones. This highlights the importance of understanding how the emotional climate can change following different experiences. Therefore, it is important for acquirers to acknowledge that emotions vary throughout the integration process, and that even though the emotional climate can seem positive, negative experiences may be brewing under the surface.

Employees at Delta seemed to react most negatively to a perceived loss of direction. When the future strategy of the company became unclear to them, they experienced confusion, uncertainty, anxiety and lack of motivation. The employees seemed to want for more communication, and especially more concrete communication, from their immediate supervisors. Acquirers should therefore note that despite their best laid plans, if the acquired employees' immediate supervisors are not on board, the deal can turn sour very quickly (cf. Teerikangas, 2012). The importance of communication following acquisitions has been studied many times, but despite the amount of literature available on the subject, it seems that in practice there can never be too much communication. However, of course top management must consider

if and when to let employees in on strategic discussions. Nevertheless, showing compassion in terms of open and frequent communication will likely not go amiss.

Considering Delta employees' experiences, post-acquisition positivity centers on how the acquirer is perceived and what the future of the pre-acquisition company looks like. Thus, if acquirers wish to increase positivity, it may be beneficial to emphasize the aspects of the deal that employees are likely to perceive as most interesting or positive. The features of the acquisition partners as well as the benefits of the deal to the employees can be key concerns. For example, the continuity of employment, longevity of the company, or possible future investments and improved resources can encourage employees to make the deal a success. Even change itself can be considered a positive challenge, raising curiosity. Frequent, open, honest communication can relieve anxiety. Honesty in particular is important, as misleading information can quickly turn into negative emotions.

At Delta, negative emotions, in turn, seemed to focus on uncertainty. Thus, in order to alleviate negativity, it is important to continuously crush rumors and cut speculation. This may be difficult, if such information spreads through the grapevine. Major change always triggers fear and uncertainty, meaning that increased communication and enough time to digest what changes will occur can help relieve anxieties. Explicit justification of planned changes may similarly help get employees on board change. At the same time, acknowledging that those "in the know" carry a heavy mental toll of managing the integration both in practice and emotionally is important, as keeping secrets from colleagues and subordinates can be difficult. Furthermore, making sure resourcing is done in a sustainable way can help with feelings of exhaustion and stress when workloads spike during integration.

Besides the ways of supporting a positive emotional climate following acquisitions, managers also have many tools for supporting positivity in general. For example, the pre-acquisition emotional climate can greatly influence the first reactions triggered by the deal, meaning that paying attention to the

organizational climate also prior to an acquisition may be advantageous. Similarly, a feeling of team spirit can increase unity and improve employee performance, and can be boosted through organizational socialization efforts such as group gatherings. Positive, encouraging communication in turn can be used to boost motivation. Communication mismatches can be avoided through establishing clear communication chains throughout the company. Finally, employee well-being in terms of improving the physical workspace and creating psychological comfort at work can improve overall employee performance.

## CONCLUSION

This chapter set out to examine how the surrounding emotional climate influences the emotions emerging during the integration period. More particularly, this chapter explored *how organizations can influence the emotional climate surrounding change*, and thereby encourage the emergence of positive rather than negative employee emotions. According to the findings, companies can support the emergence of positive emotional climate through offering employees positive emotion triggers and making sure the employees have an objective to work towards – that the strategy of the post-acquisition company is clear.

Through a single case study of a German–Finnish acquisition, this chapter revealed that the positive or negative valence of the emotional climate surrounding change is likely to trigger similarly valenced emotional experiences in the employees. The findings show that positivity following acquisitions centers on images of the acquirer and the future of the company, whereas negativity stems from the myriad of uncertainties related to acquisitions and integration. As expected, a positive emotional climate was found to ease integration, as it predisposes employees to positive perceptions and behaviors.

The theoretical contribution of this chapter lies in the new perspective it brings to the discussion on emotions following acquisitions. On the one hand, literature on emotions following acquisitions is still

scarce. On the other hand, research on the influence of organizational cultures on post-acquisition integration far surpasses that on organizational climates. Organizational cultures have been found to take even years to change following acquisitions. However, as climates can change more quickly, it may be that in fact the emotional climate influences integration first. The framework in figure 1 can help scholars understand why post-acquisition integration is such a complex, volatile process both in the short and long term, both in cases of small scale and extensive integration.

Interestingly, it was found that even if integration is minimal, employees are likely to experience emotional reactions. Therefore, ensuring that the surrounding emotional climate is positive can help acquirers achieve sought synergy objectives easier and quicker, despite the intended level of integration. Revealing the dynamic nature of the emotional climate also deepens understanding of the role of emotions following acquisitions, as previous research largely focuses on single emotions or emotions as singular events.

Managerially, this chapter has offered many insights and helpful hints to ease integration processes. It is important for managers to remember that employees are likely to react to changes emotionally, and that the emotional dynamics at the organization can change even quickly. Thus, line managers have an important role in keeping up a positive emotional climate even when faced with negative events. Emphasizing positive events and alleviating the consequences of the negative is likely to increase employees' positive emotions regarding the deal, whereas making sure that working is comfortable both physically and mentally is likely to improve performance.

The limitations of this chapter stem mainly from the context-specific nature of a single case study. Future research in different case contexts is necessary to gain deeper understanding of how for example the chosen integration mode, the pre-acquisition emotional climate, or the employees' affective dispositions influence the emotional climate following acquisitions. Similarly, data for this chapter were collected



almost solely from the acquired organization. A more balanced data collection can offer future research increased understanding of how the emotional climate shapes with regard to the acquiring, the acquired, and the integrated company. Finally, as this chapter can only propose outcomes based on previous works, future research is necessary to reveal the possible relationship between emotional climates and acquisition performance.

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## ILLUSTRATIONS

Figure 1 Emotional climate during integration

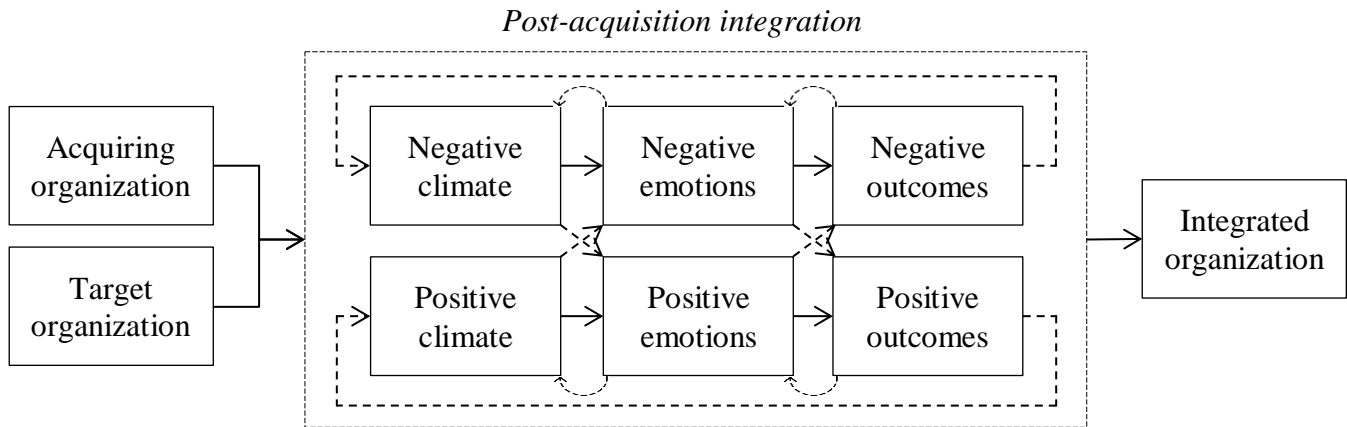


Table 1 Interviewees

Job title	Function	Length of interview 1	Length of interview 2	Type of interview
Managing Director	Top management	57:44	57:38	Face-to-face
Deputy Managing Director, Integration Manager	Top management	1:03:18	52:01	Face-to-face
Supply Chain Director	Production	47:34	28:30	Face-to-face
Chief Financial Officer, Personnel Director	Finance	1:02:27	56:36	Face-to-face
Country Manager	Sales	52:44	51:02	Face-to-face
Manager	Sales	40:33	-	Skype
Customer Service Coordinator	Customer Service	50:10	57:08	Face-to-face
Senior Purchaser	Purchasing	58:03	-	Face-to-face
Purchaser	Purchasing	44:03	-	Skype
Logistics and Quality Manager	Logistics	1:02:25	-	Face-to-face
R&D and Training Manager	Technology	1:02:07	49:00	Face-to-face
Manufacturing Supervisor	Production	40:31	-	Face-to-face
Assembly Supervisor	Production	46:17	48:31	Face-to-face
Employee	Production	38:27	-	Face-to-face
Employee	Production	54:45	-	Face-to-face
Employee	Production	1:02:07	54:15	Face-to-face
Employee	Warehouse	58:33	-	Face-to-face