



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**IMPACT OF ORGANIZATIONAL CULTURE DIFFRENECE ON
EMPLOYEE JOB PERFORMANCE DURING MERGER
THE CASE OF ETHIOPIAN PETROLEUM SUPPLY ENTERPRISE**

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ADDIS ABABA, ETHIOPIA

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**ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

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LIST OF ACRONYMS/ABBREVIATIONS

| | |
|-----------------|---|
| ANOVA | Analysis of variance |
| CDCO | Culture Difference in Control |
| CDIO | Culture Difference Innovation |
| CDOO | Culture Difference Outcome |
| CDPO1 | Culture Difference People |
| EPE | Ethiopian Petroleum Enterprise |
| EPSE | Ethiopian Petroleum Supply Enterprise |
| M&A | Mergers and Acquisition |
| NPRDA | National Petroleum Reserve Depot Administration |
| IWPQ | Integrated Work Performance Questionnaire |
| TOTINTEG | Level of Integration |

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ABSTRACT

The key strategies companies use to create synergy is merger. In that situation people will be the game makers or breakers. The basic purpose of merger is to increase profitability by improving performance, but a performance is about people-one person at a time and collectively, so employees are a strategic partner in merger. If people are basic in merger the determinant human aspect variable is culture difference and level of integration. Currently the Ethiopian government has implemented merger in some strategic public enterprises. However, in the merger process it is not clear how the human aspects mergers are considered which primarily determine the realization of the synergy expected from merger. The main objective of the study is to examine the relationship between cultural difference, level of integration and employee performance in merger with respect to their effects and forward possible solution to mitigate the problem. Data for the study was collected from 138 EPSE employees, using survey questionnaire. The data of the study were statistically analyzed both descriptive and inferential statistics were applied. The result indicates that culture difference in people orientation and level of integration has significant negative impact on employee performance in merger. Whereas the remaining dimensions i.e. outcome and innovation orientation has significant positive impact. Based on the finding leaders of the new organization must involve and create a chance to participate employees through the whole process so they can rebuild their confidence and trust in a winning team and although in any sector when decision to acquire has been made, the integration policy has to be developed.

Key words: *Merger, Integration, Employee performance, Culture difference*

CHAPTER ONE

INTRODUCTION

This introductory chapter contains the background, overview of organization under study statement of the problem, objective, significance, research question, scope and organization of the study included.

1.1 Background of the Study

Companies engage in mergers and acquisitions (M&A) in order to increase their profitability and competitiveness. Although M&A activities have occurred at an accelerating pace, globally more than half of them do not appear to be successful in financial terms (Brouthers, van Hastenburg & van den ven, (1998); Cartwright & Coopers, (1992). Given the increasing interest in mergers and acquisitions and their low success rates, considerable research from diverse perspectives has focused on the factors that influence the success or failures of the M&As. The “people problem” is identified as an important factor that contributes to the success or failure of M&As because the implementation of the merger depends on people, in other words, employees Marks & Mirvis, (2001).

Changes in employee benefits following the merger, degree of identification with the new organization, and problems with adjustment to the culture of the post-merger organization have been named among factors that influence employee performance during merger.

In the context of mergers and acquisitions it has often been argued but less often been researched that cultural differences can be a source of confusion, hostility and distrust between the members of merging organizations (Buono & Bowditch, 1989; Cartwright, (1997), Krug & Nigh, (2001).

In a survey of more than 200 chief executives of European companies conducted by Booz, Allen and Hamilton, respondents ranked the ability to integrate culturally as more important to the success of acquisitions than financial and strategic factors (cited in Cartwright & Cooper, 1996, p. 28). Additionally study on cultural differences in Finland between related mergers, (Chatterjee S., Lubatkin, M.H., Schweiger, D.M., and Weber, Y. (1992) designed questionnaires and sent them to the top managers of 198 merged firms, asking them to rate how they perceived the cultural differences between the acquiring and acquired firms on

seven dimensions of cultural orientation. By analyzing questionnaires from 30 selected firms, Chatterjee et al. (1992), empirically supported their hypothesis that mergers in which cultural differences were rated as large would be less successful.

Bearing in mind above studying impact of culture difference and level of integration to employee performance is necessary since culture guides the way individuals and groups in an organization interact with one another and with parties outside it. It is the premier competitive advantage of high-performance organizations. So the study will investigate employees culture difference, and level of integrations impact towards employee performance in recent petroleum sector merger, namely the merger between Ethiopian petroleum enterprise and National petroleum reserve depot administration.

1.2 Overview of Organization Under Study

Ethiopian government, to fulfill the country's energy requirement has established one of a public enterprise called EPSE. Accordingly, EPSE has been engaged in broad and important activities that play a prominent role in the development of the domestic economy of the country since its inception. The enterprise provides a vital service to the nation's economy by importing, distributing and keeping adequate reserve for emergency purposes refined petroleum products.

EPSE established by the council of ministers regulation No. 265/2012 through the amalgamation of the former Ethiopian Petroleum Enterprise (EPE) which was operating as importer and distributor of refined petroleum products for the country and on the other hand National Petroleum Reserve Depots Administration (NPRDA) which was serving as administrator of the required national petroleum reserve based on the national plan. The merger of the two institutions to form EPSE, a firm to be governed by the public enterprise Proclamation No. 25/1992, has been effective since July 2012. The major objective for which EPSE is established as indicated in its establishment regulation is the following:-

- i) On the basis of the assessment of the country's demand, to supply petroleum to distribution companies, by importing refined petroleum products and/or by processing imported crude oil.

ii) To forecast, maintain and administer the required national petroleum reserve based on the national plan of the government.

iii) To engage in any other related activities necessary for the attainment of its objectives.

EPSE supplied the economy with a refined petroleum product that worth 48.8 billion birr in 2006 Ethiopian fiscal year.

1.3 Statement of the Problem

The reasoning behind mergers and acquisitions (M&A) is that two companies together are more valuable than two separate companies. Prior research conducted across Canada designates that up to 60% of all mergers fail, do not live up to the expectations, fall short of their stated goals and objectives or even destroy value Pablo, (1994). In other words, in the majority of the executed mergers synergies are not created. It is often argued that cultural problems are the leading factors of merger failure; in most cases the term “cultural difference” is explicitly mentioned (Birkinshaw, Bresman & Hakanson, 2000).

When two organizations execute a merger, two separate organizational cultures are combined. It follows logically that a cultural fit between the organizations is not manifest (Adkins & Caldwell, (2004). Moreover, it is argued that human integration is the real key to achieve synergistic efficiencies Schuler & Jackson, (2001).

Considering the reality mentioned above currently merger and acquisition is becoming an increasing phenomenon in different strategic public enterprises in Ethiopia. So during merging the cultural difference and the level of integration is not as such considered. When different organizations merge in human aspects it could have a negative impact on employee’s performance. Such a phenomenon will affect organizations to enhance value creation to their customers and to be competitive. Therefore, assessing the impact of cultural difference and level of integration on employee performance is reasonable.

Ethiopian petroleum supply enterprise (EPSE) as an organization has a group of people who possess divergent personality, perceptions, value and educational background under the same

goal and objective of the organization. Ethiopian Petroleum Supply Enterprise before having the current structure was performing as Ethiopian Petroleum Enterprise (EPE) and National Petroleum Reserve Depot Administration (NPRDA) then merged as Ethiopian Petroleum Supply Enterprise, with the employees that have different working culture and a sense of group belongingness. Preliminary interview conducted with human resource team leader, operation department team leaders and researcher's own observations demonstrated that the merged organization's employees exaggerate the differences. In-group versus out-group biases exists, which is the "we" vs "they" phenomenon. This situation with other factors may impact merger performance of employees that play a prominent role by providing a vital service to the nation's economy by importing, distributing and keeping adequate reserve for emergency purposes. So to discharge these unique and sensitive services EPSE needs to have a better understanding for these variables.

Besides this, such variables are not investigated in Ethiopian context adequately and also the existing studies regarding these variables are highly based on similar companies.

1.4 Research Questions

To what extent and in what manner, employees performance in merger explained by cultural difference and level of integration.

- ✓ How does employees job performances affect in mergers between organizations with different organizational cultures?
- ✓ What is the relationship between employee's job performance and level of integration in merger?
- ✓ What is the effect of merger on the performance of employees for those coming from superior organization (benefit package, profit and brand name)?
- ✓ How does the impact of organizational culture difference in performance differs for those benefited and others in merger?
- ✓ What is the impact of the level of integration and organizational culture difference on EPSE employee job performance?

1.5 Objectives of the Study

The general objective of the study is to examine the relationship between organizational cultural difference, level of integration and performance in merger.

The specific objectives of the study are:-

- ✓ To determine the impact of culture difference and level of integration on employee job performance during merger
- ✓ To investigate whether the effect of cultural difference on performance significantly differs between NPRDA and EPSE employees
- ✓ To examine the relationship between employee job performance and level of integration
- ✓ To investigate effect of benefit during merger on employee job performance
- ✓ To measure the performance of EPSE employees with the current merger

1.6 Definition of Terms

Conceptual definition of terms;

Organizational Culture Difference- *for this particular paper cultural difference is the difference between two different organizations norms, values and beliefs that the members of each organization maintain about rules of conduct, leadership styles, administrative procedures, rituals and customs and philosophies of how things work.*

Integration- *Making change in the functional activity of arrangements, organizational structure and systems to facilitate their consolidation into a functioning whole (Pablo, 1994, pp. 806).*

Employee Job Performance - *Ability of an employee to reach the measurable goals and standards, effectively and efficiently (Armstrong, 2006).*

1.7 Significance of the Study

Generally, the purpose of the study is to examine the relationship of cultural difference and level of integration with employee job performance during merger. The study provides relevant feed back to the organization about impact of cultural difference on employee job performance during merger in order to improve their future performance. Additionally understanding the effect of this mentioned variables on EPSE merger performance with all its impacts has academic as well as policy relevance for the sector specially for those public

enterprises currently that are facing challenges with this issue, also this study contributes a lot for other studies to be conducted in the future.

1.8 Delimitation/Scope of the Study

This study was delimited to explain the cases only for public enterprises, so it does not include private sector merger. Additionally to be more specific the study focused on cultural difference and level of integration impact on employee performance in merger. The geographical coverage of the study is only Ethiopian petroleum supply enterprise Head office and Sululta branch because of time and financial constraint. Additionally the study does not include basic variables like stress and powerlessness due to the nature of the merger, that is government enterprise merger in Ethiopian context has no layoffs for that reason there is no fear of job insecurity which causes stress and also in this particular case most of the management members of the enterprise have secured their position.

1.9 Organization of the Research Report

This study paper is organized in five chapters. The first chapter deals with the general background of the study, statement of the problem, research question, objectives, research hypothesis, significance of the study and delimitation of the study. The second chapter addresses the detailed review of theoretical and empirical literatures on merger, cultural difference, employee performance and integration. The third chapter presents the detail of methodology used in the study such as research design, population and sampling techniques. The fourth chapter dedicated to the detail analysis and interpretation of the data collected for the study. Finally, the summary of findings, the conclusions, the limitations and recommendations discussed in chapter five.

CHAPTER TWO

LITERATURE REVIEW

In order to answer the research questions several steps need to be taken. One of these steps is viewing relevant theory about the concepts merger and acquisition, organizational culture, and level of integration and employee performance as discussed by different authors. So this chapter revises and summarizes the literature.

2.1 The Concept and Definition of Merger

The terms merger, acquisition are sometimes used interchangeably. However, there are some differences. Mergers and acquisitions are legally different transactions. According to Hogan & Overmyer, (1994) merger ascends when two or more organizations combine their assets to form a new entity. The integrating organizations lose their identity to form a new one. An acquisition results when one entity buys out or absorbs another organization Greenwood, Hinings, & Brown 1994; Hogan et.al, (1994). In the case of an acquisition, the acquiring organization has the preference to continue to operate separately or bring the target or acquired company into its fold. Using the definition stated above, this study looks at a merger. The literature, however, uses them interchangeably Cartwright & Cooper, (1996) because they are essentially two forms of the same corporate strategy and the final outcomes involve employees.

2.1.1 Types of Mergers and Acquisitions

Economists pigeonhole M&As into three groups: horizontal, vertical and conglomerate (Gaughan, 1996).

2.1.2 Horizontal Mergers

Horizontal merger is the merger of two or more companies operating in the same field and in the same stages of process of attaining the same commodity or service. That is, a horizontal merger is the combination of firms that are direct rivals selling substitutable products within overlapping geographic markets. The goal in this type of merger is to remove a rival company, to upsurge market share, buy up surplus capacity or achieve a more profitable firm.

Besides such benefits, this type of mergers has the drawbacks of restricting new entries into the market and harming outsiders due to diminishing competition.

2.1.2.1 Vertical Mergers

Vertical merger is a merger in which one firm supplies its products to the other. A vertical merger results in the consolidation of firms that have actual or potential buyer-seller relationships. The firms in vertical mergers operate at different stages of production process where buyer-seller relation or manufacturing at different stages of the same product is possible (Gaughan, 1996).

According to Coyle,(2000) vertical mergers classified in ‘Backward or upstream vertical integration’ its principal motive is usually to move towards a reliable source of supply, and ‘Forward downstream vertical integration’ its principal purpose is to move towards the final customer, who may be another industrial user or the public. Vertical mergers do not change the market structure directly. However, they may pave way to significant entry constraints.

2.1.2.2 Conglomerate Mergers

Conglomerate merger take place when unrelated enterprises combine. Conglomerate mergers result in joining of firms which compete in different product markets, and which are situated at different production stages of the same or similar products. That is to say, neither the products nor the inputs of these merging firms are the same.

Conglomerate mergers result in significant advantages gained by the merging firms since they are the fastest means of entry into different activity fields in the shortest possible time span. Moreover, they reduce the financial risks by “not putting all the eggs in one basket” (Gaughan, 1996). The conglomerate mergers classified in to three based on product extension, market extension and pure conglomerate.

2.1.3 The Motives for Mergers and Acquisitions

Even if the motives behind M&As are intricate, the underlying factor in all these motives is the concept of synergy. Synergy translates into the capability of a corporate combination to be more successful than the sum of the individual successes of the two separate firms. That is, the combined firm is worth more than its parts. The explanation for this occurrence is that

usually the firms were not performing up to their potential prior to merging or that benefits were achieved by the merger. Following this logic, companies are motivated to involve in M&As in order to create synergies (Coyle, 2000).

According to Roberts, Wallace, W. and Moles. (2010) there are numerous principal rationales that determine the nature of a planned merger or acquisition. These rationales are:

Strategic rationale- This rationale makes use of the merger or acquisition in achieving a set of strategic objectives. A merger to secure control of capacity in the chosen sector is an example.

Speculative rationale- This rationale arises where the acquirer views the acquired company as a commodity. The acquired company may be a player in a new and developing field. The acquiring company might want to share in the potential profitability of this field without committing itself to a major strategic realignment.

Management failure rationale-companies may be forced for mergers or acquisitions when management failures occur. Strategies may be assembled with errors in alignment, or market conditions may change significantly during the implementation timescale.

Financial necessity rationale-Mergers and acquisitions are occasionally required for motives of financial necessity. A company could misalign its strategy and suddenly find that it is losing value because shareholders have lost confidence. In some cases the only way to address this problem is to merge with a more successful company or to acquire smaller more successful companies

Political rationale- The impact of political stimuli is becoming increasingly significant in mergers and acquisitions. Government instructed the merger of a number of large government departments in order to rationalize their operations and reduce operating costs.

2.1.4 Consequences of Mergers and Acquisitions

Successive surveys demonstrate that the return on stock value is neutral or negative for the acquiring firms (Hartley, 2003). Specifically, Tetenbaum (1999) reported that about 60% to 80% of all M&A's are failures in terms of their ability to outperform stock market and the

effects are similar whether the survey is made at the time of the merger, or one or five years later. Again, a study by consulting firm Booz Allen & Hamilton, which examined 78 deals over a two-year period, found that 53% of those mergers fell short of their expectations.

Having this low success rates, considerable enquiry from different viewpoints has focused on the factors that influence the success or failures of the M&As. Even though there are different classifications of these perspectives, Larsson and Finkelstein's (1999) classification given below is one of the most inclusive ones.

1. Economy and Finance Perspective: The researchers in the economics field are primarily concerned in the efficiency effect of the M&A on the economy through economies of scale and market power. Such researchers measure the realization of M&A with accounting numbers by considering their profit margins and return on equity. The finance scholars typically study M&A performance using stock market based measures.

2. Strategy Perspective: Researchers in this field study M&A as way of corporate growth and diversification. They examine the types of acquisitions that are more successful for an acquiring firm. They focus on the similarities and complementarities of M&A partners to see whether the proper strategic fit occurs. The variables mostly used in this field are size, market share, pre-acquisition profitability and growth. Problems of measurement and convenience sampling are given as reasons for inconsistent findings.

3. Organizational Behavior Perspective: Researchers in this field are fascinated in post-combination integration process emphasizing both culture clash and conflict resolution (Buono, 2003; Vaara, 2003; Birkinshaw, Bresman & Hakanson, 2000; Veiga et al., 2000). The organizational behavior and human resource perspectives indicate that it is basically the "people problem" that contributes to the success and failure of M&As. The financial results of M&As cannot be explained without considering the human and organization side of M&As. The people problem not only prevents the creation of synergistic values but also it can be a direct cause of M&A failure (Larsson et al., 1999).

4. Human Resource Management Perspective: Main interest in this perspective is the psychological effects of M&As on individuals such as feelings of tension, alienation,

employee job performance and uncertainty. Likewise, the importance of communication, and the career planning are the interest of researchers in this field.

2.1.5 Human Issues of Mergers and Acquisitions

Research indicates that M&As have a negative human impact, mainly in the form of attitudinal declines. Davy et al. (1988) indicated that M&As represent change, and expectations associated with M&As are vague and often based on rumors. If expectations and attitudes are negative, the employees may involve in unproductive behavior that may lead to poor employee performance (Covin, Sigtler, Kolenko, & Tudor, 1996).

Key employee concern after a merger is a loss of identity (Cartwright & Cooper, 1992; Covin et al., 1996). After a merger new roles and responsibilities, new supervisors, and new peer relationships develop. In such conditions employees experience a powerful sense of loss when these strong attachments are changed or destroyed, even for those who do not change jobs. As a result, role expectations may change (Covin et al., 1996). One might understand the extent to which employees feel about their experiences after a merger, by assessing their attitudes toward or satisfaction with the merger.

According to Jeffrey Schmidt (2001) a survey of Forbes 500 chief financial officers reveals that the top ten pitfalls in achieving synergies are mostly due to people or to people-related organizational and cultural issues.

2.1.6 Why are Employee Reactions M&As so Negative?

First, identity problems are an important factor. Specifically, the miscarriage among participants to identify and define themselves in terms of this new organization can hinder the success of the merger through its impact on the support for the organization (Mael & Ashforth, 1992).

Second, M&As can sternly affect pay and benefit of employees, worker's attitudes, working conditions, career plans of employees and layoffs, all of which cause stress and lead to lower productivity, reduced satisfaction ,commitment and poor employee performance to the merged organization (Appelbaum et al., 2000a).

As a final point, culture clashes are not unusual through the integration process as two organizations, each with established routines come together (Schrader & Self, 2003). Differences between organizational cultures of the merging partners have been associated with lower commitment (Lubatkin et al., 1998) and lower financial success (Datta, 1991). Hence, there is considerable support for the idea that employee reaction, either as individual or collective opposition to the new organization is associated negatively with M&A performance in terms of lower commitment, lower productivity, lower job performance and turnover. However, there are very few studies that contemplate these employee reactions from an integrative perspective (e.g. Larsson and Finkelstein, 1999).

2.1.7 Attitudes of Employees to Each other During Merger

According to marks employees in the merged organizations sides look at the other side as inferior and believe that they are coming from the superior culture which often results in condescending talk. Culture clash is a threat to people who see their company as a loser in the merger. They feel a sense of vulnerability and fear losing their culture. Instead of embracing new ideas they reject them. When one company's culture becomes superior it shows in their attitudes toward the other side (Marks and Mirvis, 1998)

2.2 Definition of Organizational Culture

Before trying to describe the content of organizational culture, one should have to understand the concept of organizational culture. Organizational culture has been criticized as being conceptually weak, because it has been defined in many ways and each definition emphasizes a particular focus or level. Since Schein (1985) published the book *Organizational Culture and Leadership*, numerous researchers have accepted culture as a multidimensional and multilevel concept. Schein describes three levels of culture. The first level consists of visible organizational structures and actions, such as dress code, facilities, and procedures. This level of culture can be easily observed. The second level consists of espoused values manifested in the public images of organizations, such as strategies, goals, and philosophies. While not as visible as the artifacts present in the first level, these values can be ascertained by norms, the way things are done in the organization. The third level entails of basic assumptions, or unconscious beliefs, perceptions, thoughts, and feelings. These determine both behavioral

norms (the way people should behave) and organizational values (the things that are highly valued).

In Buono and Bowditch's (1989,) category, the visible elements created by an organization on the first level can be regarded as objective organizational culture, while the elements on the second and the third levels are concerned with subjective organizational culture. According to them, objective organizational culture refers to the artifacts and physical settings, whereas subjective organizational culture refers to "the pattern of beliefs, assumptions, and expectations shared by organizational members and the group's characteristic way of perceiving the organization's environment and its values, norms, and roles as they exist outside the individual".

"Organizational culture is the shared understanding of the beliefs, values, norms and philosophies of how things work (Wallach, 1983)"

So most researchers agree that subjective culture is a more significant determinant of beliefs, attitudes, and behaviors, and it provides a more distinctive basis for characterizing and interpreting similarities and differences between people indifferent organizations.

To precise, an organizational culture can only exist in the configuration of a set of norms, values and beliefs regarding the integration of the subcultures into the whole; thus an organization will only present a dominant culture (Denison & Mishra, 1995; Elsass & Veiga, 1994; and Nahavandi & Malekzadeh, 1988).

2.2.1 Dimensions of Organizational Culture

The distinction among the different organizational cultures seems easy, but it appears to be very hard to measure organizational cultures due to the abstract nature of it. It can be stated that there is no consensus about how to measure organizational culture and it is sometimes even wondered if organizational culture can be measured at all (Denison & Mishra, 1995). Regrettably, to date, there is no consensus on a finite set of key dimensions able to describe and to compare organizational culture across large range of organizations (Gordon & Di Tomaso, 1992).

In this particular study Hofstede's (1990) national dimensions are adjusted to organizational culture dimensions, which have resulted in the following dimensions: process-oriented vs. results oriented, job-oriented vs. employee-oriented, professional vs. parochial, open systems vs. closed systems, tightly vs. loosely controlled, and pragmatic vs. normative. These dimensions allow researchers to divide organizations in certain groups, based on their characteristics. However, as Chakrabarti et al. (2009) argue, because of the subjective nature of culture, all measurements are imperfect and have shortcomings. But, among the existing measurements, in terms of use and acceptability across the different layers of the organization, Hofstede's et al. (1990) dimensions remain the dominant method to measure organizational culture. Hence it can be argued that Hofstede's et al. (1984; 1990) dimensions have become the standard for analyzing cultural differences on a national and organizational level, but that inconsistent use of the different methods of analysis may lead to variance in the results on this topic (Chakrabarti et al., 2009; Denison & Mishra, 1995; and Very et al., 1997). Accordingly the Hofstede's et al. (1990) six dimensions were depicted below.

1. Process oriented versus results oriented. The Process cultures emphasize on low risk and repeating well-known methods and the result orientations focus on taking risks and finding new methods.

2. Employee oriented versus job oriented. This is the "personal/impersonal" workplace distinction. Employee cultures oriented make members of the organization feel personally valued and job cultures oriented are concerned by having an effective person to do the required work.

3. Parochial versus professional. In parochial cultures, employees identify themselves strongly with their company sometimes as a social status. Participants in professional cultures identify their skill-set and occupation more than the company they belong to.

4. Open system versus closed system. This dimension considers the communication. In an open system, new employees adapt quickly to the communications and social basis of the company. However, in closed systems, there is larger confidentiality and exclusion of certain members of the organization, particularly new comers.

5. Loose versus tight control. Loose control cultures are informal whereby employees and management tend to be careless about the work, the schedule, and sometimes costs. Tightly controlled cultures emphasize on the formality, devotion to standards, punctuality,

6. Normative versus pragmatic. Normative cultures are concerned with doing things properly from a procedural perspective, while pragmatic cultures are more competitive, market-driven, and results-oriented.

In this particular enquiry we investigate culture difference based on four basic generic dimensions or conceptual domains that appear to be common to most questionnaires based on the Delobbe et al. (2002), therefore the above dimensions classified into four generic dimensions.

First, a **“people orientation difference”** reflecting perceived support, cooperation, mutual respect and consideration between organizational members, teamwork, and task orientation emphasis on human resources development that is employee oriented versus job oriented, Parochial versus professional, open system versus closed system are elements in this dimension.

Second, **“Innovation difference”** dimension, indicating general openness to change and propensity to experiment and take risks or safety and stability, Process orientation or result orientation.

Third, **“Control difference”** is another significant component. It focuses on the level of work formalization, the existence of rules and procedures, loose versus tight control. the importance of the hierarchy and communication. This construct is similar in tone to the “bureaucratic” dimension prevalent in some instruments.

Finally, **“Results/outcome orientation difference”** is another core dimension, which measures the level of Productivity or performance expected inside an organization normative versus pragmatic.

So in this particular research Hofsteds dimension classified based on the above four generic dimensions in order to assess their impact on employee job performance during merger.

2.2.2 Theoretical Perspectives on the Role of Culture in Merger and Acquisition

2.2.2.1 The Cultural Fit Perspective

Cultural fit models rest on the idea that the degree of culture compatibility between the organizations involved in a merger or an acquisition is a critical determinant of the succeeding amalgamation process (Cartwright & Cooper, 1996; David & Singh, 1994; Javidan & House, 2002; Morosini & Singh, 1994). Cultural fit models focus mainly on the relationship between pre-merger cultural differences (both national and organizational) and post-merger integration outcomes. They are inherently static and do not fully capture the dynamics of the integration process. Perhaps the most widely cited cultural fit model is Cartwright and Cooper's (1993, 1996) model of culture compatibility in M&A. The model is based on a typology of organizational cultures that vary along a continuum from high to low individual constraint: power, role, task, and person cultures, with the former imposing the highest and the latter imposing the lowest degree of constraint on individuals. Cartwright and Cooper propose that in mergers of equals ("collaborative marriages"), the cultures of the combining firms must be similar or adjoining types (e.g. role and task cultures) in order to integrate successfully.

The logic is that if there is a balance of power, the organizations involved in the merger have to adapt to each other's culture and create a coherent "third culture." Since organizations normally strive to retain their own culture, mergers between culturally distant partners are proposed to result in major integration problems.

According to Cooper (1996) cited in G unter K. Stahl and Andreas Voigt (2005) the important contribution of cultural fit models such as the one proposed by Cartwright is that they illustrate that cultural differences can pose significant barriers to achieving integration benefits, and that they have to be considered at an early stage of the M&A process – as early as the evaluation and selection of a suitable target and the planning of the integration process.

2.2.2.2 The Acculturation Perspective

Another perspective centers on the acculturation process (Elsass & Veiga, 1994; Larsson & Lubatkin, 2001; Nahavandi & Malekzadeh, 1988; Sales & Mirvis, 1984 as cited in G unter K. Stahl and Andreas Voigt, 2005), rather than on steady cultural differences between the parties

involved in an M&A. Changes induced in (two cultural) systems as a result of the diffusion of cultural elements in both directions” (Berry, 1980, p. 215). In the context of M&A, Larsson and Lubatkin (2001) define acculturation as the outcome of a cooperative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture. Acculturation is achieved through development of a common organizational language, mutual consideration, and values promoting shared interests. As such, acculturation can be considered a prerequisite for M&A success, especially when high levels of integration are required. According to Mirvis and Sales (1990) advocates that the consequence of the acculturation process depends on the extent to which the acquired firm is allowed to determine its preferred mode of acculturation, to which the relationships between the members of the two companies are positive and involve reciprocity, and to which the acquired firm desires to retain its own cultural identity.

2.2.2.3 The Social Constructivist Perspective

While the existing cultural fit and acculturation models rest on a predominantly functionalist and objectivist understanding of culture (Morgan & Smircich, 1980), social constructivists view culture as based on shared or partly shared patterns of interpretation which are produced, reproduced, and continually changed by the people identifying with them (Kleppesto, 1998; Vaara, 2003). This perspective emphasizes symbolization and communication processes and sees culture as an essentially dynamic and emergent phenomenon that comes into existence in relation to and in contrast with another culture (Gertsen, Soderberg & Torp, 1998).

2.2.3 Functions of organizational culture

Organizational culture as a make-up of organization can serve a number of function. As clearly stated Schain (1985) & Robbins, (1998), the following are the key functions: guiding, standardizing, agglomerating, motivating and reducing anxiety.

The guiding function of organizational culture refers to the culture lead the whole organization and all the employee personal value and behavioral orientation towards the goal of organization. The essence of the construction of outstanding organizational culture is to set up internal force mechanism. The construction of mechanism makes vast staff recognizes that

the organization is striving for lofty goal, which not only produce creative tactics but also can make staff dare to make individuals sacrifice for realizing organizational goals.

The standardizing function- through establishing common values system, an organization culture form united thought, make faith form a kind of tendency on the staff psychological deep layer, and then a kind of response mechanism reconstructed in the transformation as long as there is an inducement signal from outside, positive response will take place: turn into the anticipated behavior rapidly, by coordination & self-control, the collision of restrain to employee is weakens ,the conflict of autonomy psychology with the reality of being managed is relieved ,which makes a unifying and harmonious institution from the top to the bottom.

The agglomerating function- the group consciousness, created by the staff together. It is a kind of binder, unites the people of all respects and all level around organizational culture and makes cohesiveness & centripetal force to the organization. Organizational culture connects employees Personal thoughts & feelings and destiny with the safety of organization closely.

The motivation function – Organizational culture emphasizes people as the center, its core is to create common values. Outstanding organization culture means creating a kind of atmosphere that everybody is paid attention to and respected.

Problem solving function of organizational culture does more than solve external & internal problems.

According to Schein (1988) Culture serves the basic function of reducing anxiety that organizational members experience when they are faced with cognitive uncertainty or overload. Once organizational member have cultural solution they can relax to some extent. Good cultural fit is associated with many positive outcomes. Kristof -Brown et al. (2005) stated that employees who fit well with their organization, had greater job satisfaction, identified more with their companies, were more likely to remain with their organization, and showed superior job performance.

Since culture is the extent to which employees share beliefs. The key benefit of shared beliefs, i.e., culture, is that it aligns the objectives of the principal and the agent, and hence reduces agency problems. As a result, shared beliefs lead to increased delegation, utility, and effort;

reduced information collection, experimentation, and influence activities; and less biased communication and enhances employee job performance. So from the above and research findings we conclude that organizational culture is a potential predictor of employee behaviors because culture defines the norms of accepted behaviors.

2.3 Integration

In order to create synergistic value in mergers, the two organizations need to be integrated. According to Pablo (1994) cited in Kejizers (2012), Integration defined as “the making of changes in the functional activity of arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole.”

The level of integration depends on the merger type and thus on the amount of synergy necessary to be created; moreover, level of integration is known as “*the degree of post-merger change*” (Pablo, 1994) and varies between low, moderate and high (Chakrabarti & Mitchell, 2005). Previous research indicates that the degree of relatedness between both organizations is positively related to the level of integration (Elsass & Veiga, 1994).

Furthermore, a low level of integration results in a limited degree of sharing financial risk and resources, while basic management systems and processes are standardized. A moderate level of integration involves increased alternations in the value chain, e.g. selective adjustment of reporting relationships, authority, structure and cultural elements. And a high level of integration results in extensive sharing of all resources in the acquiring and the acquired organization (Chakrabarti & Mitchell, 2005; and Pablo, 1994). Thus, it can be stated that: horizontally related mergers require a high level of integration, while in vertically related mergers a moderate level is sufficient and in unrelated mergers a low degree of integration is satisfactory because only financial synergies need to be achieved (Cartwright & Cooper, 1995; Nahavandi & Malekzadeh, 1988; and Shrivastava, 1993).

The process of post-merger integration can be alienated in task and human integration. Task integration involves the integration of production and technology. Human integration involves the integration of people, together with their systems, procedures and practices (Cartwright & Cooper, 1995; and Chakrabarti & Mitchell, 2005). It follows that the integration of organizational cultures takes place in the human integration process. Research indicates that

one third of all merger failures are caused by incorrect integration of the two organizations and are in particular caused by failures during the cultural integration process (Shrivastava, 1993). Furthermore, it is argued that the likelihood of a cultural clash is greater when the level of integration is higher (Birkinshaw et al., 2000). Moreover, the ability to integrate both organizations was ranked as the most important factor for merger success (Weber 1996); the cultural integration process of both organizations is actually creating the value of the merger (Schuler & Jackson, 2001; and Shrivastava, 1993). Zollo and Singh (2004) stated that to realize merger success, striking the right balance between the necessary levels of integration and minimizing the cultural clash is mandatory.

2.4 Job Performance

Job performance has been defined as the value an organization can expect from discrete behaviors performed by an employee over time (Motowidlo, Borman & Schmit, 1997). Whereas Armstrong, (2006) defined job performance as ability of an employee to reach the measurable goals and standards, effectively and efficiently. Motowidlo et al. (1997) suggested several assumptions about job performance that lead to this definition, including the idea that job performance is behavioral, episodic, evaluative, and multidimensional. Accordingly they distinguished between two types of job performance; i.e., task performance and contextual performance. Task performance represents those things that are typically on a job description and involve the transformation of materials into goods and services such as sales or operating manufacturing equipment. Contextual performance refers to the “behavior that contributes to organizational effectiveness through its effects on the psychological, social, and organizational context of work”. Furthermore, contextual performance can occur through its effect on other people, an individual’s development of knowledge and skills, affecting the organization’s resources. Contextual performance also includes such things as volunteering for additional assignments, persistence in completing difficult activities, working with others to assist in completion of their tasks, and supporting organizational policies and objectives, even when it might be inconvenient.

2.5 Empirical Evidence

2.5.1 Findings of Studies Examined Impact of Cultural Differences on M&A

In one of the path breaking contributions, organizational researcher Marks and Mirvis, (1992) have studied the post-merger integration process in more than 50 organizational combinations over the past 15 years. These mergers and acquisitions span all industry groups; involve organizations of all sizes, covering both friendly and hostile deals in multinational scenario. Their research found that in the vast majority of mergers and acquisitions, the institutional norms interfere with the ability of operant resources to achieve synergies and financial gains Marks et al., (1992). These observed as underestimating the issues relating to the operant resources especially cultural clashes triggered with individual work behavior.

Studies examining cultural integration outcomes depicts culture can be considered an important dimension of M&A success and failure from the perspective of the employees and the organization as a whole. When two companies merge, people first notice their differences and start to focus on what makes their own company unique. Culture shock can lead a merge straight into the ground.

According to Bijilma-Frankema, (2001) cultural differences, which is considered as to be the most prominent issue for the lack of predicted performance, loss of key employees, and time consuming conflicts in merging of business. So this difference may bring culture clash, the term 'culture clash' could be used to describe the conflict between the merged organizations; which may include differences in their styles, norms, sanctions, philosophies, and objectives. This may, in fact, be the most dangerous factors when two companies decide to combine. Covin et al., (1997) argues that even, if the conditions for M&A are fortunate, still mergers can so change the nature; orientation and character of one or both of the merged partners; which means it will require five to seven years where employees can feel whether they have truly understood one another's culture.

Many adjustment problems have been observed during the post-merger period Mirvis and Marks, (1992). These problems ascend due to employee's fear of losing the job and financial debt due to job loss. Also, fears that arise due to the loss of close team members, appointment of new team members and new supervisors can lead the employee to perform less and deliberately worsen the organizations into an ambiguous situation. By forcing employees to

deal with new supervisors and new team members, they could build up worries of taking certain risks and raising sensitive issues. This can lead to develop 'us versus them' scenario, where trust for new members will be nominal. Organizations, having this kind of situation may find themselves in dilemma due to loss of collaboration and interest among the employees of the new business amalgamation. It will be difficult to achieve the synergies that were initially sought; it will also be difficult to resolve conflicts and sensitive issues, if at all, this resistance arises often. Merger can be the most difficult time for the new team to move forward as a whole Appelbaum et al, (2004).

2.5.2 Organizational Culture and Performance

The subjective nature of organizational culture has consequences for establishing the relationship between organizational culture and performance. It turns out that organizational cultures prove to be weak predictors of sales, growth and profit, but strong predictors of quality, employee satisfaction and overall performance of the organization Denison & Mishra, (1995). Organizational culture is regarded as important in determining individuals, satisfaction and longevity with the organization, and thereby playing an important role in the every-day life of organizations (Larsson & Lubatkin, 2001; and Teerikangas & Very, 2006).

Wallach (1983) also stated that an employee is more effective in doing the assigned job and realizes his or her full potential when the individual motivation and the organizational culture match. This is very important in recruiting, managing, motivating developing and retaining employees.

According to Petty et al., (1995:485) cited in Addo (2012) they conducted a study amongst 3,977 employees across a United States company to assess whether there was a relationship between organizational culture and organizational performance. The results of this study indicated that organizational performance was linked to organizational culture. The authors affirm that there was a strong link evident in the correlation between teamwork and performance. This correlation indicated that teamwork, being the major aspect of culture, was significantly related to performance. The authors also contend that such behaviors as helping others, sharing of information and resources, and working as a team seemed to enhance performance in the organization studied.

It is obvious that when the degree of cultural differentiation is low, a cultural fit is present otherwise, when the degree of cultural differentiation is high there appears to be no cultural fit (Elsass & Veiga, 1994; and Larsson & Lubatkin, 2001 cited in Keijzers (2012)). It is argued that the higher the degree of cultural differentiation, the more likely a cultural clash will develop; since the organizations need to be integrated to create synergies (Nahavandi & Malekzadeh, 1988; and Weber, 1996).

According to (Weber et al., 1996) we can state that the cultural fit between both organizations explains the success of the merger and that a lack of cultural fit can undermine the ability to create synergistic benefits.

According to Kandula (2006) the key to good performance is a strong culture. He further maintains that due to difference in organizational culture, same strategies do not yield same results for two organizations in the same industry and in the same location. A positive and strong culture can make an average individual perform and achieve brilliantly whereas a negative and weak culture may demotivate an outstanding employee to underperform and end up with no achievement.

Management needs to explain and imbibe its culture in its employees; this will enable the employee to get familiar with the organizational system. During this process of explanation, the employee learns about the organizational culture and decides whether he can cope with it or not. This means that each organization is a learning environment. It is the proper understanding of the organizational culture that the performance of the employee in the organization. Performance is the extent to which an individual is carrying out assignment or task. It refers to the degree of accomplishment of the task that makes up an employee's job Cascio, (2006). Job performance is the net effect of an employee's effort as modified by abilities and roles or task perceptions (Jones, 2003).

From the research conducted by Olujo in Nigerian banking sector regarding the effect of organizational culture on employee job performance by conducting survey from 100 employee of the Nigerian banking sector 48.7% of the employees also agree that organizational culture determines the productivity level of the organization. This study further reveals that there is a positive relationship between organizational culture and employee job

performance. This is evidenced in the first hypothesis tested in which the calculated value of chi-square 56.23 is greater than the tabulated value of 9.48.

Elsass and Viega (1994) as well as weber et.al (1996) found support for the positive relationship between organizational culture difference and negative attitude toward cooperation and employee performance. Furthermore first data (1991) found that organizational culture difference were negatively related to overall post-merger performance,

Finally research conducted by, Karakurum. M, (2005) in Turkish public sector found that organizational culture fit and employee performance has a significant positive relationship.

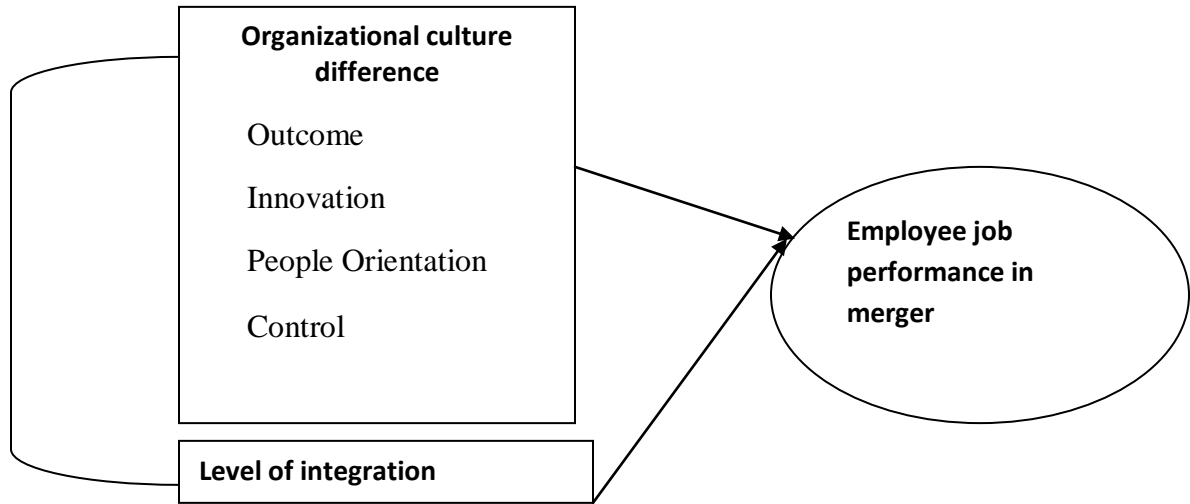
Generally from the above empirical findings it can be summarized that organizational culture difference affects negatively employee job performance and overall performance.

2.5.3 Relationship Between Performance and Level of Integration

Level of merger integration is likely influences performance Chakrabarti & Mitchell, (2005), and Stahl & Voigt, (2008). Since a high level of integration implies that the acquiring organization imposes all of its practices on the acquired organization (Pablo, 1994) and these practices are highly culture-specific, they are therefore causing friction and incompatibility between both organizational cultures Slangen, (2006). Friction and incompatibility lead to post-merger integration problems and consequently to a lower post-merger performance Stahl & Voigt, (2008). Nevertheless, higher levels of integration are also associated with more difficulties when there is a cultural fit; hence friction between the combining organizations is also present when there is a cultural fit and may add to the cost of the integration process (Chakrabarti & Mitchell, 2005). So from the literature above the following conceptual frame work developed.

2.5.4 Conceptual Frame work

Figure 1: Conceptual Framework of the Study



Source: Self conceptualized as guided by review of related literature

2.5.5 Hypothesis

Ho1: There is no relationship between employee job performance in merger and cultural difference (innovation, outcome orientation, people orientation, control orientation)

HA1: There is relationship between employee job performance in merger and cultural difference (innovation, outcome orientation, people orientation, control orientation)

Ho2: There is no relationship between employee job performance in merger and level of integration

HA2: There is a relationship between employee job performance in merger and level of integration

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents details of the research design and methodology which were used in the research. This includes the research design, sample size and sampling technique, data source and collection method, measuring instrument and method of data analysis. Finally the validity, reliability and ethical considerations are presented.

3.1 Research Design

The main objective of this research is to examine and predict the relationship between cultural difference, level of integration and employee performance in merger. Considering the purpose of the research and the nature of the phenomenon the research design used in this study is explanatory research design. The selected approach for this research is quantitative “Quantitative methods provide an opportunity to maximize the values of precision, systematization, repeatability, comparability, convenience, unobtrusiveness and cost effectiveness” (Tucker et al. 1990, p. 5). Therefore, this study used both descriptive survey research design and inferential study design. Descriptive research design simply summarizes the sample respondents information whereas, inferential research design generalize from a sample result to the wider population

3.1.1 Population and Sampling Techniques

The target population which directly related to the subject under study was 235 employees. It is obvious that because of different constraints and difficulty to manage the data in depth, studying each unit of the total population is very difficult. Hence it is important to draw a sample from which the research can be inferred to the total population that should be representative sample size.

The technique which was used in drawing the sample is both purposive and random sampling which refers mixed. Purposive sampling techniques involve selecting certain units or cases “based on a specific purpose rather than randomly” (Tashakkori & Teddlie, 2003a, p. 713). So from the total population of EPSE only 235 employees who are hired before the merger were selected as target population.

And also this population classified in strata based on Former NPRDA and EPE employees and sample was taken within each stratum randomly. Stratified random sampling is a modification of random sampling in which the population is divided into two or more relevant and significant strata based on one or a number of attributes Saunders.M, (2009).

Furthermore the researcher used the following sample size determination formula to decide the sample size of the population in the two strata's. The formula was developed by Taro Yamane (1973). Do you to the nature of the study population which is finite and easiness of the formula this formula is an appropriate selection to apply it for this particular study. According to Yamane for any sample given the estimated population proportion of 0.05 and 95% confidence level, the sample size is given by:

$$n = N / [1 + N(e)^2]$$

Where

n= is the sample size

N= is the total population size, and

e= is the level of precision or sampling error = (0.05)

Therefore

$$N = 210 / [1 + 210(0.05)^2] = 138$$

138 is the total number of sample size but the number of employees in each stratum is not the same, the number of samples for each stratum was calculated proportionately by using the percentage share of the population in each stratum to the sample.

The following formula was used to determine the sample size proportion for each stratum:

$$n_1 = N_1 / (N_1 + N_2) * n$$

$$n_2 = N_2 / (N_1 + N_2) * n$$

n=sample size from both stratum

N1 = population in stratum 1(NPRDA)

N2= Population in stratum 2 (EPE)

n1= sample in stratum 1 (NPRDA)

n2= sample in stratum 2 (EPE)

Table 1: Total Population and Sample Size of the Study

| Strata | Total number of population | Total number of sample size in each stratum |
|---------------|-----------------------------------|--|
| NPRDA | 127 | 83 |
| EPE | 83 | 55 |
| Total | 210 | 138 |

3.1.2 Source and Instruments of Data Collection

To enhance the quality of data both primary and secondary data sources was employed, for primary data collection the employee of Ethiopian Petroleum Supply Enterprise are respondents for the survey. The data was collected through structured questionnaire. Scale (5-point Likert scale) level of variables was used when designing questions. The Likert scale method is preferred to make questions interesting to respondents and thereby enhance their cooperation, ultimately to ensure maximum response rate Robson Colin, (2002).The survey questionnaire was formulated based on the review of related scientific literature, reports, articles and adaptation of standardized instruments. In addition to that during the proposal stage preliminary interview was conducted from team leaders in the enterprise.

Secondary source of information is also another source of information used which includes published materials, and unpublished companies documents.

3.1.3 Measuring Instruments

The dependent variable performance was measured by employee job performance. This specific variable was chosen since it is argued that non-financial measurements of performance may be a better representation of merger performance at this point in time; approximately 3.5 year from the legal merger date (Lambrecht, (2004), Zollo & Singh, (2004) and Weber, (1996) cited in Keijzers (2012).

Organizational cultures prove to be weak predictors of sales, growth and profit, but strong predictors of quality, employee performance and overall performance of the organization Denison & Mishra, (1995). So in order to measure the dependent variable employee performance, individual work performance questionnaire (IWPQ) that was developed by Koopmans et al. (2014) was used; the questionnaire consists of 18 questions and addresses aspects of task performance, contextual performance and productive behavior of employee job performance on a 5-Point Likert Scale.

The independent variable cultural difference was measured by Lubatkin et al. (1999) with a structured perception questionnaire about cultural differences. This instrument allows better differentiation between the two organizational cultures; hence the scale of Lubatkin et al. (1999) is used. And the scales are developed by combining Hofstede's (1990) cultural dimensions and then classifying it in four generic dimensions. The other independent variable "level of integration" is measured by adapting a questionnaire developed by Homburg and Bucerius (2006). The questionnaire will ask the respondents to what level certain organizational aspects were made similar between the two organizations.

3.1.4 Procedure of Data Collection

The researcher asked permission from the head office through written cooperation letter from St. Mary's university before the data collection is started. After the grant of the permission the researcher distributed the questionnaires designed by (Koopmans et al. (2014), Lubatkin et al., (1999), & Homburg and Bucerius (2006)) in head office and Sululta branch. By taking the list of the employees the researcher draw a sample randomly. Regarding administering the questionnaire choosing the proper method depends on the research objectives and the restrictions. The choice for a self-administered survey in this study was based on the advantages and disadvantages of the different methods and also on the research question and objectives. Survey research through a self-administered questionnaire was the best choice for this research which investigates variables which cannot be directly observed. More than one variable could be studied at one time in a realistic setting and it is also possible to collect large amounts of data. In a self-administered survey the respondents answer the questions directly on the form without the interaction of an interviewer. They complete the form on their own, in

their own time and pace. The respondent is therefore assured of anonymity and privacy which can increase the probability of honest answers to the questions. Besides that, for those respondents who are at certificate level and below for the rationality of enhancing the quality of data the questionnaire was administered by the researcher.

3.1.5 Response Rate

The response rate indicates that one hundred thirty eight (138) questionnaires were distributed and all were returned given a 100% response rate.

3.1.6 Methods of Data Analysis

In this particular study quantitative method of data analysis was used. After the data collected, it was edited, coded and analyzed. The statistical tools used in this study are both descriptive and inferential the details are discussed below:

Descriptive Analysis

Summary statistics, which include the means and standard deviation values, are computed for each variable in the study. The descriptive statistical results were presented by tables, pie chart, frequency distributions and percentages to provide a summary picture of the data.

Pearson Correlation

Pearson correlation coefficient was used to determine the relationships between cultural difference in people orientation, innovation orientation, outcome orientation and control orientation, level of integration and employee performance in merger.

Independent sample T test and One way ANOVA

This method was used in order to determine whether there is significant difference in performance between the merged organizations employees based on benefit they gain after the merger. Independent sample t test in the case of two groups, whereas ANOVA in the case of more than two group comparison was used.

Multiple Regression Analysis

Multiple regression analysis was applied to investigate the effect of cultural difference and level of integration on employee performance in merger. The model for this research can be

expressed in form $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n$ where: Y is the dependent variable “ α ” is a regression constant; $\beta_1, \beta_2, \beta_3$ and β_n are the beta coefficients; and X_1, X_2, X_3 , and X_n are the independent (predicator) variables.

The general model for this study is:

Employee performance in merger = $\alpha + \beta_1(\text{level of integration}) + \beta_2(\text{difference in control}) + \beta_3(\text{difference in innovation}) + \beta_4(\text{difference in outcome}) + \beta_5(\text{difference in people orientation})$

3.1.7 Ethical Consideration

The researcher reflects on the ethical issues in every aspects of the activity doing this study. Informed consent is the major ethical issues in conducting research, according to Armiger.” It means that a person knowingly, voluntarily and intelligently and in a clear and manifest way gives his/her consent”, so all respondents involved accordingly. Furthermore, when distributing the questionnaire, respondents are guaranteed that the information they provide is confidential and used for academic purpose only. Moreover a statement conform the prohibition of including any identity detail or personal references in the questionnaire. This was to avoid any biased response or unauthentic data provided by respondents and to make participants safer in filling the questionnaire. As the result the gathered data was kept confidential and would not be used for any personal interest and also the whole process of the study controlled to be within acceptable professional ethics.

While revising the literature which is done previously by different scholars the researcher attempted to acknowledge each of the literatures sources.

3.1.8 Reliability

Reliability refers to the extent to which the data collection techniques and procedures will yield consistent findings Easterby smith, et al., (2008). So reliability is when a measure gives the same outcome, under the same circumstances even when it is measured at different points in time. For this paper measure of reliability used was Cronbach alpha. Cronbach alpha is a test of reliability technique that requires only a single test administration to provide a unique estimate of the reliability for a given test. Cronbach alpha reliability coefficient normally

ranges between 0 and 1. According to George and Mallery (2003:231) provide the following rule of thumb for the Cronbach's alpha >.9 excellent, >.8 good, >.7 acceptable, >.6 questionable, >.5 poor and <.5 unacceptable.

Accordingly reliability results of the measurements for the variables of cultural difference, level of integration and employee job performance are depicted in the table below.

Table: 2 Measure of Internal Consistency –Cronbach's Alpha

| Measurements | Items | Alphas levels | Internal consistency |
|--|-------|---------------|----------------------|
| Culture difference People Orientation | 13 | 0.88 | Good |
| Culture difference Innovation | 5 | 0.73 | Acceptable |
| Culture difference Control | 4 | 0.86 | Good |
| Culture difference Outcome orientation | 3 | 0.82 | Good |
| Level of integration | 5 | 0.87 | Good |
| Employee performance | 18 | 0.90 | Excellent |

Source: Own survey 2005

The Cronbach's Alpha level for Culture difference in people orientation was 0.88, culture difference in innovation orientation was 0.73, culture difference in control was 0.86, culture difference in outcome orientation was 0.82, and level of integration was 0.87 and the dependent variable employee performance 0.90. So from this we proved that all variables alpha levels are above the cut point of 0.70, so from above all the measures are reliable.

3.1.9 Validity

Validity refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is applied Babbie and Mouton, (1998). Validity can also be thought of as utility. Furthermore, validity is the extent to which differences found with a measuring instrument reflect true differences among these being tested. And the questionnaire should be in line with the definition used in the research. When a measure is reliable and valid the results can be correctly utilized and understood.

So this study used both secondary and primary data collection as source of information. To collect the primary data questionnaire is used. Therefore, to comfort validity, the questionnaire used was standardized instruments that are used in previous researches and have validity. Furthermore, this study infer hypothesis from a theory that is relevant to the concept.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter discusses the results of the primary data which is gathered through structured questionnaire. The first part presents the background of the respondents and descriptive statistics of the respondents. Next the statistical method of analysis which was applied to test the hypothesis, such as correlation analysis, independent sample t test, one way ANOVA and multiple regression analysis discussed and presented.

4.1 Profile of the Respondents

Demographic information of the respondents participated in the study below illustrates the gender distribution of the total respondents 57.2% are male and 42.8% are female respondents. From the gender profile of the respondents it can be inferred that the biasedness of the responses we gate have a chance to be minimized since the proportion between the groups is not very different.

Table: 3 Demographic Characteristics of the Respondents

| Gender | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-----------|---------|---------------|--------------------|
| Male | 79 | 57.2 | 57.2 | 57.2 |
| Valid Female | 59 | 42.8 | 42.8 | 100.0 |
| Total | 138 | 100.0 | 100.0 | |

Source: own survey, 2015

The educational level of sample population shows that the majority of the respondents are Diploma holders (39.9%), and (31.2%) of the respondents have first degree and the remaining 5% of the respondents are Masters. It can be said from the survey that, most of respondents (76.2%) of Ethiopian petroleum supply enterprise employee are diploma and above, therefore, they would have the ability to understand in filling the questionnaire.

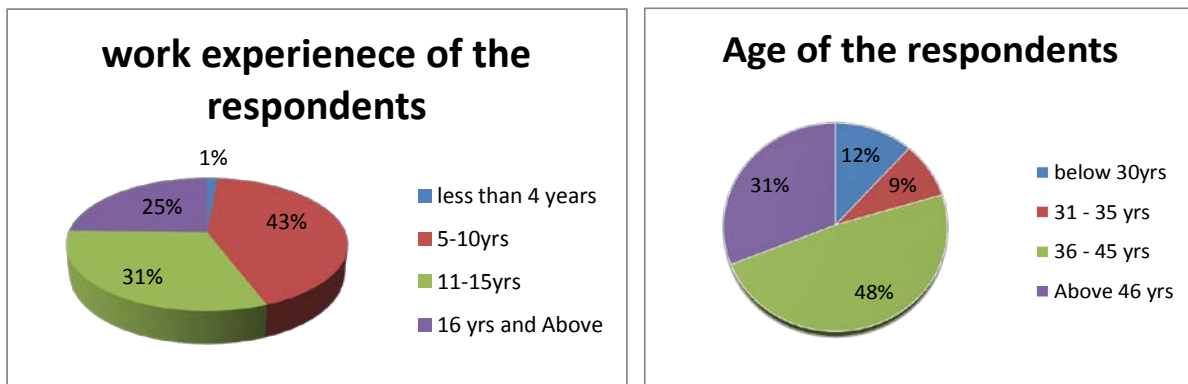
Table: 4 Educational Levels of the Respondents

| Education Qualification | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------------|-----------|---------|---------------|--------------------|
| Certificate | 33 | 23.9 | 23.9 | 23.9 |
| Diploma | 55 | 39.9 | 39.9 | 63.8 |
| Valid Degree | 43 | 31.2 | 31.2 | 94.9 |
| Masters | 7 | 5.1 | 5.1 | 100.0 |
| Total | 138 | 100.0 | 100.0 | |

Source: own survey, 2015

From the figure depicted below majority of the respondents (48%) fall in the age range of 36-45 years and 31% of the respondents are above 46 years. whereas when we see work experience of the respondents 43% of the respondents have experience of 5 -10 years, the second highest proportion was 31% of the respondents have 11-15 years of experience's, from the figure we can infer that the experience of the respondents can help to compare and contrast organizational culture differences properly with their former organizations when compared to the newly merged organization.

Figure 2: Age and Work Experience of the Respondents



Source: own survey, 2015

4.2 Descriptive Statistics

The main characteristics of the data are quantitatively described in the descriptive statistics. In the descriptive statistics summaries about the sample population responses are provided. The mean, minimum, maximum and the standard deviation calculated on the basis of the variables incorporated in employee performance in merger are presented in the table below.

Table 5: Results of Descriptive Statistics of the Study Variables

| Study Variables | N | Minimum | Maximum | Mean | Std. Deviation |
|-------------------------------|-----|---------|---------|--------|----------------|
| Culture difference control | 138 | 2.00 | 5.00 | 3.6014 | 1.06394 |
| Culture difference innovation | 138 | 3.00 | 4.00 | 3.6304 | .48445 |
| Culture difference Outcome | 138 | 3.00 | 4.00 | 3.3478 | .47802 |
| Culture difference People | 138 | 3.00 | 4.00 | 3.4710 | .50098 |
| Employee job performance | 138 | 2.00 | 3.00 | 2.3696 | .48445 |
| Level of Integration | 138 | 3.00 | 4.00 | 3.4420 | .49844 |
| Valid N (list wise) | 138 | | | | |

Source: own survey, 2015

The above table exhibits the arithmetic means for the culture difference, level of integration and employee job performance for sample respondents. From the above table, it may be concluded that there is difference in organizational culture between the merged organizations with a mean ranging from 3.6 to 3.47 and standard deviation that ranges from 1.06 to control orientation and 0.47 for outcome orientation.

Moreover, sample respondents perceive the high level of integration between the merged organizations exhibited by mean of 3.4 which refers for integration and standard deviation of 0.49.

When we see the mean and standard deviation of the dependent variable performance have a mean score of 2.3 and standard deviation of 0.48 which implies that by the self-rated work performance integrated questionnaire most of the respondents are performing less in integrated performance aspects that are task, contextual and productive behavior. This means that after the merger employee's performance was deteriorating.

4.3 Correlation Analysis

Correlation determines whether and how strong pairs of variables are related. The correlation analysis can lead to greater understanding of the data. To know whether there is a correlation between the variables and what the level of the linear relationship between the variables, the Pearson R correlation coefficient was examined. This coefficient indicates the direction and the strength of a linear relationship between two variables. The Pearson's correlation coefficient (r) can vary from -1 to +1. The larger the value implies the stronger the relationship. A coefficient of +1 indicates a perfect positive relationship and a coefficient of -1 indicates a perfect negative relationship. 0 indicates that there is no linear relationship between the variables (Field, 2009).

The values for interpretation according to statistics are (Eachron, 1982):

| | |
|----------------------------------|--------------------------|
| > 0.00 to 0.20; < -0.00 to -0.20 | Very weak or very low |
| > 0.20 to 0.40; < -0.20 to -0.40 | Weak or low |
| > 0.40 to 0.60; < -0.40 to -0.60 | Moderate |
| > 0.60 to 0.80; < -0.60 to -0.80 | Strong or high |
| > 0.80 to 1.0; < -0.80 to -1.0 | Very high or very strong |

In this particular study, Pearson's product moment correlation coefficient was used to determine the following relationships.

- ✓ The relationship between Culture difference in control orientation and employee job performance in merger
- ✓ The relationship between Culture difference in People orientation and employee job performance in merger
- ✓ The relationship between Culture difference in outcome orientation and employee job performance in merger
- ✓ The relationship between Culture difference in Innovation orientation and employee job performance in merger
- ✓ The relationship between level of integration and employee job performance in merger

Table 6: The Relationship Between Performance and the Study Independent Variables

| | | Employee performance in merger |
|---|---------------------|--------------------------------|
| Culture difference in People orientation | Pearson Correlation | -.482** |
| | Sig. (2-tailed) | 0.000 |
| | N | 138 |
| Culture difference in control orientation | Pearson Correlation | 0.118 |
| | Sig. (2-tailed) | 0.168 |
| | N | 138 |
| Culture difference in Innovation orientation | Pearson Correlation | .213* |
| | Sig. (2-tailed) | 0.012 |
| | N | 138 |
| Culture difference in outcome orientation | Pearson Correlation | .765** |
| | Sig. (2-tailed) | 0.000 |
| | N | 138 |
| level of integration | Pearson Correlation | -.681** |
| | Sig. (2-tailed) | 0.000 |
| | N | 138 |
| ** Correlation is significant at the 0.01 level (2-tailed). | | |
| * Correlation is significant at the 0.05 level (2-tailed). | | |

Source: own survey, 2015

Research question1: Has employees' job performance affect in mergers between organizations with different organizational cultures?

As the above table 6 demonstrates culture differences in people orientation have negative significant relationship with employee job performance. The coefficient of correlation found between the variable is ($r = -.48, p < 0.05$) so we accept the alternative hypothesis and reject the null hypothesis. The finding for cultural difference in people orientation is similar with the finding of Olujo (2009), which demonstrates culture differences in people orientation have significant negative relationship with employee job performance.

On the other hand variables regarding culture difference in innovation orientation have significant positive relationship with coefficient of correlation ($r = .21, p < 0.05$). From this we can say that culture difference in innovation orientation has statistically significant weak

effect on employee job performance during a merger. So the existing effect of this variable is positive to the organization. Whereas the other variable culture difference in outcome orientation have significant positive relationship with ($r = .76$, $P < 0.05$) with employee job performance. So the magnitude and direction of the relationship is positive which means that the existing culture difference in organizational culture in outcome orientation have positive impact on employee job performance.

The difference in innovation orientation, outcome orientation and in control orientation have positive impact on employee performance, from this we can say the current organization existing pressure regarding innovation and the height of outcome is contributing positively to the performance of the employee. According to Kandula (2006) a positive culture can make an average individual perform and achieve brilliantly so this aspect of EPSE culture is contributing positively to EPSE employee job performance.

Another point regarding the relationship between cultural fit and organizational-level outcomes is the potential threat of being too myopic, losing creativity and an inability to adapt to changing environments as a result of creating a very homogenous organization made up of same people. So in the case of EPSE the cultural differences regarding outcome orientation and innovation orientation is producing positive outcome for the enterprise with the correlation coefficient of .21 and .76 for cultural differences innovation and outcome orientation accordingly. This result is supported by Finkelstein(1999) in there finding showed that organizational culture difference can increase the potential for synergy realization, in addition to that Krishinan, Miller and Judge(1997) found that differences in the functional background of the managers were positively correlated to employee performance during merger.

Ho1: There is no relationship between employee job performance in merger and cultural difference (innovation, outcome orientation, people orientation, control orientation)

HA1: There is relationship between employee job performance in merger and cultural difference (innovation, outcome orientation, people orientation, control orientation)

From the above we infer that there is statistically significant relationship between culture difference and employee job performance in merger except culture difference in control.

Research question2: What is the relationship between employee's job performance and level of integration in merger?

The study also revealed that there is a significant negative relationship between level of integration and job performance with coefficient of correlation ($r=-0.68$, $p<0.05$). So this implies that the higher the level of integration the lower will be the performance of the employees. So we reject the null hypothesis and accept the alternative hypothesis.

Generally the correlation result implies that there is significant negative relationship between level of integration and employee job performance in merger. This result is similar with Pablo's., accordingly since a high level of integration implies that the new organization imposes all of its new practices on the merged or acquired organization (Pablo, 1994) and these practices force employees in new system to perform which decreases employees' performance. Simultaneously this result is supported by (Schweitzer, 2005 & Grant, 1990) that is a high level of structural integration has often been associated with a negative effect on M&A employee performance, notably in the case of technology based acquisitions and unrelated acquisitions.

Ho2: There is no relationship between employee job performance in merger and level of integration

HA2: There is a relationship between employee job performance in merger and level of integration

From the above we infer that there is statistically significant relationship between Level of integration and employee job performance in merger so we accept the alternative hypothesis and reject the null hypothesis.

4.3.1 Independent Sample t Test Analysis

Research question 3: What is the effect of merger on the performance of employees for those coming from superior organization (benefit package, profit and brand name)?

In order to test whether difference exists in performance between EPSE (superior organization) and NPRDA employees the researcher used the Independent-Samples t-test. Before presenting and discussing the results it is worthy to discuss why this analysis method is preferred. This test is the most commonly used method to evaluate the differences in means between two groups. t - Test establishes whether the means of two unrelated samples differ by comparing the difference between the two means with the standard error in the means of the different samples. So this method answers the research question whether there is statistically significant difference in performance in superior organization employees and those who are not. The table below presents the result of the performance variance between NPRDA & EPE employees. The basic assumption of the test is the variables have to be normally distributed, so in this test this assumption is satisfied, According to David Garson (2012) a common rule of thumb for test of normality is calculating for kurtosis and skewness and they should be with the range of +2 to -2. The result of the tests for kurtosis and skewness is presented in appendix 1. The kurtosis result of the variable culture difference in people is out of the range however, the central limit theorem implies that under most distributions, normal or non-normal, the sampling distribution of the sample mean will approach normality as the sample size increases mostly above 30 (Hays, 1994).so the assumption satisfied. And also the Levene's Test for Equality of Variances and t-test is presented in appendix C2.

Table 7: Result of Independent Sample t test Descriptive

| Dependent variable | Groups | N | Mean | Std. Deviation | Std. Error Mean |
|--------------------|--------|----|--------|----------------|-----------------|
| Performance | NPRDA | 83 | 2.4819 | .50271 | .05518 |
| | EPE | 55 | 2.2000 | .40369 | .05443 |

Source: own survey, 2015

Hence from the above table we can say that there is difference in performance between NPRDA and EPE employees. Because on average NPRDA employees perform better with a mean of 2.4 and standard deviation of 0 .5 whereas EPSE employees with mean of 2.2 and standard deviation of 0 .4. When we test statistically its significance, since the probability associated with the Levene's Test (0.00) (in the appendix table 2) is less than the level of alpha (0.05). We can say that there is statistically significant difference in performance

between NPRDA and EPSE employees. It is shown in the table that there is statistically significant ($p < 0.05$) differences between NPRDA and EPSE employees in terms of their performance. According to Marks and Mirvis, (1992) peoples who come from superior organization see their company as a loser in the merger & perform less, and instead of embracing new ideas they reject. They feel a sense of vulnerability and fear of losing of their culture, and perform less. This was supported by this particular research. So EPE employees perform less due to the above mentioned factor. Because the result indicates that there is a statistically significant mean difference between the groups.

4.3.2 One way ANOVA Analysis

Research question 4: Does impact of organizational culture difference in performance differs for those benefited and others in merger?

In order to answer this research question the researcher used one way ANOVA. Analysis of variance (ANOVA) is a general method for studying sampled-data relationships. The method enables the differences between two or more samples means to be analyzed. This technique is used to compare means of two or more samples (using the F distribution). It is away to tests the equality of three or more means at one time by using variances. Hence one way ANOVA is conducted to see the relationship between Job position improvement in merger (Unchanged, Decline and Improved) and performance. The reason to choose one way ANOVA rather than two-way ANOVA in this particular paper is since the researcher is investigating one factor that could be making the performance different, which is job position change. As can be seen from table 8, it appeared that there is a significant difference between the different position improvement groups in terms of their performance.

Table 8: One Way ANOVA/Employee Job Performance and Job Position Change

| Job position after merger | N | Mean | One –way ANOVA result | |
|---------------------------|-----|--------|-----------------------|---------------|
| | | | F-value | Sig (P-value) |
| Unchanged | 70 | 2.4714 | 14.167 | 0.000 |
| Decline | 42 | 2.0714 | | |
| improved | 26 | 2.5769 | | |
| Total | 138 | 2.3696 | | |

Source: own survey, 2015

From the above table we can say that the one who had better position after a merger have a better performance. This result is statistically significant since p value is less than the alpha level ($P < 0.05$). This result is consistent with the study of Stahl, G. et al. (2005).

In the analysis of ANOVA it was found that there is statistically significant difference in employee performance that have got better job position, than those who are unchanged and declined.

4.3.3 Multiple Regressions Analysis

Research question 5: What is the impact of level of integration and culture difference on EPSE employee job performance?

Regarding to understand the impact of level of cultural difference and level of integration the researcher employed regression analysis. To conduct a multiple linear regression several assumptions have to be met (Vocht, 2006):

The sample size should be large enough. For social science at least 15 respondents per independent variable are needed. This assumption is met; since 5 independent variables are used, so 75 respondents are needed and 138 respondents are used.

No multicollinearity among the independent variables should be present. Correlation between the independent variables should be below < 0.9 . This assumption is met for the linear regression of the mean acceptable sound level as well as the mean ideal sound level; see

Appendix 4 for the correlation matrixes. And also if the VIF (variance inflation factor) is greater than 10 then there is cause for concern (Bowerman & O'Connell, 1990). Additionally the tolerance level below 0.1 indicates a serious problem (Menard, 1995); accordingly all the VIF and tolerances are within allowable limit, the results are depicted in appendix C8.

Independence, independent observation is assumed in regression, in order to test Independence Durbin-Watson statistics needed. so according to Garson the Durbin-Watson coefficient statistic should be from 1.5 to 2.5. So the assumption is satisfied the result is presented in table 9 of the model summary.

Homoscedasticity of the residuals, in the scatter plots of the residuals the variance of the residuals about predicted dependent variable scores should be the same for all predicted scores. This is the case as the residuals are randomly dispersed around the center line; the test is presented in appendix C5.

Test of linearity. To fulfill this assumption in regression, According to David Garson (2012) as a rule of thumb, an indicator of nonlinearity is when the standard deviation of the residuals exceeds the standard deviation of the predicted value (dependent variable). So in this case standard deviation of the predicted value exceeds the standard deviation of the residuals this indicated that this assumption is not violated. The test result is presented in appendix C3.

Normality, the variables have to be normally distributed, so in this test this assumption is satisfied, According to David Garson (2012) a common rule of thumb for test of normality is calculating for kurtosis and skewness and they should be with the range of +2 to -2. The result of the tests for kurtosis and skewness is presented in appendix 1.

The results show that level of integration, organizational culture difference in people orientation have a significant negative impact on employee job performance in merger. In the table below the linear relationship between the variables is shown. The equation for this model is:

$$\text{Employee job performance in merger} = 1.605 - .530*(\text{level of integration}) + .021*(\text{Difference in control}) + .290*(\text{Difference in innovation}) + .442*(\text{Difference in outcome}) - .006*(\text{Difference in people orientations})$$

The model is statistically significant since the ANOVA table in appendix C7 tells us the overall model is significant, $p = .000$ which is less than the alpha level.

Table 9: Multiple Regression Analysis Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|------|------|---------------|---------------|
| | | | | | R Square Change | F Change | df 1 | df 2 | Sig. F Change | |
| 1 | .880 ^a | .775 | .766 | .2341 | .775 | 90.84 | 5 | 132 | .000 | 2.386 |

a. Predictors: (Constant), difference in people orientation, innovation orientation, outcome orientation, control orientation, level of integration

b. Dependent Variable: Employee job performance

Source: own survey, (2014)

Table 10: Regression Coefficient of the Variables

| Model | Un standardized Coefficients | | Standardized Coefficients | T | Sig. |
|--------------------------|------------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 1.605 | .324 | | 4.961 | .000 |
| Level of integration | -.530 | .059 | -.545 | 8.954 | .000 |
| Difference in control | .021 | .024 | .047 | .869 | .387 |
| Difference in innovation | .290 | .055 | .290 | 5.321 | .000 |
| Difference in outcome | .442 | .053 | .436 | 8.305 | .000 |
| Difference in people | -.006 | .049 | -.006 | -.124 | .000 |

a. Dependent Variable: Employee job Performance

Source: own survey, (2014)

This regression analysis explains the extent to which the independent variable predicts job performance in merger. Given the R Square of .775 and adjusted R square of .766, the model

summary reveals that the proportion of the variation in employee job performance during merger is explained by culture difference and level of integration jointly is 77.5%. The remaining 22.5% of the variance is explained by other unexplored variables not included in this study. As it is observed from the above table the coefficient of multiple correlations R which is the degree of association between organizational culture differences, level of integration and employee job performance during merger is 0.880. The result of culture difference in control is insignificant, however since the overall model is significant it doesn't have impact on the model.

The result of multiple regressions, as presented in table 10 above depicts that level of integration has a negative and significant effect on employee performance during merger with a beta value ($\beta = -0.530$), at 95% confidence level ($p < 0.05$) and culture difference in people orientation also have also a negative and significant effect on employee performance in merger with a beta value ($\beta = -0.06$), at 95% confidence level ($p < 0.05$). So culture difference in people orientation which includes difference in reflecting perceived support, cooperation, mutual respect and consideration between organizational members, teamwork, and task orientation emphasis on human resources development clearly affects employee performance in merger. This result is also supported by Datta, (1991) and Webber et al., (1996). In addition to that Blasko et al. (2000) showed that organizational culture differences can complicate the realization of merger synergy. Finally Lodorfos and Boateng (2006) indicated that almost all the interviews conducted by them reveals that mergers failed to achieve the expected synergy of the merger because of incompatible culture.

Additionally higher level of integration in functional and other arrangements significantly affects employ job performance in merger.

The researcher further examined from the predictor variables which of the factor have greater influence on employee performance in merger. So from the result the study finds out that level of integration with a beta value of ($\beta = -0.530$), at 95% confidence level ($p < 0.05$) have a significant greater negative influence on employee performance in merger.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter contains the summary of findings, the conclusion, the recommendation and limitation and implication for further researches.

5.1 Summary of Findings

The main goal of this study is to investigate the effect of culture difference and level of integration on employee job performance during merger based on the questionnaire which was distributed to 138 employees selected randomly in two strata.

In the descriptive part of the analysis, the result indicated that majority of the total respondents are male (57.2%), 48% of the respondents are in the age range of 36-45 years and 39.6% of the respondents are diploma holders. And from the result of the central tendency we can infer that there is clear difference in culture between the merged organizations and the existing new enterprise. Beside, currently in all dimensions of self-rated performance the employees are performing very low which is expressed by the mean score of 2.3 in performance variable.

The result from Pearson product moment correlation coefficient revealed that, there is relationship between cultural difference and employee job performance in merger. Except culture difference in people orientation and level of integration the rest variables have direct relationship with employee performance in merger.

In the independent sample t test analysis, the result discovered that employees who are coming from superior organization in merger tend to perform less than those who are not; this result is expressed by the significant mean differences of the two organizations.

In the ANOVA analysis, the result discovered that there is significant difference in employee's job performance in merger between those who have got improved job position, unchanged job position and declined job position.

In the multiple regression analysis, the result found that except level of integration and culture difference in outcome orientation the rest variables have positive significant impact on

employee performance in merger. The R square value exhibits that 77.5% of variation in employee performance in merger accounted by culture difference and level of integration. The following table summarized the result of the hypothesis tested in the study.

Table 11: Summary of Research Hypothesis Result

| Resarch hypothesis | Result |
|---|----------|
| HA1: There is relationship between employee job performance in merger and cultural difference (innovation, outcome orientation, people orientation, control orientation) | Accepted |
| HA:a1 There is relationship between employee job performance in merger and cultural difference inno | Accepted |
| HA:a2 There is relationship between employee job performance in merger and cultural difference in ou | Accepted |
| HA:a3 There is relationship between employee job performance in merger and cultural difference in pe | Accepted |
| HA:a4 There is relationship between employee job performance in merger and cultural difference in cor | Rejected |
| HA2: There is a relationship between employee job performance in merger and level of integration | Accepted |

5.2 Conclusion

To realize the objectives of the study, two hypothesis and five research questions were generated, and to test the hypothesis and answer the research questions, correlation, independent sample t test, ANOVA and multiple regression method were employed: from the result the researcher concludes the following:

- ✓ High cultural differences in people orientation do lead to lower performances and subsequently may lead to value destruction in the long term. Therefore, it can be concluded that low cultural differences in people aspect between both organizations have harmonizing benefits for the combined organization. Hence, combining different organizational cultures can in fact lead to value creation.
- ✓ Regarding level of integration when there is high integration during merger it can lead the enterprise to low performance and can avoid mergers to realize the expected synergy.
- ✓ Regarding in performance variation between employees of the superior organizations and the others due to fear of loss of benefit and other factors generally former superior

organizations employees performs lower than those others, so being employee of former superior company before merger may lead to lower performance.

- ✓ And finally having a better job position may direct the employee performance better than those who don't have.
- ✓ The impact of level of integration and organizational culture difference has affected significantly EPSE employee job performance.

5.3 Limitation of the Study and Implication for Further Research

It is obvious that adequate and reliable information is important to undertake any kind of survey precautions. However, the carelessness of some respondents while filling the questionnaires during data collection was considered as limitation to the study.

Furthermore, the study variable particularly culture variable is the most difficult variable to measure tangibly for that reason the study is mainly reliant on the respondents answer. Finally to infer in better way other researchers can include all other strategic public enterprises that are merged currently like Ethiopian shipping and logistic enterprise, Ethiopian revenue and customs authority. In Addition to that the researcher was an able to access employee's performance which was rated by their supervisors, for that reason we are forced to use self-rated performance measurement which is less reliable than rate of supervisors.

Strength of the study is, to the author's knowledge, is that it investigated the relationship between culture difference, level of integration and individual job performance outcomes in public organization merger in Ethiopia which was not investigated adequately before. Therefore, it may contribute for other researchers regarding this variable in Ethiopian context.

5.4 Recommendation

Ethiopian petroleum supply enterprise is a backbone to the country's development, by supplying & storing strategic reserve refined petroleum products. Hence, the enterprise as a whole and decision makers in particular try to identify and utilize acculturation methods through development of a common organizational language, mutual consideration, and values promoting shared interests. Based on the study findings the following recommendations are forwarded:

- ✓ Managers of EPSE should try to find a balance between the creation of the necessary synergies of a merger and the costs associated with cultural differences (cultural clash) regarding people orientation between both organizations, in order to secure a high long-term performance of the combined organization through having a vibrant communications strategy that is associated with the integration strategy and the desired culture of the new organization which is a vital component of a successful merger strategy.
- ✓ Leaders of the new organization must involve and create a chance to participate employees through the process so they can rebuild their confidence and trust in a winning team. Therefore such a practice helps to enhance the performance of employees that are hired for the superior organization before the merger.
- ✓ Workshops and training programs can make great offerings to help the problems associated with cultural differences and level of integration. These can be a valuable tool to uncover differences and similarities between the merging enterprises. They can point out potential difficulties and allow the organization to develop ways to minimize culture clash. Hence it directly enables the organization to utilize merger synergy and improves employee job performance.
- ✓ When once the decision to merge has been made, the integration policy has to be developed. Managers by deciding on the extent of structural integration of the merged firm, the pace of integration and organizational restructuring, to enhance the post-merger process and its outcomes.
- ✓ For cultural difference in people orientation, bringing people from both organizations together and encouraging them to take part both social and professional activities together, better results will occur; and the people from both organizations get to know each other. Cultural awareness will prevent potential clashes and misunderstandings between the people in the two companies since difference in “people orientation”

includes perceived support, cooperation, mutual respect and consideration between organizational members, teamwork, and task orientation differences.

- ✓ EPSE have to setup different motivational practices and schemes to its employees in order to utilize the synergy from merger because, the research found that employees who had better job position after the merger have statistically significant performance difference from those who don't have.

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APPENDIX

APPENDIX A: QUESTIONER



ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

Questioner

The purpose of this questionnaire is to collect data from employees of EPSE for conducting Masters of business administration (MBA) thesis on the title “**Impact of organizational culture difference and level of integration on employee performance in merger**”. I kindly request you to spend your precious time to fill this questionnaire as frank as and also reasonable as possible. I inform you that, the information you provide will be consumed for academic purpose only. It will be handled in a confidential manner and will not be used to identify you in any way. Therefore, you all are not expected to write your name. Please give a true picture of your feelings about existing reality in the questions.

Thank you very much in advance for your cooperation!!

General Instructions

1. Please indicate your answer for general information by ticking (✓) in the box and fill the blank space for the question asked about Age and number of years worked
2. Please indicate your answer by ticking (✓) on the appropriate box for the rest of the questions.
3. Please select only one among the options given from 1 up to 5

PART ONE

General information

1. Please indicate your Sex

Male

Female

2. Age _____

3. Which branch are you working 1. ADDIS ABABA

2. SULULTA

4. Organization you were before the merger

I. National petroleum reserve depot administration

II. Ethiopian petroleum enterprise

5. Total number of years worked in the organization _____

6. Level of education

High school

Certificate

Diploma

Degree

Masters & Above

7. Did your job position after merger 1. unchanged

2. Improved

3. Declined

PART TWO

Cultural Differences Questionnaire

The following statements are designed to measure culture difference by contrasting the characteristics of your former organizations (NPRDA or EPE) compared to the characteristics of the newly established organization by merger (EPSE). It helps to identify the extent of culture difference. Please rate the extent of culture difference by selecting and putting a tick mark (√) in the box of your choice. 1= If very similar, 2= If similar, 3= If You Don't Know (Neutral), 4= If different, 5= If very different

| NO | ITEMS | 1 | 2 | 3 | 4 | 5 |
|----|--|--------------|---------|---------|-----------|----------------|
| | | very similar | similar | Neutral | Different | Very different |
| | People Orientation | | | | | |
| 1 | Cares about health and welfare of employees. | | | | | |
| 2 | Encourages teamwork among all departments. | | | | | |
| 3 | Has managers who give attention to individual's personal problems. | | | | | |
| 4 | Encourages competition among employees. | | | | | |
| 5 | Gives recognition to employees when deserved. | | | | | |
| 6 | Encourages cooperation among employees. | | | | | |
| 7 | The promotion of employees. | | | | | |
| 8 | Provides lifetime job security. | | | | | |
| 9 | The way employees are rewarded. | | | | | |
| 10 | The pressure to improve personal and group performance. | | | | | |
| 11 | The way conflicts are solved. | | | | | |
| 12 | The measures used to judge employee performance. | | | | | |
| 13 | Gives responsibility to employees. | | | | | |

| NO | ITEMS | 1 | 2 | 3 | 4 | 5 |
|----------------------------|--|--------------|---------|---------|-----------|----------------|
| | | very similar | similar | Neutral | Different | Very different |
| Inovation | | | | | | |
| 14 | Is receptive to new ways of doing things. | | | | | |
| 15 | The risks an employee is allowed to take. | | | | | |
| 16 | Encourages creativity. | | | | | |
| 17 | Challenges employees to give their best effort. | | | | | |
| 18 | Allows employees to adopt his/her own approach to the job. | | | | | |
| Control | | | | | | |
| 19 | The autonomy in decision-making given to employees. | | | | | |
| 20 | Adherence to formal rules and procedures. | | | | | |
| 21 | The communication between departments. | | | | | |
| 22 | Explains reasons for decisions to all employees. | | | | | |
| Outcome orientation | | | | | | |
| 23 | Takes long-term view. | | | | | |
| 24 | The height of performance goals. | | | | | |
| 25 | Acts in a responsible manner towards customers. | | | | | |

PART THREE

Level of integration Questionnaire

The following statements are prepared to identify the level of integration created in the functional arrangements, organizational structure and services offered between the merged organizations. Please rate the extent of integration by selecting and putting a tick mark (√) in the box of your choice. 1= If Strong disintegration, 2=If Disintegration, 3= If You Don't Know (Neutral), 4=If Integration, 5=If Strong integration

| No | ITEMS | 1 | 2 | 3 | 4 | 5 |
|----|--|-----------------------|----------------|---------|-------------|--------------------|
| | | Strong Disintegration | Disintegration | Neutral | Integration | Strong Integration |
| 1 | Services offered by the enterprise | | | | | |
| 2 | The Sales system after the merger | | | | | |
| 3 | Reporting Relationship and authority | | | | | |
| 4 | Information systems (e.g. harmonization of the marketing/sales information systems). | | | | | |
| 5 | Organizational structure of the Enterprise | | | | | |

PART FOUR

Performance Measurement Questionnaire

The following statements are prepared to measure the performance of employee whether it is affected or not after the merger. Please rate the statements by selecting and putting a tick mark (√) in the box of your choice. 1= If strongly Disagree, 2= Disagree, 3= If You Don't Know (Neutral), 4= Agree, 5= Strongly Agree

| NO | ITEMS | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|--|--|-------------------|----------|---------|-------|----------------|
| | | 1 | 2 | 3 | 4 | 5 |
| Task performance (TP) scale | | | | | | |
| 1 | I managed to plan my work so that it was done on time. | | | | | |
| 2 | My planning was optimal | | | | | |
| 3 | I kept in mind the results that I had to achieve in my work. | | | | | |
| 4 | I was able to separate main issues from side issues at work. | | | | | |
| 5 | I was able to perform my work well with minimal time and effort. | | | | | |
| Contextual performance (CP) scale | | | | | | |
| 6 | I took on extra responsibilities. | | | | | |
| 7 | I started new tasks myself, when my old ones were finished. | | | | | |
| 8 | I took on challenging work tasks, when available. | | | | | |
| 9 | I worked at keeping my job knowledge up-to-date. | | | | | |
| 10 | I worked at keeping my job skills up-to-date. | | | | | |
| 11 | I came up with creative solutions to new problems. | | | | | |
| 12 | I kept looking for new challenges in my job. | | | | | |
| 13 | I actively participated in work meetings. | | | | | |
| Productive behavior (PB) | | | | | | |
| 14 | I don't complained about unimportant matters at work. | | | | | |
| 15 | I don't made problems greater than they were at work. | | | | | |
| 16 | I focused on the Positive aspects of a work situation, instead of on the negative aspects. | | | | | |
| 17 | I spoke with colleagues about the positive aspects of my work. | | | | | |
| 18 | I spoke with people from outside the organization about the positive aspects of my work. | | | | | |

Thank you for your cooperation and valuable information!

APPENDIX B: PRELIMINARY INTERVIEW QUESTIONER

Preliminary interview questioner

On

“Whether the existing culture difference is affecting the organization”

1. Do you think is there big cultural difference between the merging organizations?
2. Do you think the cultural difference is affecting the performance of the enterprise? If it is affecting how?
3. What is the reaction of the employee towards the merger?
4. After the implementation of the merger what kind of behavioral changes do you notice in the company?

APPENDIX C: Statistical results

APPENDIX C1: Test of normality (Skewness and Kurtosis of the variables)

| | N | Mean | Skewness | | Kurtosis | |
|--------------------------|-----------|-----------|-----------|------------|-----------|------------|
| | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Difference In control | 138 | 3.6014 | -.104 | .206 | -1.217 | .410 |
| Difference In innovation | 138 | 3.6304 | -.546 | .206 | -1.727 | .410 |
| Difference In outcome | 138 | 3.3478 | .646 | .206 | -1.606 | .410 |
| Difference In people | 138 | 3.4710 | .117 | .206 | -2.016 | .410 |
| Employee job performance | 138 | 2.3696 | .546 | .206 | -1.727 | .410 |
| Level of Integration | 138 | 3.4420 | .236 | .206 | -1.973 | .410 |
| Valid N (list wise) | 138 | | | | | |

APPENDIX: C2 Independent Sample t Test result for Performance Between NPRDA & EPE Employees

| Independent Samples Test for performance | | | | | | | | | | |
|---|-----------------------------|---|------|------------------------------|--------|-----------------|-----------------|-----------------------|---|--------|
| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| Employee performance | Equal variances assumed | 45.29 | .000 | 3.480 | 136 | .001 | .28193 | .08101 | .12173 | .44213 |
| | Equal variances not assumed | | | 3.637 | 130.94 | .000 | .28193 | .07751 | .12859 | .43526 |

APPENDIX: C3 Test Result of Linearity

Residuals Statistics^a for linearity test

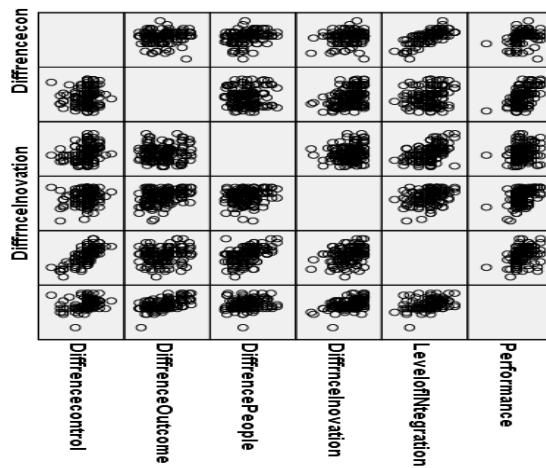
| | Minimum | Maximum | Mean | Std. Deviation | N |
|----------------------|---------|---------|--------|----------------|-----|
| Predicted Value | 1.7216 | 3.0102 | 2.3696 | .42643 | 138 |
| Residual | -.69882 | .74281 | .00000 | .22988 | 138 |
| Std. Predicted Value | -1.520 | 1.502 | .000 | 1.000 | 138 |
| Std. Residual | -2.984 | 3.172 | .000 | .982 | 138 |

a. Dependent Variable: PERTOT

APPENDIX: C4 Multicollinearity Test Result (Correlation matrix of variables)

| Coefficient Correlations | | | | | |
|--|--------|--------|--------|--------|----------|
| Model | CDPO1 | CDIO | CDOO1 | CDCO | TOTINTEG |
| Culture difference in People orientation(CDPO1) | 1 | 0.099 | 0.119 | 0.003 | -0.445 |
| Culture difference in Innovation orientation(CDIO) | 0.099 | 1 | -0.184 | -0.535 | -0.257 |
| Culture difference in outcome orientation(CDOO) | 0.119 | -0.184 | 1 | -0.145 | 0.482 |
| Culture difference in control orientation(CDCO) | 0.003 | -0.535 | -0.145 | 1 | -0.175 |
| Level of integration(TOTINTEG) | -0.445 | -0.257 | 0.482 | -0.175 | 1 |

APPENDIX: C5 Test for Homoscedasticity of the variables



APPENDIX: C6 One way ANOVA Descriptive between Different Job Positions

Descriptive (between job position change groups)

Performance

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|-----------|-----|------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| Unchanged | 70 | 2.47 | .5027 | .06009 | 2.35 | 2.59 | 2.00 | 3.00 |
| Decline | 42 | 2.07 | .2606 | .04022 | 1.99 | 2.15 | 2.00 | 3.00 |
| improved | 26 | 2.57 | .5038 | .09881 | 2.37 | 2.78 | 2.00 | 3.00 |
| Total | 138 | 2.36 | .4844 | .04124 | 2.28 | 2.45 | 2.00 | 3.00 |

APPENDIX: C7 Test Result of Overall Model Significance

ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 24.913 | 5 | 4.983 | 90.846 | .000 ^b |
| | Residual | 7.240 | 132 | .055 | | |
| | Total | 32.152 | 137 | | | |

a. Dependent Variable: Employee job performance

b. Predictors: (Constant), CDPO1, CDIO, CDOO1, CDCO, TOTINTEG

APPENDIX: C8 Test Result of Co linearity Statistics

| Co linearity Statistics | | |
|--------------------------|-----------|-------|
| Variables | Tolerance | VIF |
| Level of integration | .461 | 2.170 |
| Difference in control | .593 | 1.686 |
| Difference in innovation | .574 | 1.743 |
| Difference in outcome | .620 | 1.614 |
| Difference in people | .654 | 1.529 |