A study of Leadership Behaviours and Practices, their influence on organisational culture and implications for Mergers & Acquisitions

Liabo Molapo

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Supervisor 1: Prof. J.J. Hanks Jr.
Supervisor 2: Prof. Dr. C. Jungmann
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Abstract

The poor performance of Mergers & Acquisition has motivated research on what the failures should be attributed to. The majority of studies have illustrated that the major reason for the failures is inflated prices and other reasons including: lack of leadership involvement, slow integration strategy, lack of communication and culture mismatch. This research argues that effective leadership behaviors and practices create the culture of organizations and may enhance the success of mergers and acquisitions. It argues that effective leadership that engages followers towards the achievement of organizational goals can develop and implement strategies that counteract factors leading to failures of mergers. The results advance knowledge of leadership studies in change management and have implications for how organizations can manage the merger and acquisition process.
Chapter 1

General Introduction

1.1 Introduction

Globalization, increasing international trade, and the lowering of barriers have encouraged the merging of companies to increase the market power and competitiveness. Multi billion dollar transactions expected to bring value to the company owners are concluded on a regular basis through mergers and acquisitions. Recent studies by several consulting and advisory services firms provide evidence that at least one-third to one-half of these transactions fail to achieve anticipated benefits, cost savings, and other synergistic outcomes (Ellis, 2004). Although scholars and practitioners recognize that acquisitions frequently fail to live up to their potential, the impact of leadership on acquisition process and outcomes has not been developed or even widely recognized (Sitkin & Pablo, 2004). This paper investigates the idea that leadership behaviors and practices influence the corporate culture of the organizations and thereby have implications during mergers and acquisitions.

Employees of the target company may be accustomed to a leadership that sets roles, defines structures and provides tangible incentives for effort and productivity. The purchasing company on the other hand may not have clearly defined roles, work with ambiguity and only recognize employees’ achievements through intrinsic means. The combination of these two companies can result in a culture clash. During and after a merger, a company is exposed to and vulnerable to a number of hazards such as attacks from competitors, loss of clients, and lawsuits. A culture conflict which can result in one of its most important resource “people” being discontented and disgruntled and sabotaging the company or simply leaving to join competitors can spell disaster for the newly formed company.
This paper discusses leadership approaches and aims to identify the leadership behaviors and practices that translate into the culture of the organization and can make a difference if taken into consideration during mergers. According to Schein (2008), and Collins (2001), it can be argued that the only thing of real importance that leaders do is create and manage culture, and that the unique talent of leaders is their ability to understand and work with culture. The purpose of the paper is to identify and recommend leadership behaviors which are suited to create a culture that is learning oriented, adaptable, and flexible; a culture which is conducive for mergers and acquisitions. The objective is to discover effective leadership characteristics and skills.

Leadership behaviors are brought to the fore in the literature review through a discussion of leadership approaches: transformational and transactional leadership. Leadership is recognized as a practice of how people enact their competencies so that they exert a positive influence on the motivation, self confidence and performance of their staff (Alimo-Metcalfe & Pritchett, 2008). The paper then examines the influence of these behaviors on culture. Schein (2004), states that cultures begin with leaders who impose their own values and assumptions on a group. If the group is successful from putting into practice these assumptions, then with time the assumptions become the culture.

In studying the influence of leadership behavior and culture in mergers and acquisitions, the paper takes into account factors prevalent in mergers, the motives of the merger, the merger process and the reasons for success and failure of mergers in order to determine areas that can be improved by leadership practices. According to Sitkin and Pablo (2004), although the M & A process has been generally under explored as a factor affecting the outcomes of mergers and acquisitions, research does provide guidance concerning a variety of impediments that might arise in the formulation and implementation of a corporate strategy founded on the use of the M & A. Smith and Vecchio, 2007 state that an organizational culture can greatly influence its strategic
management process both in terms of the options that are generated in the formulation of strategy, and in how effectively a given strategy is implemented.

A number of studies have been done on the subject of the human side of mergers and acquisitions. Most of these studies have focused on bringing together the two cultures of the companies, and people during mergers and acquisitions. Some studies have focused on the emotions involved during mergers and acquisition. There are also numerous studies on leadership and its impact on organizational processes.

In most studies leadership is deemed to be part of the culture. In this study the argument is that leaders create the culture. Founders of organizations create culture by instilling their values and assumptions in their followers. Other studies have focused on the role of leadership in post mergers. These studies do not take into account the role of leadership before the merger and the culture it may have instilled, the leadership role in formulating strategies during the pre-acquisition phase and the effect and difference this can have on the whole merger process. To my knowledge this is the first study that attempts to identify the leadership behaviors and practices, forming culture that may have implications on the merger and acquisition process.

The research is conducted through a case study of two companies that merged in the last six years, one successfully and another unsuccessfully. Review questions are developed and data is gathered from a detailed study of the companies’ documentation. The data is gathered over a period of five days. It is estimated that it should take an hour to go through documentations to gather relevant data. A description of the data is presented and analyzed, and the results obtained are used to make recommendations and to advance knowledge of leadership behaviors and practices in mergers and acquisitions.
1.2 Research Question

What are the leadership behaviors and practices that create culture and thereby have implications on merger and acquisition?

Are there identifiable leadership behaviors and practices that can counteract factors that are known to cause failure in M & A?

1.3 Research Objective

To determine through a non-experimental research design leadership behaviors and practices that create organizational culture and thereby have implications on merger and acquisition.

1.4 Research Hypotheses

There is a relationship between the leadership behaviors and practices that create culture in organizations and the outcome of the merger and acquisition.

Leadership behaviors and practices play an important role in the formation of culture and have a causal effect on the success of merger and acquisition.

1.5 Summary

The chapter introduces the topic and specifies the importance of research in leadership behaviors and practices in relation to mergers and acquisitions. It states that the leadership practices create the culture of the organization and this makes a difference during mergers and acquisitions. Therefore, the goal of the research is to identify leadership practices that may positively impact on M & A consequently enhancing its chances of success. The hypothesis is that leadership behaviors and practices create culture and play an important role in the outcome of the merger and acquisition process.
Chapter 2

Leadership behaviors, practices and culture

2.1 Introduction

Leadership is a broad topic with a variety of theories, styles and models. In this section, this study is motivated by presenting leadership approaches and behaviors that have relevance on organizational culture. The paper argues that leadership styles involve certain behaviors which are meaningful to the employees and if practiced over an extended period of time are construed as the organizational culture. The aim of the chapter is to examine the different viewpoints of authors on leadership practices that can translate into culture.

The “Leadership Behavior Description Questionnaire” tool used by the Ohio State University and a ‘Leadership Model’ are presented as recent studies on leadership behaviors. Two of the popular leadership approaches are discussed; transformational leadership and transactional leadership. Transactional leadership is seen as a maintenance form of leadership suitable for promoting stability while transformational leadership is seen to be suitable for bringing and introducing change.

The chapter finally defines organizational culture and illustrates how it is created and shaped by organizational leadership.

2.2 Definition of leadership

Leadership is defined as the use of power and influence to direct the activities of followers towards goal achievement (Colquitt, Lepine & Wesson 2009, Lussier & Achua, 2004). Influence is the essence of leadership; it is about the relationship between leaders and followers. The claim is that the behaviors of leaders widen
the acceptance of the goals and increases the commitment of the members to them (Rost, 2008). Strategic leadership is the process of providing the direction and inspiration necessary to create and implement a vision, a mission, and strategies to achieve and sustain organizational objectives (Lussier & Achua, 2004). Waldman (2004) states that strategic choices and change such as M & As, are determinants of firm performance. Finally, Bass (2007) defines leadership as the focus of group processes, a matter of personality, a matter inducing compliance, the exercise of influence, a form of persuasion, a power relation, an instrument to achieve goals, an initiation of structure and a combination of the above definitions.

### 2.3 Leadership Behaviors

Studies in leadership behavior are based on the leader’s traits, skills and practices. The leadership behavior is important because it is a relatively consistent pattern of behavior that characterizes a leader (Lussier & Achua, 2004). Leadership is about how people enact their competencies so that they exert a positive influence on the motivation, self confidence and performance of their staff and colleagues, and on increasing organizational success (Alimo-Metcalfe & Pritchett, 2008). In answering why some leaders are more powerful than others, Colquitt et al. (2009) says that leaders acquire both organizational (legitimate, reward, coercive) and personal (expert, referent) forms of power which give them the ability to influence others. They can then use this power to influence others through influence tactics.

According to Waldman (2004), key behaviors on the part of the leader include: providing a sense of mission or purpose based on opportunities and constraints in the large environment, articulating an inspirational vision that challenges the status quo and is based on values, showing determination when accomplishing goals or change, communicating high performance expectations and hands on involvement, and leading by example. He argues that these behaviors are relevant to the M & A implementations. Leadership behavioral studies presume
that successful leaders can be made rather than be born. Consequently, effective leadership behaviors can be copied and applied to suitable situations.

Kouzes and Posner (2008) state that leaders engage in five practices which are not the private property of the people studied but are available to anyone in an organization who accepts the leadership challenge. Firstly to effectively model the behavior expected of others, leaders must foremost be clear about their guiding principles. They must first model the way by setting the example through daily actions that demonstrate that they are deeply committed to their beliefs. According to Axelrod (2008), a key part of a leader’s job is to establish an effective organizational culture that supports the values that she espouses. People learn to trust that the leader means what she says only when there is evidence of it in practice, when the values are operationalized in policies, procedures and reward systems that are verified by collective experience.

Secondly, leaders inspire a shared vision. To enlist support, leaders must have intimate knowledge of people’s dreams, hopes, aspirations, and values. Leaders influence by understanding people, organizations, processes and tasks. According to Goleman, Boyatzis and McKee (2008) if people’s emotions are driven toward rancor and anxiety, they will be thrown astride, this indicates an important aspect of leadership, its effects extend beyond ensuring that a job is well done, followers look to the leader for supportive emotional connection.

Thirdly, leaders challenge the process; they are willing to step out into the unknown. Fourthly, leaders enable others to act and demonstrate their own confidence in their leadership, by giving away their power instead of holding on to it. Finally, leaders encourage the heart; leaders make sure that people see the benefit of behavior that is aligned with cherished values.
2.3.1 The Leader Behavior Description Questionnaire

The “Leader Behavior Description Questionnaire” is an instrument that studies leadership’s day to day behaviors developed by the researchers at Ohio State University. The researchers identified 1,800 behaviors. The behaviors were trimmed down and eventually categorized into two dimensions; initiating structure and consideration. Initiating structure reflects the extent to which the leader defines and structures the roles of employees in pursuit of goal attainment. The focus is on accomplishing the tasks at hand. Leaders who score high in this dimension clarify roles and responsibilities and set control standards. Consideration refers to the extent to which the leader focuses on meeting the human needs of employees and how far he will go to create job relationships characterized by mutual trust, respect for employees ideas, and consideration of employee feelings. The considerate leader supports his followers, includes them in the decision making processes, treats them as equals, and fosters open communication and teamwork (Colquitt et al. 2009, Mengel, 2008, Lussier & Achua, 2004).

Research has shown that the two dimensions are not independent of each other; a leader can demonstrate behaviors on both dimensions. The life cycle theory of leadership builds on this instrument and argues that the optimal combination of the two dimensions depends on the employees’ readiness to work. An employee may not be willing to perform tasks because of a number or reasons; lack of commitment, lack of motivation or merely because they are insecure in the job (Colquitt et al. 2009, Mengel 2008 and Lussier & Achua 2004).

2.3.2 Leadership Life Cycle Theory of Leadership

According to the Life Cycle Theory of Leadership, readiness is defined as the degree to which employees have the ability to and the willingness to accomplish their specific tasks. An employee may be on one of the readiness levels, it is the
leader’s duty to identify the readiness level and act accordingly. The readiness levels are:

- Readiness level 1 – the employee is unable and unwilling. The best action is “telling” because there is one way communication in which the leader defines the roles of employees and supervises closely.
- Readiness level 2 – the employee is unable but willing. The required action is “selling” because through two-way communication the leader attempts to get a buy-in from the employee.
- Readiness level 3 – the employee is able but unwilling. The required action is “participative behavior” because the employees are involved in the day to day activities.
- Readiness level 4 – the employee is able and willing. The required action is “delegating” because the employees are high in readiness and can take responsibility for their actions.

The studies above are important in identifying leadership behaviors and their impact on their followers and their organizations. The second factor, showing consideration, has the leader getting things done by making, and fulfilling, promises of recognition, pay increases and advancement for employees who perform well. This kind of leadership which is based on transactions between manager and employees is called transactional leadership (Bass, 2007). Two popular approaches of how leaders interact with followers are transformational leadership and transactional leadership.

2.3.3 Transactional leadership

Transactional leadership is often explained as a cost-benefit exchange between leaders and their followers (Tavanti, 2008). According to Bass (2007), the characteristics of a transactional leader include:
• Contingent reward in which the leader attains follower agreement on what needs to be done using promised or actual rewards in exchange of adequate performance.

• Active management by exception in which the leader arranges to monitor mistakes and errors, actively watches for deviations taking corrective action when required.

• Passive management by exception refers to the waiting around for mistakes and deviations and intervenes only if standards are not met.

• Laissez –faire which refers to abdication of responsibility. It is avoidance of leadership altogether. Important actions are delayed, responsibility is ignored, and power and influence are not used.

Transactional leadership seeks to maintain stability rather than to promote change within an organization through regular economic and social exchanges that achieve specific goals for both the leaders and their followers (Lussier & Achua, 2004). Transactional leadership has structures in place for the followers to work within. This kind of leadership is criticized because the leader is said to wait by the sidelines for something to go wrong before taking corrective action to address mistakes and deviations (Bass, 2007). One other characteristic of transactional leadership is that it tends to be transitory in that once the transaction comes to an end; the relationship terminates or has to be re-defined or re-established.

Transactional leadership provides stability while transformational leadership brings in change. According to Bass (2007) when the firm is faced with a turbulent marketplace then transformational leadership needs to be fostered at all levels in the firm.
2.3.4 Transformational leadership

Transformational leadership involves inspiring followers to commit to a shared vision that provides meaning to their work while also serving as a role model who helps workers develop their own potential and view problems from different perspectives (Colquitt et al. 2009). Korabik and Ayman (2007), Bass (2007) and Lussier and Achua (2004) state that transformational leadership has four sub-dimensions:

- Intellectual stimulation involves behaving in ways that challenge members of the work force to be innovative and creative by questioning assumptions and reframing old situations in new ways.
- Individualized consideration involves behaving in ways that help employees achieve their potential through coaching, development and mentoring.
- Idealized influence involves behaving in ways that earn the admiration, trust, and respect of followers, causing followers to want to be associated with and to emulate the leader. Idealized influence is synonymous with charisma which reflects a sense among employees that the leader possesses extraordinary qualities.
- Inspirational motivation involves behaving in ways that foster enthusiasm for and commitment to a shared vision of the future.

Transformational leaders have the capacity to lead the complete transformation of the enterprise in the long term. Their focus is on building for the future, with a clear sense of mission and values. Transformational leaders have a clear sense of their own values and are diligent and dedicated to practicing them without deviation. Over time their purpose and values become fused with those of the organization and both grow together in a process called homology (Rouse, 2006). This is what Alimo-Metcalfe and Pritchett (2008) refer to as leadership organizations and distributed leadership, where the leadership practice is not a
sole purpose of an individual but a practice distributed over leaders, followers and their situation for survival and success in an increasingly competitive world.

Price (2008) discusses the criticisms leveled against transformational leadership. He states that it is criticized for its collectivism nature and for failure to show sufficient respect for the existing motivational and moral states of individual followers. The argument is that there will always be followers who are unmoved by the leaders values. Transformational leadership therefore, is seen to represent the values of the majority.

It is important to note that idealized influence is said to be synonymous with charisma (Colquitt et al. 2009). Some authors make no distinction between the charismatic leader and the transformational leader. Others have conceptualized charisma as one of several attributes that may define the transformational leader. It adds another dimension on traits of the leader and their practices. There is a general agreement that charismatic leaders are by nature transformational, but that not all transformational leaders are charismatic. According to this viewpoint leaders that are not charismatic but transformational, influence by meeting the emotional needs of followers through individualized consideration and intellectual stimulation (Lussier & Achua, 2004).

The research paper investigates leadership behaviors and practices and Lussier and Achua (2004) state that there are common behaviors associated with transformational leaders. These key behaviors of transformational leadership are summarized in table 2.1 below.
### Table 2.1 Transformational Leader Behavior

<table>
<thead>
<tr>
<th>Behavioral Components</th>
<th>Description</th>
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<tr>
<td>Creation and articulation of vision</td>
<td>Leader behavior that is directed at finding new opportunities for the organization; formulating, articulating, and inspiring followers with vision of a better future.</td>
</tr>
<tr>
<td>Role Modeling</td>
<td>Setting an example for followers that is consistent with the organizational values and expectations.</td>
</tr>
<tr>
<td>Fostering a &quot;Buy-in&quot; of team goals</td>
<td>Behavior aimed at encouraging and building teamwork among followers and commitment to shared goals.</td>
</tr>
<tr>
<td>High performance expectations</td>
<td>Behavior that conveys the leaders’ expectations for everyday excellence and superior performance on the part of the followers.</td>
</tr>
<tr>
<td>Personalized leader member exchange</td>
<td>Behavior that indicates that the leader trusts, respects, and has confidence in each follower, and is concerned about their personal needs, not just organizational needs.</td>
</tr>
<tr>
<td>Empowerment</td>
<td>Behavior on the part of the leader that challenges followers to think “outside the box” and re-examine old ways and methods.</td>
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(Adapted from Lussier and Achua, 2004)

Some writers argue that effective leadership exhibits both transformational and transactional characteristics in appropriate situations, while others argue that the
two leadership styles are not two opposite ends of the spectrum but are two separate concepts (Tavanti, 2008). Figure 2.1 below contrasts approaches to leadership according to how active or passive and ultimately how effective. It is important to know when therefore a leadership style is required.

**Figure 2.1 – Laissez-faire, Transactional and Transformational Leadership**
(Source: Adapted from B.M.Bass and R.E. Riggio, Transformational Leadership, 2nd ed. as cited in Colquitt et al. 2009).
2.4 Leadership influence on culture

According to Schein (2008), if the group's survival is threatened because of elements of the culture, it is ultimately the leader's responsibility to create a suitable culture. Organizational combinations such as mergers or acquisitions represent a major transformational event for an organization and the people within it. Such significant organizational change requires leadership that facilitates coherence and adaptability which are essential for M & A success (Sitkin & Pablo, 2004). The leader must diagnose which aspects of the existing culture are strategy supportive and which are not, then communicate whilst swiftly taking action to change (Lussier & Achua, 2004).

2.4.1 Culture

Increasingly culture is recognized as a source of corporate advantage and a common denominator among great companies (Lussier & Achua, 2004). Culture is defined as a pattern of shared basic assumptions that were learned by a group as it solved its problems of external adaptation and integration that have worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (Schein, 2004). The culture of an organization rests on a set of taken for granted beliefs and norms that guide the everyday behavior of its members (Ravasi & Schultz, 2007). It is the normative glue that holds an organization together through traditional ways of carrying out organizational responsibilities, unique patterns of belief and expectations that emerge over time and the resultant shared understanding of reality at a given point in time (Buono, Bowditch, & Lewis, 2006).

Culture is influenced by the beliefs and assumptions of founders of organizations, the learning experiences of group member as their organizations evolve and new beliefs, values and assumptions brought in by new leaders and new members (Schein, 2004). Consequently, though culture may be created by leadership it is
influenced by experiences of members in the organization. People will develop values, explicit beliefs concerning what is good, right, or beneficial for the enterprise and its members (Smith & Vecchio, 2007). Individuals are susceptible to the informational and normative influences of others, people pay attention to the behaviors of others who are significant and learn from them (O’Reilly, 2008).

There are three major components or levels of organizational culture: observable artifacts, espoused values and basic underlying assumptions. When these components are combined together they allow culture to be classified along various dimensions; communal, networked, fragmented and mercenary culture (Colquitt et al. 2009). The components of culture can be analyzed to the degree in which they are visible to the observer (Schein, 2004).

2.4.1.1 Artifacts, values and assumptions

The observable artifacts refer to the manifestation of an organizational culture that employees can easily see and talk about. These are symbols which can be found throughout the organization such as: logos, dress code and offices layout. Artifacts are also the language or jargon used within the organization, stories and myths and rituals such as meetings or gatherings with employees’ families (Colquitt et al. 2009). Artifacts are easy to observe but not always easy to understand or decipher (Schein, 2004). Two organizations may have similar artifacts with different meanings. Artifacts, for the purposes of organizational analysis, include processes by which behavior is made routine and structural elements.

Less observable are the values, beliefs and norms a company explicitly states. When a group is first formed, or faces a challenge, the solutions proposed are the assumptions of an individual. At such a point the assumptions are just individual values to be questioned, debated and challenged. If the leader convinces everyone to act on these beliefs and there is a positive solution, then the group has a shared perception and experience of the success. With time the
perceived value becomes transformed into shared values and beliefs and eventually into underlying assumptions (Schein, 2004).

When a solution to a problem works repeatedly, it comes to be taken for granted. It becomes an assumption which is often so ingrained in employees that they act on it without questioning its validity. These assumptions represent the deepest and most hidden part of culture (Colquitt et al. 2009 & Schein, 2004).

During mergers and acquisitions leaders can use mechanisms for effective implementation of culture. These include compensation programs, policies, office design and perquisites. To create strong high performing cultures, leaders can initiate many different types of organizational processes such as strategy formulation process and the leader’s authority and influence. Some of the actions are substantive while others are symbolic (Lussier & Achua, 2004).

2.4.1.2. How leaders create culture

The founder of a company plays a particularly important role in the development of organizational culture. Founders bring their personal goals, values, and dreams. These values and assumptions define the mission and strategy of the organization (Smith & Vecchio, 2007 & Schein, 2004). The mission and strategy of the organization strongly influences and determines how employees are selected and the type of employees who remain with the company due to subscribing to its values and practices. In most cases, founders of companies have values and assumption on how a business should be run and ensure the maintenance of their values and assumptions by recruiting people who share similar values. These people in turn reinforce each other and influence new and future employees.

According to Schein (2004), leaders reinforce the adoption of their own assumption, values and beliefs through employing strategies that can be grouped into six primary embedding mechanisms and secondary embedding
mechanisms. The first mechanism is what leaders pay attention to. This refers to what leaders notice, comment on, measure, control or deal systematically with. Employees become aware of what is important to their leaders and attempt to live up to these values and beliefs.

Secondly, leaders imbed their values through their reaction to critical incidents and organizational crises. Crisis is especially significant in culture creation because the heightened emotional involvement during such periods increases the intensity of learning. Thirdly, the creations of budgets within companies indicate the leaders’ assumptions and beliefs of what is most important and least important. For example leaders that are risk averse will avoid large loans and will invest cautiously.

Fourthly, leaders use visible behavior for communicating assumptions and values to other members of a group. They use deliberate role modeling, teaching and coaching. When top management not only says that something is important but consistently behaves in ways that support the message, followers begin to believe what is said (O’Reilly, 2008 & Axelrod, 2008). Fifthly, members in organizations learn valued behaviors from their experiences in promotions, performance appraisals and discussions with their leaders on what is rewarded and punished. Leaders can quickly get across their priorities, values, and assumptions by consistently linking rewards and punishments to the behavior they are concerned with. Finally, the way leaders select new members is a subtle way of embedding their assumptions and beliefs. Founders and leaders tend to find people who share their strategic values and beliefs to be more attractive.

4.2.2 Culture and Corporate strategy and business processes

Every firm has explicitly or implicitly a competitive strategy that dictates how it attempts to position itself with respect to its competitors. Strategies are built on the beliefs and assumptions that leaders make about the enterprise and its environment (Lussier & Achua, 2004). An organizational culture can influence the
strategic management in terms of the options that are generated in the formation of strategy, and in how effectively a strategy is implemented. When an organization’s culture fits the needs of its external environment and strategy, employees usually find it easy to implement the strategy successfully. When an organization’s culture is out of sync with what is needed to successfully implement the strategy, either the culture must be changed to meet the strategy or the strategy must be changed to meet the culture (Smith & Vecchio, 2007).

Organizational culture can also influence politics of strategic decision making. Members of organizational subunits usually hold unit-specific values and assumptions. Due to these subunits’ perspectives, debates may arise when making strategic decisions on the direction to take for the company. This is where top management makes final decisions based on strategies that are likely to succeed (Smith & Vecchio, 2007). When firms change strategies and often structures, they sometimes fail because the underlying shared values do not support the new approach. Consequently, as firms grow and strategies change, the culture or social control system needs to be realigned to reflect the new direction (O’Reilly, 2008).

Culture can help processes such as innovation in companies, if the group members have shared beliefs and assumptions on how things are done. For example when people share the belief that it is not only permissible but also desirable to challenge the status quo, the likelihood of innovation is increased (O’Reilly, 2008). Business processes depend on people being able to work effectively together to meet the company’s goals. People sometimes stall on processes such as decision making, problem solving and conflict handling skills (Stanford, 2007). In organizations however, where there is a strong culture of how such processes are handled, employees work more effectively.

Culture is critical in developing and maintaining levels of intensity and dedication that often characterize successful firms. This strong attachment is particularly valuable when employees have knowledge that is instrumental to the success of
the organization or when high levels of motivation are required. A failure to gain the commitment of employees during mergers and acquisitions can diminish or destroy the value of the venture (O’Reilly, 2008).

2.4.3 Cultural leadership

Leaders are perceived to embody the core values and beliefs of a group and exemplify the group’s pivotal norms. The way in which leaders are characterized can often reveal much about their organizations (Buonon et al. 2006). The concept of cultural leadership describes the role that leaders at all levels of the organization can play in influencing cultural change. It is formally defined as the process through which leadership influences cultural ideologies and expressive behaviors (Bligh, 2006). Successful organizations recognize the impact effective leaders have on organizations, appreciate the concept cultural leadership and develop strategies to identify leaders among their employees and train them for leadership positions for the future.

Culture is created and imbedded by the actions of leaders. When culture becomes dysfunctional, leadership is needed to help the group unlearn the cultural assumptions and learn new effective assumptions. Such transformation requires the leaders to surmount their taken-for-granted assumptions, see what is needed and enable the group to evolve toward acceptance of new cultural assumptions. Without this, groups would not be able to progress and adapt to changing environmental conditions (Schein, 2008).

2.5 Summary

The Chapter discusses leadership with a focus on leadership behavioral approaches in organizations. Previous studies on leadership behaviors are discussed and linked to current leadership approaches. The chapter further illustrated that leadership and organizational culture are two sides of one coin in that one cannot have the one without the other.
Chapter 3

Mergers and Acquisitions

3.1 Introduction

This research paper studies the relationship between leadership behaviors that form culture and mergers and acquisitions. The first chapter introduced views on leadership behavior and culture. This chapter discusses mergers and acquisitions from a social perspective. It starts off with a definition of the concept as discussed in the paper. Secondly, the motives for mergers are discussed but the explanations are not complete because mergers are driven by a complex pattern of causes and no single explanation can render a full account (Trautwein, 2006). The chapter then discusses the merger process briefly to provide an idea of the activities involved. Finally, the last part explores the reasons for failures and success of mergers and acquisitions.

3.2 Definition of Mergers and Acquisitions

Mergers and acquisitions, or M & A, is loosely used to refer to business combinations or a transfer of ownership or control of a business. However technically, the two words refer to different transactions. According to DePamphilis (2008), an acquisition occurs when one company takes a controlling ownership interest in another firm. A merger on the other hand refers to any transaction in which the assets and liabilities of one entity pass by statute to another person or entity, a complete absorption of one firm by another. A merger can also be an acquisition but not all acquisitions are mergers (Hanks, 2008, Ross, Westerfield & Jordan, 2008).

A horizontal merger occurs between two firms within the same industry or line of business. Vertical mergers in turn, refer to two firms participating at different
stages of production or value chain. Conglomerate mergers on the other hand are those in which the acquiring company purchases firms in largely unrelated industries (Brealey, Myers & Allen, 2008). For the purposes of these paper mergers and acquisitions is interpreted as a business combination or transfer and discussed more on a business perspective.

3.3 Motives for mergers and acquisitions

The most plausible reason for mergers and acquisitions is the creation of value for shareholders. The value of a business theoretically is the economic present value of the future net cash generated by the business. It is the sum of each of the possible outcomes of net cash generated to infinity multiplied by the probability of achieving each one, then discounted to present value. In valuing businesses, an estimate of a range of possible outcomes and their probabilities has to be taken into account (Miller, 2008). The value of many businesses includes human assets, stale inventory, goodwill and property. The goals or motives for mergers discussed below are some of the common means of adding value to the purchaser. The valuation of a business is important because it is the standard by which the success or failure of the M & A is measured.

3.3.1 Economies of Scale and scope

Companies often engage in business combinations to add value through their operations. Most mergers are intended to reduce costs by spreading fixed costs over increasing production levels. Economies of scale are achieved by lowering average manufacturing costs or by elimination of redundancies in the organization (DePamphilis, 2008, Brealy et al. 2008, Miller, 2008 & Trautwein, 2006). Economies of scale are often a motive of horizontal mergers where fixed costs are spread and production increases.

Economies of scope refer to using a specific set of skills or an asset currently employed in producing a specific product or service to produce related products
or services. It is combining two or more product lines in one firm. For example Citigroup uses the same computer centre to process loan applications deposits, and accounts for its clients (DePamphilis, 2008, Berk & DeMarzo, 2007). Operating synergies often results in loss of staff because if there were two finance managers, the company eventually remains with one.

3.3.2 Complementary resources

When most buyers purchase another company, it is to provide their corporate strategy with something that they need but do not have, something that would take longer, more costs or something which might be impossible to develop internally (Watson, 2007). For instance a firm in a mature industry whose growth is slowing may produce cash flows well in excess of available investment opportunities. On the other hand, another firm in a high-growth industry may have more investment opportunities than the cash to fund them (DePamphilis, 2008). Business combinations therefore create complementary resources.

3.3.3 Diversification

A business may want to diversify into new areas to change its risk profile (Miller, 2008). Diversification is a strategy of buying firms outside of a company’s current primary line of business. Two commonly used justifications for diversification are that they create financial synergy resulting in a reduced cost of capital and that firms must shift from their own product lines or markets into product lines and markets that have higher growth prospects. When a firm is facing slower growth in its current markets it may be able to accelerate growth by selling its current products in new markets that are unfamiliar with its products and therefore more risky (DePamphilis, 2008). It is important to note that diversification is not always viewed positively. There is little evidence that investors pay a premium for diversified firms, the share price of conglomerates often trade at a discount from shares of focused firms or from their value if the were broken up and sold into pieces (Brealy et al. 2008 & DePamphilis, 2008).
3.3.4 Eliminating inefficiencies

The agency problem arises when there is conflict between the interests of managers running the firm and those of the owners or shareholders. Managers may not act in the best interests of the shareholders for various reasons. In such acquisitions, the motive is to drive out old management and replace them with new management. In cases where this is the case, acquisitions are seen to precede change management. Chief Executives are more likely to be replaced in the year preceding takeovers than earlier (Brealy et al. 2008, Berk & DeMarzo, 2007).

3.4 Merger Processes

Few firms make acquisitions on a regular basis; as a result their activities are more structured toward management of ongoing businesses. When an acquisition opportunity presents itself, most managers are not familiar with the subtleties of what will transpire (DePamphilis, 2008). A merger process depends on a number of factors; the strategic direction, the acquisition structure, status of the target, attitude (friendly or hostile), form of payment, financing and geographical focus. The process perspective on M & A is concerned with how various impediments and facilitation in decision making and behavior evolve over time, and why the evolution occurs as it does (Sitkin & Pablo, 2004). It is sometimes convenient to think of the process as a series of independent events culminating in the transfer of ownership from seller to buyer, in practice the steps are interrelated, do not follow a logical order and evolve as new information becomes available (DePamphilis, 2008, & Wübben, 2007).

According to DePamphilis (2008), the acquisition process can be broken into ten phases which fall into two distinctive activities: the pre-acquisition and post acquisition activities. Most authors in mergers and acquisitions refer to the two significant merger categories as the pre-merger and the post-merger. The merger stage itself “legal merger” refers to the date on which the merger
becomes legally effective and is significant in that respect but is also a moment rather than a set of activities (Lapiana, 2008). Consequently, the merger process is roughly organized into two phases in this paper. The pre-acquisition phase and the post-acquisition phase.

### 3.4.1 Pre-acquisition phase

Looking at the merger process from the target’s point of view, the target may put itself up for sale for any number of reasons such as having reached its peak value, financial reasons or shareholders wanting liquidity. In such an instance the target will attempt to put all its affairs in order to be able to attract the best price from the buyer. In the search for a buyer, it may target specific companies or a large pool of companies. In some cases however, the target will receive an unsolicited offer from a purchaser (Miller, 2008). Often, the management is inexperienced in mergers and acquisitions, therefore a host of specialists such as lawyers, investment bankers, tax advisors and integration officers are deployed to handle the merger (The M & A Process, 2005).

In cases where the Purchaser seeks a company to improve strategy, on identifying a target that offers a faster vehicle for strategic growth, negotiations, execution and consummation of the transaction become the focus at the pre-acquisition phase. Wübben (2007) states that the phase includes the following summarized activities: in cases where the Purchaser searches for a target, a number of companies are identified, screened and short listed if they appear to fit from the Acquirer’s perspective organizational, financial and cultural strategy. The negotiations commence with pre-signing of confidentiality documents which are intended to protect the information exchange between parties, often through the Letter Of Intent. The letter of intent is often signed after a basic assessment of the target company through due diligence has been undertaken. The due diligence forms the cornerstone of the acquisition and is the inspection of various business functions. On completion of the due diligence the acquirer determines the maximum purchase price of the target. At this phase negotiations are key, if
the transaction meets the legal requirements, then the final determination of the purchase price leads to the signing and closing. Once the deal is closed, the next step is to integrate the target into the acquirer.

The pre-acquisition phase is often the uncomfortable period between the point at which the merger decision is ratified by the boards, and the day on which the merger legally takes effect after shareholder approval by the target. It can often last several months, and is unique in that the organizations' futures are joined but their present identities are still separate (The M & A Process, 2005). It is crucial to pay attention to the concerns and anxieties of the staff, management, and board during this stage, as well as the impact of these concerns on the overall culture (Lapiana, 2008). Haspeslagh and Jemison as cited in Sitkin and Pablo (2004) state that the importance of leadership can be seen at this stage for the success of the merger. They state that institutional leadership is critical as the only broad force available to counteract the effects of uncertainty, insecurity, and value destruction which affect all managers and employees. They conclude that M & A are a litmus test that highlights the quality of leadership.

### 3.4.2 Post-merger phase

The post closing integration activity is considered very important in the merger process (DePamphilis, 2008). In the acquisition literature, integration is traditionally defined by the degree of intrusion of the acquiring company into the acquired company. In this sense integration has been conceptualized as a varying degree of boundary disruption initiated by the acquiring organization to create mechanisms within the acquired company that facilitates the achievement of parent company goals (Sitkin & Pablo, 2004). Planning for integration typically begins during the acquisition structuring and management. Goals, key indicators and measures are determined and the team responsible is selected from the two combining firms. This step is followed by the actual implementation of the specified integration, which should concern the corporate strategy, and closely monitored and controlled (Wübben, 2007).
Integration takes on a number of forms and addresses matters such as implementation of organizational, strategic, administrative, operative and cultural integration measures. The post closing integration involves communicating effectively with all stakeholders, retaining key employees, and identifying and resolving immediate cash needs (DePamphilis, 2008).

3.5 Success of mergers and acquisitions

Success can be measured using various instruments, such as the internal goals of the acquirer, comparison to the acquirer’s competitors and peers and alternative investments. In a general sense success is defined as the achievement of objectives. Consequently, success in mergers and acquisitions can be determined by analyzing whether the strategic objectives of the acquirer have been met (Wübben, 2007).

DePamphilis (2008) states that there are many reasons mergers and acquisitions fail to meet expectations. The top three reasons for failure are overestimating synergy and overpaying. The other reasons mentioned are slow integration, poor strategy, poor communication and conflicting corporate cultures. These other reasons are what this research paper argues can be addressed by effective leadership practices and behaviors. Wood and Porter (2002) site similar reasons for failed acquisitions: they state that in most cases the acquiring company did not take into account the importance of allocation of important resources and implications of cultural differences, allocation of resources to the integration process, the people and leadership issues as well as different management skills and the size of merging companies.

According to Devine (2002), in a study by Deloitte and Touche, when managers were asked why mergers often fail, most of them focused on pre-deal phase. They stated that however attractive the figures were the most important aspect was for the management between the two combining companies to be united in the strategic reasons behind the deal. In a study by Deloitte and Touche, factors
which affect the success of the merger were identified as the premium paid by the buyer, identifying synergies and acting swiftly with regard to the integration process. Other factors include the involvement of the management including the CEO to drive through the merger. A common mistake identified was the failure to pay attention to the business operations during the merger and to communicate the vision with all stakeholders.

Consequently, along with correct synergy estimation and fair payment, the Purchasing Company should have good leadership that can create a corporate strategy and see the merger through. The acquisition should be part of the business strategy and should describe in detail its motivation and how it will be achieved (DePamphilis, 2008).

Strategies are built on the beliefs and assumptions that management makes about the enterprise and its environment. People decide how organizational choices will affect them and the well being of their company based on their personal needs, norms and values of their units and on the norms and values of the entire company. Generally when a new strategy threatens to substantially alter the character of an organization, members will offer resistance (Smith & Vecchio, 2007). Wood and Porter (2002) state that many acquiring companies fail to understand the importance of immediately developing a strong, new corporate culture with clear new way of doing business.

### 3.6 Summary

The chapter introduced mergers and acquisitions from the social perspective as discussed in this paper. It described the motives for mergers and acquisitions and further the activities involved in merger processes. The reasons for M & A failures were explored as cited by different authors and findings in research.
Chapter 4

Research methodology

4.1 Introduction

This chapter introduces the research methodology; the steps taken to collect and analyze the data in order to meet the objective of the research. The literature review was undertaken in order to develop a broader perspective, pointed and more insightful questions about the topic. The literature review has illustrated the inter-relationship between the leadership behaviors and culture and interplay during mergers and acquisitions. Two cases are introduced for comparative purposes: one is a successful merger while the second is a notable failure in mergers.

The study aims to identify the leadership behaviors, beliefs and practices, and the culture of the companies under study before the merger and after the merger. The objective is to explore the role of leadership behaviors and practices in the merger and theorize that specific leadership behaviors and practices are more suited and conducive to the success of the merger.

The entire study was conducted in six weeks. The data is collected through a review of historical documents of the two companies with the emphasis of the review on leadership practices, behaviors and culture prior to the merger and after the merger.

4.2 Selection of case studies

The starting point was identifying companies that have had outstanding mergers and companies that had notable failures in mergers. Out of a list of companies which the media has reported to have had successful and unsuccessful mergers,
convenience sampling was used to select two cases. The companies selected were involved in the merger early 2000, which allows time to assess whether the merger has achieved the expected and required objectives as envisaged.

The mergers under study were between companies that had significant presence in their industries and the merger was intended to increase market power. The resultant mergers significantly increased the sizes of these companies within their industries. One merger was between companies with similar assets while another was between companies with different assets forming a conglomerate.

The unit of analysis is the leadership within the organization as represented by the Chief Executive at the time of merger and after the merger as well as other elements of leadership practices and behaviors portrayed by the organization as a whole. The companies selected for the study are Conocophillips and AOL/Time Warner.

4.2.1 ConocoPhillips

ConocoPhillips is the third-largest integrated energy company in the United States, based on market capitalization, oil and natural gas reserves. The company is headquartered in Houston, Texas, and has assets of $183 billion. It has operations in nearly forty countries and approximately 32,800 employees worldwide. Its stock is listed on the New York Stock Exchange under the symbol "COP". The company became ConocoPhillips in November 2003 when the two energy companies Conoco and Phillips merged. At the time of the merger it was stated that the two companies’ merger marked the creation of a new international integrated major energy company with assets, talent, financial strength and technology to achieve superior results for all stakeholders. The ConocoPhillips merger is considered a success in view of the fact that it experienced positive revenues and increased its market share.
4.2.2 AOL Time Warner

Time Warner Inc. is a leading media and entertainment company, whose businesses include interactive services, cable systems, filmed entertainment, television networks and publishing. Time Warner has a number of businesses which include AOL, HBO, Time Warner Cable, Warner Brothers, Time Inc. and Turner. The company employs approximately 86,000 workers worldwide. The company merged in January 2001 forming a conglomerate. At the time of the merger it was stated that the merger was a historic moment for consumers everywhere, and a tremendous step toward the goal of becoming the world’s most respected and valued company that would combine the vast holdings. In 2003, AOL was dropped from the company’s name. The AOL/Time Warner merger is considered a notable failure in view of the fact that it experienced a downturn in revenues.

4.3 Gathering Data

To gather the information required for the analysis of the organization, an extensive review of documentation regarding the two companies before the merger and the company after the merger is conducted. The historical documents reviewed include the companies’ policies, company statements, media reports, documents from the companies’ websites, analysts’ reports and merger documentation.

Historical documents are used to collect information referring to leadership behaviors, values, practices and culture of the companies under study. This documentation is acquired from the internet, libraries and companies under study. Historical documentation are a favored method of data collection for various reasons; firstly, they are stable and can be reviewed repeatedly, secondly, they are unobtrusive as they were not created for the case study, thirdly, they contain exact names and details of events and finally they have a
broad coverage, long span and cover many events and many settings (Yin, 2003).

Historical documentation was a preferred method over interviews because the events under study occurred in the past five years. When interviewing candidates on a sensitive topic that occurred in the past, there are likely to be memory effects as well as bias. The weakness of the documentation is that there is a reporting bias as the documents reflect the partiality of the author, and accessibility of relevant and important information maybe blocked (Yin, 2003).

In searching for documents several factors were kept in mind, the author of the article and the purpose of writing the article, the time and period in which the article was written; whether before or after the merger, and the audience it was written for. With these considerations, summaries of the articles referring to the subject under study; leadership behaviors, practices, culture and the organizational processes during and after the merger were made. Review questions are prepared before hand to guide the research. The documentation from the companies are used to answer these questions. The Review questions for both cases are attached as Appendix A & Appendix B.

4.4 Data analysis

Drawing on the current literature on transactional and transformational leadership approaches to support the analysis, the data collected is assessed for leadership behaviors and practices that according to literature have an impact on the culture of the organization. The classes of behavior represented by these leadership approaches are identified in the leadership behaviors and practices of the organizations and assessed for culture creation embedding mechanisms as outlined by Schein, (2004). Finally, it is assessed how the practice may have impacted the merger process. For example one aspect of transactional leadership is contingent rewards which refer to material rewards offered by the leaders for good performance. The study investigates whether this aspect was
present within the companies under study and how it could have been embedded into culture of the organisation thereby impacting on the merger.

In analyzing the data, this thesis searches for common themes, impressions, and issues referring to leadership behaviors and practices before the merger and after the merger. The common themes and impressions identified are used to develop an account of the prominent and weak leadership behaviors and practices and to explain how they were imbedded into the culture of the organization influencing its change management processes.

Secondly, additional factors which may enhance or weaken the impact of the leadership practices and behaviors on the final outcome of the merger are taken into consideration. These other factors would have such an impact that even if effective behaviors are practiced the outcome of the merger will be negative or vice versa.

The next step is the analysis of the merger process and the integration management in the companies under study. The role of the leadership, the employees, and the culture is analyzed based on effective leadership practices.

Further to identifying prominent and weak leadership styles, possible influential additional factors, and the leadership practices prevalent in the merger process, meaning is attributed to these results by coming up with possible interpretations, explanations and consideration of conflicting points. Alternative interpretations and explanations are also considered.

Finally, the two case studies are compared to determine whether the differences in the outcome of their mergers bear relevance to the leadership practices and behaviors. The effective leadership practices and behaviors which contributed to the creation of culture and success in the merger and acquisitions are noted and recorded.
4.5 Summary

The Chapter provides a detailed explanation of the research methodology. It introduces the two companies which are being studied; ConocoPhillips and AOL/TimeWarner. Clarification is made with regard to the unit of analysis in the study and the reasons for the chosen data gathering method are put forward. Finally, the steps to be taken and considered in the analysis of data are described.
Chapter 5

Results, findings and discussion

5.1 Introduction

In this chapter the results from the data collected through the historical documentation are presented and the findings discussed. Through the research findings questions raised at the beginning of the study are considered and answered. The two companies under investigation are compared and conclusions drawn.

5.2 Results

From the study and review of historical documents dealing with leadership of the two companies under study and the merger, certain patterns or impressions were identified. First, in documented interviews the CEOs expressed a self-view of their leadership and the company. Their statements convey their values assumptions and beliefs and the vision of their company. Secondly, the documentation constantly makes reference to how other stakeholders such as employees, the board, the media and analysts see the organization and CEO’s leadership behavior, style and role. Thirdly, in the organizations studied, each had values that it claimed to prescribe to, however it surfaced that there is always one value which is promoted more than the other values.

In presenting the results summaries are made of information obtained from the documents with emphasis on the patterns that emerged during the study. In some instances quotations from the documents are made for highlighting the issues presented. Details of the summaries and sources of the information are appended for further reference as Appendix A & Appendix B.
5.2.1 CEO self analysis and leadership in the organization

In organizations, the task of a CEO is strategic leadership. The CEO has to ensure organizational continuity as well as preservation of the job. Through the statements made by the CEO about their roles and their view of the leadership role within the organization, it is possible to identify practices and behaviors intended to influence the organization towards achievement of goals.

In documents published before the merger of AOL/TimeWarner, The CEO of AOL states that he can have the greatest impact through an entrepreneurial prism, building on the AOL experience. At the time of the merger the AOL leadership states that it plans to focus more on the strategic issues, manage the board, focus on policy issues, technology issues, investments, and philanthropy, the things that he believed he did well and really cared about.

After the failure of the merger the AOL former founder is quoted blaming the lack of success to his entrepreneurial leadership style. In agreement the TimeWarner CEO further to the failure of the merger speculated that a reason for the failed merger was ineffective leadership, or a lack of moral and spiritual leadership.

The AOL leadership on stepping down from the position of Chairman described the attributes of a transformational leader in the nominated candidate to be appointed as a successor as what the organisation needed. He states that the candidate has the required style of leadership: understanding of people, ability to build alliances, and commitment to serve the public interest that is critical for the company and is known as someone who can resolve disputes, and known for having the ability to get parts of the organization to work together, this being the skill that was needed right at the time of his stepping down.

In the case of ConocoPhillips, both the leadership of the two companies; Conoco and Phillips in various documents examined are portrayed having similar values. In an interview the Conoco leadership states that it values visionary leaders,
entrepreneurs who are forward looking, motivated and creative and looks for this in people. With regard to how the CEO sees his role he states:

“Integrity and ethics must be evident in not only our personal lives, but also in our professional conduct before they can be instilled in our employees worldwide. Leading by example is how we do things here”.

During the merger the leader of Philips states that they have a committed and talented leadership team that is doing an excellent job; creating a new corporate culture focused on improving financial returns, operating efficiently, reliably and safely, and harnessing the spirit of the people. Furthermore, Phillips states that it sees people as an important resource which must be protected through safety measures and guided through strategies.

After the merger, at ConocoPhillips, leadership was described as having many levels or responsibility; at one level it developed strategy and vision of company, developing talents in people and establishing and implementing values which are critical because they stay with the company. Integrity and ethics are considered important values which should be modeled by the leadership.

5.2.2 Stakeholders view of leadership in organisation

Different stakeholders: employees, the board of directors, media and other analysts see and interpret leadership behavior and practices differently. Their observations provide an insight of the leadership practices and behavior from another angle and facilitate a corroboration of the leadership’s self view.

The CEO of AOL at the time of the merger is described as not a people’s person. He is described as a shy guy from childhood, more comfortable working on his computer than interacting with people. He is said to be a salesman at heart, more at home behind a keyboard than a podium and he is said to admire forceful and charismatic CEOs who become a source of inspiration for employees.
AOL due to the nature of its leadership style had a strong culture and was described as:

"A fascinating, seductive place with strange language patterns, curious rituals. Its inhabitants, AOLiens, dwell on an isolated planet where the Sun never rises and seasons pass unnoticed. For them, life online is the only way to live."

Analysts attributed this style of work to Case's mission-driven leadership style.

The merger of AOL and TimeWarner was seen by some as made possible by the CEO of TimeWarner as a result of an ability to influence the board through a good grasp of figures and facts. Calculating, disarming, incredibly patient and intensely political are some words AOL Time Warner insiders used to describe the CEO of TimeWarner at the time. Some have said about the CEO that he was uncomfortable in the media spotlight, an intellectual who lacked charisma.

The description of Conoco and Philips leadership by the stakeholders is contradictory to that of AOL and TimeWarner’s leadership. Conoco leadership has received leadership awards for outstanding leadership through consensus building and problem solving. It is recognized as a leadership that is reliable, innovative and committed to community service. Conoco has topped the American Petroleum Institute (API) annual safety survey for the fifth year in a row. The company’s plant and personnel safety record comes from high leadership expectations, clear responsibilities and good tools. Conoco management recognizes that being world-class in process safety is also essential for successful business.

The leadership of Phillips before the merger is described as able to map directions for its future:
“Able to create a strategic plan to meet and exceed goals, the CEO created a five-year strategic plan that used several mergers and acquisitions to make the company more competitive and increase oil exploration and production.”

In addition to good strategic leadership, Phillips is recognized for its policies of transparency and honesty which have protected it from suspicions of financial mismanagement. In 2002, peers of Philips’ CEO have acknowledged his leadership ability in an increasingly difficult business environment by presenting to him the Petroleum Executive of the Year award. Conoco and Phillips separately support internship and leadership training programs and have a shared value of safety in operations.

5.2.3 Most cherished value in the organization

Every organization has a set of values espoused, that are promoted along with the vision and mission of the organization. During the review a pattern emerged of the organizations articulating a number of values subscribed to, but nevertheless seeming to promote one particular value more than the other values. At the AOL/TimeWarner the value that is emphasized and seems to be more important is diversity. The core values at Time Warner are stated as Creativity, customer focus, agility, team work, diversity and responsibility. The following statement illustrates the importance of diversity within the company:

“But we believe that in order to be successful in the global marketplace, diversity must go beyond the workforce to span every aspect of our business. This includes our supplier relationships, our corporate philanthropy, our investments and our creative content. We want to make sure diversity is part of the DNA of our company.”

Diversity is incorporated in training and recruitment processes.
ConocoPhilips puts forward its values as “SPIRIT” which is an abbreviation for “Safety, People, Integrity, Responsibility, Innovation and Teamwork”. These values are incorporated in training programs of the company. The company also issues a magazine named SPIRIT regularly, which focuses on the employees and their achievements. At ConocoPhilips though all values are promoted through different programs, the most prized value is safety in the companies operations. The company has topped the Safety survey repeatedly and it is stated that the company’s plant and personnel safety record comes from high leadership expectations. Conoco management recognizes that being world-class in process safety is essential for successful business. The CEO of Phillips has directed frequent safety inspections of production operations, trained employees in safe practices, and instituted more safety measures to ensure that an incident like the Valdez accident would not occur.

5.2.4 The merger process

The integration process between AOL and TimeWarner is handled by the Human Resources (HR) members. In undertaking the process the HR considered how the business was being put together before concentrating on staffing, training and selection. It took stock of all respective assets and considered a plan to have everything working together. The CEOs were thereafter engaged on the issues.

To ease the merger transition, the HR took the following initiatives:

Structure: When the merger plans were announced in 2000, an HR transition team identified the human resource functions that needed the most attention. The group determined the best way to divide their time and attention in order to handle the merger.

Foreign operations: As soon as the merger was approved, the entire foreign HR staff was brought together in order to plot the global strategy. Meanwhile, all of America Online and Time Warner's businesses were transferred to a single headquarters office to speed up production and communication, with HR
Handling site and facilities planning and identifying foreign labor issues related to the merger.

Management: In an effort to hone the competitive edge at each of the new company’s divisions, HR developed talent profiles of key executives, a process that led to several changes.

Recruitment: Once the AOL Time Warner merger was approved, HR quickly built an executive recruitment team.

After the failure of the merger the AOL leader indicated that the integration process took a long time and prohibited the company from attaining its independence.

In contrast, the merger process at ConocoPhilips is structured and closely managed. The Chairman and Chief Executive were the sponsors of the integration management office which consisted of sub teams made up of different branches in the company. The integration process was done in three phases; the first phase commenced nine months before the close of the deal and was the Architecture design which involved, sub-team scoping and launch, information sharing and synergy targets and synergy categories.

The second phase was the implementation planning which involved the day one preparation, implementation plans, organizational structure, staffing and business design process. The last phase was the implementation and tracking and it occurred after the closing of the deal. The integration plan defined the role of the CEO, the scope and role of the integration office and the integration office decision making. The success of the merger is attributed to factors including; setting high aspirations from top to bottom, identifying the cultural challenges between the two organizations and explicitly designing a process to address the cultural differences focusing on the core business processes, establishing strong people selection and communicating frequently and early.
5.3 Findings and discussion

The presentation of the data above illustrates some of the leadership behaviors, practices and styles within the companies under study. The self analysis statements of the leadership are in some instances supported by the views or actions of stakeholders. In assessing the results, there are prominent and weak leadership behaviors and practices that are identified.

5.3.1 Prominent and weak leadership and resulting culture

The overall results provide information on leadership in relation to the merger process as well as general leadership of the companies. There are strong and weak leadership behaviors, practices and styles that are identifiable from the results. Strong or prominent leadership behaviors refer to the practices of the leadership that influenced or directed activities of the organization effectively towards the achievement of the merger. On the other hand, weak leadership behaviors refer to notable leadership practices which are not effective in the achievement of organizational goals.

Articulation of vision and values is a prominent leadership practices that come out in the study. This is the ability to see the big picture and present it in a manner that everyone can appreciate. In the cases in the study, the companies’ leadership articulates their vision with regard to the merger clearly through different mediums. Articulating the vision of the companies is a culture embedding mechanism because it allows the employees to know what is expected and work according to the standard. Furthermore, leaders pay more attention to what they believe in and reward behaviors that are geared towards achieving this expectations. In articulating and presenting a company’s vision, a leader sets the standard on which to be appraised.

AOL articulates its vision as an independent company and the values are clearly embedded into culture as demonstrated by TimeWarner’s perception of AOL.
employees. During the merger however, the leadership does not undertake practices that convey the new vision and values of the new organization. Consequently, each company maintains previous values and beliefs, prohibiting the organization from embracing the change brought about by the combination. In contrast CococoPhillips can be argued to have instilled the new values through the integration process which was participative. This practice is what is referred to in transformational leadership as inspirational motivation. Kouzes and Posner also refer to it as inspiring a shared vision.

A second prominent practice that comes out is the transformational sub division: intellectual stimulation. ConocoPhillips leadership states that it values people who are problem solvers, innovators, flexible and creative. It further embeds these values, creating a culture through its selection processes which seek problem solvers See Appendix A. Furthermore, leadership at all levels is tasked with talent management and people development. From the results in the case study it is clearly able to achieve the goal of influencing its people positively because it receives awards in demonstrated leadership and tops the survey on safety through its people. The celebrated successes instill the culture in the organization.

It can be argued that the opposite is true on the basis of the fact that AOL leader invited employees to participate in coming up with a name of a company but still voted one he had put forward despite employees protests. This is a leadership which does not encourage innovation and creativity and therefore lacks intellectual stimulation; one of the factors of transformational leadership See appendix B.

A third prominent practice and behavior that is observed from the results is the modeling of leadership behavior. AOL’s CEO is assessed by others as more comfortable in front of a key board than a podium. He is dedicated to meet the organizations’ customer needs and the employees emulate this behavior to a point where their counterparts at TimeWarner consider them to have a unique
culture. Modeling behavior is illustrated by leaders who “walk the talk”. By modeling behavior the leader sets the pace and indicates that the vision is achievable. Modeling is symbolic coaching of the employees and illustrates in daily actions commitment to the organization’s vision and values. As stated in the literature review, leaders seem to know that their own visible behavior has great value for communicating assumptions and values and is therefore an effective mechanism to embed culture. In transformational leadership approach, modeling behavior is referred to as idealized influence and inspirational motivation because the leader influences the followers to follow and to commit to the vision.

The practice is effective when it leads to positive organizational outcomes. A leader could model behaviors that though influential do not necessarily lead to the achievement of organizational goals. The study results show that what is modeled is what is important because although AOL leadership effectively modeled behavior at AOL, the practice did not have similar effects at TimeWarner which had a different vision, values and culture.

The success of modeling behavior at CoconoPhillips is illustrated by the leadership which belief in safety and expects the employees to adhere to the set standards by taking required measures to instill the values in the organization and followers. The achievement of the goal is demonstrated by being listed as one of the best companies in safety standards. The leadership is able to inspire people to a vision of a safer company and motivate them to commit to this vision.

Another strong leadership behavior demonstrated in the study is strategic planning. It demonstrates leadership willingness to take responsibility and utilize authority. The results of the case study show ConocoPhillips leadership to constantly draw winning strategies. The merger process is organized and planned in advance. The leadership is said to be tasked with strategic planning for the company. This practice provides direction for the organization and provides an opportunity to challenge the normal processes, to be creative and innovative. It is a leadership practice of intellectual stimulation as well an
enabling others to act. It is the opposite of laissez-faire where leadership abdicates responsibility and fails to utilize authority and power.

Intellectual stimulation is a prominent practice at ConocoPhillips, where employees participate in teams to solve problems. In contrast the same leadership practice is not demonstrated by AOL Time Warner. During the merger, the integration process commences after the approval of the merger and the process is conducted by the HR and not a team that can strategize and solve problems together. Consequently, the integration process takes a longer time. Slow integration process is one of the main reasons why business combinations fail. Culture is embedded in organizations during critical events when employees see how the leadership responds to critical situations. In assigning the HR staff to make important decisions at a critical time when there is likely to be confusion and uncertainty the leadership seems to abdicate responsibility.

The contingent reward, a leadership trait which illustrates an active and effective brand of transactional leadership is not that considerable in the case studies. The reason being as discussed in the literature review, it is a leadership style more suited to stable environments where change is not required. Transactional active management by exception clearly exists in all the companies investigated in this study. The companies have a code of conduct for their employees, an agreement to arrange expected behaviors and monitor mistakes, which has to be complied with. Failure of employees to comply with the code attracts disciplinary measures. The code of conduct shows a leadership that determines the guidelines and watches for deviations, taking corrective action when necessary.

A code of conduct marks documented values and beliefs of the leadership in an organization. It represents the guidelines to conducting company processes, expected employees’ behavior, and what leadership pays attention to and what they reward. Consequently it is an important culture creation and embedding tool.
Entrepreneurial leadership approach comes out in the leadership of AOL. However, while it is acknowledged for facilitating the building of a successful business, its practices do not point to effectiveness in enhancing success during the merger. Entrepreneurial is a practice associated with being innovative, creative and independent. These practices do not necessarily enable a leader to influence people towards the achievement of organizational goals because they are individualistic. The same holds true for a leader who is an intellectual. The skill to analyze information and use it appropriately in decision making is idiosyncratic.

In a position of leadership, individuals acquire legitimate power which can be used to influence subordinates. It can be argued that whether an entrepreneur or intellect, when one is a leader there is a certain amount of power that can be applied. The issue however is that the power may be useful in monitoring and controlling stable organizational conditions, but may not be useful for the achievement of certain organizational goals such as mergers and acquisitions where others need to be engaged towards change.

5.3.2 Additional factors that influence leadership

An organization may have desirable and effective leadership behaviors and practices, but be unable to reach its goals. This can be due to influences that enhance or weaken the leadership as a practice. In the cases under study, lack of power in leading businesses may have impacted on AOL TimeWarner’s leadership. In today’s organization, stakeholders have more control of the company and influence decision making and structures of the company. To illustrate the point; before the merger the AOL’s leadership was effective in its ability to articulate vision, model behavior and influence culture of the organization. The merger led to the sharing of power and responsibilities, resulting in the AOL CEO becoming a chairman and not directly managing the businesses and consequently being unable to use the effective leadership skills effectively.
The motive and attitude of a merger; whether friendly or hostile may strengthen or weaken the efforts of good leadership. It is not in all cases that the combination is a welcome change to the leadership of organization. When it is clear and obvious to all stakeholders that the merger will create value, then the support from relevant stakeholders is likely to be greater. This can be likened to the employee readiness to work model discussed in the literature review. The employees may participate in ensuring that the planned strategies are implemented successfully. The opposite would be true that workers may resist and sabotage some of the plans for the merger despite good leadership efforts. In most instances diversification is known for reducing the value of a company. The merger of AOL and TimeWarner was towards diversity.

The type of business combination may impact on the leadership role and outcome of the merger. It may be difficult to have values in a discipline that one is not familiar with. The ConocoPhillips merger was a horizontal merger and there was common expertise and shared values. The leadership within the companies had previous experience and knowledge in the field, and personal aspirations for growth as the merger was in their field of their expertise and their goals were towards attainment of the same objectives. On the contrary the AOL TimeWarner merger was in different industries.

Strong culture or organizational rigidity is another factor that may affect the leadership either enhancing or weakening its success towards achievement of organizational goals. In some instances one organization may feel superior to the one it merges with and therefore undermine its policies. Both companies under study had strong cultures in their industries. In the case of AOL the strong culture impacted negatively, where their practices were seen as unique, different and impenetrable by TimeWarner. In contrast the Conoco and Phillips culture of safety worked positively enhancing the leadership practices and chances of success towards the merger.
5.3.3 Comparative discussion

The objective of the research paper was to identify practices and behaviors exhibited by leaders in a company which has had a successful merger and in another that has had an unsuccessful merger. The goal is to determine effective behaviors which were practiced and seem to have contributed to either the success or the failure of the business combinations. In presenting results and discussion of findings, comparisons are made of the two companies, these leadership behaviors are summarized below as further comparison is made between the two companies.

The Conoco and Phillips leadership illustrated an ability to look towards the future and see the big picture by making the required strategies and plans to accomplish goals towards change. The leadership considered important factors prior to and during the merger. The integration process was an effective leadership tool, starting before the close of the merger. This is an important leadership practice in change management. It enables the organizations to be aware of the expected change and to accept and embrace the change. In addition the integration process addressed issues of synergy, differences in culture taking into consideration the new strategy of the new organization. This is important because when the strategy changes often times the values have to change and consequently the culture is affected.

On the contrary, AOL TimeWarner failed to practice forward looking practices by the slow integration process.

The Conoco and Phillips leadership were involved and lead by example in directly supervising the integration office. In this way they were able to determine the readiness level of their employees and take appropriate actions. The integration management office included sub teams from the organizations branches, allowing participation in the process. This was also important for a number of reasons. First, the CEOs recognized leadership on different levels of
the organization with the sub-team members being leaders capable of influence in their own branches. Secondly, the CEOs could constantly influence the integration office sub-teams to commit to the new strategy. Thirdly, the integration team had close contact with authority, and therefore could make decisions quickly and have their concerns addressed by the authority. Finally, the sub-teams members could communicate progress as well as decisions to their branches. The integration process is reported to have been speedy. In this way ConocoPhillips leadership addressed some of the known causes of business combination failures effectively.

On the contrary, the AOL TimeWarner merger was conducted by the Human Resources which started the integration process when the deal was approved and focused on the human issues of the integration process. Having the integration process run by HR excluded other businesses and their input. The leadership adopted the laisse-faire leadership approach; not leading by example, abdicating their responsibility and refraining from using authority.

Another effective behavior that ConocoPhillips illustrates during the merger is that of shared vision based on strong imagery and values. Both companies have achievements in leadership and safety programs and therefore have a strong shared value which is part of their company culture. During the merger positive statements are made about the progress. On the other hand in the case of AOL and TimeWarner the values espoused to are different. One of the emphasized values of TimeWarner is diversity which refers to differences within an organization. Despite this, during the merger TimeWarner refers to AOL as the “suits” because of their different dress code and the AOL people are seen as AOLliens with a strange work culture by their counterparts at TimeWarner. This implies a culture “clash” that was not effectively addressed.
5.4 Conclusion

This paper investigated effective leadership practices and behavior which through values, assumptions and beliefs create culture and subsequently impact on M & A.

Though it is acknowledged that leadership is not a practice of an individual, the study shows that leadership is heavily associated with CEOs of organizations. First, leaders embody the core values of a group and exemplify the norms. Secondly, influential leaders impose their values on their organizations. While others depend on legitimate power only, the most influential leadership engages their followers psychologically, fulfilling their individual needs and are able to create culture that stays with the organization long after they are gone as demonstrated by the AOL founder’s leadership behavior.

The leadership behaviors and practices that effectively create and embed culture and were utilized effectively by Conoco and Phillips are identified to be; the ability to look into the future and articulate vision and values, inspirational motivation that engages the followers, intellectual stimulation, idealized influence, modeling behavior and leading by example, communicating high performance expectations, individual consideration and active management by exception.

AOL exhibited some of these practices before the merger, however, during and after the merger with TimeWarner, the leadership of the two companies failed to put into practice the following behaviors; take active involvement in the integration process leading by example and modeling behavior, strategic measures that were future looking, recognition of the impact of the different cultures of their organization and consequently a need to take measure to change it to meet the new strategy, integration of the two companies efficiently and timeously and finally involvement of their diverse businesses in the integration management. The leadership was unable to surmount their taken for granted assumptions and enable the company to evolve towards the new vision.
The role of leadership during the merger and acquisition or any organizational change process is to lead by example, becoming involved in the process from beginning to the end. The leader has to communicate regularly and frequently, engaging employees and challenging them to move forward towards the shared goals of the organization. Leadership is most effective during critical times in organizations when there is confusion and uncertainty.

Effective leadership has to know and recognize the readiness levels of its employees, and take the required action to engage them in the organizational process. According to arguments presented in the literature review and findings, in the two case studies, the behaviors and practices exhibited by transformational leaders are the best when it comes to influencing organizations towards achievement of goals at a critical time such as a merger and acquisition.

5.5 Limitations and recommendations

The results of this study may have to be replicated in other settings, such as in hostile mergers in order to determine the limits and restrictions of the identified leadership behaviors and practices identified in this study. Furthermore, the results may not be generalized in all merger and acquisition cases because the research was focused on mergers that may be called “mergers of equals”.

Another important consideration is that the historic data used was documentation that was intended for other purposes besides this study. Consequently, the biases’ of the authors of the documents used may be reflected and also may not always reflect reality. Further extensive and empirical research may be required in the companies studied using multiple sources of evidence such as interviews, observation and surveys before concluding the extent and lengths that leadership practices and behaviors impacted on the success or failure of the merger and acquisition at ConocoPhilips and AOL TimeWarner respectively.
The bias of the researcher may be present due to the fact that the research was undertaken by one researcher and there was no corroboration.

The study has contributed by pinpointing behaviors and practices associated with success of mergers and acquisitions in two companies. The research also confirmed the literature that states that transformational leadership is more effective in change management processes while transactional leadership is more suitable for stable situations within organizations.

The information gathered provides a basis to answer the question; what were the leadership behaviors, practices and values before and after the merger. It further gives lessons on how leadership can improve the chances of success in mergers by strategic planning, efficient integration management, leadership involvement and expectations of high performance as well as communication.

The information facilitates the understanding of the leadership practices, behaviors and values that are used to create and instill culture in organizations. Therefore the findings can be used in leadership training programs.
Bibliography


## Appendix A

### Review questions - Summary

#### Case study 1 – ConocoPhillips

<table>
<thead>
<tr>
<th>Pre-merger</th>
<th>Conoco</th>
<th>Phillips</th>
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</table>
| Description of the organization before the merger in terms of leadership behaviors, processes and culture | 1. In an interview with University of Oklahoma magazine Mr Dunham states that Conoco looks for visionary leaders, entrepreneurs who are forward looking, motivated and creative, flexible employees who can switch from one task to another. Employees have to believe in what they do, full commitment to company goals.  
2. In an interview with Christian net Archie Durham is described as a man who values honesty and lives by moral principles, which are rare commodities among the business community today. Archie Durham expressed his views this way, "Integrity and ethics are able to create strategic plan to meet and exceed goals. Mulva's policy of transparency and honesty protected Phillips from suspicions of financial mismanagement. In 2002 Mulva's peers acknowledged his leadership and ability in an increasingly difficult business environment by |
| 1. The leadership of the CEO is described as follows; by concentrating on new markets in Europe, South America, and Asia, Mulva made a stable long-term investment that avoided acquisition of assets in volatile Middle East reserves. The company highly valued safety and its employees and participated in communities. The company was also involved in a number of mergers. |

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1 Discovery: School of Petroleum and Geological Engineering Spring/Summer 1999 Vol 1 (No. 1) University of Oklahoma
Conoco among the responsibilities of all our corporate leadership, especially myself. Integrity and ethics must be evident in not only our personal lives, but also in our professional conduct before they can be instilled in our employees worldwide. Leading by example is how we do things here. In my case, these values are shared with business partners, customers and suppliers, as well as with many international heads of state. He participates in many positions of leadership and has been recognized by OU Board of Regents for demonstrated leadership.  

3. Conoco leadership has received leadership awards for outstanding leadership through consensus building and problem solving and recognized as a reliable, innovative and committed to community service.

Phillips presenting to him the Petroleum Executive of the Year award. Mulva created a five-year strategic plan that used several mergers and acquisitions to make the company more competitive and increase oil exploration and production.  

Mulva directed frequent safety inspections of production operations, trained employees in safe practices, and instituted more safety measures to ensure that an incident like the Valdez accident would not occur.

<table>
<thead>
<tr>
<th>2. What are other organizational indicators (common assumptions, values and expectations)</th>
<th>1. Conoco has topped the American Petroleum Institute (API) annual safety survey for the fifth year in a row. The company’s plant and personnel safety record comes from high leadership expectations, clear responsibilities and good tools. Conoco management supported business internship programs, and offers scholarships to community</th>
</tr>
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ConocoPhillips recognizes that being world-class in process safety is also essential for successful business\(^5\).

2. Conoco supports University of Oklahoma in Leadership programs it pledged 1 million as a gift which was allocated to three leadership programs\(^6\).

<table>
<thead>
<tr>
<th>The Merger</th>
<th>ConocoPhillips</th>
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<tbody>
<tr>
<td>3. How did the merger start and how was it conducted from beginning to end.</td>
<td>1. The Chairman and Chief Executive were the sponsors of the integration management office which consisted of sub teams made up of different branches in the company. The integration process was done in three phases; the first phase was nine months before the close of the deal and was the Architecture design which involved, sub-team scoping and launch, information sharing and synergy targets and synergy categories. The second phase was the implementation planning which involved the day one preparation, implementation plans, organizational structure, staffing and business design process. The last phase was the implementation and tracking and it occurred after the closing of the deal. The integration plan defined the role of the CEO, the scope and role of the integration office and the integration office decision making. The success of the merger is attributed to factors including; setting high aspirations from top to bottom, identifying the cultural challenges between the two organizations and explicitly designing a process to address them focusing on the core business processes, establishing strong people selection and communicating frequently and early(^7). 2. Mulva reported that the merger transition is going smoothly. “We have a committed and talented leadership team</td>
</tr>
</tbody>
</table>

\(^5\) http://www.dnv.co.kr/publications/dnv_forum/by_subject/oil_gas/a_matter_of_integrity_at_conoco.asp


\(^7\) FTC Merger outcomes round table : Merger integration best practiceshttp://www.ftc.gov/be/rt/presentationpanel3.pdf
that is doing an excellent job," said Mulva. "We are creating a new corporate culture focused on improving financial returns, operating efficiently, reliably and safely, and harnessing the spirit of our people.

### 4. What kind of programs were implemented to assist employees to deal with the merger

1. Change management toolkit and Employee Assistance Programs to assist employees affected

### ConocoPhillips

**Post Merger**

Description of the company after the merger.

| 5. What are the leadership behaviors and practices | 1. Archie Dunham Chairperson at ConocoPhillips in an interview sees effective delegation and trust, empowerment, motivation and good leadership as important aspects. He states that leadership at ConocoPhillips has many levels or responsibility; at one level it develops strategy and vision of company, developing talents in people and establishing and implementing values which are critical because they stay with the company. Integrity and ethics are important and should be modeled. Values very important, bribes not accepted and company does not do business in such places.

2. He recognized that Jim Mulva is the natural leader of the new company. He opted to take the ceremonial post as the statesman, the goodwill ambassador and now retires to follow his principle of not having two insiders in the Board.

| 6. What are values, policies and company processes and how are they implemented | 1. Code of conduct detailing expected employee behavior, written and made into booklets, training to ensure compliance. i) Safety, People, Integrity, Responsibility, Innovation and Teamwork ii) Employees required to complete |
**Appendix A - ConocoPhillips**

<table>
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<th><strong>Appendix A - ConocoPhillips</strong></th>
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<td><strong>ConocoPhillips</strong></td>
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<td>they disseminated</td>
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</table>
| Ethics Compliance certificate annually\(^{11}\). Summarized as safety and environmental stewardship.  
2. Creation of magazine called “SPIRIT” which is the company’s core values but which focuses on extraordinary efforts of employees.  
3. Network communities which are self directed and further supports the “SPIRIT” in their activities. |
| 7. Policies enforced |
| 1. Code of Business Ethics, violation of standards leads to disciplinary measures.  
2. Commercial code of business entailing expected behavior in business setting, compliance or disciplinary measures  
3. Price reporting procedures which can only be done by authorized personnel |
| 8. What is rewarded and encouraged. |
| 1. In booklet of code of conduct, CE encourages compliance with code of conduct and policies and obedience to rules and expected standards and failure is disciplinary action. Employees encouraged to consult management when uncertain. Code of conduct booklet clearly states expected behaviors of employees which are a condition of employment\(^{12}\).  
2. Accountability rewarded and part of the compensation package\(^{13}\)  
3. Recognition though publications in the company’s magazine “SPIRIT” \(^{14}\). |
| 9. What are the programs in the organization |
| 1. The company holds information and training sessions to promote compliance with laws, rules and regulations.  
2. Training and development programs geared at improving professional values as well as business values. As a |

\(^{13}\) Interview held by Christian net retrieved on June 29, 2008 from http://christiannews.christianet.com/1096980315.htm  
result, Global Learning & Development meets learning needs with a more focused curricula; Supports our core values; Sets the behavioral expectations of our values; and Provides for the behaviors that are needed at the right time in an individual’s development career.  

3. Wellness programs focuses on preventive and endemic illness, Employees Assistance Programs.

10. What are the organizations processes

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<tr>
<td>1.</td>
<td>In 2007 it receives an award for demonstrating commitment to the principles of conflict resolution. Its emphasis on ADR company wide and culture.</td>
</tr>
<tr>
<td>2.</td>
<td>Strategic planning and vision development and implementation are the work of Leadership. They are also expected to develop employees’ talents. Employee opinion surveys held regularly. Open door policy, communication guidelines clearly stipulated. Opportunity for hotlines.</td>
</tr>
</tbody>
</table>

11. How are employees selected

Interviews are a number of screening phases. The approach is innovative solutions where an interviewee is expected to give previous examples of problem solving scenarios. Successful candidates then invited to meet potential future colleagues.

Other notes

1. Only Principal CE and Senior Financial Officer are responsible for reporting specifically with regard to SEC.

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17 Interviewing at ConocoPhillips, process and preparation
## Review questions - Summary

### Case study 2 – AOL & TimeWarner

<table>
<thead>
<tr>
<th>Pre-merger</th>
<th>AOL</th>
<th>TimeWarner</th>
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</table>
| Description of the organization before the merger in terms of leadership behaviors, processes and culture | 1. In an interview Mr Case was quoted saying "I think I can have the greatest impact through an entrepreneurial prism, building on the AOL experience. At AOL, we were very mission-driven. We really were motivated as much by getting people online and ushering in a more interactive age as we were about building a business and making money."  
2. The AOL founder has been described as follows; He plays to his strengths as a visionary, an evangelist for the consumer, and a deal maker; understands how technology can serve people, and focuses on building a world-class team of colleagues, advisers, and managers to run the business operations.  
3. Case, who was a shy guy from his childhood, was | 1. Levin's management style was to use his impressive mastery of facts to sway the Time Warner board on his controversial acquisitions and strategies. His unrelenting appetite for information and fierce personal drive were legendary. Some have said about Levin: Uncomfortable in the media spotlight, he has often been characterized as cold and distant. Former colleagues have said he is intellectual but lacks charisma.  
2. Calculating, disarming, incredibly patient and intensely political are some words AOL Time Warner insiders use to describe Levin. In a recent New Yorker magazine article, he was presented as a consummate observer, someone who takes himself out of a situation to view the big picture. And like a chess player, Levin's ability to think many steps |

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2. [http://www.achievement.org/autodoc/page/cas1bio-1](http://www.achievement.org/autodoc/page/cas1bio-1)
4. Business biographies Levin Gerald
<table>
<thead>
<tr>
<th><strong>AOL</strong></th>
<th><strong>TimeWarner</strong></th>
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<tbody>
<tr>
<td>more comfortable working on his computer than interacting with people. Commenting on this, Kimsey said, “Case is much more at home behind a keyboard than a podium.” But Case admired forceful and charismatic CEOs who became a source of inspiration for employees... mega-mogul Mr Case is a salesman at hear²</td>
<td>ahead allowed him to preserve his standing and position. 3. Levin's tenure as head of the world's largest media company can be interpreted through his cunning survival instinct. After three major corporate mergers, including Time's merger with Warner, Time Warner purchase of Turner Broadcasting, and AOL’s acquisition of Time Warner, Levin remained at the top⁵.</td>
</tr>
<tr>
<td>4. In 1991, Mr Case, then the CEO of Quantum Computer Services, thought the company needed a new name, and he held a company contest to choose one. Employees suggested Quantum 2000, Crossroads, Explore and Infinity, but he voted his own idea the winner. America Online was born despite protests from employees³</td>
<td>4. I don't believe in co-CEOs. I don't think it works. But that's not the situation here. Steve is going to do what he wants to do. I'm going to do what I want to do ⁶.</td>
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The Merger

2. How did the idea of the merger start and how was it conducted from beginning to end.

1. The HR considered how the business was being put together before concentrating on staffing, training and selection. It took stock of all respective assets and considered how to make them work better together. After these considerations the CEOs were engaged on these issues. To ease the merger transition and make sure the pieces fit

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⁶ http://www.businessweek.com/bwdaily/dnflash/may2000/nf00508g.htm?chan=search
together as seamlessly as possible HR took the following initiatives:

**Structure.** When merger plans were announced in 2000, an HR transition team identified the human resource functions that needed the most attention. For instance, the group determined that some of the company's units don't need a constant HR presence, so some HR managers divide their time among several divisions, depending on workload.

Foreign operations. As soon as the merger was approved, the entire foreign HR staff was flown to a summit at America Online's Dulles headquarters to socialize and plot global strategy. Meanwhile, all of America Online and Time Warner's businesses in London, Paris and Hong Kong were transferred to a single headquarters office in each of those cities to speed up production and communication, with HR handling site and facilities planning and identifying foreign labor issues related to the merger.

**Management.** In an effort to hone the competitive edge at each of the new company's divisions, HR developed talent profiles of 300 key executives, a process that led to several changes.

**Recruitment.** Once the AOL Time Warner merger was approved, HR quickly built an executive recruitment team by hiring seasoned headhunters who already had amassed high-profile contacts in the media, finance and high-technology field. 

2. After the failure of the merger Mr Case stated that AOL had spent the last six years wrestling with integration issues and it needed to be independent so it could start to regain its leadership position.

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8 http://www.pcwelt.de/it-profi/englishnews/126837/steve_case_break_up_time_warner_free_aol/
Appendix B – AOL Time Warner

<table>
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<tr>
<th>Topic</th>
<th>Text</th>
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| 3. What were the perceptions, views | 1. While some experts speculated it may be difficult for Time Warner and AOL to merge their corporate cultures, Case, Turner and Levin expressed confidence they can overcome any obstacles. Wearing a tweed jacket without a tie, the normally button-down Levin even joked about the different cultures. "It gives me great pleasure to welcome the 'suits' from Virginia here to New York. Case, wearing a dark suit, said the areas of responsibility are clear. "Gerry and I worked out very early what our relative responsibilities will be," Case said. "I'll focus more on the strategic issues, I'll manage the board, I'll focus on policy issues, I'll focus on technology issues, I'll focus on investments, I'll focus on philanthropy, the things that I said at the beginning I think I do well and I really care about. He'll be CEO running the company."  
2. The attitude of AOL employees towards others was cited as one of the major reasons for the failure of cultural integration of AOL and TW. An article described AOL as, "A fascinating, seductive place with strange language patterns, curious rituals. Its inhabitants, AOLiens, dwell on an isolated planet where the Sun never rises and seasons pass unnoticed. For them, life online is the only way to live." Analysts attributed this style of work to Case's mission-driven management style. |

Post – Merger
Describe how the company now functions and the changes.

4. What are the leadership behaviors and practices | Further to the merger, the CEO stated that it is hard to push for strategic moves when none of the businesses reported to him. After stepping down, Mr. Case stated that the nominated CEO had exactly the right style of leadership, understanding of people, ability to build alliances, and commitment to serve the public interest that is critical for the company. The nominated leader was known as a revolver of disputes, and known for having the ability... |

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| 5. What are core issues and how are they disseminated | The core values at Time Warner are stated as Creativity, customer focus, agility, team work, diversity and responsibility. However diversity is more emphasized by all the businesses and in all company statements. When making statements diversity is mentioned. |
| 6. Policies, and how they are enforced | Code of conduct covering most of human related policies. Health and safety policies to protect employees working in conflict areas as well as general safety at work. |
| 7. What is rewarded and encouraged. | The company website clearly makes statement as follows: But we believe that in order to be successful in the global marketplace, diversity must go beyond the workforce to span every aspect of our business. This includes our supplier relationships, our corporate philanthropy, our investments and our creative content. We want to make sure diversity is part of the DNA of our company. All businesses emphasize their position in business and use numbers to indicate success. All businesses through Website publish awards obtained. |
| 8. What are the programs in the organization | Diversity programs, embedded through training sessions company wide. Time Warner is committed to offering tools and resources to help employees succeed at work and in life. Human Resources teams offer a number of leadership and professional development programs at both the enterprise and division level. These includes a number of leadership programs. |
| 9. What are the organizations processes | Employee opinion surveys help identify areas for improvement. We administer companywide employee surveys to ask employees about topics related to leadership, innovation, collaboration, and diversity. |

### 10. How are employees selected

At Time Warner, diversity is more than a goal, it’s a business imperative. Embracing a culture of diversity is no longer just the right thing to do – it’s the smart thing to do. It’s critical to our success that we hire and retain a staff that’s as diverse as our customer base. It not only helps us establish a competitive advantage, but is also key to better understanding and serving the diverse interests of communities around the world\(^\text{15}\).

### Other notes

1. Comments made with CNN, Levin speculated that a reason for the failed merger was ineffective leadership after the merger. There was a lack of moral and spiritual leadership. Put aside synergies, all of the investment banking cliches.

2. On commenting about the lessons gained from the past Mr case says "I think I'm better at the earlier stage ventures, I'm better playing offense than defense. When companies get large, they tend to focus as much on protecting what they have as building, and I'm much more a builder than a manager. Another lesson has to do with corporate and organizational structure. We've tried to establish an umbrella with a core set of values and strategic directions and an environment where entrepreneurship can flourish \(^\text{16}\)."

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\(^{15}\) Time Warner website

\(^{16}\) Leadership Steve case style retrieved on June 29, 2006 from [http://au.blogs.yahoo.com/leadership/6/leadership-steve-case-style](http://au.blogs.yahoo.com/leadership/6/leadership-steve-case-style)