



Mergers and Acquisitions Typically Disengage Employees, but Kenexa® Research Institute Finds that Effective Leadership Can Help Ensure Employee Retention

Research conducted by the Kenexa Research Institute (KRI) revealed a downward pattern in employee engagement levels. Much like the popular romantic comedy that illuminated marriage's "Seven Year Itch," KRI has uncovered a "two-year itch" that's disruptive to the workforce. More than 840,000 responses collected from U.S. and UK multi-national companies show that new hires are most excited and engaged during their first few months on the job (72%), but that during the sixth through 18th month, their satisfaction levels decline. By the end of year two, instead of focusing on their jobs, odds are that they're focusing on finding a new one.

The latest research from the Kenexa Research Institute summarized the effects of mergers and acquisitions on employee opinions.

According to the research, being merged and acquired has a pervasive, negative impact on nearly every aspect of how an employee views their organization. It undermines an employee's feeling about the company and confidence in its future, and prompts many employees to consider leaving. Yet, employees in merged or acquired organizations are less likely to leave voluntarily when their leadership is credible and demonstrates a clear and compelling vision of the future.

When the periods 1985-88 versus 2005 were contrasted, the WorkTrends™ data suggested that the negative impact of being merged or acquired on overall job satisfaction has lessened, while the negative impact on turnover intent has increased. In both periods, the largest impact of mergers and acquisitions was on the rating of job security.

Kenexa's research demonstrated that the impact of being merged or acquired was far more negative when layoffs occurred, creating a profound impact on an employee's sense of job security.

"Merger and acquisition activity creates vulnerability to talent loss. In order to begin the healing process and to ensure employees remain engaged, management must clearly state a tangible vision and plan of action. This should include accurate and timely information about the merger and its impact on the workforce," said Jack W. Wiley, Ph.D., executive director, Kenexa Research Institute.

Database Overview

The Kenexa WorkTrends database is a comprehensive normative database of employee survey results with comparisons on topics including leadership, employee engagement and customer orientation.

Study Details

The report is based on the analysis of data drawn from a representative sample of 10,000 U.S. workers who were surveyed through WorkTrends, KRI's annual survey of worker opinions.

The survey asked workers, if in the past 12 months their company:

- Acquired another organization
- Had been merged with or acquired by another organization
- Experienced layoffs due to a merger or acquisition

Survey Results

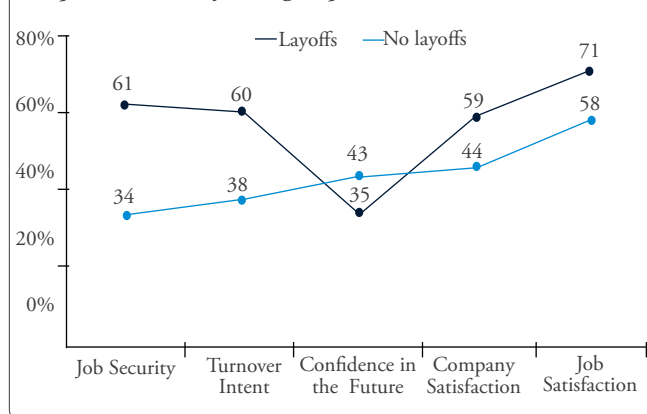
The results were rated using a 5-point Likert-type scale. The values in the following tables and graphs represent the percent of employees who answered, “Strongly agree” or “Agree” (% favorable).

Figure 1: Impact of Employee Opinions when a Company is Merged or Acquired: The Historical Perspective

Item	Year(s)	M&A	No M&A
Job Security	2005	47	63
	1985-88	50	70
Turnover Intent	2005	49	63
	1985-88	48	60
Confidence in the Future	2005	54	67
	1985-88	48	67
Company Satisfaction	2005	51	61
	1985-88	49	60
Job Satisfaction	2005	64	71
	1985-88	55	68

Of those who indicated their organization had been merged or acquired, 44% experienced layoffs, 45% indicated there had not been layoffs, and 11% were uncertain.

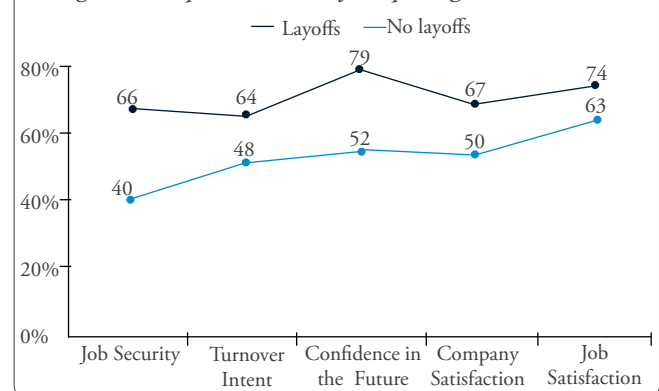
Figure 2: Impact of Employee Opinions During Merger and Acquisition Activity: Being Acquired



Impact of Layoffs on Employee Opinions During Merger and Acquisition Activity: Acquiring

- Employee morale is reduced in the acquiring organization when layoffs accompany the acquisition.
- Opinions of employees in acquiring organizations that do not experience layoffs tend to be just as favorable (or even more so) than are organizations without any recent merger and acquisition activity.

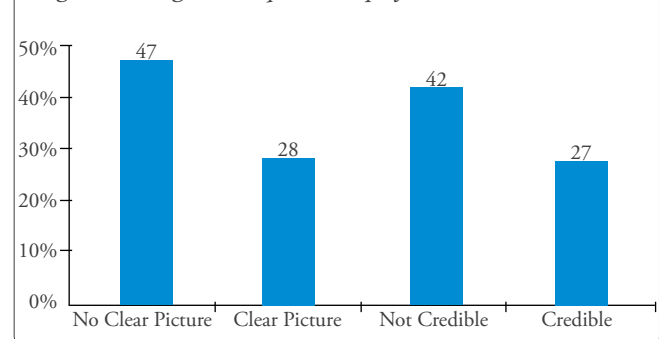
Figure 3: Impact of Layoffs on Employee Opinions During Merger and Acquisition Activity: Acquiring



Merged or Acquired Employee’s Intent to Leave

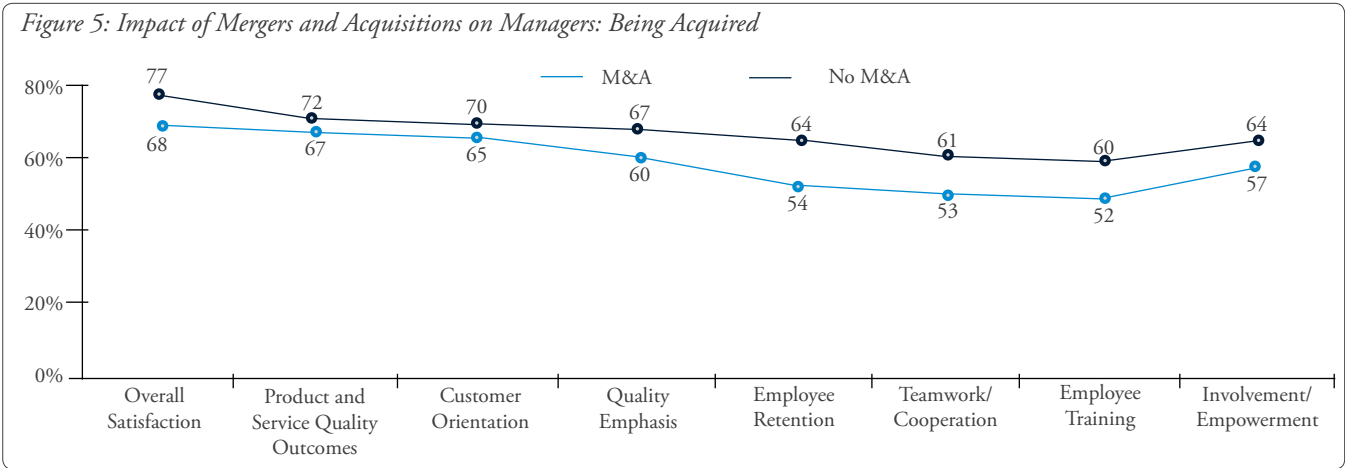
Employees in merged or acquired organizations are less likely to voluntarily leave when their leadership is credible and demonstrates a clear and compelling vision of the future.

Figure 4: Merged or Acquired Employee’s Intent to Leave



**Impact of Mergers and Acquisitions on Managers:
Being Acquired**

Managers who work in organizations with merger and acquisition activity rate their organizations much less favorably in many areas versus managers in organizations without any recent merger and acquisition activity.



About Kenexa

Kenexa provides business solutions for human resources. We help global organizations multiply business success by identifying the best individuals for every job and fostering optimal work environments for every organization. For more than 20 years, Kenexa has studied human behavior and team dynamics in the workplace, and has developed the software solutions, business processes and expert consulting that help organizations impact positive business outcomes through HR. Kenexa is the only company that offers a comprehensive suite of unified products and services that support the entire employee lifecycle from pre-hire to exit.

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