

NEW CULTURE INTEGRATION PROCESS (NCIP) MODEL IN MERGER ORGANIZATIONS

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Abstract. This research aimed to find an NCIP model based on the results of tests on an organization successfully merged. This study used a development research design namely developing a theoretical model into a new model based on the results of the tests in organizations successfully merged. The tests were carried out by three ways: (1) socializing theoretical model to the element of leader and staff of the organization, (2) holding a workshop to confirm the model to the situation and condition of the organization. The targets of the tests were the leader and staff. The data were verbal so that the analysis was undertaken using a qualitative-descriptive analysis technique. The results showed that most of theoretical NCIP models have been in accordance with NCIP model practiced by organization. However, NCIP model should be refined in some aspects: (1) the existence of synergy, expansion, and the need of life in the pre-merger stage, (2) vision and mission, the unification of organization, integration of potential, and organizational protection in during merger step, and (3) strengthened by the use of human resources, service standards, provision of instructions, and regular report at the post-merger stage. The main characteristics of NCIP Model can still be seen in the aspects of trust, multi-direction communication, and commitment.

Keywords: NCIP, Organization, Successfully Merged.

1. Introduction

The results of the preliminary research showed that the successful new culture integration is a determining factor for the success in an organization doing a merger. This case is shown by theoretical NCIP Model resulted based on the synthesis of research results (Aagaard, Hansen & Rasmussen, 2016; Hill, Weiner & Weiner, 2008; Moffat & McLean, (2009) in an organization successfully undertaking merger (Supriyanto & Burhanuddin, 2017). That NCIP Model can be seen in Figure 1.



Figure 1. NCIP Model in Successfully Merged Organization (Theoretical Finding)

Figure 1 explains that theoretical NCIP model has three stages. Those steps consist of pre-merger, during merger, and post-merger. The pre-merger phase successfully run through benchmarking, reviewing law aspect, and self-assessment of organization; (2) in order the during merger stage runs well, the supervision should be done, the step should have target, communicate optimally, show and realize optimal commitment; (3) to make the post-merger successful, the attachment of internal and external values should be done synergistically, the leader's role to keep the organization exists and maximally works should be optimized, the characteristics of the new culture and the results of successful merger should be shown. The main characteristics of NCIP model include: (1) the high trust between

leaders and subordinates, (2) the existence of multi-directional communication between leaders and subordinates and vice versa, and (3) high commitment between leaders and subordinates towards the organization. We should concern not only the final result but also the previous stages (pre-during-post merger).

NCIP Model is beneficial to (1) be the catalyst of the integration of new culture in merged organizations, and (2) be theoretical primary reference and study in the field of management science, especially management of organizational change. Organization merger by taking into account the cultural integration will be stronger than before. This case relies on the premise of Bradt (2015) that the merger of entities (organizations) will be more valuable than the separated ones. Merger can be stronger due to the support from the integration of new culture. Some organization mergers indeed failed and some others succeeded. Some failed mergers were caused by the leader ignoring the significance of the integration of organizational culture (Bradt, 2015). The cultural aspect is one of the central issues that can explain many organizations that failed in the merger (Cortina, 2015). Therefore, the NCIP model could solve the organizations that failed in the merger since they ignored the culture integration.

The main problem, theoretical NCIP model has not been tested on the organizations successfully merged in the field. The test was carried out to obtain more optimum model and can be implemented in all organizations that are doing or have done a merger. Based on such description, the researchers conducted a development research in the form of testing the NCIP model in organizations successfully doing a merger. The characteristics of successfully merged organizations are such as (1) positive cash flow (Wijiono, 2011), (2) supported by media (Binnur, 2013), (3) implementing applicable laws and regulations (Murtadlo, 2012), (4) the existence of the integration of new cultures (Foucreault, et. Al, 2016; Supriyanto, 2017), (5) the development of organization with reliable human resources and good management (Wiryaningsih, 2004), (6) the factors of organizational justice (Ismail et.al, 2016), (7) the management makes the right decision in each case and explains it to the members (Valentino & Brunelle, 2004), (8) human resources integration (Lupina & Wegener, 2012), and the merger process is successful if the technology of social network can be properly utilized to form a new culture in carrying out the merger process (Moffat & McLean, 2009; Jenaabadi & Shad, 2013).

The results of research conducted by Dauber (2012) showed that the merger process is successful if the merger stages should use special acculturation strategies such as integration, assimilation, separation, and marginalization. Schraeder & Self (2003) mentioned that merger is successful if we find such factors as the development of the organization, change of organization, and strategy of the organization so that a holistic perspective will help the organizations to successfully merge." Nguyen & Kleiner (2003) found that merger will be successful by taking into account some keys namely hands-on leadership, action bias, all staffs' involvement, continued to focus on the customers, open and honest communication with the employees. These results are in line with Klindzic (2015) stating that merger process is successful when the identity of organization can be seen as the basis and the emergence of a sense of shared identity and trust among the members of the organization are the successful keys of the successful merger. Lupina-Wegener, et. al (2015) affirmed that merger process is successful when the identity of organization can be obtained by considering the role of group outside and within the organization supported by Benton & Austin (2010) finding that merger could help organizations to reduce the competition and improve the effectiveness and efficiency and the balance of organizational strength is very influential on the ability to analyze the mission to obtain a better goal. This case is proven by the ability to unite organizations that have different behaviors but still have one mission.

Davidson & Ferret (2006) showed that the more the merger science develops the industrial profits will be more secure and able to compete healthily, Greenwood, et. al (1994) explained that the strength of the company's management foundation before merger followed by the supporting technology will result in the expected merger cultural integration. Zhang (2014) stated that producing leadership style is the determinant of the success of the cultural integration of Merger & Acquisition (M&A). The better the relationship with employees to provide freedom of creation, the produced M & A will be better (Emam & Shajari, 2013).

Wigger (2012) mentioned that UE has carried out M & A of which results were very good proven by many outlets that undertook, especially as a benchmark as the control of the success in the EU regulation reference. Friedman (2016) addressed that comfortable communication will be able to support a certain organization to continuously develop to achieve the ideals. Hill, et. al (2008) mentioned that the merger process and acquisition successfully indicated by the comprehensive integration process could be well implemented and run. Moressi & Pezzi (2014) stated that the successfully merged companies are supported by the clarity of the guide or the direction of how the assets of merger results are able to be used to strengthen the companies in the future while the research conducted by Larsson & Finkelstein (1999) stating that merger and acquisition are the complex organizational occurrences that have not been understood by the public since the researchers tend to provide incomplete explanation.

The research conducted by Rossi & Volpin (2003) found that the thing that supports the stock purchase is the condition of the financial safety of the countries involved in the merger process. The tendency is that in the share purchase deals between countries, the specific target is from the countries having the worse protection level for the investors than the countries that are potential buyers of their shares. In line with the previous research, Pfister (2009) asserted that the change of organization could influence the performance of the organization. Alvesson & Speningsson (2016) achieved the result that the managers often imitated the tendencies of many organizations and gives promises but overrides the complexity of real life consequently inhibiting the real efforts to use the acceptable ideas by various parties or individuals. Sinha (2008) affirmed that the new scenario of the economic development in India is by attracting

international investors, the big companies doing merger consider more the aspect of efficiency in the future, especially in investing the capital of the companies. Marks (2003) also affirmed that the managers should know the condition of the work culture and then develop the new culture in anticipating the changes in work behavior emerging after the merger.

Another study related to post-merger cultural integration was from Ovseiko, Melham, Fowler, and Buchan (2017) finding that organizational culture influenced the success of integration after the merger and clinical academic collaboration. The culture of two heritages of different organizations especially in terms of academic change will impact on each identity, clinic service, and the finance of a new organization. The combination through partnership strategy with a university was done to reach self-confidence of a new organization. Yamanoi and Sayama (2013) presented that (a) structure of internal and between companies networks significantly influenced individual turnover, interpersonal conflict, and organizational communication; (b) the lack of cultural integration decreases the financial performance after merger; (c) cultural integration is affected by the network structure inside and between the companies combination. Stinchcomb and Ordaz (2007) supported it by stating that the perspective used in successful cultural integration after merger is the clear identity of the new job, the suitability of the employees with the environment and the given workload, the clarification of individual culture intended in the new organization and the good reciprocal relationship between the new organization and employees. Nakoh (2005) stated that the successful merger process was due to the agreement between the related parties. This research resulted in a more perfect NCIP model so that it can be a theoretical and practical basis for the organization that is doing or will do a merger massively.

2. METHOD

This study used a development research method by testing from conceptual NCIP model into the more perfect NCIP model. The steps of model testing were carried out by identifying the location of the testing target (company), negotiating with the company, socializing the research results, Forum Group Discussion (FGD) and workshop of model testing, formulating the results, and formulating the new model of the testing results.

The test on the model was undertaken on the organization (the successfully merged company namely LK Company). This company is engaged in health or hospitals, elite housing, basic education to tertiary institutions and multi-national cross-national scales. The final results of the test on the model are expected can refine the model so that the more perfect model is obtained and ready to be widely implemented in the organizations that are doing or will do a merger. In the test on the model, the researchers conducted an interview, workshop, and were supported by the recording device to collect the data. The data were analyzed descriptively and qualitatively (Selomo & Govender, 2016). The analysis results could be the basis to refine the model so that it is ready to be a reference of many organizations that are doing and will do a merger. Through that model reference, it is sure that the organization that makes a decision of merger will succeed and exists in the future.

3. Results And Discussion

3.1. Results

The test of the NCIP model can be explained as follow. LK Company was built with the vision aiming at influencing the life through the planned development of independent city sustainably in the green area and physical infrastructure and first social class. For more than one decade, that organization has proven that it could be trusted property developer with the well-known brand. This is the biggest verified landbank owner throughout Indonesia. Through the integration of eight property companies include the development of a city, integrated big-scale development, retail malls, health, hotel, and recreation, and portfolio of fee-based income. LK is now the biggest property company based on the total of assets and incomes with the unique and integrated business model. This company also operates the group of the well-known private hospitals in Indonesia, the only one that reaches the world-class standard and leads the retail property industries.

Regarding the Merger in LK and based on the results of FGD with Marketing General Manager and Property Manager, the following description is obtained. Prior to the merger, LK company started from the major business engaged in the banking sector. In its development, this company has rapidly escalated and is in the change of a number of companies engaged in various fields including the matters of life and death. Such efforts are banking, property, education, hospital, apartment, housing, and funeral. The attempt to improve the synergy and expand the position of the company, the organizational action is necessary that is doing a merger process for the organizations of small companies. Merger here means integrating those small companies into an organizational media of a big company.

LK has human resources with various backgrounds of ethnic, religions, educations, and skills. During the merger, the unification of vision and goal of the organization is done. Such diversity is feared to influence the performance of the company in the long term. Such business is realized by relying on the condition of the company organizationally separated and merged into a big company. Such efforts are to protect the existence of small companies. Such actions are very relevant to the target reached in supporting the attempt to combine all available potentials. All strengths owned function more synergistically in achieving the higher performance of the company. This great action is believed and predicted to be able to bring the company to a more successful orientation.

There were some challenges faced during post-merger. They were basic and main challenges encountered by the management or leader such as the factors of egoism, jealousy, and the other anxieties that could arise from the employees involved in the units of the company that had done the merger. Another problem is the quality of the available workforce that could be an obstacle when they had to work in a merged company environment.

The strategy for improving the performance of the company after the merger was carried out by emphasizing the need to build the standards of the workforce to sustain the increasingly larger company after the merger. They must fulfill the competency standards determined by the company. If an employee does not meet the specified performance standards, he/she has to leave the company. One of the determined standards is the employee must be discipline, highly dedicated, honest, personable, able to deal with client and communicate. The company views such abilities are necessary to support the progress of the company in the future, especially in reaching the profits and high level of company productivity. If they cannot work based on the standards, they will be dismissed or told to resign from the company. The significant thing related to Human Resources management, the company has not given compensation the employees who left or stopped or were left.

Awards are certainly given to those who have high competence and achievement. There are still promotions and the other rewards limited and in accordance with the condition of the company. The promotion means raising them to the higher positions. The consistency of the company's action in responding to the development of the employees' behavior and performance is supported by the fixed standards consistently applied in this company for a long time.

The company continually provides "directions" to the subordinates so that they continually and obediently work under the company flag to reach the target determined by the leader or management. All members are obligated to obey all prescribed directions so that the company could run well.

The maintenance of the synergy of the various existing businesses, all employees and leaders always coordinate and communicate regularly. The leaders always hold routine meetings well scheduled. There must be some meetings a week. The subordinates are also coordinated by each manager or the head of the related unit. All those things are executed to guarantee all businesses and activities performed by the employees always refer to the visions, goals, and targets that will be achieved by the company.

Reports and evaluations are always done to continually supervise all activities conducted by unit or organization. This step is carried out to ensure that all programs or businesses that have been done can reach the target of time and the other benefits determined by the company. Besides, feedback can be obtained to create some changes, adjustments, and improvements of the strategies of the higher or profitable performance achievement.

All managers should have a strong leadership. Without this particular ability, they are impossible to control a big company with its various businesses. The leader has a big role in building the quality culture of the company. Therefore, besides having many capabilities in leading the employees, the leader has to have the exemplary ability, high discipline, and communication skill with the others as well.

The employees and leaders or managers working in this company are encouraged to have a good achievement. They who cannot well work will be naturally selected or in other words eliminated by the natural selection. The company then will replace with the other employees. LK never expects that kind of employees or does not need them, especially those who indeed choose to leave the company. LK never forbids it since this company automatically does not need them. Based on the development of research through the test on the theoretical model in the successfully merged companies, NCIP model was obtained as presented in Figure 2.

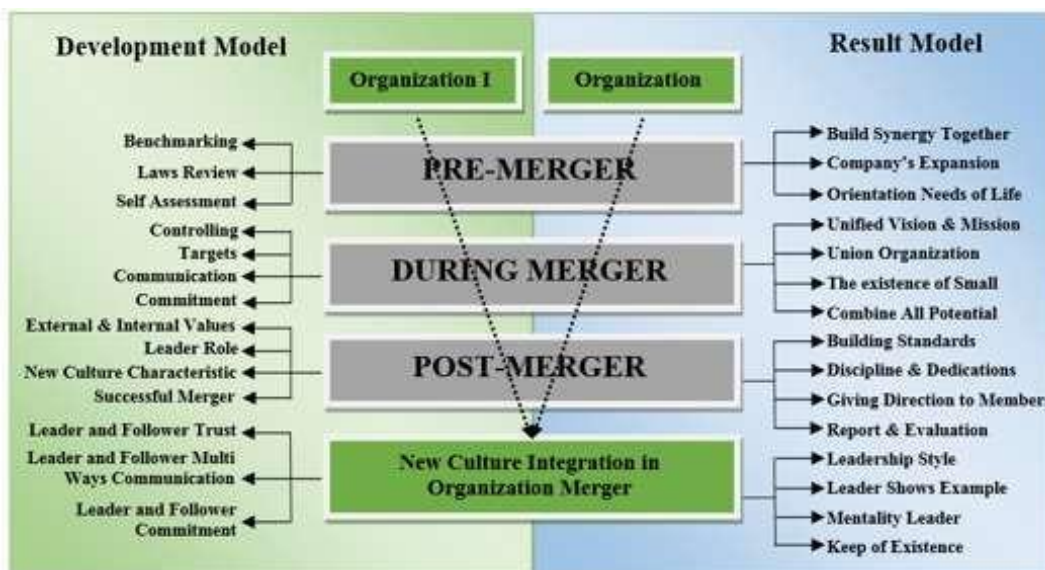


Figure 2. The Result of Test on NCIP Model in Merged Organization (Company)

Figure 2 shows that in the field of company, there was a new aspect that had been done. In pre-merger step, there were some new aspects such as (1) building together synergy; (2) enlarging the company both in terms of size and scope of business units; (3) oriented to meeting the human's life need from birth to death. In during-merger stage, there are some aspects such as (1) unification of vision and mission of organization; (2) manifested when the company is organizationally separated; (3) integrating it into a large company so that (1) the unification of vision and mission of organization; (2) is realized into a big company separated organizationally; (3) the merger into a big company can cover the existence of the small companies; (4) integrating all potentials so that all power can synergistically function to develop a bigger new company. In the post-merger stage, there are some aspects: (1) building the standards of workforce in sustaining the increasingly larger companies; (2) the created standards are discipline, high dedication, honesty, personality, the ability to relate to client, and communication; (3) directions for the employees to always comply with work under the new company flag; (4) regular reports and evaluations. Seeing those three processes, there are also the new aspects in the integration of new culture in the organization that has doing merger namely (1) the leader's ability to bring the member; (2) the leader shows the good model, high discipline, and the ability to well communicate with the other people; (3) the leader's mentality in facing various problems and challenges of organization; (4) always trying to maintain the existence of the company by showing the member's best performance.

3. DISCUSSION

In general, the tests on the NCIP model in the company showed that they were in accordance with the things happening in the field. Several things that need to be highlighted to refine the existing model are indicated by the building of the strong synergy between companies into a big company as the result of a merger. The merged company covers all small companies under it and must obey the applied rules, uses the high standard and the companies that cannot fulfill the standards should choose to leave the system. The rules are to maintain the good performance in a long term. The members have known from the beginning so that there is no guarantee to get severance pay. The members are strong because they are supported by the mental attitude of "steel" so that they still exist in the long run.

This research was supported by Vennet (1996) mentioning that the company that takes over the assets is dominantly influenced by defensive motives and managerial such as the effort to expand the target of the company. In line with that statement, the wave of combination merger or the total of tendency is due to the condition of market time or implication of world industrial shocks supporting the need for the merger to facilitate the change to the new environment (Harford, 2005). The market determines the policy of asset purchase and supports the merger process to execute strategic steps of organizational changes (Mitchell & Mulherin, 1999), and Triwanti (2010) found different result showing the merger process was successfully done. This case was proven by the significant abnormal return in the period of the date announcement of the stock.

The research conducted by Wijiono (2011) showed that the merger process is said successful if the company chooses the merger as the option. This case was shown by the existence of "positive cash flow"; the merger process is said successful if it is supported by the news in media that do not discriminate and trigger the discourse causing debate in the society (Binnur, 2013), Murtadlo (2012) stated that merger process is said successful if the basic laws such as the Laws Number 5 of 1999, the Rule of Government Number 57 of 2010 are well implemented and supported by the pre-merger evaluation.

A successful merger, according to Zulkarnain (2011) is because using three scenarios (pessimistic, moderate, and optimistic scenarios) by applying the control premium and discount lack of marketability. Besides, the successful merger process is shown by significant difference from the ratio of stock exchange that has been determined (Wardani, 2009) and the significant difference in ROE and Profit Margin on Sales (Willianti, 2001). The merger process is said successful if the basic law such as Law related to merger well run and supported by the development of organization with reliable human resources and good management (Wiryaningsih, 2004).

The integration process of culture into organizations successfully doing merger was proven by the statement that the integration of culture was successful proven by the decrease in the effect of the preference for segmentation of the employees' ability to break away from work during break time (Foucreault, et. al, 2016; Alves, 2018). That merger was successfully indicated by domestic investor pushing the price movement meaning that there is asymmetry information in the Stock Exchange (Hanafi, 2002). The merger was also successfully carried out due to the organizational factor of merger significantly influencing the culture of the organization (Ismail et.al, 2016). Besides, Roziek (2011) found that the integration process is said successful if there is a policy protection underlined by giving the opportunity to improve the environmental effect which is positive to the economic growth, especially in the long-term perspective. The integration process is said successful if a leader or manager is able to correctly decide every problem they face and well explain to the members of the organization (Valentino & Brunelle, 2004). The integration process is said successful if the HR integration in the subsidiaries of Western economy is undertaken with a clear understanding of collaboration of local and foreign managers in the merger (Łupina-Wegener, 2012). Besides, the merger process is said successful if the technology of social network can be well utilized aiming at forming the new culture in doing the merger process (Moffat & McLean, 2009).

The results of the study conducted by Dauber (2012) found that the merger process is said successful if the merger stage needs to use special acculturation strategies such as integration, assimilation, separation, and marginalization. Schraeder & Self (2003) mentioned that merger is categorized successful if there are some factors of

the development of the organization, the change of organization, and the strategy of the organization so that the holistic perspective will help the organizations to successfully merge." Nguyen & Kleiner (2003) found that merger process is considered successful if the process takes into account some key things namely hands-on leadership style, behavior bias, all staff's involvement, the continual focus on the customers, open and truthful communication with the employees. This case is in line with Klindzic (2015) stating that merger process is regarded successful if the identity of organization can be seen as the basis and the emergence of the sense of shared identity and trust among members of the organization are the key of the merger success. Lupina-Wegener, et. al (2015) affirmed that the merger process is said successful if the identity of the organization can be obtained by taking into account the role of the group outside or inside the organization. This case is supported by Benton & Austin (2010) finding that a merger could assist organization to reduce competition and improve the effectiveness and efficiency; the balance of the organization's power is very influential on the ability to analyze the mission to attain better goal; this case is proven by the capability for unifying organization of which behavior is different but the mission is still the same.

Davidson & Ferret (2006) showed that the more the merger science develops, the profit of industry will be more guaranteed and able to compete well. Greenwood, et. al (1994) explained that the power of management foundation of a company before merger followed by the supporting technology will result in the integration of a culture of the expected merger. Zhang (2014) stated that creating a leadership style determines the success of the integration of a culture of Merger & Acquisition (M&A). The better the relationship with employees to provide freedom in of creation, the M & A that will be produced will be better as well.

Wigger (2012) mentioned that UE has carried out M&A with the very good result proven by many outlets doing that, especially as a benchmark for the control of the success referring to UE rule. Friedman (2016) mentioned that comfortable communication will be able to support an organization to continually develop so that it can reach the goal. Hill, et. al (2008) mentioned that the successful merger and acquisition process is indicated by the holistic integration process flowing and well implemented. Moressi & Pezzi (2014) addressed that the companies successfully doing merger are supported by the clear guide or direction of how to use the assets of merger results to strengthen the company in the future, while the research conducted by Larsson & Finkelstein (1999) stating that merger and acquisition is a complex organizational occurrence and public has not known it well since the researchers tend to explain incomprehensively.

Rossi & Volpin (2003) mentioned that the support of purchasing stock is determined by the condition of the financial safety from the countries involved in the merger process. The tendency is that in the share purchase deals between the countries, the specific targets are the countries that have worse protection level to the investors than the countries that will buy their shares. In line with previous research, Pfister (2009) mentioned that the change of organization could influence the performance of the organization. Alvesson & Speningsson (2016) obtained the results that the managers often imitate the tendencies of many organizations and give promises but ignore the complexity of the real life so that they inhibit the real efforts to use the acceptable ideas by many parties or individuals. Sinha (2008) affirmed that the new scenario of the economic development of India is by attracting the international investors; the big companies doing merger considers more the aspect of the efficiency in the future, especially in investing the capital of the companies. Marks (2003) affirmed that the managers should know the working culture that exists and then attempt to develop the new culture to anticipate the changes in behaviors of performance emerging after the merger.

The other studies related to the integration of culture after merger from Ovseiko, Melham, Fowler, and Buchan (2017) exhibited that the culture of the organization affected the success of integration in post-merger and the clinical academic collaboration. The culture of two heritages of different organizations, especially in term of academic changes, will impact on each identity, clinical service, and the finance of the new organization. The merger through the strategy of partnership with the university is carried out to reach the self-confidence of the new organization. Yamanoi and Sayama (2013) showed that (a) the structure of internal network and between companies significantly influences the cycle of individual, interpersonal conflict, and communication of organization; (b) the lack of the integration of culture reduces the financial performance after merger; (c) cultural integration is influenced by the structure of network within and between the company merger. Stinchcomb and Ordaz (2007) supported those results by stating that the perspective used in the success of the integration of culture after the merger is the clear identity of the new job, the suitability of employees with the environment and the workload given, the refinement of individual's culture intended in the new organization and good feedback between the new organization and the employees. Nakoh (2005) stated that the successful merger process is caused by the agreement between the related parties.

The unsuccessful merger process is influenced by not only the financial factor but also the non-financial factors so that the expected synergy cannot be reached. Meanwhile, the unsuccessful merger is because it does not show the advance of the company in the pre- and post-merger (Olivani, 2007; Prestiwanto, 2002). Sutrisno (1999) explained that "the merger process was unsuccessfully indicated by there was no significant difference in market reaction between using purchase method and pooling of interest method." A little bit different from the study of literature conducted by Dauber (2012), it was found that M&A underwent high failure due to the difference in culture. The identity of the new culture in the company after the merger is also regarded essential by Wegener, Schneider, and Dick (2015) where that case can be achieved through an approach of the stakeholders to the identity of the organization that will bring about the success. Besides the contribution of the stakeholders, according to Kroon (2015), language also influences the

individual's ability to give meaning to the change of condition. Language affects the social condition to encourage the perception of inequality status between the groups of employees.

Aagaard, Hansen, and Rasmussen (2016) researched the challenge and experience of merger with such results as the increase in the demand of efficiency, the increase in the demand of the effect of the real synergy of the merger, the improvement of collaboration and communication, and the need to create a broader scope for strategic leadership. The situation after merger asks for further reorganization that cannot easily begin. Besides the emerging challenge, there are the other factors in the condition of the organizations that will be merged namely geographical space, cross sectors/fields, the movement of structures from a part to a unity that also contributes to the success of the merger.

Some recommendations based on this research are NCIP model in merged organizations subsequently can be implemented in the organizations that are doing and will do the merger. The effectiveness and efficiency of the model can be measured in stages and continuously so that it can be a theory of NCIP in the merged organizations. The research that can be conducted later in the implementation of the NCIP model in the organizations that are doing or will do the merger.

4. Conclusion

The results of the testing on theoretical NCIP model were appropriate or relevant to the practice of the integration of new culture into an organization (company) successfully doing a merger. Nevertheless, in that testing, NCIP model should be refined by adding the values contained in the daily practices of the organization. Some values that complete the previous model are such as (1) the synergy, expansion, and life need in the pre-merger step, (2) supported by vision and mission, unification of organization, integration of potential, and organizational support in the during merger stage, and (3) strengthened by the use of quality standard of Humans Resources, service standard, the provision of instruction, and routine report in the post-merger phase. The aspects that should be maintained to make NCIP remains embedded in the merged organization are trust, commitment, communication, strong leadership, and a good model.

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