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# Sika: Everbuild Post-merger Integration

The Everbuild logo features a stylized graphic of horizontal bars in yellow and white to the left of the text. The word "EVER" is in white with a black outline, and "BUILD" is in yellow with a black outline.

**EVER  
BUILD**

The Sika Building Trust logo consists of a red triangle containing the word "Sika" in a white, stylized font, with a registered trademark symbol (®) to its upper right. Below the triangle, the words "BUILDING TRUST" are written in red capital letters.

**Sika**®  
**BUILDING TRUST**

Organisational  
Behaviour

**Dr Jacob Eisenberg**

BMGT43620

*Table of Contents*

---

**1. Introduction..... 2**

**2. Problem Identification ..... 2**

**3. Analysis..... 2**

3.1. Organisational Culture..... 2

3.2. Employee Perceptions ..... 2

3.3. Employee Attitudes ..... 2

3.4. Resistance to Change..... 3

**4. Recommendations ..... 3**

4.1. Pilot Project and MARS Model ..... 3

4.2. Lewin’s Model of Change ..... 3

**5. Conclusion ..... 4**

**References..... 5**

**Appendices..... 7**

Appendix 1: Sika Ireland Organisational Culture..... 7

Appendix 2: Sika Ireland Revenue ..... 7

Appendix 3: Sika Ireland Organisational Structure ..... 8

Appendix 4: Project Consulting Team..... 8

*List of Tables*

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**Table 1: Driving forces and restraining forces ..... 4**

## ***1. Introduction***

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Sika AG (Sika) is a chemical manufacturer and wholesaler, headquartered in Baar, Switzerland. The company focuses on organic growth supported by external growth via merger and acquisition (M&A). In June 2013, Sika acquired Everbuild – a chemical, sealant and adhesive manufacturer and wholesaler. The purpose of this report is to identify the problems and challenges faced in this M&A and propose solutions to the issues suffered in the post-merger integration (PMI) of the firms. The team leveraged its professional network to identify Sika as a potential company requiring assistance with its operating activities. Following this engagement, it was identified that Sika faced issues relating to the aforementioned M&A and sought insight from the consulting team.

## ***2. Problem Identification***

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To identify the problems stemming from the PMI of Everbuild, an interview was undertaken with Sika Ireland's Managing Director – Declan Carroll, and Mark McGuire – Everbuild and Distribution Manager, in their Dublin office. The core issues identified at this meeting are as follows:

- |                                   |  |
|-----------------------------------|--|
| 1) Employee perceptions of M&A    | 3) Organisational cultural differences |
| 2) Employee attitudes towards M&A | 4) Resistance to change                |

## ***3. Analysis***

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M&A integration remains a complex undertaking for organisations (Schweiger and Lippert, 2005; Weber and Tarba, 2011; Idris, Wahab and Jaapar, 2015). Furthermore, according to Weber and Tarba (2012), human factors constitute the primary cause of M&A failure. Sika maintain significant human obstacles in their current PMI with Everbuild, stemming from the aforementioned issues. Following the M&A of Everbuild, Sika's revenues increased significantly (Sika Ireland, 2019a). However, turnover declined by 8% in 2017 (See Appendix 2), indicative of the underlying PMI issues.

### ***3.1. Organisational Culture***

Organisational culture may be referred to as the central constraining factor in M&A success (Weber, Tarba and Reichel, 2011; Aristos *et al.*, 2018). Concerningly, significant cultural differences exist between Sika and Everbuild. Hence, the organisational culture of Everbuild represents a counterculture of Sika (Weber and Tarba, 2011). However, Savović (2017, p. 720) asserts that employee attitudes hold the key to successful PMI, due to their mediation of 'the relationship between organizational culture

differences and post-acquisition performance'. Thus, substantial cultural differences between organisations can be overcome.

Despite this, cross-cultural issues are often overlooked and consequently mishandled by executives during PMI (Kühlmann and Dowling, 2005). It appears that Sika remain no exception to this trend due to the apparent tension between employees, common to PMI (Sarala, 2010). This may be attributed to differentiation, wherein employees maintain conflicting experiences, values and beliefs (McShane and Von Glinow, 2018). According to Sika Ireland (2019a), the organisation's culture maintains a focus on empowerment reinforced by supportive managerial processes. However, Sika indicate that Everbuild maintained an emphasis on an organic over a mechanistic organisational structure (Carroll and McGuire, 2019). Consequently, Everbuild failed to develop an understanding of Sika's management philosophy.

### *3.2. Employee Perceptions*

Employee perceptions are paramount to the success of PMI. Moreover, empirical findings illustrate the importance of employee perceptions of equitable resource allocation during PMI (Bansal, 2017). Sika's attempt to diminish the prominence of the Everbuild brand during the PMI process produced negative perceptions of the M&A from Everbuild employees. This evidenced a lack of communication from Sika's leadership. Angwin *et al.* (2016) support the importance of effective communication from managers during PMI. Babić, Savović and Domanović (2014) find that poor leader communication results in the development of employee resistance to change.

Furthermore, a lack of goal congruency between the firms is evident as Sika referred to issues regarding Everbuild employees' role perceptions, indicative of the presence of organisational silos (Schaubroeck, Holsztein Tarczewski and Theunissen, 2016). Additionally, Sika has pursued a reactive over a proactive approach to PMI due to the staggered PMI process, wherein the organisation has stalled integration to ensure that problematic Everbuild employees resign (Carroll and McGuire, 2019).

### *3.3. Employee Attitudes*

Frequently, PMI generates negative employee attitudes (Weber, Tarba and Reichel, 2011). Furthermore, Schweiger and Lippert (2005) demonstrate that M&As produce employee uncertainty which maintains

the potential to create resistance to change and employee turnover. This was evidenced in Sika's PMI of Everbuild as employees have left the company following acquisition.

### *3.4. Resistance to Change*

Collectively, the cultural differences, negative employee perceptions and attitudes instigated resistance to change from Everbuild employees. Everbuild's unaddressed uncertainties provoked a fear of the unknown. Also, not-invented-here-syndrome was influential when Everbuild rejected Sika's culture and structure, instead maintaining their informal and flat organisation. This resulted in a lack of integration, which is linked to poor financial performance (Shrivastava, 1986). Paradoxically, a trade-off exists with high degrees of M&A integration. High integration promotes synergies, but generates employee stress which diminishes the idiosyncratic value of acquired firms (Weber, Tarba and Reichel, 2011). Ultimately, to achieve its organic growth strategy, Sika must ensure high integration with Everbuild.

## *4. Recommendations*

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### *4.1. Pilot Project and MARS Model*

It is recommended that Sika pursue the introduction of a pilot project to implement the change required in the current PMI process. The effectiveness of such initiatives has been empirically demonstrated in Procter and Gamble's circumvention of resistance to change via a pilot project (Martin, 2009). Furthermore, according to Beer, Eisenstat and Spector (1990), such projects enable the attainment of sustained employee support without the expense and risks of companywide initiatives. Thus, they can be characterised as a prudent and long-term approach to change. Sika may implement such a pilot project in Ireland, before transferring the initiative across the company's European operations.

The effectiveness of pilot projects is moderated by the four aspects of the MARS model (McShane and Von Glinow, 2018). Pertinently, employee willingness to change is directly influenced by each aspect of the MARS model (Oreg *et al.*, 2008). Furthermore, Sika may generate an urgency for change via extrinsic motivators to develop clear role perception and thus overcome goal incongruency.

### *4.2. Lewin's Model of Change*

Lewin's (1947) force field analysis model is a planned change model explaining the restraining forces maintaining the status quo and driving forces for desired change. Sika maintains a discrete business unit

to regulate worldwide M&As. Therefore, to alter the quasi-stationary equilibrium stage, it is necessary to identify the specific driving forces and the restraining forces maintaining the status quo in each PMI. This may be achieved through knowledge sharing by individual employees supported by a stimulating change leadership style (Hussain *et al.*, 2018). Table 1 identifies the driving and restraining forces specific to the PMI of Everbuild.

**Table 1: Driving forces and restraining forces**

Driving Forces	Individual Level Restraining Forces	Organisational Level Restraining Forces
Market Place Demands	Employee Attitudes: Selective Perception	Organisational Culture
Diversification & Risk Mitigation	Fear of Unknown	Investment in Resources
Revenue Growth	Not-Invented-Here Syndrome	Maintaining Stability

As the elimination of restraining forces is associated with greater sustainability of the implemented change (Hayes, 2014), it is recommended that Sika pursue the mitigation of these forces over the amplification of driving forces associated with Sika’s present approach. Moreover, to this end, Sika must arrange synthesising sessions regularly with Everbuild management and request feedback from the employees. This will enhance the sense of ownership among all stakeholders associated with the PMI of Sika and Everbuild. Furthermore, feedback mechanisms will enable Everbuild employees to understand the level of progress towards the objectives of change and provides a permanent mechanism to support new behaviour patterns in the long term (McShane and Von Glinow, 2018).

A further paramount aspect to minimise resistance to change relates to the refreezing of desired conditions due to the habitual nature of individuals (Cohen and Kotter, 2005; Roberto and Levesque, 2005). Sika leaders must refreeze new behaviours in Everbuild by realigning organisational systems and team dynamics with the desired changes to ensure the sustainability of this change.

### 5. Conclusion

Conclusively, it appears necessary that Sika undertake a radical shift in approach to the PMI of Everbuild. The current process exhibits a lack of alignment with the firm’s pursuit of organic growth. Consequently, it is recommended that Sika pursue a high level of integration during PMI. This will enable acquired firms to contribute to the organic growth of the company.

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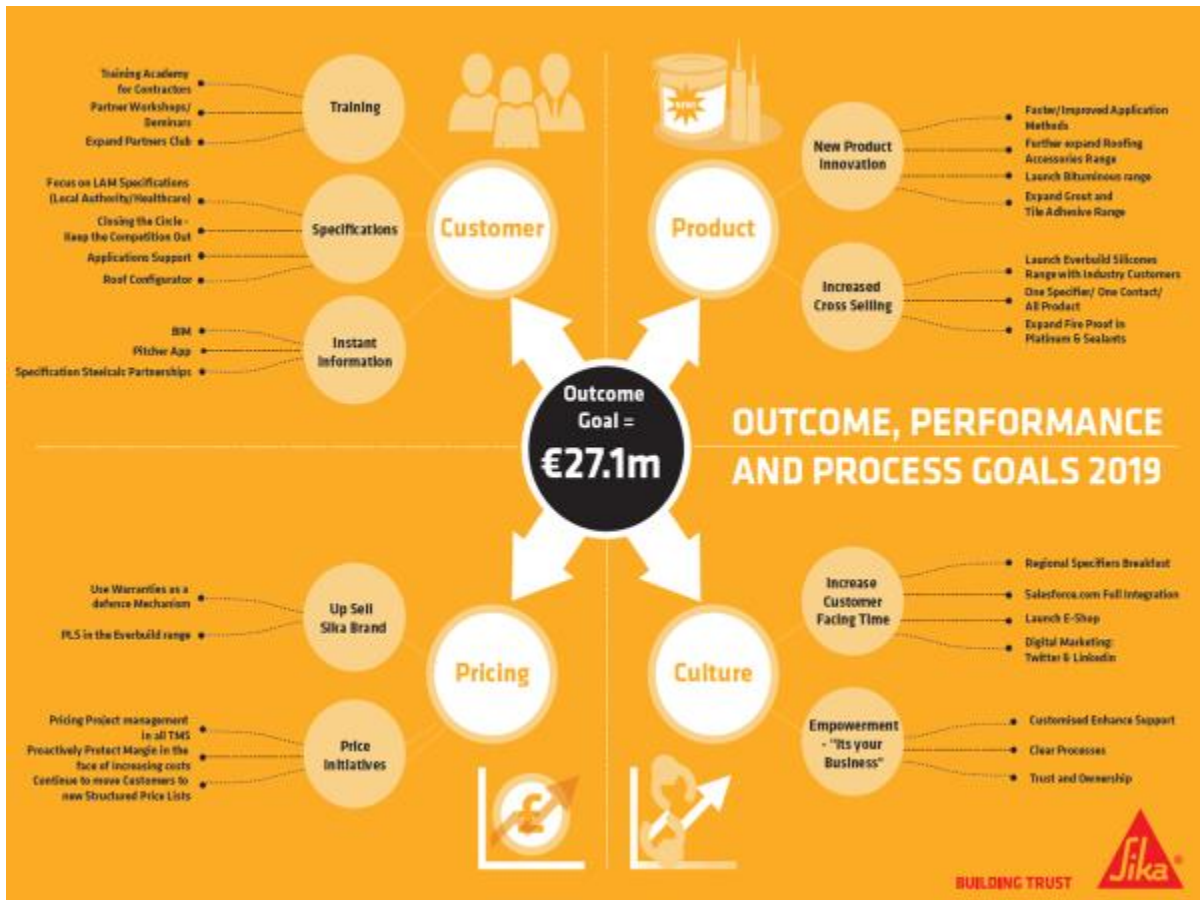
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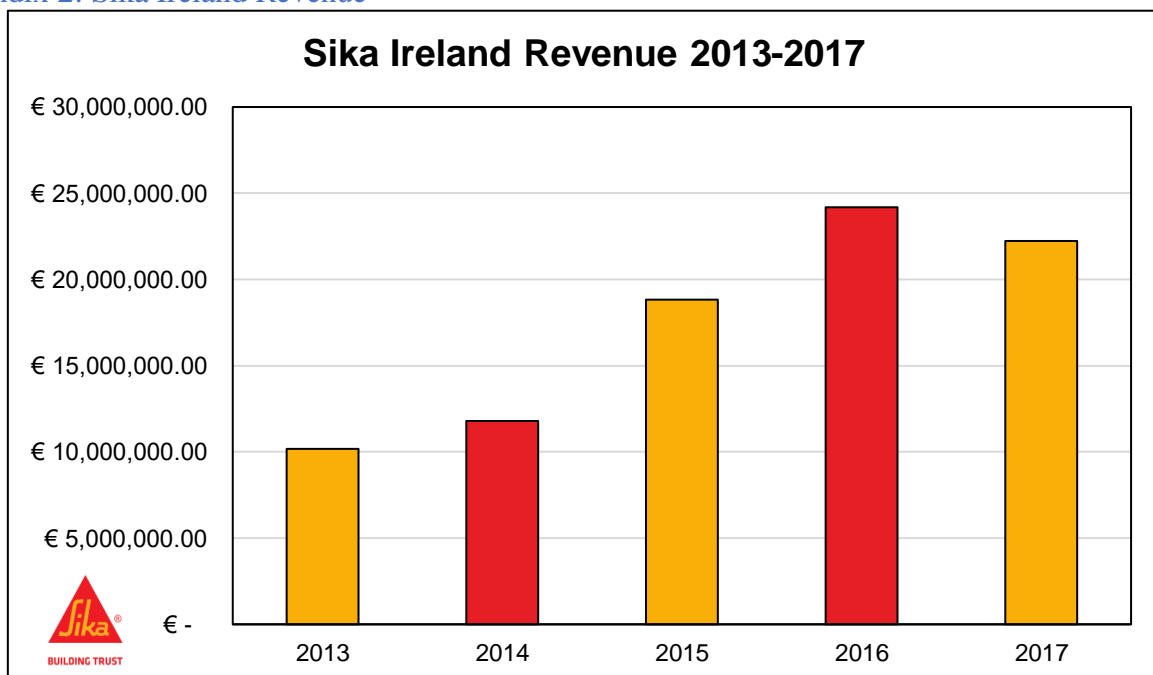
## Appendices

### Appendix 1: Sika Ireland Organisational Culture



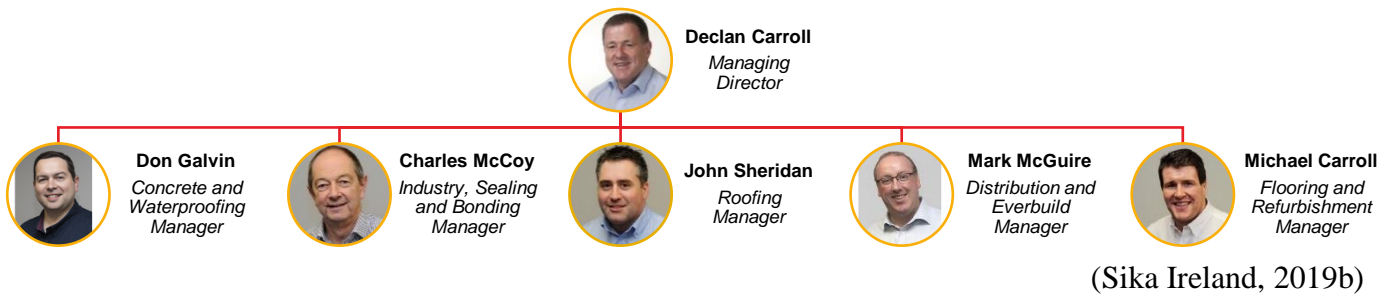
(Sika Ireland, 2019a)

### Appendix 2: Sika Ireland Revenue



(Sika Ireland, 2019a)

### Appendix 3: Sika Ireland Organisational Structure



### Appendix 4: Project Consulting Team



# SIKA

## Post-Merger Integration Problem

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ORGANISATIONAL BEHAVIOUR

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## Topics to Cover

- Introduction
- Problem Identification
- Analysis
- Recommendation
- Conclusion



**Declan Carroll**

Sika Ireland  
Managing Director

**Mark McGuire**

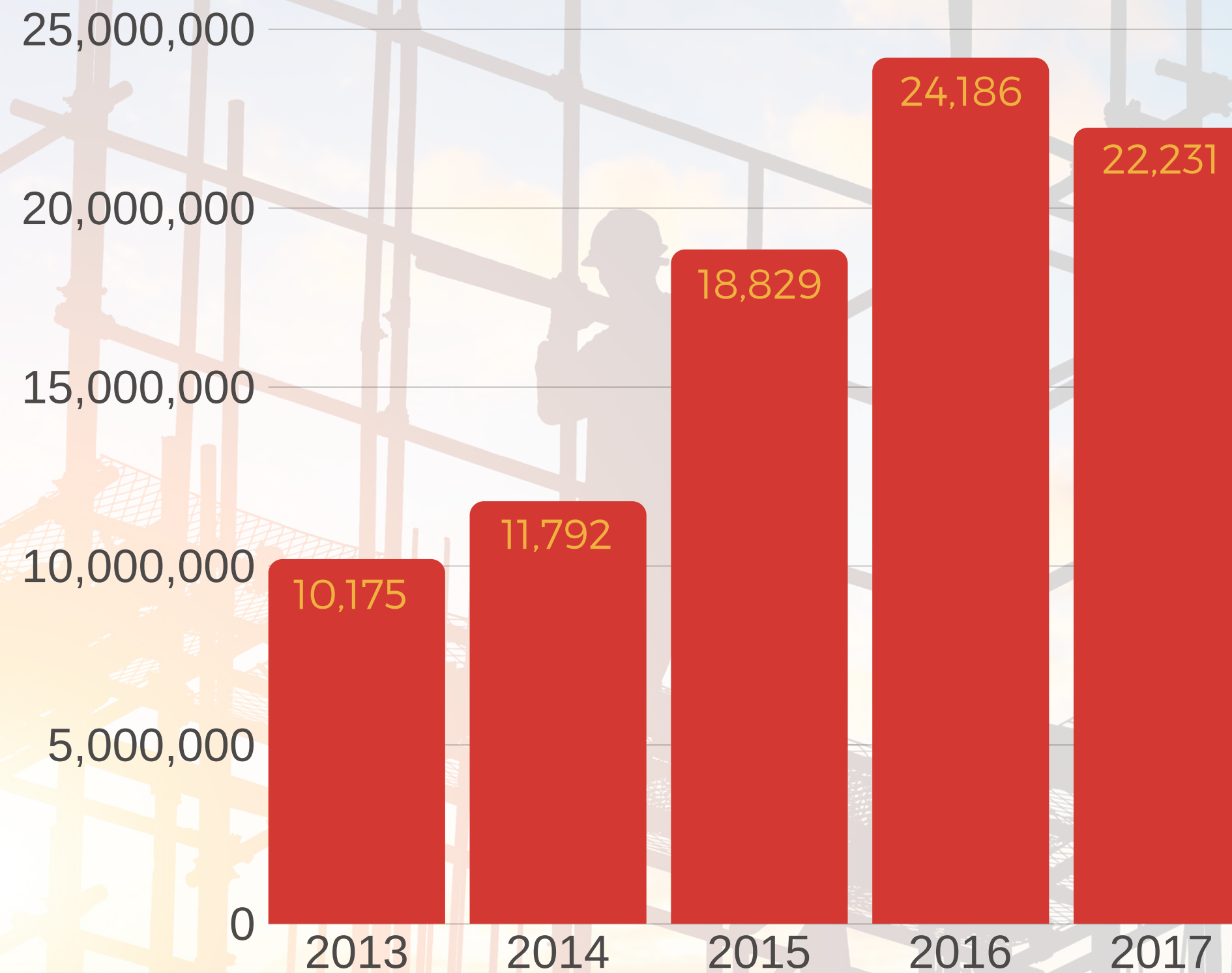
Distribution and  
Everbuild Manager



# Problem Identification

# Financial Performance

## Revenue 2013-2017



# PMI PROBLEMS

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## EMPLOYEE PERCEPTIONS

Ineffective leadership and communication.



## EMPLOYEE ATTITUDES

Negative attitudes and turnover.



## ORGANISATIONAL CULTURE

Mechanistic vs Organic Culture.



## RESISTANCE TO CHANGE

Caused by the perceptions, attitudes and cultural differences at Everbuild.

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# Recommendation

**PILOT PROJECT**

-- MARS MODEL

**LEWIN'S MODEL  
(HOW)**



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## **Pilot project for PMI Process**

Implementation of pilot project  
in Ireland before transferring  
across the European operations.

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## **Extrinsic motivators**

Developing clear role perception  
via extrinsic motivators.

# **Pilot Project: MARS Model**

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# Lewin's Model

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- **Planned change model.**
- **Driving and restraining forces.**
- **Maintaining the status quo.**

# Driving and Restraining Forces

-- Lewin's Model

## Driving Forces

- Marketplace demands.
- Diversification and risk mitigation.
- Revenue growth.

## Individual Level Restraining Forces

- Employee attitudes: Selective perception.
- Fear of unknown.
- Not-Invented-Here syndrome.

## Organisational Level Restraining Forces

- Organisational culture.
- Investment in resources.
- Maintaining stability.

## Mitigation of restraining forces

Greater sustainability of the implementation.

## Synthesising sessions

Enhancing the sense of ownership among all stakeholders.

## Feedback mechanisms

Supporting new behaviour patterns in the long term.

## Refreezing of desired conditions

Realigning team dynamics with desired change.

# CONCLUSION

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**Thank you!**

