ORGANIZATIONAL CHANGE IN MULTINATIONAL CORPORATIONS:

A CASE STUDY OF ECOLAB- NALCO MERGER IN KENYA

BY

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DECLARATION

This is to declare that this research project is my original work and has not been submitted for examination in in any other institution of higher learning other than the University of Nairobi.

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D61/68440/2011

This is to declare that this research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

I dedicate this research project to my lovely children, Avidan Kahuthu Miano and Adrianna Wanja Miano, who have brought so much joy to my life and made me understand the need to go an extra mile; and to my loving husband, Francis Miano Wanja for offering his support immeasurably during my MBA study period and beyond. I thank God Almighty for you all. This family was for sure designed in heaven!

ABSTRACT

Mergers and acquisitions are complex events in organizational life for which we have incomplete understanding, in part because researchers have tended to consider only partial explanations of them. The research establishes how sustainability of different cultures and functional processes is a function of the similarity and complementarity of the two merging businesses (combination potential), the extent of interaction and coordination during the organizational change process, and the lack of employee resistance to the combined entity. The approach differs from traditional methods of studying mergers and acquisitions in two ways: (1) the success of a merger or acquisition is gauged by the degree of collaboration realization rather than more removed and potentially ambiguous criteria such as accounting or market returns; (2) the key attribute of combination potential is conceptualized not only in terms of the similarities present across businesses, as in most studies of mergers and acquisitions, but also in terms of the production and marketing complementarities between the two businesses. The basis of this research will be to establish the influence of organizational change on multinational corporations in Kenya with a focus on the factors they take into consideration before the change process and their positions after the change, in this case the merger between Ecolab and Nalco. The purpose of this research therefore will be to conduct a case study of Ecolab- Nalco merger in Kenya in particular to try and understand the process of changing from a single MNC (only Ecolab) to combined MNC (Ecolab and Nalco or other MNCs), understand the factors that drive MNCs to merge and factors to be considered in order to achieve positive or successful results. In addition, the study will seek to understand how change management in MNCs influences the pace and direction of the globalization process, and how the key personnel is affected during the merger process. The research shows that the main reasons for MNCs merging are profit, expansion, market opportunity and to achieve growth. A review of the main theories covered in the literature review, resource dependency theory and the theory of change shows that a mixture of both of these theories (strong relationship between the two) is important when organizations decide on what factors to consider in an M&A process. This is mainly because most of the opportunities that are sought by both merging organizations will take advantage of the available resources to achieve their intended strategic goals. The theory of change will also help such organizations in outlining the necessary actions to take before, during and after the merger to achieve positive results by clearly establishing the steps to undertake. The data will be collected by conducting one- on- one interviews and qualitative method of data analysis used to analyze it. From this research, we will realize that MNCs have a lot in common. Findings also suggest that MNCs consider merging to utilize resources that an existing MNC may not have before the merger, for example, Ecolab did not have an experienced work force in the Oil, Mine, Energy, and Water sectors in Kenya before the merger, until the expatriates were brought. Other main reasons for merging in MNCs are revenue growth, expansion/growth, market opportunity, and shareholder motivation- what the shareholders believe will bring them the highest rates of returns. In overall therefore, the findings provide strong support for an integrative/ resource dependency theory of mergers and acquisitions.

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ABBREVIATIONS AND ACRONYMS

ASUS……………....AsusTek Computer Inc.

BASF……………....Badische Anilin- und Soda-Fabrik

BAT………………..British American Tobacco

CIP…………………..Clean-In-Place Technology

COMESA…………. Common Market for Eastern and Southern Africa

EAC……………….. East African Community

ECOLAB…………Economic Laboratories

EL…………………Economic Laboratories

GSM………………Global System for Mobile Communications

IBM………………..International Business Machines Corporation

ICAO………………International Civil Aviation Organization

IMF………………...International Monetary Fund

ITF…………………International Transport Workers' Federation

IUCN………………International Union for Conservation of Nature

M&A……………....Mergers and Acquisitions

MNC………………Multinational Corporation

MNE………………Multinational Enterprise

NALCO…………...National Aluminate Corporation

NSE………………..Nairobi Stock Exchange

R&D………………Research & Development

RDT………………..Resource Dependence Theory

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Analyses of organizational change written since the review by Porras & Silvers (1991) suggest that an important emerging contrast in change research is the distinction between change that is episodic, discontinuous, and intermittent and change that is continuous, evolving, and incremental. This contrast is sufficiently pervasive in recent work and sufficiently central in the conceptualization of change that we use it as the framework that organizes this review.

When companies merge, executives traditionally focus on integrating human resources, finance, procurement, R&D, and other functional areas, whether because of a merger or just the demand of a tough marketplace, significant organizational change is one of the most difficult strategies to implement. What was true more than 2,000 years ago is just as true as today. We live in a world where "business as usual" is change. New initiatives, project-based working, technology improvements, staying ahead of the competition – all these things come together to drive ongoing changes to the way we work.

Whether one is considering a small change to one or two processes, or a system wide change to an organization, it is common to feel uneasy and intimidated by the scale of the challenge. We know that the change needs to happen, but we do not really know how to go about delivering it. Kotter (1996) suggests that for change to be successful, 75 percent of a company's management needs to "buy into" the change. In other words, we have to work hard and spend significant time and energy building urgency, before moving onto the next steps.

We have to work hard to change an organization successfully. When we plan carefully and build the proper foundation, implementing change can be much easier, and we will improve the

chances of success. If we are too impatient, and if we expect too many results too soon, our plans for change are more likely to fail. For a successful change to occur, we need to create a sense of urgency, recruit powerful change leaders, build a vision and effectively communicate it, remove obstacles, create quick wins, and build on the momentum. If one does these things, he, or she can help make the change part of the organizational culture.

1.1.1   Concept of International Business

Globalization has altered forever the form and the substance of business. No longer is it enough to grow organically or expand domestically. The opportunities lie farther afield, and competitiveness on an international scale requires new skills and a more finely tuned worldview. The challenges are significant: managing the risks in overseas markets; developing marketing entry and growth strategies; building agile global teams; and overcoming cultural and physical barriers to success (Lloyd, 1996). By the mid-70s, the volume of international business had overtaken that of domestic business. It is therefore important to understand how critical international business is to the survival and success of multinational corporations (MNCs).

Culture, language, political systems, geography, and socio-economic factors all influence a company's business practices. Researching the companies, you wish to do business with, including their business practices, culture and tradition is vital to business success in this global marketplace (Lloyd, 1996). Hence, for any International business success, these key global issues have to be taken into consideration. Some of the major global issues facing international business include environmental degradation, export Compliance, supply chain Management, trade agreements and cultural barriers.

1.1.2 Multinational Corporations

Multinational corporations (MNCs) are huge industrial organizations having a wide network of branches and subsidiaries spread over a number of countries. Therefore, a multinational corporation is an organization based in one country but has operations in two or more countries (Christos & Sugden, 2000). An organization owns income-generating assets in more than two countries. Multinational entities have played a role in international trade for several centuries. MNCs can be traced back several centuries to the British and Dutch trading companies. After the above declined, the European overseas investments, mainly in the extractive industries dominated international trade. They are engaged in activities ranging from extractive to manufacturing and they account for significant share of world's output. The term enterprise is often substituted for "corporation" to refer to internationally involved entities that may not be using a corporate form. UN has defined MNC as an enterprise that owns or controls production or service facilities outside the country of origin.

Although the definition is inclined more towards the economist understanding, it captures the quantitative and qualitative dimensions for many of other definitions. The quantitative dimension proposes the following criteria in identifying multinational corporations that: The number of countries of operation is typically two, although this required subsidiary in six more nations, the proportion of overall revenue generated from operations is usually proposed to be 25% to 30% (Shangquan, 2000). However, there is no general agreement on the degree of involvement in foreign markets that has to be substantial enough to make a difference in decision-making. Other studies have proposed that several nations should be owners of the corporation.

Qualitatively, the behaviour of the firm is the determining factor: If a firm becomes a MNC, its management must consider it multinational and must act accordingly. Firms can be categorized as ethnocentric which is home-market oriented while polycentric is oriented towards individual foreign markets and region-centric or geocentric, which is oriented toward larger areas, such as the global market place (Keegan, 2008). Therefore, the term MNC should be reserved for firms that view their domestic operation as part of worldwide or region-wide operations with direct an integrated business system. Regardless of the definition, the key criteria are that the firm controls its production facilities abroad and manages them (and its domestic operations) in an integrated fashion in pursuit of global opportunities.

1.1.3   Organizational Change in Multinational Corporations

Globalization and the constant innovation of technology in different aspects of an organization, especially in multinationals, result in a constantly evolving business environment. Phenomena such as social media and mobile adaptability have revolutionized business and the effect of this is an ever-increasing need for change so that organizations can match to the evolutionary standards of technology in their daily business operations (Griffith, 2005). The growth in technology has a secondary effect of increasing the availability and therefore accountability of knowledge. This is an important consideration in multinational organizations (especially those involved in M&A), to ensure uniformity in working knowledge across all their subsidiaries.

With the business environment experiencing so much change, organizations must then learn to become comfortable with change as well. Therefore, the ability to manage and adapt to organizational change is an essential ability required in the workplace today. Yet, major and rapid organizational change, such as mergers and acquisitions, is profoundly difficult because the

structure, culture, and routines of organizations often reflect a persistent and difficult-to-remove "imprint" of past periods, which are resistant to radical change even as the current environment of the organization changes rapidly (Brock, 2005). When these changes (mergers, acquisitions) occur, different cultures are incorporated the organizations that adapt quickest create a competitive advantage for themselves, while the companies that refuse to adopt the change are left behind. This can result in drastic profit and/or market share losses. Organizational change directly affects all departments from the entry-level employee to senior management and hence the entire company must learn how to handle changes to the organization.

1.1.4 Multinational Corporations in Kenya

Multi-national companies operating in Kenya have stepped up expansion plans, lured by the country's attractiveness as more African nations embrace borderless trade. Some of the MNCs that have embraced expansion plans are British American Tobacco (BAT), Nestle Kenya, Weetabix East Africa Limited, Bata Shoe Company, and Cadbury East Africa with an aim to tap new demand in Eastern Africa region and part of North Africa. The expansion looks set to shore up the contribution of the manufacturing sector to Kenya's GDP and the share of new jobs in Kenya is recovering economy in line with the goal to make the country a middle-income economy by 2030.

The rising interest in Kenya is linked to the formation of the common market in East Africa, which is expected to create a market of about 126 million people and allow the free movement of factors of production, goods, and services among the five member states (www.eac.int). Plans by Southern African Development Community, EAC, and Comesa in 2008 to form a free trade area covering more than 527 million people with an estimated combined gross domestic product of about $624 billion have also enhanced Kenya's appeal to manufacturers as a business hub. As

a result, the multinationals are redrawing their territories, opting to have larger factories to feed different economies, a move that has seen Nairobi emerge as a trading hub because of its proximity to a wider market including Central Africa, North Africa, and Middle East markets.

This is a departure from earlier trends where multinational companies either scaled back new investments in their operations in Kenya or moved their manufacturing plants to countries such as Egypt, which had emerged as a low cost producer, preferring to export finished goods back to Kenya (Shaw, 2008). Kenya's profile as a hub for the regional markets has brightened with the new integration arrangements that have come through (Shaw, 2008). BAT, for instance, has spent more than Sh5 billion in upgrading its Nairobi plant from where it serves about 17 markets within the Common Market for Eastern and Southern Africa and Indian Ocean Islands. The firm closed its manufacturing plant in Rwanda and Uganda and made the Kenyan plant one of the group's four strategic factories in Africa and Middle East. Kenya therefore acts as the most preferred country in east Africa for MNCs, as shown by the number of existing MNCs shown in Appendix III.

1.1.5 Ecolab- Nalco Merger

When Ecolab and Nalco merged in late 2011, there was no question that sustainability would be an integral cultural value and strategic priority of the new $11 billion company. According to Tenuta (2012), when Ecolab and Nalco merged in late 2011, senior leaders followed tradition, but they also placed top priority on melding the two organizations' sustainability efforts. Their ultimate goal was to make sustainability integral to culture, operations, and service, which are the top areas considered in the success of any multinational organizations. The journey continues, but lessons learned thus far may be applicable to others faced with integrating sustainability efforts. Before the merger, both Ecolab, the global leader in cleaning and

sanitizing, and Nalco, the global leader in water treatment, had made sustainability a key focus of their operations – and a vital element of their customer value proposition. With the merger, senior leaders made clear that, going forward as a combined Ecolab, a single, unified sustainability effort would be a top priority.

Although aligned in intent, the two companies' sustainability programs were hardly identical Tenuta (2012). Each had its own metrics, terminology, and, in part, its own focus. Both had long recognized that their most significant environmental impact lay in providing products and services to help customers reduce water and energy consumption. However, internally, Nalco, which provides water management technologies to manufacturing, energy, paper, mining, and other industrial companies, had focused on reducing energy use at its manufacturing plants. And Ecolab, which offers cleaning and sanitizing products and services to hospitality, healthcare, and food and beverage customers, had made reducing fleet and facility greenhouse gas emissions a main priority. The merger was predicted to bring with it many both positive and negative impacts because of this organizational change. The challenge, then, was to bring the two together, drawing from the best practices of each to create a robust, unified focus and approach. While weaving sustainability into every fiber of the company's culture, operations, and service is the ultimate goal, the journey thus far has yielded lessons that others, faced with the challenge of integrating sustainability efforts, may find applicable.

1.2 Statement of the Problem

The extent to which organizational change affects multinational corporations' operations may be dependent on several factors, such as employee empowerment and dispositional characteristics, which may highly contribute to behavioral support for organizational change. This could

represent the interaction between an individual and his or her work environment. By examining the influence of predisposition to resist change, the study contributed to the understanding that change content, change process, change context, and individual differences all contribute differentially to organizational change. Further, the hypothesized role of change schema as a mediator between these individual differences, general attitude toward change, and attitudes toward specific changes were generally supported (Dean, 2009).

Change may also take place when a local company opts to go international through a merger with another international company, which could be a multinational. In this case, the effects taken into consideration would be the same as those affecting multinational organizations. In addition to research done by M'mayi (2013), response strategies to changes in the international business environment adopted by research- based pharmaceutical companies in Kenya, this research would consider the specific change strategies for merger companies, narrowed down to Ecolab- Nalco merger in Kenya. In contrast to the traditional pattern of businesses that operate in the home country for many years and gradually evolve into international trade, born global begin with a "borderless" view of the world and develop the strategies needed to expand abroad at or soon after the firm's founding (Karra, Phillips, December 2004). Such organizations' focus is therefore on the phenomenon of early internationalization and the approaches that companies leverage for achieving superior performance in international/ multinational business from the inception of the firm, thereby having the ability to easily manage the change effects associated with such multinational business activities.

Several researches have been done on change management at various industries or business sectors. Such include managing organizational change at Kenya Petroleum Refineries Limited (Gichuki, 2010), managing change at National Bank of Kenya Limited (Maina, 2012), managing

the cultural dimension of organizational change at Nation Media Group Limited (Maithya, 2009), a case study of firms quoted in the NSE in Kenya on strategies adopted by MNEs in response to political changes (Rop, 2013), factors influencing change management practices at CFC- Stanbic Bank in Kenya (Mbuva, 2009) to name but a few. All these studies have focused on the banking, media, MNEs listed in the NSE and oil refinery industries in Kenya, but none has focused on other MNCs neither listed in the NSE, nor in the other above mentioned business sectors, hence the need to carry out this specific study.

Change may be driven by business trends, economic, political, social, cultural, and environmental factors. For organizations to remain competitive they must be able to quickly respond to change, hence the core competence of successful organizations is their ability to manage change. This can be through competition by global markets, restructuring like down-sizing, mergers and acquisitions, or the need to meet demand from customers (Maina, 2012). Challenges have however placed pressure on organizations to change their systems, structures and processes to ensure continued survival and existence of their businesses (Peach, 2012). Change management is therefore an effective tool in ensuring that organizations maintain their relevance in terms of market share, revenue generation, industry leadership and optimization of resources (Pearce and Robinson, 2002).

According to a workshop done by Lohr & Geppert (2001), there was need to have a deeper understanding of how change management in MNCs influences the pace and direction of the globalization process, in terms of engineering. However, the gap remained on all the other aspects associated with any organizational change in a multinational corporation. This study therefore focused on all these other aspects or drivers of change in quest of bridging this gap. At the center of interest was the question of whether these change concepts are globally developed

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and implemented or whether national differences prevail in how change management processes take shape.

In line with the above mentioned, and with the understanding that there is an increase in the number of multinational corporations in the world, with most of them seeking to expand their market shares through various ways like mergers and acquisitions, this study sought to establish the main reasons for mergers and to explore answers to the following question; What influence does organizational change have on mergers like the Ecolab- Nalco one?

1.3 Research Objectives

The objectives of this study were:

i.   To determine the major factors influencing organizational change in multinational corporations in respect to Ecolab- Nalco merger in Kenya

ii.   To determine how such changes have influenced the merger between Ecolab and Nalco.

iii. To provide an understanding of how change management in MNCs influences the pace and direction of the globalization process, and how the key personnel is affected during the process.

1.4 Value of the Study

International competitiveness of multinational corporations depends on the development and implementation of innovative organizational and production concepts, which can only be seen when such organizations take some steps into crucial changes, whether in technology, professionalism or change in organization structure. The value of this study was to identify what values the members of such organizations should hold, that are congruent with the prescribed changes that will enable them successfully and effectively engage in the transition process. The

study was of benefit to multinational corporations in Kenya, as it will provide an insight on the emerging drivers in the international business environment, and how they can adopt or manage serious organizational changes.

Conversely, organizations with members who oppose change seem to enter into a period of largely superficial conformity, mainly in response to certain coercive pressures, but ultimately reverted to designs more consistent with the values held within the organization prior to such mergers or acquisitions. This study was conducted to help establish the importance of having or selecting organizational change leaders who are able to provide a conduit to effective change process. Every change comes with certain challenges, hence the need to have change leaders in order to ensure that such organizations continue to raise the bar on ethical leadership and corporate behavior, as these values are an integral part of change process. In today's organizations, the rate of change has never been more rapid or more constant; hence, this study helped understand deeply the essentiality of good change management training for supporting leaders and managers, in effectively driving change throughout their organizations. This could therefore be used as a benchmark by other multinational corporations in Kenya on what necessary trainings to undertake before and after mergers.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter focuses on major issues relating to International Business as well as globalization of firms, be it through mergers, acquisitions or even the born- global firms. It seeks to identify what impact prior research and theory has on multinational corporations' need to deal with change. It also seeks to understand the effect of change on the entire operations of multinational corporations.

2.2 Theoretical Foundation

Today, mergers and acquisitions, hereinafter referred to as M&As, are universal, with companies acquiring targets all over the world. Mergers and acquisitions represent massive reallocation of resources, both within and across industries and countries and therefore for many years has been the interest of empirical studies. The best approach to change is an understanding that real and lasting change is accelerated when economic, environmental, cultural, and social factors are considered when addressing the ever-emerging and changing business and environmental challenges (Cartwright, 2006). Extensive research has been undertaken on whether acquisition are wealth creating or wealth reducing, events for shareholders and empirical studies have revealed that mergers appear to provide at best a mixed performance to the various stakeholders involved. Target-firms' shareholders generally enjoy positive short-term returns, while investors in the acquiring firms often experience share price underperformance in the month following the announcement of a merger.

The theoretical foundation of this study highlights the key relevant theories that have been used to explain a firm's reliance on key environmental factors for successful change management.

These theories also aid in understanding the traditional arguments of change management in multinational corporations, examine alternative viewpoints of which business and economic forces determine trade patterns between countries as well as increase understanding about how different countries governments' trade policies might affect the multinational companies' competitiveness and success.

2.2.1 Resource Dependence Theory

Resource dependence theory discusses the importance of the actions taken by organizations in forming alliances like joint ventures, mergers and acquisitions, and striving to overcome dependencies and improve an organizational autonomy and legitimacy (Pfeffer and Salancik, 1978). This theory therefore studies how the external resources of organizations or environmental factors affect the behavior of the organization. The theory assumes that organizations depend on resources, which ultimately originate from an organization's environment (Boyd, 1990). The environment, to a considerable extent, contains other organizations; the resources one organization needs are thus often in the hands of other organizations and hence legally independent organizations can depend on each other to acquire such resources. This is the main reason organizations form such alliances as joint ventures, mergers and acquisitions (Pfeffer and Salancik, 1978). However, resource dependence theory has been under scrutiny in several review and meta-analytic studies: Hillman et al. (2009); Davis and Cobb (2010); Drees & Heugens (2013); Sharif & Yeoh (2014). These indicate and discuss the importance of this theory in explaining the actions of organizations, by forming interlocks, alliances, joint ventures, and mergers and acquisitions, in striving to overcome dependencies and improve an organizational autonomy and legitimacy

Resource dependence theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy. Organizations depend on multidimensional resources such as labor, capital, raw material, and may not be able to come out with countervailing initiatives for all these multiple resources (Pfeffer and Salancik, 1978). Hence, organization should move through the principle of criticality and principle of scarcity. Critical resources are those the organization must have to function. An organization may adopt various countervailing strategies—it may associate with more suppliers, or integrate vertically or horizontally.

According to Harford (2005), M&A can also partly be explained by technological, economic, and regulatory shocks to the economy. If the environment of a firm changes the rational manager is assumed to exist under, if for example, a new technology is introduced in the market that a given firm does not have access to, an M&A action between itself and another company with this technological expertise could create positive synergies. Resource dependence concerns more than the external organizations that provide, distribute, finance, and compete with a firm. Although executive decisions have more individual weight than non-executive decisions, in aggregate the latter have greater organizational impact. Managers throughout the organization understand their success is tied to customer demand thus customers are the ultimate resource on which companies depend. This theory therefore helped explain the fact that different organizations rely or depend on one another for different kinds of resources that they may not have on their own.

2.2.2 Theory of Change

Theory of Change explains the process of change by outlining causal linkages in an initiative, i.e., its shorter-term, intermediate, and longer-term outcomes (Clark & Taplin, 2012). The identified changes are mapped –as the "outcomes pathway" – showing each outcome in logical relationship to all the others, as well as chronological flow. It is the process necessarily inclusive of many perspectives and participants in achieving solutions, from bottom level employees to top-level managers.

According to Weiss (1995), various hypotheses indicate that key complex programs are so difficult to evaluate that the assumptions that inspire them are poorly articulated. Stakeholders of complex change initiatives typically are unclear about how the change process will unfold and therefore place little attention on the early and mid-term changes needed to reach a longer-term goal. Weiss popularized the term "Theory of Change" as a way to describe the set of assumptions that explain both the mini-steps that lead to the long-term goal of interest and the connections between program activities and outcomes that occur at each step of the way.

This theory therefore helped explain why it is critical for any organization to articulately establish the change process and effectively communicate the same to all levels of the organization. An important first step in the process is identifying a workable long-term goal and long-term outcomes. The long-term goal should be something the initiative can realistically achieve and that everyone involved understands.

2.3 International Business in Multinational Corporations

International trade has developed through the years through different patterns of trade until the modern day methods of trade. Numerous factors have led to changes in how international business is done. These factors include, but are not limited to changes in technology, improved

infrastructure, advent of money and banking among others. International business is special because it occurs within a dynamic, integrated system that weaves together four distinct elements; the forces of globalization, many national business environments, the international business environment and international firm management (Wild, 2010). Globalization is a potent force transforming our societies and commercial activities in countless ways. Globalization, and the pressures it creates, forces its way into each element. In this way, the drivers of globalization influence every aspect of the global business environment (Wild, 2010). Multinational firms were remnants of British Trading companies, which had been given charters to promote world trade on a monopolistic basis.

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Source: International Business, The Challenges of Globalization (Wild, 2010)

Figure 1: Global Business Environment

These companies were left behind by the industrial revolution and their mandate evolved to the extraction, processing and transporting the requirements of industrial plants and facilities located in the home countries. Business interests in the manufacturing county controlled these facilities.

Initiatives undertaken to lower barriers to international trade include cultural globalization, which has been driven by communication technology and the worldwide marketing of Western Cultural industries (Wild, 2010). The development of multinational corporations led to the development of the international capital market, which encouraged international banking, or multinational banking. The international capital market gave multinational corporations increased access to savings in many nations, which enabled larger undertakings, hence creating an identity of interest between competing national capitals that became banking sectors. Modern banks now operate on a global basis. As nations open up and embrace globalization, their business environments are being transformed. The international business environment influences how firms conduct their operations in both subtle and not-so-subtle ways. No business is immune to events in the international business environment, as evidenced by the long-term trend toward more porous national borders. International firm management is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate (Wild, 2010).

2.4 Organizational Change: Effect and Management

Organizational change is a structured approach in an organization for ensuring that changes are successfully and smoothly implemented to achieve lasting benefits. Globalization and the constant innovation of technology result in a constantly evolving business environment. Phenomena such as social media and mobile adaptability have revolutionized business and the effect of this is an ever-increasing need for change, and therefore changes management.

Whether the change is a small one, like the implementation of a new system, or a much bigger one such as a company takeover or merger, the way that change is managed makes all the difference to its success or failure.

People rarely welcome change. As human beings, we tend to be adverse to change and, in a world, which is increasingly changing at an alarming rate, people can be skeptical and resistant to anything that threatens the status quo of their working lives. It is also fair to say that not all change is positive. Sometimes it seems that doing things differently does not actually equal doing things better in the long run. With this in mind, introducing change and transformation has to be done carefully, sensitively, and collaboratively. Managing people through change training courses equips leaders and managers with the essential skills to seamlessly implement change within their organizations (Myres & Briggs Foundation, 2014). The growth in technology also has a secondary effect of increasing the availability and therefore accountability of knowledge. Easily accessible information has resulted in unprecedented scrutiny from stockholders and the media and pressure on management (Wild, 2010).

With the business environment experiencing so much change, organizations must then learn to become comfortable with change as well. Therefore, the ability to manage and adapt to organizational change is an essential ability required in the workplace today. Yet, major and rapid organizational change is profoundly difficult because the structure, culture, and routines of organizations often reflect a persistent and difficult-to-remove "imprint" of past periods, which are resistant to radical change even as the current environment of the organization changes rapidly. In this regard, "People do not resist change – people change all the time. What people resist is having others impose change on them" (Wheatley, 1992).

Kotter (1996) outlined a practical eight- step process for implementing effective change. He explains that skipping any of these steps would lead to failure. The first four steps 'defrost' hardened resistance to change. The first step involves creating urgency by helping others see the need for change and the importance of acting immediately. Secondly is building guiding teams where both leadership and management skills are important and must work in a tandem. The four characteristics of a team are the position power, expert power, credibility, and leadership. Find the right people with strong position power, broad expertise, and high credibility. Create trust and develop a common goal that is sensible to the mind but appealing to the heart.

Step 1: Create Urgency- Help others see the need for change and the importance of acting immediately.

Source:**https://www.google.co.ke/search=kotter's+8-step+change+model,10thJuly,9.20a.m**

Figure 2: Kotter's 8-Step Change Model

Step 2: Building Guiding teams- leadership and management skills both are important and must work in a tandem. The four characteristics of a team are the position power, expert power, credibility, and leadership. Find the right people with strong position power, broad expertise,

and high credibility. Create trust and develop a common goal that is sensible to the mind but appealing to the heart.

Step 3: Get the vision right by clarifying the direction, motivating people to act and help coordinate efforts. An effective vision should be imaginable, desirable, feasible, flexible, and communicable.

Step 4: Communicate for understanding and buy in. Make sure as many people as possible understand and accept the vision and strategy. Change vision may get lost in a clutter of communication.

Step 5: Enable action by removing as many barriers as possible so that those who want to make the vision a reality can do.

Step 6: Create short-term wins; create some viable and unambiguous successes as soon as possible.

Step 7: Do not let up; press harder and faster after the first success, be relentless with initiating the change until the vision is a reality. Never declare victory too soon.

Step 8: Create a new culture; hold onto the new ways of behavior until they become strong enough to replace the old traditions.

Further, the management needs to get the vision right by clarifying the direction, motivating people to act and help coordinate efforts. An effective vision should be imaginable, desirable, feasible, flexible and communicable and also communicate for understanding and buy in by making sure as many people as possible understand and accept the vision and strategy (Kotter, 1996). Change vision may get lost in a clutter of communication. In addition, enable action by removing as many barriers as possible so that those who want to make the vision a reality can do. Create short-term wins; create some viable and unambiguous successes as soon as possible and do not let up; press harder and faster after the first success, be relentless with initiating the change until the vision is a reality (Kotter, 1996). Never declare victory too soon. Finally create
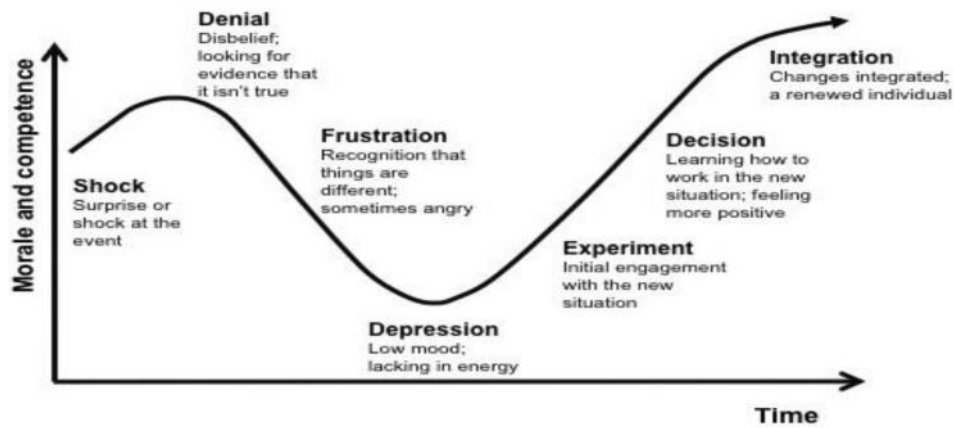
a new culture; hold onto the new ways of behavior until they become strong enough to replace the old traditions.

The other tool used to explain change in an organization is the Kubler-Ross change model. It helps people to understand different reactions to significant organizational change. At any beginning stage of a given change, most people would react with shock and denial due to lack of information or fear of the unknown. However, when the process is followed and change is successful, individuals accept that change is inevitable and begin to work with the changes rather than against them; this brings in acceptance and integration in the entire organization as people start thinking of new and exciting opportunities, relief that the change has been survived and so forth.

Due to the growth of technology, modern organizational change is largely motivated by exterior innovations rather than internal moves. Such may include need for expansion of a company's business, through mergers or acquisitions, or even through globalization. When these developments occur, the organizations that adapt quickest create a competitive advantage for themselves, while the companies that refuse to change are left behind. This can result in drastic profit and/or Market share loss

Organizational change may include different types of change and hence requires serious cognizance in order to ensure business continues as usual. These may include mission changes, strategic changes, operational changes (including Structural changes), technological changes, and changing the attitudes and behaviors of personnel (Dean, 2009).

The Kübler-Ross change curve

Figure 3: Kubler- Ross Change Curve

Organizational change directly affects all departments from the entry-level employee to senior management. The entire company must learn how to handle changes to the organization. Regardless of the many types of organizational change, the critical aspect is a company's ability to win the buy-in of their organization's employees on the change. Ecolab tried to effectively manage organizational change in a four-step process which included; recognizing the changes in the broader business environment; how the change would impact the company's positioning in terms of market share, developing the necessary adjustments for the company's needs; ability to adjust to different operations, training employees on the appropriate changes; especially the Finance department which had a lot of system integration challenges. It made use of performance metrics, such as financial results, operational efficiency, leadership commitment, communication effectiveness, and the perceived need for change and winning the support of the employees with the persuasiveness of the appropriate adjustments.

When you align all of the forces for change, you will achieve a more lasting result, quickly and efficiently.

Source: **www.google.com/search?q=organizational+change, retrieved on July 28th 2014**

Figure 4: The Realities of Organizational Change

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design of the study and provides a description of the data collection techniques and data analysis procedures that were used. According to Thomas (2011), case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case in subject covered contextual conditions as experienced during the change process as a relevant phenomenon to this case.

3.2 Research Design

This research was a case study on the Ecolab- Nalco merger in Kenya. It did not apply any experiments because the experimental studies attempt to manipulate independent variables to observe behavior of the dependent variables (Collis and Hussey, 2009), which will not be possible to be achieved in this case. The main advantage of this study was the ability to collect responses from individuals in a highly economical way as no travel or numerous telephone conversations was required. In addition, it was purely based on the responses from the interviewees with no assumptions on the interpretations of the data. Feedback from the one- on-one interview was used in data collection. This was used to obtain information concerning the current status of the organization (after the merger) with respect to factors affecting major organizational changes in multinational corporations.

3.3 Data Collection

According to Creswell (2009), data collection in a case study occurs over a sustained period. However, the study largely relied on primary data that was collected through the use of interviews, as stipulated on the interview guide on appendix one. The interviews were conducted

with the top management associates, all from the Nairobi office, who consisted of the Managing Director, Head of Finance, Head of Supply Chain, Divisional Sales Managers, Human Resource Manager, Pest Elimination Manager, and the Area Sales Representative for Nalco. One on one interviews were used, as they tend to provide the most reliable feedback as the interviewer had a chance to probe into as many areas as possible for in-depth responses.

The participants were key source of information on how the change brought by the merger of both entities affected them, either at personal or professional levels, hence acting as an empirical inquiry that investigates a phenomenon within the organization's real-life context. The advance preparation of interview guide helped in creating familiarity with the questions, which therefore improved on the interview effectiveness and response reliability.

3.4 Data Analysis

The data collected was analyzed by the use of Content Analysis. This was through perception of the various interviewee opinions based on the responses received. Thereafter, qualitative analysis method was used to interpret the content, make conclusions, and form the necessary recommendations. This included the use of narratives, texts, and diagrams to interpret data. Other findings were presented using charts, and factor analysis used to establish factors affecting early change management in multinational corporations.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter deals with findings from the conducted interviews and data extraction from secondary sources. The research aimed to determine the major factors influencing organizational changes in multinational corporations, and to establish how such changes influenced the Ecolab-Nalco merger in Kenya. This chapter presents the analysis and findings with regard to the objectives and discussion of the same. Qualitative analysis may reveal why certain methods are working or not, whether part of a study conflicts with participants' culture, what participants see as important, etc. It may also show the patterns – in behavior, physical or social environment, or other factors – that the numbers in a quantitative analysis do not, and occasionally even identify variables that researchers were not aware of.

Analysis of qualitative content is generally accomplished by methods more subjective – dependent on people's opinions, knowledge, assumptions, and inferences (and therefore biases) – than that of quantitative data (Stemler, 2001). The identification of patterns, the interpretation of people's statements or other communication, the spotting of trends – all of these can be influenced by the way the researcher sees the world. However, a number of subjective factors influence quantitative analysis as well. What the researcher chooses to measure, the accuracy of the observations, and the way the research is structured to ask only particular questions can all influence the results, as can the researcher's understanding and interpretation of the subsequent analyses (Stemler, 2001).

4.2. General Information

Among the six top managers scheduled for interview, one of senior managers travelled for an assignment outside the country, hence was not available for interviews. However, all the other five were successfully interviewed, making a response level of 83%. Out of all the participants, three were present in the Kenya office during the merger; one was still based in South Africa while two joined immediately after the merger. The content analysis in this research therefore revealed similar depths of critical thinking by the participants on several different indicators.

4.3. Factors for organizational change through the Ecolab- Nalco merger

When asked for the main reasons for Ecolab- Nalco merger as part of organizational change, the participants highlighted several key factors including implementation of strategic business plans, Ecolab's diversification on where Nalco was strong, increasing efficiency through protection of all the vital resources, to explore upcoming energy markets, to meet the increasing needs of the customers, and to become a global leader in vital resource management. Before the merger, Ecolab was at $6B market share while Nalco at $4B. Ecolab's strategic business plan was to be at $10B by the year 2015, which was implemented immediately through the merger. Ecolab's vision of being the leading global provider of cleaning and sanitation solutions for food safety, infection prevention and public health was through the merger expanded to being the global leader in protecting all that is vital by finding solutions to the world's biggest challenges of clean water, safe food, abundant energy and healthy environments. This was the focal point in meeting the rising customer needs in the industry and increasing overall efficiency.

The participants however emphasized on the fact that there was no Nalco presence in Kenya before the merger hence may not have felt the impact (negative or positive) to the extent felt where both companies were in existence. The participants also critically realized how big the

need to enter the energy market was, as firms are currently recovering various energy resources in East Africa like oil and mines. This was evidently elaborated by the oil recoveries in Turkana, Kenya, where there still exists no expertise- hence the merger would help in faster growth within the oil industry as the Nalco global had the expertise. Additionally, this would help protect energy resources in this part of developing world through the availability of water, energy, and waste expertise.

In addition to the above factors that led to Ecolab- Nalco merger, the participants pointed out that Ecolab has previously merged with other different companies for various other reasons including CIP Technology by Klenzade in 1961, pest service companies acquisition e.g. Elimco in 1984, residential lawn care services by ChemLawn in 1987, merged with Henkel KGaA in 1991 for better market positioning, with Kay Chemical Company in 1994 to improve the supply of cleaning products to the quick service (fast food) market, acquired GCS Service Company in 1998 to enter the commercial kitchen equipment repair business, purchased Microtek Medical Holdings Inc. in 2007 to expand its infection prevention expertise, Ecolab- Nalco merger in 2011 to position Ecolab in addressing the key challenges related to mega- trends in the areas of food safety, healthcare, water scarcity and energy production, in both developed and emerging regions- like Kenya, and in 2012, Ecolab acquires Champion, a Nalco company that offers a singular focus on providing specialty chemistry programs and related services for upstream, midstream and downstream oil and gas operations, and through onsite problem solving and the application of innovative technologies, delivers sustainable solutions to overcome complex challenges in the world's toughest energy frontiers.

4.4. Implementation of the Ecolab- Nalco Merger

This section deals with the process of implantation of organizational change, the full merger between Ecolab and Nalco. It looks at the process from the initial stage to the end through change management implementation. The section is sub divided into three subsections, namely preparation process, resource commitment levels and formulating strategies.

4.4.1. Preparation of the Merger Process

Based on the responses received, there was proper preparation in place for the merger, as frequent communication would show. Ecolab had identified a company with strong market share and expertise in the energy services industry that it wanted to penetrate. Additionally, Ecolab's strategic plan of hitting the $10B target by 2015 drove it to initiate the merger discussions, which would in turn lead it to enter the new industry big and powerful. This ensured that mistakes such as inadequate due diligence on the part of the buyer/ seller, lack of compelling strategy and overly optimistic expectations of synergies were avoided.

It also came out clearly that the merger communication was well done as the local management was involved in several discussions and updates through teleconferences, email communications, management meetings locally and regionally in Dubai and Cairo. All this information was relayed to the rest of the local teams through town hall meetings, one- on- one discussion to reassure everybody of job securities even after the merger. The main of objective of detailed communication was to prepare all the stakeholders of both entities for any major functional changes that could arise, and to inspire and transform the way the top management thinks about the mission and vision of the organization to analyze properly how the operating environment would be affected by the change. Additionally, the preparation process was to inform the entire
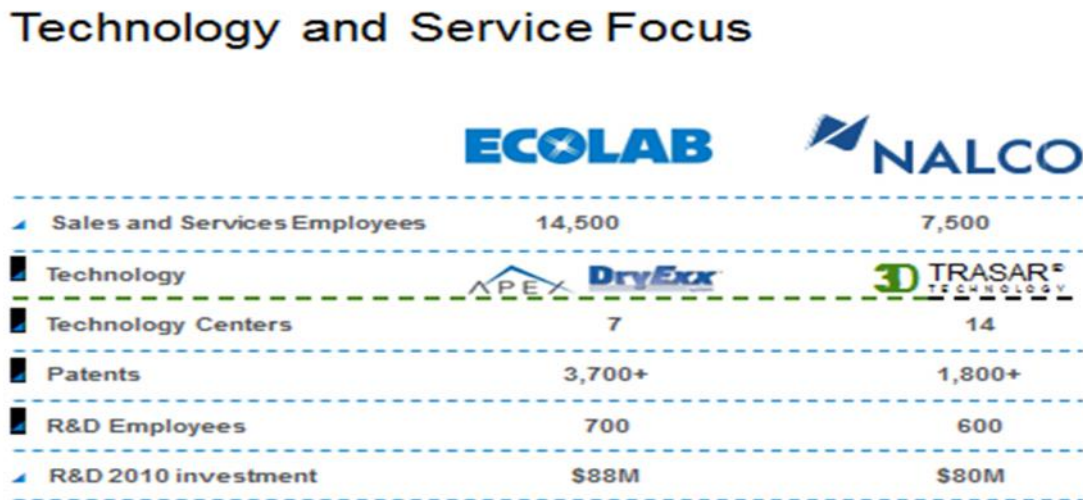
organization of the implementation strategies, methodologies, tools, and framework for creating, embedding, monitoring, and evaluating the change process.

Effective strategic communication plays a key role in addressing several issues such as intensive time demands from senior management at a time when they may be totally devoted to the technical and financial aspects of the deal, and may not have sufficiently considered the impact on others the skill of effective communication requires training because many managers have never received guidance on good interpersonal communication practices, it may not come out easily to many managers who throughout most their careers have dealt almost entirely with hard facts and figures, not the 'soft' people issues – these managers may not be good enough as leaders, many managers are uncomfortable about giving tough messages to their staff, and being honest with them about bad news of job cuts or site closures, mergers involve many technical and complex issues required by law, the stock exchange, and regulatory bodies hence communication is not legally required and so it is an easy area to drop down the priority list, communication is not easily quantified and measured, which makes it difficult to grapple with when merger budgets are being considered, communication function isn't always represented at a sufficiently high level within the organization, and even then the head of the function may not be strategically minded,

4.4.2. Level of Resource Commitment

According to all the participants, the level of resource commitment in the merger process ranged from adequate to high, with three out of five providing a high rating. This was shown by the fact that the whole merger was considered a strategic project with a dedicated project team to spear head it and ensure no bits of information passed uncommunicated. The merger process had been well prepared and geared towards global flexibility in all areas of operations such as Information

Technology, Finance, Sales, and Analysis. All the systems for the mentioned functions were in place, each company absorbing the other into its systems where it had strong efficiency levels. For example, Nalco had strong IT systems hence Ecolab had to fit into the Nalco program while Ecolab had better Finance systems, hence Nalco was absorbed into it. As illustrated in the figure below:

Technology and Service Focus

	ECOLAB	NALCO
Sales and Services Employees	14,500	7,500
Technology	APEX DryExx	3D TRASAR TECHNOLOGY
Technology Centers	7	14
Patents	3,700+	1,800+
R&D Employees	700	600
R&D 2010 investment	$88M	$80M

Source: www.ecolab.com/ecolab-nalco merger

Figure 5: Technology and Service Focus after the Merger

The new mission, vision, and values were formulated based on the prevailing customers' expectations and the new firm's capabilities. These were then subjected to different groups for deliberations and critique until a consensus was arrived at. They were then cascaded from the top management to staff in lower levels. Afterwards was the launch of these new visions, missions and values with an aim of providing a visual evidence of the change through new logos,

uniforms, corporate colors, and even new methods of conduction performance reviews. The executives and top management were taken through coaching and vigorous trainings to enable them provide leadership and support required for the implementation of the new mission, vision, and core values. These trainings were also to enable both organizations on how to handle cultural differences between them.

4.4.3. Formulating Strategy

The articulation of merger strategies was done at global level, then afterwards properly communication to all levels of the organization to make everyone understand the main purpose of the merger. Despite having the financial target of hitting the $10B revenue as its main strategy, Ecolab had other strategies that drove the merger, these included enhancing the operating efficiency of the organization with an aim of improved output to input ratio of running the organization, improving the managerial capabilities through increasing the ability of the combined managers to create a strong workplace and culture (leadership qualities, collaborative decision making, and nurturing creativity and innovation), facilitating the employees to grow and engage, at the same time achieving business goals and objectives, improving market synergies by ensuring that the value and performance of the two companies combined will be greater than the sum of the separate individual parts, to achieve the much needed competencies, for technological enhancement, to improve the company's reputation, to strengthen market power and market share, for rapid growth and development. This was mainly to ensure that all levels of services offered by both companies would increase in the entire industry globally, thereby yielding the desired results.

Balanced Industry Mix
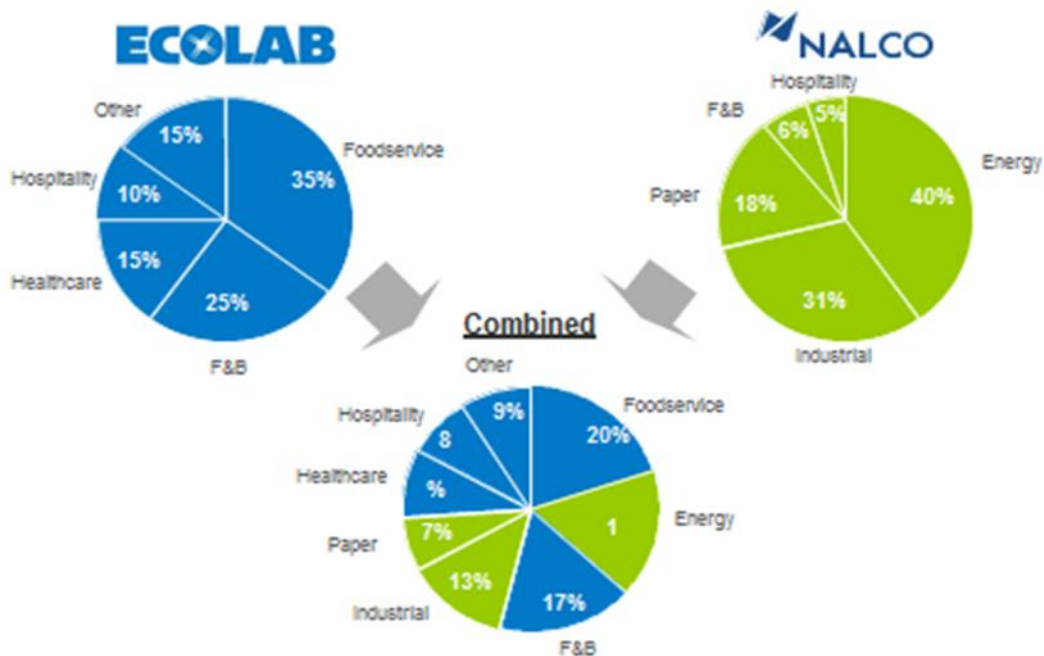
Figure 6: Innovation- Balanced Industry Mix

Ecolab has had a long history of breakthrough innovation resulting in game-changing technologies. The core technologies were developed and expanded in direct response to the organization's customers' evolving needs, by incorporating the expertise in both Ecolab (personal and environmental hygiene) and Nalco (Energy and Water management technologies) to form a stronger combined technological ground as seen in figure 6.

The results of the formation of the above strategies (formulated at the global level) were therefore a great fit and stronger foundation for the combined company, enhancing both companies' prospects for greater growth. According to the participants, some of the strategies

formed included accelerated growth opportunities through emerging markets penetration by the combined company, cost synergies through investing on innovation activities while increasing sales, management, and financial leverage through formation of similar business models and creation of significant management capabilities, and finally innovation strategies through the combination of the two companies' technological strengths.

4.5. Challenges of Organizational Change on Ecolab- Nalco merger

When asked to state the challenges encountered during the merger and how they were mitigated when implementing the organizational change, the participants indicated that there was some resistance to the change in some regions with the most prominent factors being job security, challenges of harmonizing the organizational change process through office and departmental integrations (technological challenges), communication challenges, cultural challenges, escalation of process coordination costs, building one team with common goal and purpose by bringing people together, operating systems challenges and managing high expectations from stakeholders.

It was observed by the participants that resistance to culture change was experienced in some countries like South Africa, Ghana, and Turkey where Nalco had a broad existence. In Kenya, the absence of Nalco at the time of merger enhanced a quick acceptance of the change by almost all the employees. For Kenya, it implied that the operations would continue normally, within the existing Ecolab premises and offices, without fear of office move. People therefore continued with their normal cultural habits in their existing offices without being forced to fit into Nalco's cultural way. To elaborate on this question further, the interviewees said they experienced resistance in the process of implementing the merger resulting from aggression and frustration in employees. The interviewees further said that individuals might have been resisting the loss of

status, loss of pay, or loss of comfort but not really resisting the change. However, the high resistance observed in the three countries was due to fear of freedom loss or loss of past security, fear of the unknown and responsibility of meeting new targets or expectations. The resistance to cultural change was attributed to certain perceptions or judgments such basing one's judgment on group membership like sex, race, ethnic group etc; the halo effect where some individuals use a general impression of favourism as a basis of judgment, projection to protect oneself and even selective perception as a basis of influencing one's own perception.

On the challenge of high stakeholder expectations, it was noted that different stakeholders had different expectations from the merger. Employees expected high improvements in the organization, from improved job security to increase in remunerations and so on, which might not have been the top objectives for the change. The customers on the other hand expected immediate results from the merger in terms of product diversification to the energy preservation and water treatment line of business. This led to a disconnect between the immediate needs of the customers and the interests of the shareholders, which were mainly built around satisfactory returns, faster and bigger growth among other targets. The challenge therefore lied on understanding the customers' expectations in terms of quality, delivery, price, and technical assistance to establish ways of serving them better with high efficiencies.

The participants also noted that communication challenge, though not so prominent, called for the formation of proper and goal- oriented change team members, who would work towards the achievement of the shareholders' interests and expectations. These teams were charged with directing the merger process and communicating each step to the entire organization. This involved central communication to serve the management or self, upwards communication to serve the senior managers and the Chief Executive Officer, outwards communication to serve

customers and suppliers, across communication to serve other teams and colleagues, and downward communication to serve the lowest level employees. They were responsible for ensuring there is organizational capacity by focusing on staff capacity to meet the newly set targets and changes in the services & products of the organization; organizational hierarchy by focusing on the greatest ideas from the team, insightful visions and challenging examples rather than emphasizing on titles, authority, or organization levels. These factors were to ensure all the organizational members fit into the merger.

The other challenge as seem by the participants was that of forming one team in the newly merged organizations. In spite of bringing different teams together with an aim of training them towards one goal or functionality, the management experienced various challenges on escalating travel and training costs across all regions, recruitment or promotional costs that came with structural changes in the organization after the merger. Targeting financial growth also meant that the organization required competent and responsible individuals to operate in the dynamic environment, hence the challenge of recruiting self-starters who had initiatives, individuals with abilities to grow and learn within the changing organizational dynamics, ability of the organization to attract and retain qualified and competent people in technical, professional and support structures and finally to attract and retain line managers to steer the organization in its present and future business needs. As part of forming one team, the organization was forced to merge the different reporting systems previously in place, which involved selecting which financial reporting system to use, which information technology techniques to apply and which is training tools to put in place. All these were challenging as it took months before all the systems were harmonized.

Another challenge experience during the merger was that of job security and process harmonization through integration of various departments and offices. In areas where both Nalco and Ecolab had presence, the management was forced to make a decision on which entity offices both move to. This brought about fear of job loss as some employees believed moving to another company's offices would render them jobless in the long run, because as most departments merge in one given office/ premise, the number of employees required within a given department may go down, hence laying off of some employees.

4.6.Discussion

This section covers the discussion that tries to link the interview results to the theories of organizational change mentioned earlier in this paper. According to Senge, (1990) the external factors that contribute to changes in an organization include globalization, technology, dynamic customer demand among others. This study collates with the previous literature as the external factors that contributed to the merger and the experienced changes at Ecolab- Nalco were found to include intensified competition from the industry, , need to explore new market opportunities (oil and mining industries), increased or high customer demand hence the need for technological change. The changes in management of operation have resulted in motivational impact and given employees a corporate challenge and goal worthy of commitment, providing a framework for managing the people side of change, readiness assessments, engaging senior managers as change leaders, building awareness of the need for change and developing skills and knowledge to support the change.

One of the participants emphasized that the application of nine M's of management would have resulted into a faster well- communicated changed process because this would ensure all employees at all levels are aware of the impact of the merger. The ten M's would have reassured

employees of the organizational commitment to the change process by ensuring all the required resources, which are Manpower, Material, Machine, Money, Method, Moral values, Management of time, Markets, Management Information and Making of decisions to ensure proper managing of the merger and for the adoption of change management practices which would result in increased assets base, introduction of more customer tailored products and services, improved the management skills, increased income and enhanced capacity building.

According to Armstrong (2006), people will always resist change because it is seen as a threat to Familiar patterns of behavior as well as to status and financial rewards (the norm). This is because any change in 'status quo' brings in apprehension as no one knows what the outcome may be; employees feel that the upcoming changes are likely to upset their current state in terms of loss of money, job security, disruption of their social patterns or the fear that they may not be able to cope with the new changes, then they are likely to resist and to be negative about it. Similar to the literature, the participants reiterated that the factors that may have contributed to the resistance towards the merger efforts were uncertainty in that the employees were uncertain on their fate after the merger; lack of trust in the change in that employees believed that there would be sinister motive for the change and managers not trusting their employees by not allowing their full in the change process even when it was necessary.

The discussion also links to the afore discussed resource dependency theory as it brings into light that one organization's strongest resources are not the same as another organization's strengths, hence the need for companies to look for ways of combining resources to achieve high combined objectives. Despite the two companies both having strong specialized services in their respective markets, the participants established that the challenge of Information Technology on the various operations of the organization somehow derailed the merger process as the organization was not

well prepared with funds for offering the technical trainings required on the systems, as this involved a lot of travelling across all regions. This therefore forced the organization to focus on only one specialized team for the system changes.

Asked what they think should have been done better to improve the merger process and results, the interviewees suggested that the organization should have educated and communicated better to all employees of the organization through open forums instead of emails and calls, to maintain calmness and increase their cooperation. This would educate individuals on new work procedures to be adopted in the merged organization, hence alleviate the fear of any new technologies. Employee involvement would also ensure they participate in all phases of the merger and encourage them to discuss their opinions and suggestions, thus creating commitment among the employees on the merger process rather than just complying with set procedures and guidelines.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1.   Introduction

This chapter deals with the summary of findings from the study, conclusion, and limitations of the study. It also suggests areas that require further research and recommendations made there-to. The conclusions and recommendations drawn are in quest of addressing the research question and/ or achieving the research objectives.

5.2.   Summary of Results

The study found that a larger number of multinational corporations are foreign owned, while only a small portion are both locally and foreign owned, suggesting that the majority of the MNCs are owned by non-citizens (this is seen on the list of MNCs in Kenya on Appendix III).Ownership may be important in the choice of strategy an organization seeks to pursue, as can be seen from the findings. Foreign MNCs sometimes have to pursue strategies directed by the headquarters. Regarding the key objective of the study, which was to determine the factors influencing organizational change (e.g. M&As) in MNCs in Kenya, it was established that MNCs in Kenya have experienced a number of challenges: resistance to change due to job insecurity, technological challenges that hinder systems integrations, communication challenges, cultural challenges, high costs of process coordination, high stakeholder expectations and lack of proper tools of change management (nine Ms).

A strong culture brings people from different organizations together, making it simpler to accept a given change. When people have the opportunity to communicate and get to know each other better, they will find new connections, which will lead to new ideas and greater productivity,

thereby creating synergy. By building a culture that is vibrant and allows people to be valued and express themselves, the merging organizations will be creating a new momentum for success and attractiveness in the industry. An investment of time, talent, and focus on the merging organizations' cultures will yield a lot more benefits than expected in the business.

For merging organizations to thrive in increasingly dynamic business environments, they need to connect, collaborate, and synergize within diverse systems. Organizational culture therefore forms a core part of organizational change within multinational corporations as it provides the foundation for collaborative stakeholders' engagement. Organizational vision and leadership can bring unity within diversity and a sense of direction, which empowers teams to adapt to the rapidly changing environments of the merger. It should be understood that mergers require a large- scale undertaking in changing every organizations' culture, because each comprises an interlocking set of goals, roles, processes, values, communication practices, attitudes and assumptions; and therefore to achieve great results during and after a merger, all these factors need to be considered. Hence, proper training should be conducted before a merger to ensure that the process is flawless.

5.3. Conclusions

The conclusion we can make out of these findings is that MNCs are different to the extent in which they form strategies during organizational change process like M&A. These findings suggest that such differences may be as a result of board decisions or different management styles in the different organizations. The findings show that MNCs with local directors in the board appear to adopt strategies that are adapted more to host country, that is, Kenyan business environment. This is not so with purely foreign owned MNCs operating in Kenya where the decision would still lie at the global level managers/ boards. In addition to this, the centralization

or harmonization of the reporting systems has been the longest process in the merger, and may not be concluded until 2015 hence the need to create global flexibility in terms of business and system decisions, as this requires much more commitment towards training facilities in the integration of systems such as Applications and Product software (SAP), Business Intelligence system (BI), Enterprise Planning Management system (EPM) and Hyperion Financial Management system (HFM) all into one harmonized system.

It can also be concluded that MNCs need to conduct proper cross- cultural training prior to such organizational change activities. This will improve the managers' cross- cultural effectiveness and reduce merger failure rates. This therefore implies that for a successful merger to occur, the management has to begin by selecting merger managers based on their capacity to successfully master the cross-cultural training. As the organization still grows, this step would ensure that for any future changes yet to take place, the managers in both Ecolab- Nalco and the merging organizations are able to recognize, interpret, and correctly react to people, incidences, or situations that are open to misunderstandings during or after a merger process due to cultural differences. All these combined will ensure stronger leadership continuation, attractive synergies for the future and solid financial performance with high potential for improved growth within the combined company.

5.4. Recommendations

From the discussions and conclusions above, the study recommends that although the Ecolab- Nalco merger can be classified as successful in terms of how the entire organizational change was managed, Ecolab should reposition itself technologically and competitively by benchmarking itself with other top performing companies in the industry to improve on its change management practices, for any future changes. The organization can therefore overcome

this challenge by offering more online information about the organizational changes in place, so as to create awareness on the benefits, availing e-learning modules (presentations and business write- ups) on change management and online leadership trainings on how to manage change in order to prepare and enlighten managers on the different roles they are expected to play during a change management process. This will also ensure that the organization remains competitive and profitable in the current business environment where strategic business change is inevitable. These changes should be introduced in every aspect of the organization's undertaking so that the stakeholders are well acquainted with the change.

As the organization grows, Ecolab is likely to merge with other MNCs. The researcher further recommends that on the system challenges experienced by Ecolab during its merger with Nalco, Ecolab should ensure that the core reporting teams in Finance departments are well trained continuously and conversant with several systems to avoid any challenges that come with system transitions and technological advancements. This requires the organizational dedication of more funds for management reporting trainings and developing better policies geared towards promoting change in the organization like rewards and promotional awards to the people steering change in the organization during a merger.

5.5. Limitations of the Study

A number of limitations were encountered in carrying out this study. It did not investigate the reasons why the two MNCs in the study were different in the extent to which they adopted certain strategies. For instance, why Nalco was incorporated fully into Ecolab's operating systems. It is therefore recommended that future research in this line of study could investigate such reasons. The study did not consider the role of headquarters or local management in the strategies formulations or outlining of the merger process. It is recommended that future

research could look into this aspect. Finally, it could have been quite useful to find out the extent to which various factors influenced MNCs performance. For example, it could have been important to determine whether the change management practices adopted most by MNCs, which had mixed ownership, enabled them to perform better than those that were foreign-owned.

Being a period of thorough planning process in the entire organization, most of the participants were busy in their respective functions with various meetings to attend to, and were not available as initially planned. This led to delayed data collection since their availability had to be reconfirmed. Given that all these interviews were to be conducted during official working hours, time was a major concern.

5.6. Area for Further Research

The researcher recommends that a replicate study should be done on another multinational corporation that has gone through similar organizational change in Kenya, with both parties having presence in the country before the merger to establish how they managed change in their operating environment since each organization has a different strategic approach. The researcher also recommends that the participants should also be broadened further to include managers from other regional offices and also a few employees who have stayed longer in the organization, e.g. ten years plus. This would indeed provide a wider overview of how change management is handled at different levels of the organization.

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APPENDICES

Appendix I: Introduction Letter

Appendix II: Interview Guide

1. What does Ecolab stand for and what is its core business?

2. What does Nalco stand for and what is its core business?

3. When did the Ecolab-Nalco merger take place?

4. How long had Ecolab been operating in Kenya before the merger?

5. What were the main reasons Ecolab and Nalco decided to merge?

6. How would you describe the management of Ecolab before the merger took place?

7. Based on your working years with the company, would you say there existed some challenges that would hinder growth of the company, and that could only be resolved through the merger?

8. Describe the change process according to your experience.

9. Are you aware of any other companies that Ecolab has previously merged with? Kindly list.

10. Was the change process communicated appropriately and was the management team in Kenya involved in the change process? Please explain

11. Were you actively involved in the change process either at departmental level or at entire organizational level? Was there preparedness on the process?

12. How would you describe the speed at which your firm handled the whole merger process?

13. How would you rate the level of resource commitment during the initial stage of the merger?

14. Were there any challenges that came with the entire change? Please provide.

15. What was the role of formulating strategy and methods for ensuring clear change management is in place?

16.   What do you think your company should have done to improve the merger process?

17.   Is there any personal or professional gain you achieved from the change?

18.   Describe how different the management operates after the merger.

19.   Was the whole change effective, do you support the decision for the merger?

20.   From your experience, what do you believe MNCs want in Kenya?

Appendix III: List of Multinational Corporations in Kenya

Purely Foreign- owned MNCs in Kenya

Name of Multinational	Country Of Origin
Asus	Taiwan
BASF	Germany
Bank of China	China
Bharti Airtel	India
BlackBerry Ltd	Canada
Bosch	Germany
Cisco Systems	United States
Chartis	United States
China Central Television	China
China Daily	China
China Radio International	China
Citibank	United States
Coca Cola	United States
Diageo	United Kingdom
Ecolab	United States
Diversey	United States
EltekEltek ASA	Norway
First Carbon Solutions	United States
General Electric	United States
Google	United States
GSM Association	European Union
Heineken	Netherlands
Hill International	United States
Huawei	China
IBM	United States
ICAO	United Nations

IMF	United Nations
Intel Corporation	United Nations
ITF	United Kingdom
IUCN	Switzerland
Kaspersky Lab	Russia
Kiva	United States
LG Corporation	South Korea
MasterCard	United States
Merck Group	Germany
Mitsubishi Motors	Japan
Motorola Solutions	United States
NIIT Limited	India
Nokia	Finland
Nokia Research Hub	Finland
Pfizer	United States
PricewaterhouseCoopers	United Kingdom
Qualcomm	United States
Rockefeller Foundation	United States
Red Cross	Switzerland
Sage Group	United Kingdom
Scania AB	Sweden
Sony	Japan
Standard Chartered Bank	United Kingdom
Stockholm Environment Institute	Sweden
Stratlink Global	United Kingdom
TNT	Netherlands
Toyota	Japan
Visa Inc.	United Kingdom
World Bank	United Kingdom

Appendix IV: Milestones in Ecolab History

Other organizations that Ecolab has merged with since its commencement

1923 Economics Laboratory Founded

In 1923, Merritt J. Osborn developed a new product, Absorbit®, which cleaned carpets on the spot and eliminated the need for hotels to shut down to be cleaned. He called his new company Economics Laboratory (EL), reflecting its mission to save customers time, labor, and money with "economic" solutions developed through "laboratory" research.

1924 A Ware-washing Pioneer

In 1924, M.J. Osborn incorporated the company, acquired a non-sudsing cleaning compound from a chemistry student, and soon discovered that it worked much better than ordinary soap in the mechanical dishwashers that restaurants were starting to use. Called Soilax®, this product set the stage for EL's ware-washing expertise.

1928 Total Systems Approach

EL introduced its first product dispenser, setting the stage for a "total systems" approach to cleaning and sanitation, which included technologically advanced equipment, as well as superior products.

1935 Service Tradition Begins

In the mid-1930s, M.J. Osborn's son, E.B., returned to St. Paul as sales manager and turned the sales people into dishwashing consultants who not only sold EL products, but also repaired and maintained customers' dishwashers, trained kitchen employees, analyzed dish-handling procedures and recommended ways to minimize breakage. They were on call 24 hours a day.

1955 International Expansion

By 1955, there was enough business in Canada to form a sales territory and to contract with a Canadian manufacturer to handle production. The first European subsidiary, Soilax® A.B. Sweden, was formed in 1956 opening the door for expansion in Europe. It was followed by the formation of Soilax® de Mexico in 1958, triggering a rapid expansion in the Western Hemisphere.

1957 EL Goes Public

M.J. and his son decided to turn their family-owned business into a publicly held company. At the time, employees controlled at least 25 percent of the company's common stock.

1961 Revolutionary CIP Technology

In 1961, EL acquired Klenzade, and its pioneering development of Clean-In-Place (CIP) technology for the dairy industry. CIP eliminated the need to break down and hand wash dairy plant pipes and valves. When paired with EL's rinses and cleaning solutions, the CIP system allowed dairy plant operators to clean miles of pipes with the push of a button.

1970 International Growth

In 1970, international sales exceeded $30 million in 40 world markets. EL established a European satellite headquarters in Brussels, Belgium, to guide efforts in 15 countries. In 1977, area headquarters were set up in Latin America and Hawaii. By the end of the decade, EL conducted business in more than 50 countries.

1981 Solid Power® Introduced

In 1981, EL introduced Solid Power®, a patented state-of-the-art ware-washing detergent capsule that delivered unprecedented control, safety, and cost-savings to customers. Sales

soared, and within two years of its introduction, Solid Power® was the top-selling institutional ware-washing detergent in the U.S.

1984 Building the Portfolio

"In 1984, EL acquired the first of a series of regional pest service firms that would become Ecolab's Pest Elimination business. EL created this national platform and helped pioneer the concept of pest elimination for the $2 billion U.S. commercial pest market.

1986 Ecolab Inc. on the NYSE

In December, Economics Laboratory Inc. changed its name to Ecolab Inc., providing a simple and unifying worldwide identification. That month, Ecolab was listed on the New York Stock Exchange, enhancing the company's standing in the investment community and heightening interest of global investors.

1987 Consumer Sale

Ecolab sold its consumer products business, which marketed household products including dishwasher detergents *Electrosol* and *Finish*, *Jet Dry* and *Lime Away*. That same year Ecolab acquired ChemLawn, a provider of residential lawn care services. The business was sold in 1992 to enable Ecolab to focus completely on its commercial product and service businesses.

1991 Joint Venture in Europe

Ecolab formed a strategic alliance with Henkel KGaA, a major chemical company based in Germany, to better position both companies for a united European market. The Henkel-Ecolab joint venture set up headquarters in Düsseldorf, Germany, and combined European sales exceeded $750 million.

1992 New Growth Strategy Unveiled

Ecolab names its strategy to more broadly serve its customer base by offering an increasing range of cleaning and sanitizing products to serve the foodservice, hospitality, healthcare and food and beverage markets. Circle the Customer – Circle the Globe, Ecolab's fundamental business strategy, provides the map for future growth, business investment, and success.

1994 More New Business Units Launched

Ecolab acquired Kay Chemical Company, a leading cleaning product supplier to the quick service (fast food) market. Based in Greensboro, N.C., Kay gave Ecolab a long-sought position in the fast-food cleaning and sanitizing market and created a sixth business for Ecolab. A seventh business unit was added through multiple acquisitions to create Water Care Services.

1998 Service Portfolio Grows

Ecolab enters the commercial kitchen equipment repair business through the acquisition of GCS Service. Several subsequent regional parts business acquisitions help build scale.

2001 Worldwide Operations

A new era in Ecolab history began in November when Ecolab purchased the remaining 50 percent share of Henkel-Ecolab. This move officially created one Ecolab in Europe and throughout the world.

2002 Focus on Food Safety Expands

Strategic acquisitions continued to expand, diversify, and strengthen Ecolab's portfolio of customer offerings. Ecolab launched EcoSure Food Safety Management, a business that evaluated food safety procedures in food service and hospitality facilities across the U.S.

2004 Healthcare is Established

Ecolab established its Healthcare business unit, separating it out from other operations, in order to provide better focus on and resources for this important core growth area.

2005 Ecolab Innovation Has New Home

Ecolab opened a new Global Research, Development, and Engineering Center in Eagan, Minn. The center serves as a resource connecting over 700 worldwide research associates. The 3400,000 square foot facility also provides cutting-edge technology to develop innovative solutions for customers around the world.

2006 Honored as Food Safety Leader

Ecolab won the 2006 Black Pearl Award for Corporate Excellence in Food Safety and Quality. Presented by the International Association of Food Protection (IAFP), the award recognizes efforts in advancing food safety and quality through consumer programs, employee relations, educational activities, adherence to standards, and support of the goals and objectives of IAFP.

2007 Healthcare Growth Accelerates

Ecolab expanded its infection prevention expertise with the purchase of Microtek Medical Holdings Inc. The Alpharetta, Georgia-based manufacturer and marketer of infection control products for healthcare and acute care facilities specializes in infection barrier equipment drapes, patient drapes, fluid control products, and operating room cleanup systems.

2007 Apex® Launched

In late 2007, Ecolab's U.S. Institutional business launched Apex, a new ware-washing platform consisting of state-of-the-art product and dispensing technology along with dish machine performance metrics that provide a major advance in delivering the best results at the lowest total cost and environmental impact.

2008 Henkel Sells Ecolab Shares

Ending an investment that began almost two decades earlier, Henkel sold all of the 73 million Ecolab shares it held. Ecolab agreed to purchase 11 million of its shares directly from Henkel.

2008 Zurich Becomes European Headquarters

Ecolab opened the company's new Europe, Middle East and Africa (EMEA) headquarters in Zurich. The Zurich office consists of the EMEA leadership team whose focus is to drive the strategic leadership and management of the region.

2009 Strong Performance Achieved Despite Great Recession

Despite a very challenging global economy, Ecolab met and exceeded a number of key financial metrics. While sales declined 4 percent and diluted earnings per share were down 3 percent, the company was able, for the 18th consecutive year, to surpass its objective to deliver a 20 percent return on beginning shareholders' equity and increase its quarterly dividend. A focus on streamlining operations and processes during the year left the company in a position of strength as it looked to 2010.

2010 Ecolab Gains Recognition for Sustainability

Ecolab was ranked 26th on Newsweek magazine's list of Greenest Companies in America, a significant move up in the rankings from the previous year. The company underscored its commitment to sustainability with the launch of Solid Power® XL, a super-concentrated, solid dish machine detergent providing excellent performance and offering two important sustainability advantages: (1) a 99.7percent phosphate- and phosphorus-free formula; and (2) 80 percent less packaging waste than liquid detergents.

2011 Ecolab Acquires Nalco

Ecolab merges with Naperville, IL-based Nalco in a transaction valued at approximately $8 billion. Founded in 1928, Nalco specializes in industrial water, energy and air applications, helping customers reduce natural resource consumption, enhance air quality, minimize environmental releases, and improve productivity. The acquisition positions Ecolab to address key challenges related to mega-trends in the areas of food safety, healthcare, water scarcity, and energy production, in both developed and emerging regions.

2012 Ecolab Acquires Champion

Champion, a subsidiary of Nalco is acquired by Ecolab after the Ecolab- Nalco merger to widen the Energy Services market share for Ecolab.

Source: www.ecolab.com, About Ecolab Sustainability, Milestones in Ecolab History