# HOW DO ACTORS STRATEGICALLY MANAGE THE UNBUNDLING OF COMPLEX INTERDEPENDENCIES DURING THE ORGANISATIONAL SEPARATION PROCESS?

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# Abstract

"The number of divestiture transactions represents a surprisingly large percentage of all mergers and acquisitions" (Gole & Hilger, 2008, p. xi) yet it remains undertheorized (Wiedner & Mantere, 2019).

This research addresses the single-use case study (Yin, 2009) of the divestment and separation of the Italian stock exchange, Borsa Italiana Group (Borsa) from the London Stock Exchange Group (LSEG) by employing an inductive based theory approach, following the principles of grounded theory (Charmaz, 2006) with the aim to answer: How do Actors strategically manage the unbundling of complex interdependencies during the organisational separation process?.

To date there are no case studies which document firstly, the distinction between a divestment and a separation of entities, the practice of separation and its associated processes and the involvement of key business functions within a stock exchange. Secondly, the importance of sensemaking and coping during a separation, and how those separation actors were dynamically assembled to resolve many of the complexities arising in the separation programme. Thirdly, this thesis aims to advance the literature on divestitures and separations creating a link between risk management, and how a separation programme searches for and identifies risks, by using four key sights: foresight, insight, oversight and hindsight.

These emergent findings shed new light on complexities the separation programmes face. By combining historical, qualitative and real-time information from over 14 months in the field, this thesis makes three key theoretical contributions to the literature on Mergers and Acquisitions (M&A), specifically divestitures, separations, sensemaking, coping, and risk management.

**Key words**: M&A, Divestment, Separation, Four Sights, Logical and Physical Separation, Merger Control, Dynamic Assembling, Sensemaking and Coping

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To my family and friends, thank you for the support and giving me the passion, encouragement and drive to succeed.

To my niece and nephew, I hope this serves as inspiration that anything can be achieved with hard work and dedication.

# Professional Background

My mergers, acquisitions and divestiture knowledge and experiences are derived from working for over fourteen years in various industries, including but not limited to Financial Services, Healthcare, Data and Automotive. Over the years, these programmes have allowed me to learn, build, and gain insight into perfecting the separation practice. My successful separations have led to me winning awards, including Freedom of the City (London) and featuring in M&A publications as well as presenting to the MBA and MSc students at Aston University to share knowledge on mergers, acquisitions and divestments.

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# List of Abbreviations

| Term | Definition |
|---|---|
| Borsa | Borsa Italiana Group or referred to as Borsa. |
| Board | LSEG Board |
| Close | Close is when the monies for the purchase of the divested entity have been paid to the seller. It Is at this point the transaction is 'closed'. The separation process then begins. |
| CONSOB | Italian Regulator: Commissione Nazionale per le Societa e la Borsa |
| EC | European Commission |
| EXCO | Executive Committee – a separate committee of senior executives, some of whom may also be on the LSEG board. |
| FCA | Financial Conduct Authority |
| Forward TSA | A forward TSA is whereby Borsa is dependent on LSEG to deliver services for an agreed term. |
| Group | 'Group' in this thesis relates to the London Stock Exchange Group. |
| Group Risk | Group Risk is a function within LSEG, that has a bilateral process in relation to the separation programme. The function is responsible for identifying group risks within the programme that could affect LSEG. They also have a responsibility within the programme to separate their own function from Borsa Italiana. |
| M&A | Mergers, Acquisitions and Divestitures as a group. Unless referred to specifically. |
| MT | Monitoring Trustee. Appointed by the European Commission to oversee the transaction and to report back to the EC. |
| RAID log | An excel document which documents all of the risks, issues, actions and decisions in relation to the separation programme. |
| Remainco | The business or entity that remains within the Group, post divestment and separation. |
| Reverse TSA | A reverse TSA is whereby LSEG is dependent on Borsa to deliver services for an agreed term. |
| SFA | Separation Framework Agreement. A unique document drafted by LSEG and reviewed by the acquirer. Which contains high level governance information about the separation process. |
| Sign | Sign is when the buyer and the seller 'sign' the SPA, which demonstrates the intent of sale. |
| SME | Subject Matter Expert, usually within a particular function, tool or process. The SMEs and the workstreams work closely together. |
| SMO | Separation Management Office. Has overall responsibility for the programme and its management. |
| SPA | Share purchase agreement. A legal agreement which stipulates clauses for the sale of the divested entity, including the sale price. |
| TMO | Technology Management Office. Normally reports to the SMO. |
| TSA | Transitional Services Agreement. In total there were 48 TSAs, consisting of both forward and reverse TSAs. A TSA is a legal agreement, put in place, to backfill the gaps created as part of the separation. |
| Workstream | Relates to a function such as HR, Tax, Finance, Treasury, etc. |
| Workstream Lead | The programme manager or subject matter expert assigned to be responsible for the workstream. |

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# 1. Introduction

### 1. Research Question and objectives

From the wealth of scholarly articles on mergers and acquisitions (M&A), most of the research, and perhaps interest, lies within the acquisition and the integration of the businesses, and the associated risks (Horton, Bauer, Lamont, & Schriber, 2024; Chang & Cho, 2017; Graebner, Heimeriks, Nguyen Huy, & Vaara, 2017; Bruning, 2005; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009).

It is clear from currently available research that divestments and in particular separation, have not been a key focus in prior literature (Feldman, 2022; Wiedner & Mantere, 2019; Amiri, 2019; Gole & Hilger, 2008). It was only recently, that a clear distinction was made between Mergers, Acquisitions and Divestitures (Feldman, 2022) with calls for more studies on the process of divestures and separations. Separation is now broadly defined as separating a "divested business from its remaining operations" (Feldman, 2022, p.161). Separation is an activity of divesting. Separation includes a wealth of processes and activities to ensure both the divested entity and divesting company are both operational, post separation, Gole and Hilger (2008, p. 161) term this as "self-sufficient". Prior to Feldman's latest research, divestitures and separations have not been a key focus in prior literature, but there is a desire to understand this process further (Gole & Hilger, 2008; Joy, 2018).

Empirical studies on divestment and separation which do exist have tended to focus specifically on the separation of information technology functions, tools and systems (Yetton, Henningson, Bohm, Leimester, & Krcmar, 2022; Chang & Cho, 2017; Leimeister, Böhm, & Yetton, 2012; Leimeister, Leimeister, Fahling, & Helmut, 2008) or in a very generalised manner (Gole & Hilger, 2008).
Other research into separation offers confusing and contradictory understandings of what separation is and entails (Moschieri & Mair, 2005; Brauer, 2009). Thus, we have an impoverished and unclear conception of the challenges, practices, and processes that unfold when organisations decide to separate. Amongst the papers which do mention theories in relation to divestitures, such as prospect theory and agency theory, there was no explanation or basis around how those theories were applied to the research. The closest paper we find is the work of Wiedner & Mantere, (2019) who discuss the separation of entities within an NHS funded structure however, there is a misinterpretation within the paper of what a divestment and separation are. This paper refers to the decentralisation of NHS funded assets as defined by (Merriam Webster, [Accessed]:2024). Therefore, while this paper offers interesting insights, it sheds little or no light on the separation process as I have defined it.

I demonstrate in the literature review, that case studies such as these are a rarity and therefore constitute ideal sites to develop new theory (Yin, 2009). To my knowledge this will be the first case study of its kind, which documents firstly, how to separate and secondly, the actual separation of two stock exchanges. I therefore apply an inductive single-case research design (Straus & Corbin, 1998).

The aim of this research is to address the theoretical gaps in understanding how separation practices, made up of many organisational macro and micro processes, are enacted to separate businesses

successfully and to fundamentally answer the question 'how do actors strategically manage the unbundling of complex interdependencies during the organisational separation process'.

## 2. Key findings

Overall, this extensive review identified three theoretical blind spots that constitute significant gaps in knowledge surrounding the separation practice and its associated processes. These blind spots concern (1) strategic separation planning, including how actors define how and what to separate and the unbundling of these interdependencies, (2) a lack of theory on how actors make sense, adaptively coordinate and reconfigure their efforts to tackle and resolve ongoing macroeconomic and microeconomic ongoing events which disrupt and threaten to derail the exchanges from separating successfully, (3) and finally, there are no studies to date which link the importance of risk management during the separation process or how to identify them.

## 3. Method

The purpose of this research is to provide contributions to both academic and professional literature by providing a single-use case study (Yin, 2009). My case study (Yin, 2009) and theoretical motivation will demonstrate through grounded theory, the practice and processes used to successfully separate the two organisations.

Most importantly, I draw on an interpretive inductive theory building approach, which utilises some of the grounded theory principles (Charmaz, 2006). Inductive theory is the process "by which we draw a general conclusion from individual instances or observations". Inductive theory allows for "flexibility, attends closely to context and supports the generation of new theory" (Warwick University, [Accessed] 2024). Grounded theory was first developed by Glaser and Strauss, (1967). Their epistemological view of grounded theory was "that systematic qualitative analysis had its own logic and could generate theory" (Charmaz, 2006, p. 5). Glaser and Straus characterize the grounded theory approach "as one oriented towards the inductive generation of theory from data that has been systematically obtained and analysed" (Glaser & Strauss, 1967) as cited in (Locke, 2001, p.1).

By applying an inductive approach based on grounded theory (Strauss & Corbin, 1998; Locke, 2001; Charmaz, 2006) to capture a wealth of data from the programme and develop new theoretical insights, I have drawn on multiple data sources. Interpretive researchers are encouraged to use participant observation and ethnographic interviewing to explore issues and perspectives (Lock, 2001). My approach follows these principles, in particular, I observed and actively participated in the planning, coordination, and unbundling of separating the businesses successfully.

Grounded theory follows a strict set of procedures, with a primary focus on collating the qualitative research data first, to then be able to map out a set of theoretical constructs, which demonstrate a novel contribution to the literature (Bryman & Bell, 2011). My approach was to utilise a selection of these guiding principles (Charmaz, 2006) which fit within my inductive approach, "the very understanding gained from the theory rests on the theorist's interpretation of the studied phenomenon" (Charmaz, 2006, p. 126). This strategy allowed for flexibility in response to emergent data (Charmaz, 2006; Johnson, Buehring, Cassell, & Symon, 2006).

Charmaz, (2006, p. 126) explains that "interpretive theories allow for indeterminacy, and give priority to showing patterns and connections" (Charmaz, 2006, p. 126). This research study is not only unusual in terms of the case study but also the methodological approach that I have taken to document the separation between the Borsa Italiana Group and the London Stock Exchange. This single-case study (Yin, 2009) of the divestment and separation of the Stock Exchanges provides new ground for the academic and M&A research communities. It provides a foundation for students and mergers, acquisitions and divestiture professionals to learn and understand key principles involved when undertaking such a large programme.

My approach included 62 in-depth semi-structured interviews (Spradley , 1979) spanning over fourteen months, with key actors (including programme sponsors), as well as participant observation and content analysis produced from the separation programme.

### 4. Theoretical and practical contributions

Firstly, this research provides a descriptive account of the separation processes, strategies, key functions and workstreams, risks, issues, impacts, interdependencies, behaviours, and implications that actors need to be in control of when separating a business. Also to distinguish the difference in meaning and process between divesting and separating businesses, something that prior literature often conflates (Moschieri & Mair, 2012). Secondly, providing new theoretical contributions by defining how dynamic assembling is essential for sensemaking and coping within a separation programme, utilising dynamic assembling, sensemaking and coping, and thirdly, providing new theoretical contributions to the domain of risk management by implementing the Four Sights model to manage the process of dealing with process of dealing with various extreme, unpredictable and shifting risks by searching for, identifying and developing mitigation strategies for these risks. From a professional point of view, it is essential to highlight the importance of separation, especially as "it is an area that is given insufficient attention in many organisations because of competing demands around the divestiture transaction" (Gole & Hilger, 2008, p. 146).

# 2. Overview of the Principal Literature

## 2.1 Introduction

As previously mentioned, the literature review identifies three theoretical blind spots, that highlight significant knowledge gaps regarding separations. To set the stage for this research, the following section critically reviews the current state of knowledge in literature regarding divestment and separation processes around the blind spots: (1) strategic separation planning and the unbundling of

interdependencies in complex organisations, (2) dynamic assembling, sensemaking and coping and (3) risk management and the requirement for four sights.

It is first important to clarify the definition of M&A. M&A is an abbreviation for Mergers and Acquisitions. Feldman, (2022) was the first to point out the obvious connection between linking mergers, acquisitions and divestitures and that the M&A term does not always include divestitures. Schoenmaker and Schramade, (2023, p. 542) have generalised M&A to include "all kinds of deals in which companies or parts of companies are bought and sold". For clarification, I will refer to the abbreviation of M&A to include mergers, acquisitions and divestitures throughout this thesis. In some instances, I may only refer to divestitures.

To draw a distinction between divesting and separating, I have included the below:
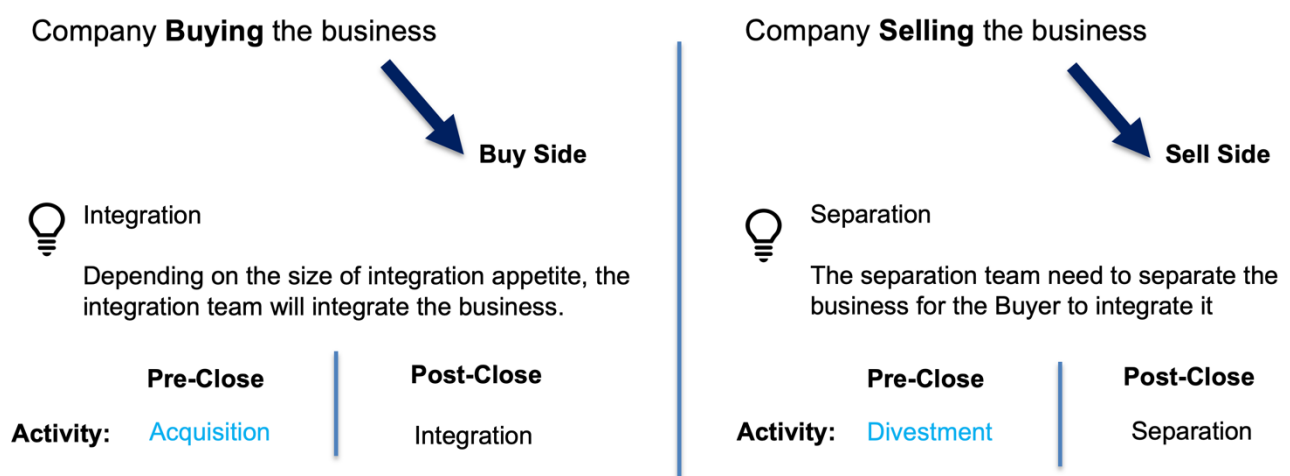


*Figure 2:1: Distinction between divesting and separating*

The literature on M&A is vast and has been dominated by studies that have focused on the antecedents and consequences of acquisitions (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Gole & Hilger, 2008) and the complex processes involved in post-merger integration (Graebner, Heimeriks, Huy, & Vaara, 2017). Whereas divestments are the neglected sibling of M&A. Feldman, (2022, p.161) explains that "while much ink has been spilled over the years in writing about the implementation of M&A, M&A divestiture implementation has largely been ignored".

Recently, the practice of divesting and separating has evolved and gained an increasing amount of traction and attention (Feldman, 2022), although a majority of the literature assumes that divesting and separation are synonymous. However, it is important to clarify the difference. "Divestitures are defined as the removal of one or more of a company's lines of business via selloff or spinoff" (Feldman & McGrath, 2016, p. 1) the importance of this definition is on the onus of ownership and responsibility. The business is no longer owned or responsible for by the divestor or selling company (Gole & Hilger,

2008; Dictionary Cambridge Org, 2024). Whereas separation is where the parent company must "separate the divested business from its remaining operations" (Feldman, 2022).

The divestment and separation processes go hand in hand but the two are distinct critical processes. Throughout this research, I have discovered that some academics' reference and apply agency theory to the divestment of the business (Bergh, 1995; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Though when it comes to separation, I was not able to find any literature referencing theory in relation to separation.

The aim of this review is to "challenge the literature's underlying assumptions" (Alvesson & Sandberg, 2011, p. 249), as well as to expose significant gaps in relation to the following three main dimensions attributing to separation; in the world of M&A and divestitures.

## 2.2 Key theme: Exploring the Complex Process of Organisational Separation

M&A and divestitures as a whole, are strategic tools the parent company adopts to reevaluate its portfolio. Strategy relating to divestitures encompasses various elements, such as understanding the strategic fit and value (Mankins, Harding, & Weddigen, 2008; Gole & Hilger, 2008) of the child to the parent company's future strategy.

Dranikoff, Koller, & Schneider (2002, p. 81), argued that divesting "needs to become a routine part of a company's strategy" and Yetton, *et al*., (2022) complement this by explaining that M&A are critical components of organisational strategies. There are two different meanings to divestments. According to Moschieri & Mair, (2005, p. 2) divestments are a "sale of corporate assets" and divestitures are a "sale of a subsidiary or a business unit". In the case of Borsa Italiana, this relates to both the sale of assets and a business unit.

Divestments can be categorised into different types, the most notable are spin off, carve out and asset sale (Madura & Murdock, 2012). Duhaime & Schwenk (1985) state that asset deals tend to be much more well-structured and Brauer, (2009, p. 346) explains that "divesting a relatively small unit is generally less difficult because the resource commitment and effects on remaining units are smaller". Based on experience, I disagree with this statement as asset deals complicate the separation process for the acquirer. I note no other papers support Brauer's statement.

Throughout this research I noticed the following significant blind spots within the literature:

1. **Divestment decision making process, rationale, timing, the benefits or issues with divesting**

The literature on the divestment decision making process is the most prominent topic and many academics have touched upon this. Mankins, Harding & Weddigen, (2008), Nees (1983), Duhaime & Schwenk (1985) Gole and Hilger, (2008) and Duhaime & Grant, (1984) all cover the various methods and processes by which the divestment decision is first discussed and processed internally. There are several key topics such as, which unit to divest, the rationale for the divestment, and the type of divestment. Brauer, (2009) and Moschieri, (2011) developed theories and research on the divestiture decision and requirements involved to act on the divestment process as soon as it is approved internally. Anslinger, Jenk, Chanmugan, (2003, p. 101) highlight that "a carefully planned and well-executed restructuring that involves a divestiture can be as significant a victory for management and shareholders as a successful acquisition".

Almost every researcher touches upon the topic of timing and its significance, particularly at the beginning of the transaction; documenting that "well timed divestitures can contribute to shareholder value and a poorly timed one can destroy value" (Dranikoff, Koller, & Schneider, 2002, p. 79; Gole & Hilger, 2008). Moschieri, (2011, p. 68) focused on the importance of timing and that employees need to be involved in the divestiture and the "implementation" processes.

Much of the literature touches briefly upon disadvantages of the divestment, such as the cost and dyssynergies. Feldman, (2022, p.166) discussed the occurrence of "dyssynergies from the split". For example, the assumed divested entity will no longer provide synergies within the group, therefore the costs associated with the transaction, along with an increase of internal costs for the parent company begin to occur as soon as the unit is divested. The rationale for the divestment begins to include a cost benefit analysis to understand potential cost savings or stranded costs post divestment (Dranikoff, Koller, & Schneider, 2002; Gole & Hilger, 2008). The literature does not define who this responsibility falls to internally or at which point in the divestment process it should be analysed.

## 2. Strategic Planning

Strategic planning within divestments and separations is termed separation planning. Gole and Hilger, (2008, p. 144) refer to this as "disentanglement planning". Separation planning involves the following criteria:

- the rationale for divestment
- the mode and size of divestment
- the acquirer: who they are and whether there is a strategic fit for the divested entity to transfer over to
- the leadership and separation programme team of the divested entity
- the governance process within the programme
- timelines

- understanding of interdependencies between the businesses and the functions
- their effects on dyssynergies and stranded costs
- the defining of which activities need to be carried out to separate the organisations from one another

Gole and Hilger, (2008) only touch on some of these topics, they neglect the importance of dyssynergies, governance processes, and the defining of which separation activities need to be carried out pre and post transaction close, nevertheless it was pleasing to find a book which went into more detail around separation processes than other literary sources. The separation plans are built on all of the above factors. "The strategic planning process is defined as the set of human interactions, formal and informal, that take place in the course of generating a strategic plan" (Lyles & Lenz, 1982) as cited in (Dutton & Duncan, 1987, p. 105).

Lycett, *et al.,* (2004, p. 92) define the role of the planning process, and explain the purpose of the "interdependencies of the projects" which make up the programme and are used as "the basis for the high-level programme plan". Interestingly there is no clear definition of what a milestone is, within the literature. Although an understanding can be made through the paper of Leimeister, Bohm & Yetton (2012) whereby they set out the technological separation phases and milestones for a carve-out. This paper is highly beneficial to literature on separation. Yetton, *et al*., (2022) explain the importance of milestones within a separation and the requirement to plan accordingly. They define the requirements for both legal and operational day one, as well the importance of separation planning for both. "The strategic planning process serves as a type of performance program (Cyert & March, 1963) absorbing uncertainty by reducing the information load facing decision makers" (Boulton , Lindsay, Franklin, & Rue, 1982) as cited in (Dutton & Duncan, 1987, p. 105).

### 3. The Separation Process

The synonym for separating the business is documented by almost all of the researchers as decoupling, disentangling, disintegration, de-integration, demerging, implementation, planning or organisational transformation (Moschieri, 2011; Busquets, 2015; Muller, 2006; Dranikoff, Koeller, & Schneider, 2002; Mankins, Harding, & Weddigen, 2008; Brauer, 2009; Tanriverdi & Du, 2009; Yetton, Henningson, Bohm, Leimester, & Krcmar, 2022; Gole & Hilger, 2008). The term 'separation' is a key practice. Sometimes the term 'implementation' is misunderstood by academics as well as practitioners to be 'putting something in' such as a new tool or creating a new interdependency rather than 'taking apart'. When separating companies, the links (or interdependencies) between the parent company and the divesting entity are severed and this can be likened to separating conjoined twins to ensure that both twins will function post separation. There are risks that either party may not survive after the separation and the process is incredibly complex.

Organisational separation process literature and what it means to separate companies is "undertheorized" and limited (Wiedner & Mantere, 2019, p. 663; Gole & Hilger, 2008). I have been looking for clarification and definition as to what it means to separate companies and the activities involved in this.

To my knowledge there is only one study in its entirety that refers to the process of separating a business (Mankins, Harding, & Weddigen, 2008). Even though some journals have discussed separation, the process has been misunderstood, I found two examples; the first mentions two companies being separated and kept separate but still legally owned, because of a failed integration (not a divestment) (Risberg, 2006, p. 95) and the second, what is actually a redistribution of assets, functions and people to a new entity which is still governed by an overarching linked organisation (Wiedner & Mantere, 2019).

Any research or literature on the planning of and the process of separating the business is sparse and those that do mention separation are fairly generic. This is important to highlight as it shows that prior research and development of theoretical methodologies on separation provides little insight into the unfolding dynamics and complex activities involved in unbundling commingled processes and operations. Until fairly recently, Gole and Hilger, (2008), Feldman, (2022) and Yetton *et al*., (2022, p. 1) are the only academics to clarify a very high-level understanding of what happens during a separation; "when a company divests one of its units, it must identify, divide and allocate the resources that the divested business previously shared with the company's remaining operations". Papers that do cover the process and recognise the act of separation as an essential set of processes to successfully completing a transaction, mention separation activities only briefly, and then without detail or conveying the importance. This literature does not further existing knowledge of separation (Kaplan & Weisbach, 1992; Brauer, 2009; Dranikoff, Koller, & Schneider, 2002). It is apparent in the literature that the terms which reference the act of separating the business unit from its parent have not evolved (Duhaime & Grant, 1984; Duhaime & Schwenk, 1985). The success of divesting and separating a company from its parent, would appear to be measured only by whether there is a financial gain or loss on the divested entity (Kaplan & Weisbach, 1992). Both Kaplan and Weisbach note that this methodology is flawed and call for more research in this area. To date, I have been unable to find any literature which highlights how the practice of separation is measured.

However, discussion around what actually needs to separate, how the separation is constructed, key actors involved in the separation, by when the separation needs to complete and the conditions upon how the separation is complete are not discussed in the literature.

The literature in relation to what separation programmes are and how they are constructed, is limited (Gole & Hilger, 2008). Yetton, *et al*., (2022) provide the most information but it is limited to the technology workstream only. Some studies touch upon the understanding that financial and technological systems (Feldman, 2022; Yetton, Henningson, Bohm, Leimester, & Krcmar, 2022; Gole

& Hilger, 2008) will separate, and that some individuals within the divested entity may or may not lose their roles as part of the transition, as well as discussion around reorganisation of the parent post divestment. Leimeister, Bohm & Yetton, (2012) are the first to clarify two phases within a 'technological' separation as logical and physical. The distinction between both is infrequent in the literature but understood by practitioners. The definition of logical separation is a little ambiguous. Logical separation is required before the transaction closes. Physical separation follows, whereby the systems in the divestor are separated, access is then terminated, if there are no TSAs in place (Yetton, Henningson, Bohm, Leimester, & Krcmar, 2022). Leimeister, *et al*., (2008, 2022), both suggest that physical and logical separation only applies to technology. To date there is no literature which disproves this, until the case study on the separation of Borsa Italiana and LSE. These two phases apply to the whole separation, not just the technological workstream.

Whilst there are a lot of useful studies on general programme management, there are minimal on separation programmes. To clarify, whilst there are some similarities between separation programmes and general programmes, in terms of structure and governance, it is important to note that the two are not synonymous, they are very distinct. The term for projects seems to be looser. Shehu and Akintoye, (2009) explain that the distinction between a programme and a project is neither fully understood nor appreciated.

There is more literature in relation to general programme management. Lycett, *et al*., (2004, p. 89) define a programme as a "group of related projects with the intent of achieving benefits that would not be realised if they were managed independently". Pellegrinelli, (2011, p. 233), Ferns, (1991) and Gray, (1997) further define programme management as a "mechanism for coordinating and directing related projects" by creating a structure which has "tight links" and encompasses governance structures that adhere to the Group's organisational strategy. Pellegrinelli, (2002, p. 229) describes programme management "as a way of creating the necessary framework within which projects can operate". He further clarifies "programmes set the context for projects by grouping them, directing them and initiating them". For the purposes of the Borsa separation programme, it consisted of several workstreams or "cross-functional committees" (Gole & Hilger, 2008, p. 149; Joy, 2018). Each workstream could be considered a programme in its own right. Each workstream is made up of several projects (Yetton, Henningson, Bohm, Leimester, & Krcmar, 2022). Programmes are designed to "facilitate managerial sense-making and control in complex organisations" (Maylor, Brady, Cooke-Davies, & Hodgson, 2006, p. 671). A programme manager's responsibility is to "monitor progress, assess risks and report on progress" as well as track costs, (Lycett, Rassau, & Danson, 2004, p. 92).

This oversight is significant because it neglects complex relational dynamics and processes. Without deeper exploration, we are left with an oversimplified, almost sterilized view of the separation process and this therefore forms the basis of my research and its contribution.

### 4. Challenges when Separating

One of the challenges when separating is not only transferring the assets and people but the information and knowledge with the divested entity (Gole & Hilger, 2008, p. 281). Information asymmetry comes into play when the parent company knows more about the divested entity than the market, key external actors and the acquirer (Semadeni & Cannella, 2011; Walter, Heinrichs, & Walter, 2014). This point is extremely important but misses the association with the separation programme and the dependence the buyer has on the separation team to expedite their learning of the acquired business. The onus is on the separation team and the acquirer's integration team to build a relationship and develop trust, so that knowledge is shared with the acquirer during the due diligence and separation processes (Kroon, Noorderhaven, Corley, & Vaara, 2021; Gole & Hilger, 2008). As part of the divestment process, when the legal ownership has transferred to the acquirer and throughout the separation process, there is limited discussion in academic and professional literature on how soon the buyer benefits from the acquisition of the divested entity (Moschieri, 2011; Brauer, 2009).

Yetton, *et al*., (2022, p. 2) and Dudek *et al*., (2020) explain that "separation of complex systems or processes does not usually fit into the timeline of a typical M&A transaction". As a result of the complexity, the time constraints intensify the cost structure of the separation. Normally both buyers and sellers want to expedite the separation process, which calls for more resources on the separation programme (Gole & Hilger, 2008). The paper by Yetton, *et al*., (2022) is an excellent example of how the time constraints affect the IT separation of systems during a carve-out. They give real life examples and detail the milestones which are required to be achieved especially for operational day one (Gillingham & Stimpson, 2008). Timing of the separation is a key requisite when planning a separation. Allowing time to plan for the physical separation is essential, specifically for the reason Fontaine, (2012) highlights, as IT carve-out projects in particular, are often underestimated and underdeveloped. This is a unique insight into a carve-out separation programme, the first I have come across.

Quite often separation programmes, overlook the interdependencies between workstreams, systems and processes. Yetton, *et al*., (2022, p. 4) highlight that a "project with many interdependent tasks is more complex than a project with few and/or independent tasks". They also highlight the impact of complexity through separation and the requirement to map "path dependencies", such as the interrelatedness between workstreams. Whilst there is limited research on interdependencies between the divested entity and the parent it is separating from, Gole and Hilger (2008) give a high-level view of what an interdependency is. More research is required here to draw attention to the cruciality of more thick descriptions around interdependencies and their impacts.

### 5. Transition Service Agreements

Transition Service Agreements (TSAs) are an essential part of the separation programme planning process. Yetton, *et al*., (2022, p. 2) define TSAs as "formal agreements between divestors and

acquirers that specify how divestors continue to provide" support services which were essential before the divesting entity was sold. The TSA remains in place "until they can be supported by the acquirers' own infrastructure and integration progress" (Yetton, Henningson, Bohm, Leimester, & Krcmar, 2022, p. 2). "TSAs normally include the definition of included services, time period, pricing and terms of billing and payment" (Gole & Hilger, 2008, p. 256). It is during the TSA mapping and planning stage, that the problems with interdependencies occur during the unbundling of the functions and business units. However, there are no case studies or explanations in the literature of the complexities surrounding TSA mapping and separation planning, most descriptions around TSAs are brief and give a high-level view, without including more descriptive and useful information such as the definition of forward and reverse TSAs. Defining the TSAs forms an important part of the separation planning and processes involved.

## 6. Separation Programme: Roles and Responsibilities

One of the essential elements to a separation is its actors, both internal and external. These actors form the separation programme. The literature likens the separation programme to a "special task force" (Moschieri, 2011, p. 380) or a "cross-functional disentanglement project" (Gole & Hilger, 2008, p. 149). There is no definition of which actors are in the task force, they are only referenced as "SMEs" (Gole & Hilger, 2008, p. 229) and more specifically, their role. So, an assumption is made in the literature, that this task force consists of internal management teams based on capability with previous divestment experience. This is a useful point to note, as my research will clarify 'which actors' are in the separation programme and the roles they undertake and how they define the strategy for the separation (Jarzabkowski, Balogun, & Seidl, 2007). The task force is set up to manage programme governance as well as potentially setting up a new entity for the separation (Moschieri & Mair, 2011). Governance is defined as workshops, steering committees and meetings to define the coordination (Jarzabkowski, Balogun, & Seidl, 2007; Jarzabkowski, Le, & Feldman, 2012). Within the literature, communication regarding the transaction is limited to the internal 'working groups' within the divestiture (Mankins, Harding, & Weddigen, 2008; Gole & Hilger, 2008), there is no explanation or discussion regarding communication with external 'working groups', i.e. with the regulators, shareholders, suppliers etc.

The research categorises the divestment approach as a decision-making process (Nees, 1983). This involves a limited number of individuals (actors or agents) in the business with the aim to prevent leakage regarding the transaction and limit damage control to the company's share price (Montgomery & Thomas, 1988). The research across several papers refers to these individuals as "divestiture groups" or "cross-functional committees" (Joy, 2018; Mankins, Harding, & Weddigen, 2008; Gole & Hilger, 2008) noting that the "divestiture groups are responsible for the control and ownership throughout the decision-making process, as well as the frequency of divestments from the parent group" (Mankins, Harding, & Weddigen, 2008). This literature does not further define, discuss in detail

or mention separation programmes, functions or workstreams. This 'divestiture group' also decides on the divestment modes, boundaries, valuation and structure of the deal. For example, the cash sale, spin off, carveout, MBO or even liquidation of assets (Dranikoff, Koller, & Schneider, 2002; Brauer, 2009). An interesting point to note is that the literature does not discuss how soon the separation team are involved in the planning of the separation and their interactions with the 'divestiture groups', there is also no clear distinction between the parties and their responsibilities, which potentially masks important relational dynamics.

Current research on divestitures mentioning 'theory' only reflects agency theory and prospect theory from a quantitative methodology (Bergh, 1995; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). These papers define the numerical outcome of the transaction and the divested unit's performance looking at the company's share price. As my research will demonstrate, using qualitative methodology, there is an additional theoretical basis upon which a separation programme could relate to, using inductive theory building.

## 2.3 Key theme: The Critical Importance of Dynamic Assembling in Sensemaking and Coping

### 2.3.1 The Critical Importance of Sensemaking

Sensemaking has been defined "as the social process whereby 'people act their way to sense' " (Weick, 2009; p. 130) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 421), "they extract cues" (Weick, Sutcliffe, & Obstfeld, 2005, p. 409) from "their environment in order to create meaning and enact order" (Maitlis & Christianson, 2014; Weick, 2001) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 421).

Sensemaking forms a process of "meaning construction, whereby people interpret events and issues within and outside of their organisations that are somehow surprising, complex or confusing" (Cornelissen, 2012, p. 118) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 422). Meaning is created when cues are linked with "well-learned and/or developing cognitive structures" (Porac, Thomas, & Baden-Fuller, 1989, p.398; Weick, 1995, p.8).

Karl Weick originally developed sensemaking theory in the 1960's. He produced a framework of seven principles which define the sensemaking process and demonstrate the process one goes through when sense making.

| These are: **Weick's sensemaking properties** | Meaning |
|---|---|
| | |

| | |
|---|---|
| Grounded in identity construction | "How can I know what I think until I see what I say?" Weick explains that this preposition is essentially a "trap" (Weick, 1995, p.18). <br> The sense maker needs to question themselves what it is that they need to know and where the gaps are in their own knowledge of what this issue is. |
| Retrospective | Retrospect focuses on the organisational structure as well as the meaning of a lived reality, i.e. that "people can know what they are doing only after they have lived it and done it" (Weick, 1995, p.24), utilising past experiences to be able to make sense of the situation they are in now. "Attention is directed backward from a specific point in time, whatever is occurring at the moment will influence what is discovered when people glance backward" (Weick, 1995, p.26). One of the limitations with retrospectivity is "confusion" because so many "projects are under way at the time reflection takes place" (Weick, 1995, p.27) and "it wrongly implies that errors should have been anticipated and good perceptions, good analyses and good discussions will yield results" (Starbuck & Milliken, 1988, p. 38). |
| Enactive of sensible environments | Weick uses "the word enactment to preserve the fact that, in organizational life, people often produce part of the environment they face" (Pondy & Mitroff, 1979, p.17 ; Weick, 1995, p.30). <br> Weick likens this property to the making of one's own environment. "When people enact laws, they take undefined space, time, and action and draw lines, establish categories, and coin labels that create new features of the environment that did not exist before" (Weick, 1995, p.31). |
| Social | This element looks at the social interactions amongst employees within a company and how those hierarchical structures are imperative for sense making especially when the teams require acceptance of their sense making and approval of strategies to progress forward. <br><br> "An organisation is "a network of intersubjectively shared meanings that are sustained through the development and use of a common language and everyday social interaction", this definition appears several times over in its references to "network," "intersubjectively shared meanings," "common language," and "social interaction" (Walsh & Ungson, 1991, p. 60) as cited in (Weick, 1995, p.38). <br><br> "In working organisations decisions are made either in the presence of others or with the knowledge that they will have to be implemented, or understood, or approved by others" (Burns & Stalker, 1961, p. 118) as cited in (Weick, 1995, p.39). |
| Ongoing | Weick explains sense making as 'ongoing' and is in a continual state. Theoretically it only stops when actors retrospectively look back (Weick, 1995, p.43) during a lessons learned session or the activity ceases. |

| Focused on and by extracted cues | "What an extracted cue will become depends on context" and how it is framed (Weick, 1995, p.8). First, context affects what is extracted as a cue in the first place, a process that has been described in the organisational literature as search (Cyert & March, 1963), scanning (Daft & Weick, 1984) and noticing (Starbuck & Milliken, 1988). The concept of framing cues (Goffman, 1974) is used as shorthand for the structure of context. Second, context also affects how the extracted cue is then interpreted". "Sense making can be viewed as a recurring cycle comprised of a sequence of events occurring over time. The cycle begins as individuals form unconscious and conscious anticipations and assumptions, which serve as predictions about future events" (Louis, 1980, p. 241). |
|---|---|
| Driven by plausibility rather than accuracy | "Plausible reasoning involves going beyond the directly observable or at least consensual information to form ideas or understandings that provide enough certainty" (Isenberg, 1986, pp. 242-243). Weick (1995, p. 56) argues that "accuracy is nice but not necessary". |

*Table 1: Weick's seven principles (Weick, 1995, p.17)*

Prior research has "shown that sensemaking occurs in different settings, such as during an incident, (Weick, 1990, 1993) in and after inquiries" (Gephart, 1993; Brown, 2004; Dwyer, Hardy, & Maguire, 2021) and "during organisational change projects" (Balogun & Johnson, 2004; Lüscher & Lewis, 2008; Gioia & Chittipeddi, 1991; Martinsuo & Hoverfalt, 2018; Maitlis, 2005; Stensaker, Falkenberg, & Grønhaug, 2008; Stensaker & Falkenberg, 2007) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 423) including acquisitions and post-merger integrations (O'berg, Henneberg, & Mouzas, 2012; Teerikangas, 2012; Bansal, King, & Meglio, 2022; Risberg, 2001) "and programme management" (Aaltonen & Sivonen, 2009; Thiry, 2007; Gacasan & Wiggins, 2017) and this is why "sensemaking can take a range of forms" (Sandberg & Tsoukas, 2020).

So far, the sensemaking literature has been focused on how individuals *(not companies)* "manage to make sense of extreme incidents despite the existence of confusion and ambiguity that interrupts routines, breaches expectations and defies interpretation" (Weick, 2003, 2010) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 421) although "there is little empirical research on how individuals engage in *ongoing* sensemaking, following an extreme incident" (Dwyer, Hardy, & Tsoukas, 2023, p. 421).

The process of "sensemaking involves placing stimuli in to some kind of framework" (Starbuck & Milliken, 1988, p. 51), "comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning" (Weick, 1995, p.6). The key word noted by Starbuck and Milliken is 'surprise', meaning  that it was not expected or perceived as something which would occur.

When actors construct these cues "into frameworks", this enables them "to comprehend, understand, explain, attribute, extrapolate, and predict" (Starbuck & Milliken, 1998, p.51; Weick, 1995, p.4). "A cue in a frame is what makes sense, not the cue alone or the frame alone" (Weick, 1995, p.110). Actors within the separation programme look to understand the situation or event by placing the cues, pieces

of information and facts into a structure, to better understand it and its impact. As a result of this "sensemaking is an active process" (Weick, 1995, p.162). "Sensemaking does not stop when the incident ends, rather it continues as practitioners continue to try to make sense of the incident in its immediate aftermath" and that during this process "practitioners used different forms of coping to reflect on and engage with their situation circumstances" (Dwyer, Hardy, & Tsoukas, 2023, p. 422). One of the major gaps from the literature, suggests that as researchers, "we know relatively little about how practitioners involved in an extreme incident continue to make sense of it after its occurrence, what form such sensemaking takes", (Dwyer, Hardy, & Tsoukas, 2023, p. 421).

## 2.3.2 The Critical Importance of Coping

"Organisational theorists emphasise that organisations must adapt to their environment if they are to remain viable, one of the central issues in this process is coping with uncertainty" (Duncan, 1972, p. 313; Crozier, 1964; Thompson, 1967) as cited in (Magnani & Zucchella, 2019, p. 132).

Coping "has been extensively studied in the psychology and management literature" (Liu, Tang, Wing-Hung Lo, & Zhan , 2016, p. 141; Holahan & Moos, 1987; Carver, Scheier, & Weintraub, 1989) but not yet linked to divestitures or separations. There has been "growing interest in how organisations address the extraordinary demands placed on them in extreme contexts" (Dwyer, Hardy, & Tsoukas, 2023, p. 421). "These incidents are impossible to prevent, difficult to manage, and can have significant negative consequences for the individuals who have to deal with them" (Bell, Fisher, Brown, & Mann, 2018; Hannah, Uhl-Bien, Avolio, & Cavarretta, 2009) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 421).

Yanow and Tsoukas (2009, p. 1354), define three distinct types of coping. These are "absorbed coping, deliberate coping and involved deliberation". The first being absorbed coping. "Heidegger termed this mode of existence", "meaning a spontaneous response not mediated by mental representations, which enables one to get around in the world, flexibly responsive to a situation as it unfolds" (Rouse, 2000, p. 8) as cited in (Yanow & Tsoukas, 2009, p. 1350). The second, deliberate coping, whereby the actor pays 'deliberate' "attention to the task at hand" (Yanow & Tsoukas, 2009, p. 1352). Dreyfus (1991, p. 72) explains "deprived of access to what we normally count on, we act deliberately, paying attention to what we are doing". Yanow and Tsoukas go on to explain that the difference between deliberate coping and involved deliberation is "a matter of degree" (Yanow & Tsoukas, 2009, p. 1352). So, does this mean that absorbed coping means an actor is not paying attention? I believe these explanations are too vague and lack proper explanation as to what coping is and does. In summary, from the literature; absorbed coping looks at transparency and availableness, whilst deliberate coping and involved deliberation looks at attention to the task and unavailableness (Yanow & Tsoukas, 2009, p. 1354). Neither of these explanations are particularly useful or applicable to coping during a separation.

Dwyer, Hardy and Tsoukas, (2023, p. 430) try to build upon deliberate coping by adding three additional types of coping. These are: involved-deliberate coping, theoretical coping and detached-deliberate

coping. Involved-deliberate coping looks at how "individuals share representations of an external reality and reflection occurs on action rather than in action (Sandberg & Tsoukas, 2020; Weick, Sutcliffe, & Obstfeld, 2005; Maitlis & Christianson, 2014) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 430). Theoretical coping looks at how actors that are "experientially, spatially, temporarily removed from the incident make sense of it from a distance" (Sandberg & Tsoukas, 2015; Yanow & Tsoukas, 2009), as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 430) and finally how detached-deliberate coping involves actors that "intentionally assign identities, meanings, functions and causes" to the situation (Chia & Holt, 2006; Guiette & Vandenbempt, 2016) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 430).

It is important to note the importance of coping whilst on a separation programme. "Strategic outcomes do not presuppose deliberate prior planning or intention; secondly, strategy is not some transcendent property that *a priori* unifies independently conceived actions and decisions, but is something immanent — it unfolds through everyday practical coping actions" (Chia & Holt, 2006, p. 637), this is something that the prior literature does not demonstrate. In summary, coping capabilities "can be separated into two subcategories: the ability to accept a problem and the ability to develop and implement solutions" (Karman, 2020, p. 886).

### 2.3.3 The importance of people in sensemaking and coping

"People in organisations build knowledge as they respond to the situations they encounter. These trial-and-error sequences include" (Weick, 1995, p.121) "both the processes by which organisations adjust themselves defensively to reality and the processes by which knowledge is used offensively to improve the fits between organisations and their environments" (Hedberg, 1981, p. 3). Essentially this means that "individual stimuli are aggregated into compound meaningful stimuli that map the territory for action. This aggregation is driven by rules that interpret stimuli in meaningful ways" (Hedberg, 1981, p. 8) which helps produce frameworks.

Following on from the idea that actors learn specific behaviours in particular environments and develop a repertoire of coping practices, emergent strategising can be interpreted as arising from the dwelling modes of actors and their practical coping whereby "agency and identity arise through the actions we (most unconsciously) deploy, and our strategies, in turn, emanate from an internalised modus operandi that reflects our culturally mediated disposition" (Chia & Holt, 2006, p. 637). Therefore, the notion of 'practical coping' (e.g. Chia & Holt, 2006; Rouse, 2000; Schatzki, 2000) provides a way of accessing "non-deliberate" strategy-making activities (Chia & Holt, 2006, p. 637) to resolve the issues which arose in the first place. The emphasis here being on strategy and coping strategically.

The link between sensemaking and coping means that actors "pull from several different vocabularies to focus their sensemaking". "They pull words from vocabularies of coping and make sense using theories of action" (Weick, 1995, p.107) and (Gunessee & Subramanian, 2020, p. 1207).

### 2.3.4 Summary

In summary the sensemaking and coping literature are linked but there is a substantial gap. Which actors are doing the sensemaking and coping? How were these actors chosen and why? the role of actors, whilst necessary, isn't explicitly called out as an essential theme to be able to make sense of what is going on or cope.

## 2.4 Key Theme: Risk

Risk Management looks at "evaluating the likelihoods and consequences of prospective risks, either by the use of frequency data or on the basis of expert judgments, scenarios and subjective probabilities" (Cohen & Kunreuther, 2007, p. 526). Pellegrinelli, (1997, 2002, p.231) defines the purpose of risk management as "identifying where problems might occur, having contingency plans in place and taking appropriate preventive and remedial actions when required" whilst trying to achieve programme delivery and success. Risk management is a critical theoretical issue in separation which has been understudied.

Risk management affects companies, functions, projects, generic programmes, separation programmes as well as individual workstreams. I am specifically focusing on the literature in relation to risk management and separations. Whilst Pellegrinelli's (1997, 2002, 2011) papers explain that the purpose of risk management is to identify where problems might occur and to develop remedial actions, there is no explanation as to how these risks were identified, how the teams knew how to look for these risks, where the risks are documented and tracked nor how the risks are identified and who by.

Risk management in relation to M&A has mainly been linked to post-merger integration (Chang & Cho, 2017). I have researched the connection between risks, divestitures and specifically separation programmes but to date there are no academic papers which link these. When reviewing and analysing the literature, a few risks jump out, these are programme and separation specific risks. These can be categorised by function or workstream as well as divestiture specific. A good example of a separation risk is that the companies may be ineffective once separated and that the divested unit may no longer be operational (Moschieri & Mair, 2011).

Company risks fall into the realm of Enterprise Risk Management (ERM) (Crawford & Jabbour, 2024). There are several definitions of ERM, mainly because "of the variety of frameworks in existence" (Bromiley, McShane, Nair, & Rustambekov, 2015, p. 267; Crawford & Jabbour, 2024). The most prominent definition of ERM is defined as "a process effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives" (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2004 ). Enterprise Risk Management

is predominantly centred around three theories: agency theory, contingency theory and institutional theory. "Over reliance on a few theories reveals a theoretical gap that must be addressed" (Crawford & Jabbour, 2024, p. 112). One of the key limitations of ERM, relevant for this thesis, is that ERM focuses specifically on "the perspective of the firm's top executives and directors" and "how to manage aggregated risk exposures of the entire enterprise", "it is not about project risk", "or any particular risk" (Jankensgård, 2019, p. 565), which whilst useful for when separating an entire organisation, disproves its relevance for a specific programme.

Risk management in the separation programme is essential to understand how certain actions or changes to processes could cause harm or detriment to the business. Cohen & Kunreuther (2007, p. 528), also explain the importance of using risk management to identify "issues of interdependency" especially between processes, resources and within the entities being separated.

Expanding the topic of operational and management risk, Burgelman, (1994, p. 25) documented that "strategic actions of complex firms involve multiple levels of management simultaneously". This is true especially within a separation programme.

Successful programmes accommodate for "high levels of complexity, ambiguity and risk" and understand the "emergence" of these (Pellegrinelli, 2011, p. 233). Operational Risk is one of the most important risks within a separation programme. This is defined as "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events" (Power, 2005). A good example of operational risk failure in LSE was in 2019, whereby the exchange suffered an outage for 1.5 hours (Wearden, 2019). Much of the operational risk literature is centred around financial services and in particular the banking sector (Power, 2005; Crawford & Jabbour, 2024). The terminology, used within the divested and separation related papers, skirts around the definition and importance of operations and an operating model.

A firm can be defined by its operations. How the company operates and how it is structured, is defined as an operating model (Campbell, Gutierrez, & Lancelot, 2017). Without an operating model design, the separation team cannot assess where potential operational risks are likely to appear. Moschieri, (2011, p. 368) referred to the business unit as an "'outcome of its operations", boundaries (as in the perimeter of the transaction), and implementation of operation activity. In some cases, the business operates as an independent company, along with the restructure of its operations and whether the business has autonomy (Mankins, Harding & Weddigen, 2008; Wiedner & Mantere, 2019). It is important to note, that this transaction information which includes the divesting entity's operating model forms the blueprint. This demonstrates which operations are included in the transaction perimeter (Mankins, Harding, & Weddigen, 2008).

Madura & Murdock, (2012, p. 1919) explain that there are varying levels of risk complexity, depending on which form of divestment occurs. Normally for the Remainco, the "increase in risk following

divestitures is generally higher for carve-outs than asset sell-offs". It is particularly high when they divest "related" assets, compared to unrelated.

There are also risks relating directly to synergies. A recurring theme across the literature has highlighted the concern from the management and leadership teams, in which they no longer benefit from the synergies and see the divested unit as costly to run; and therefore, conclude that the business is no longer worth investing in, innovating, or developing (Montgomery, Thomas , & Kamath, 1984). Dranikoff, Koller & Schneider, (2002, p. 77) refer to this as "high costs of holding".

In addition to the above, there are also regulatory risks. There are risks associated between the divested entity and the acquirer, specifically relating to antitrust rules and regulations. Antitrust rules "prohibit agreements between market operators that would restrict competition, and the abuse of dominance" (European Commission, [Accessed] 2024).

External factors especially regarding, the regulators, play an important part in a divestment and a separation, certainly in the case of Borsa Italiana ( European Commission, 2021). When divestments in highly regulated industries such as the financial services sector, occur, the European Commission (EC) and the Financial Conduct Authority (FCA) request frequent updates on the divestment status and details around the separation from the programme team. The regulators can stop the divestment from taking place if they feel they need to ( European Commission, 2021). Yetton, *et al*., (2022, p. 3) made a clear statement that antitrust rules do have an impact on the types of divestments, and which buyers are given permission to proceed with the transaction. They go on to explain that "the divestor and acquirer are restricted by antitrust concerns" and so this would explain their keenness to be closer to the transactions and have a level of authority and say over what happens.

Key motives for regulators look at the competition rights of sectors and industries but there is now a focus on the viability of the divested business. Feldman, (2022, p.177) explains that "regulators are also focused on driving equity in the allocation of assets and liabilities, as this can influence the ability of the separated companies to deliver upon performance expectations". All industries are now subject to regulatory assessments, this is not noted in academic literature but is widely known amongst industry practitioners and clear from the cases assessed by the regulators (Competition and Markets Authority, 2022; European Commission, 2022). In order to be approved for divestments and for M&A, the parent company needs to complete a risk assessment. This assessment looks at the parent company's portfolio and also looks at potential acquirers (European Commission, 2021). The regulators evaluate which acquirer is the best 'fit' for the divested business and whether this may trigger antitrust rules. I have found from my research that there is a significant gap in the literature around risk assessments in M&A and divestitures, as well as the level of involvement the regulators have over the divestment process. Other risks such as political risk of subsidiaries is difficult to verify (Benito, 1997).

There are generic risks, such as reputational risks associated with negative stigmas and rationale for divesting (Kaplan & Weisbach, 1992; Dranikoff, Koller, & Schneider, 2002). In some cases, this

negative stigma delays or prohibits the parent company divesting (Kaplan & Weisbach, 1992; Dranikoff, Koller, & Schneider, 2002). Chang & Cho, (2017, p. 234), highlight that "M&A is a risky endeavour" and that the "risk associated with M&A motives is not well-understood". "Divestiture need not be cause for gloom or an admission of defeat" (Anslinger, Jenk, & Chanmugam, 2003, p. 101). Most of the stigma around divestments are from external sources. It is clear from the research that stigma from the shareholder views, along with media reports commenting and analysing the firm's performance, affect the internal management teams. Davies, Dickersin Van Wesep, (2018, p. 571), extends the notion of stigmatism and highlights that even "managers of firms targeted in divestment campaigns are stigmatized" not just the parent and divested entity. Divestment views are seen as solely negative and in almost all of the literature the rationale is that the business unit was failing (Montgomery & Thomas, 1988). This was not the case for Borsa Italiana, pre divestment the business was thriving.

Another risk perspective looked at stigmatised industries and how firms within those industries would "typically avoid media coverage" regarding M&A activity (Durand & Vergne, 2015, p. 1205). The rationale for why this is important is missing from the literature. Negative press or analyst views on the business will lower the share price, therefore impacting the purchase price of the divested entity (Montgomery & Thomas, 1988; Stafford, 2021). A lot of the research in the literature focuses and also associates risks with costs, the rationale for divesting, along with negative reactions from external factors such as journalists, analysts and shareholders surrounding costs of the transaction and the impact it may have on shareholder returns. This is important to highlight because a stigma around divestments is often created by the media, investment analysts and shareholders. One key point noted from Feldman, (2022, p. 161) is that "the divesting company must reshape the perceptions of external stakeholders that the divestiture may have impacted, separating the divested business". This point is particularly important because the impression and the impact external stakeholders have on the parent company can affect the share price (Montgomery & Thomas, 1988). In some cases, parent companies avoid the decision to divest for risk of negative returns for the company as well inordinate costs associated with the divestment (Davies & Dickersin Van Wesep, 2018). Paradoxically and in contradiction to the above research, Durand & Vergne, (2015, p. 1205) state that even though firms which are in stigmatized industries suffer "media attacks" when they "are threatened can respond by divesting assets".

The next risk looks at loss of knowledge and resource. In an additional paper written by Moschieri, (2011) they drew out the potential loss of talent from the parent; whereas Brauer, (2009, p. 357) highlights the opposite, and draws attention to the concern the parent company will retain the "crown jewels". Leimeister *et al*., (2012) brings to the forefront the risk of loss of tacit knowledge and critical capabilities during the separation programme, when the individuals who were once part of their team move with the divested company or they leave their roles for fear of job loss posing operational issues.

A further risk focus is on the technological cyber risk of separating. Leimeister *et al*., (2012) explain how security risks increase when logically and physically separating the businesses. Another example highlighted across the technology divestment literature, focuses on the risk of lack of documentation which explains how systems and processes are interconnected (Yetton, Henningson, Bohm, Leimester, & Krcmar, 2022; Leimeister, Böhm, & Yetton, 2012).

Linking this theme with strategy, Denis, Denis, & Sarin, (1999) discuss the importance of diversification within the parent's portfolio of businesses. Management are less risk averse and so their portfolio of businesses is diverse (Kahneman & Tversky, 1979). To divest a business unit, which allowed the parent company to focus on a new or different market (Whittington, Regner, Angwin, Johnson, & Scholes, 2020) is often another factor which deters the management team from divesting.

A very topical point appeared in the literature regarding the size of the firm being divested. Montgomery, Thomas & Kamath, (1984) and Brauer, (2009) assume that smaller units are more likely and are easier to be divested than larger companies. There is no data to support this statement nor mention of risk reduction in relation to the size of the divestment. Feasibility assessments of the divestment and the separation processes (Moschieri & Mair, 2011; Bauer & Friesl, 2022) are compounded by the complexity of the transaction (Mankins, Harding, & Weddigen, 2008; Brauer, 2009; Gole & Hilger, 2008). Feasibility is closely linked with risk, in that, if the operational risks are too high, the potential risk of losing customers, along with the barriers to exit, the parent will not divest (Harrigan, 1981).

However, whilst Gole and Hilger (2008, p. 47), provide a useful book on corporate divestitures, there is only one mention of risks, which they title 'risks and exposures'. There is no definition of what these are nor how they affect the separation process, only the divestiture process. I feel there was a missed opportunity to delve into more detail around the risks affecting the practice of separating.

In summary, from the literature, there are a wide range of risks but minimal alignment of ERM, regulatory, strategic, programme, project, operational, knowledge loss, costs, regulatory, reputational and security risks in relation to divestitures and specifically separations. There appears to be little literature that explains and theoretically examines how these risks are searched for, identified, tracked, managed as well as mitigated and "several researchers have called for research examining the integration of risk management into business decision processes" (Crawford & Jabbour, 2024, p.125; Arena, Arnaboldi, & Palermo, 2017; Meidell & Kaarbøe, 2017, p.40). Applying a practice lens, the Four Sights looks to address this limitation especially in relation to risk management processes within separations, including identifying, capturing, and assessing these risks and their mitigation strategies.

# 3. Summary and Key Limitations within the Literature

The current landscape of knowledge demonstrates that the literature in relation to separation is fragmented and outdated. It is clear from global divestment data produced between 1980 and 2020, that the 80's was a popular time for divestments (Refinitiv Eikon, 2022). Whilst few topics are discussed in the literature, the practice of divesting and separating companies has come a long way, and that academic research needs to reflect the current environment. My aim is to make three significant contributions to the theoretical understanding of separation specifically and to elucidate what it actually means to separate a business and how. From the review and because the literature is sparse, it is easy to identify three limitations or blind spots:

## Blindspot 1: Separation Planning and the Unbundling of Interdependencies in Complex Organisations:

Until now key separation processes have not been documented as a detailed case study in academic literature or within business literature.

Firstly, currently there is no literature on the explanation and importance of unbundling assets, people, technologies, or processes in relation to divestitures and more specifically separations (Feldman, 2022) and there seems to be confusion with the interpretation of what a divestment and separation are, confusing them with what is actually decentralisation. Whilst separations include restructuring to some degree, the most pertinent step is to unbundle and separate. Unbundling is required to separate or disentangle interdependencies (Gole & Hilger, 2008, p. 144). There is a limitation in the understanding of the level of complexity of a divestment and its associated dependencies on the parent company. There is a lack of detail around what these organisational processes are and how they are developed with current academic theory (Brauer, 2009). It is essential to ensure the divested entity is separated effectively, and still operational post-separation.

Secondly, the literature has so far focused on the divestment decision and its associated processes (Moschieri & Mair, 2012; Gole & Hilger, 2008; Feldman, 2022) but does not mention what needs to be separated, how it will be separated, when it will be separated and by whom. Also what is omitted is how to coordinate and execute the separation programme and assess the feasibility of the separation, as well as how we measure that it has been executed successfully. This includes identifying and defining the logical separation and physical separation processes and highlighting the coordination of separation planning as an essential process to assess whether the transaction is even feasible.

It is clear from the strategic planning blind spot that academics interpret divestment and separation to be synonymous. Any mention of theory in relation to separation planning is omitted. The papers which briefly mention separation, cover agency and organisational theories but do not develop any theoretical

models in relation to separation. They do however link divestments to a process and practice lens. Throughout this review it is clear that few theories reappear but none have a clear delineation to separation or provide a detailed theoretical lens. Strategic planning encompasses everything surrounding separation of the two businesses. As there is a lack of information, my research will provide useful insights into defining the different processes within divesting and separating, key separation activities and their milestones, types of strategic plans and the coordination of these, the critical actors involved in the separation process and the coordination of these workstreams and functions, and finally the governance structures implemented.

## Blindspot 2: Dynamically Assembling during Sensemaking and Coping:

There are many studies on sensemaking and coping and some are even associated with acquisitions and programme management (Bansal, King, & Meglio, 2022) there are however, none which look at divestitures and separations.

Whilst sensemaking is an "ongoing, social process as individuals engage in 'talk, discourse and conversation" (Weick, 1995, p.41; Gephart, 1993, p.1469) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 422) "existing studies of sensemaking and change overlook the fact that sensemaking is a team-based process" (Maitlis & Christianson, 2014) as cited in (Balogun, Bartunek , & Do, 2015, p. 975). The sensemaking literature does not describe or define who does the sensemaking, how these individuals are chosen and assembled to work through the sensemaking and coping processes.

This aim of this literature is to demonstrate firstly how these actors were dynamically assembled to assist with making sense of these disruptions and secondly "these actors have generated a repertoire of coping practices that allow them to face the everyday challenges and situations arising in organisations" and more specifically, separations (Chia & Holt, 2006; Jarzabkowski & Wolf, 2014, p.5).

## Blindspot 3: Risk Management within a Separation Programme:

There are no studies to date which cover the importance of risk management whilst separating the businesses nor how to collate the risks and assess them before they become issues. There are also significant elements missing in terms of interdependencies and how this increases the level of complexity and its association with risk. An empirical study is required to document how the divesting company and the separation programme risk assess the separation of the business unit and the separation programme using the Four Sights; insight, foresight, oversight and hindsight.

**Insight** utilises knowledge and experience from actors within a programme to provide expertise in identifying risks. Insight is essential to have a deep understanding of complex situations (Cambridge.org, n.d.).

**Foresight** relies upon insight to "judge what is going to happen in the future" (Riddell, van Delden, Maier, & Zecchina, 2020; Cambridge Dictionary, n.d.)

**Oversight** is linked to the governance of the programme and ensures that appropriate (process and legal) controls are implemented should a risk arise (National Research Council (U.S.). , 2005).

**Hindsight** is the ability to reflect, which includes the "ability to understand, after something has happened, why or how it was done and how it might have been done better" (Roese & Vohs, 2012; Cambridge Org, n.d.).

In highly regulated industries such as financial services, risk assessments are critical to the success of any separation programme (Crawford & Jabbour, 2024). A risk assessment looks at the programme from an operational point of view, ensuring neither business is harmed during the process and that both businesses are still operational during and post separation. In the case of the stock exchanges, this is extremely important because if the stock exchanges were to be inoperable, it would have negative (in some cases long term) effects on their respective economies (United Nations Conference on Trade and Development, 2017).

Yet, prior work on separation provides limited insight (Gole & Hilger, 2008), and although studies of these various sights is potentially valuable, we do not understand how they work or interact in the separation process that is characterised by extreme risk, unpredictability, and a 'shifting risks' landscape.

In summary, strategic planning, strategic management, dynamic assembling, sensemaking, coping and risk management are all yet to be studied and documented in relation to divestitures and separations.

# 4. Research Context

The previous chapters provided background to the research objectives, literature in relation to M&A and divestitures and their blind spots. This chapter discusses separation as a practice within the M&A and divestitures sphere and the case study focuses on the interdependencies, activities, actors, processes, and steps required to separate the businesses successfully.

"A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between the object of study and context are not clearly evident" and is "one of the most powerful methods used by researchers to realise both practical and theoretical aims" (Ebneyamini & Moghadam, 2018, p. 1). Single-case studies are ideal for unusual and revelatory phenomenon's (Yin, 2018), and the divestment and separation of Borsa Italiana is such a case and until now, academic access to divestitures and separations *in situ* have not been permitted.

The Borsa separation itself was an historical event and one that cannot be replicated, even if, perhaps in the future, it is divested from Euronext. This is because the process of separation, whilst there are steps, processes, procedures, and practices that can be replicated for other separations, *this* event is a one-off and uncommon (Yin, 2018). Bacharach, (1989) says: "no matter how the data are collected, researchers have the obligation to present them in a way that allows other scholars a fair chance at using and or disproving the data".

Separations themselves happen frequently. A company cannot acquire without first divesting (even if independently owned). Therefore, the theoretical methodology which has been developed within this research can be replicated by other theorists, this research, will enable future theorists to theorise, understand and identify other separations (Bacharach, 1989, p. 497) and test the grounded theories developed in this research.

Bacharach's definition of what theory is allows theory to answer the following questions: "how, when and why". I apply these to give context to how the situation unfolded as without it, the researcher would not understand its applicability. The raw data from this case study does not constitute as theory alone (Bacharach, 1989, p. 497), rather it is the process, strategy making and understanding of these, at each level of the separation programme, which formulate theory. The data merely depicts the building blocks which frames and formalises the theory into something that is tangible and can be understood.

My aim throughout my research has been to establish rigorous procedures in a structured and coherent way, with an approach that allows the theory to be authentic and interesting by providing new insight into the separation phenomenon that has always existed but never researched (Davis, 1971, p. 309). In order to show how this thesis contextually relates to an inductive based approach, adopting the grounded theoretical principles and applying an inductive based approach, as explained in my Findings chapters, it is essential to explain the background of how the divestment and separation materialised.

This information is the nucleus for this theoretical anecdote and will help academic and professional communities comprehend how and why the separation took place. It also provides a unique contribution to academic literature by specifying and providing a thick description and performance that is anchored in a processual understanding (Yin, 2009; Sergi & Hallin, 2011).

## 4.1 LSEG's History

Firstly, it is important to explain what a stock exchange is and why it is essential for a country's economy. "A stock exchange is a regulated venue where buyers and sellers trade stocks, otherwise known as securities" (Nasdaq, 2021). Stock exchanges are regulated markets and are recognised under UK and EU law (Thomson Reuters; European Commission, 2017).
"Companies rely on exchanges for access to capital", because of this, it is essential the stock exchanges are protected (Nasdaq, 2021). If a stock exchange were to suffer an outage, this could negatively impact the economy, a project lead explained that it would "stop a lot of investors, it would stop all the stocks that are on the exchange, [these] would not be able to be traded" (INV28), which in turn would negatively impact the exchange as well as the companies listed on the exchanges.

LSEG's history goes back to as early as 1801, when it was first formalised as an exchange in London. LSE is "one of the world's oldest stock exchanges" (London Stock Exchange Group, 2022). It is important to clarify that LSE (London Stock Exchange) sits under LSEG (London Stock Exchange Group) as a regulated entity under the Financial Conduct Authority (FCA). LSE has its own governing board, including CEO, and sits within the Capital Markets division of LSEG. The London Stock Exchange Group was originally formed with the Merger of the Borsa Italiana Group in 2007. Both stock exchanges due to regulatory requirements were allowed to merge but had to remain distinctly separate. I explain this in detail in the section named the 'rationale for the divestment of Borsa Italiana'. The Borsa Italiana Group (pre-divestment) consisted of the following distinct business units; Borsa Italiana, Gatelab, MTS, Elite, CC&G and Monte Titoli (Borsa Italiana, 2021), with revenues of €464mn in 2019 (Euronext, 2020). Throughout this thesis, I refer to the Borsa Italiana Group as Borsa.

Back-office operations (Gole & Hilger, 2008) (also known as support functions) such as HR, Finance and Legal, some technological platforms and shared tools which employees used to carry out their work, were allowed to merge and integrate but the front office applications (Gole & Hilger, 2008) (client facing functions) meaning the stock exchange trading platforms where customers and investors log on, needed to remain separate (Borsa Italiana, 2007). Prior to the divestment, Borsa Italiana was headquartered in Milan, Italy. LSE is headquartered in London, UK. Both Borsa and LSE, were part of the LSEG group. Back-office functions were located globally, with the main HR, Finance and Legal teams being in London and Milan respectively. Technological infrastructures were located within the

data centres, in the UK and Milan. Prior to the divestment, LSEG's structure resembled the depiction below.
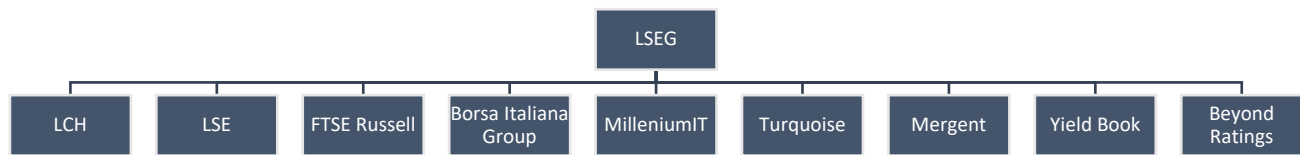


*Figure 4:1 LSEG group structure pre-divestment of Borsa Italiana Group (LSEG, [Accessed] 2024)*

## 4.2 The Rationale for the Divestment of Borsa Italiana

In April 2021, I joined LSEG as the Separation Programme Manager to programme manage the separation between the London Stock Exchange (LSE) and the Borsa Italiana Group. The rationale for the divestment came in April 2021 after the European Commission (EC) approved LSEG's acquisition of Refinitiv, an American British provider of financial market data and infrastructure.

To give further background on the Merger Control process: In May 2020, the EC received notification from LSEG of their intention to acquire Refinitiv (European Commission, 2020). The EC "opened an in-depth investigation to assess the proposed acquisition of Refinitiv by the London Stock Exchange Group ("LSEG") under the EU Merger Regulation. The Commission was concerned that the proposed acquisition may reduce competition in trading and clearing of various financial instruments and in financial data products" (European Commission, 2020).

It is essential to note and define the purpose of Merger Control: "The objective of merger control is to examine whether proposed mergers will have harmful effects on competition. If it is considered that a merger will not harm competition, it is approved unconditionally. Conversely, if a merger would harm competition, suitable commitments will be proposed by the merging firms to remove the harm. In the absence of such commitments, problematic mergers must be prohibited to protect businesses and consumers" (European Commission). The investigation looked to understand whether the following combined business units (MTS within Borsa and Tradeweb within Refinitiv) "would negatively affect competition in these markets" and "would result in a very large combined market share in the electronic trading of European Government Bonds" (European Commission, 2020). The EC raised these points within a letter to LSEG and Refinitiv. LSEG had time to review the points raised and the data collated by the EC. LSEG then submitted their commitments to the EC, which was approved (European Commission, 2020).

These commitments subsequently triggered the divestment Borsa Italiana, including its "licences, permits, intellectual property, employees, all contracts, leases, commitments and customer orders of the Divestment Business" (European Commission, 2021) and the separation between Borsa Italiana and LSE (London Stock Exchange) in April 2021 (LSEG, 2021). As of the 29th April 2021, Euronext (a pan-European stock exchange) acquired Borsa Italiana and subsequently took ownership of the Borsa Italiana Group and its assets. The priority of the divestment was to ensure both Borsa and LSE were operationally independent of one another post separation, especially as the two exchanges are now competitors. Below is a timeline of the journey of Borsa Italiana:
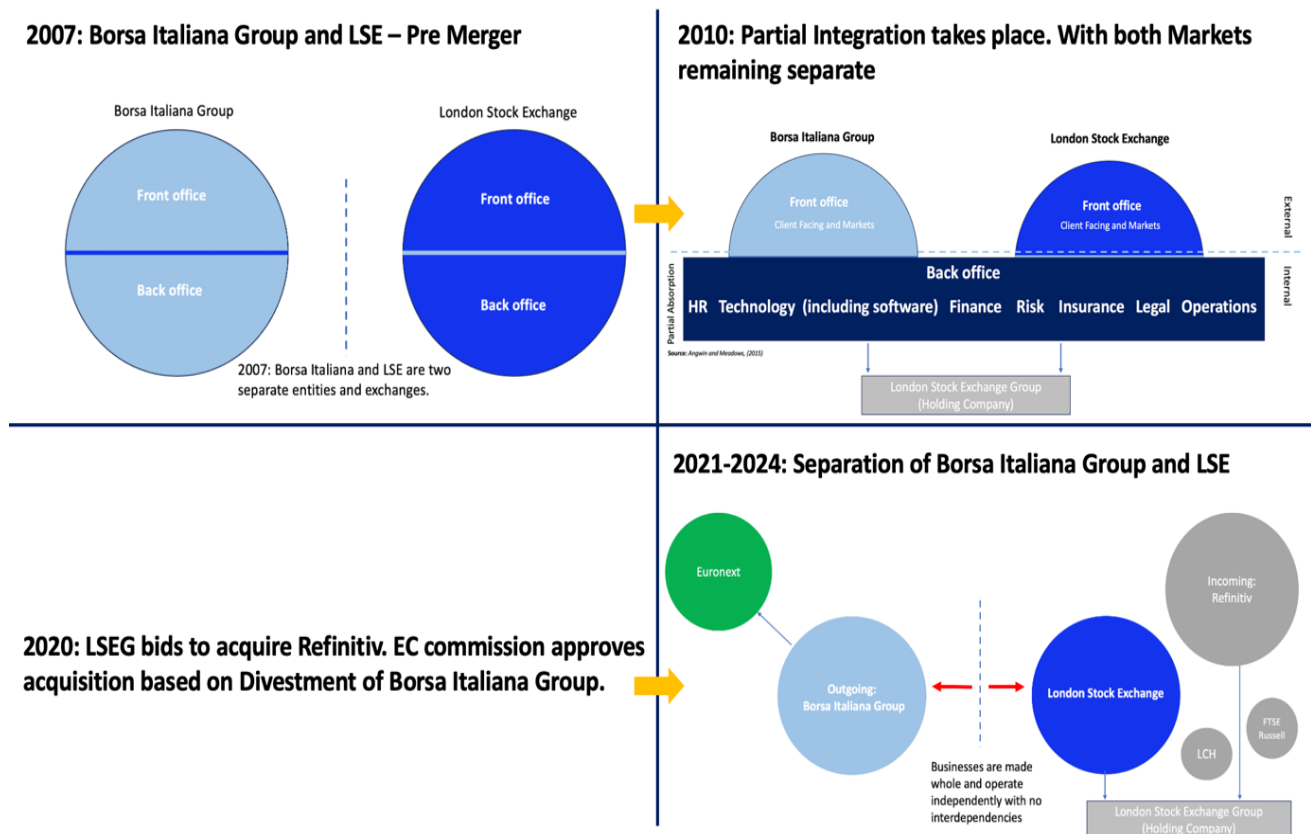


*Figure 4:2 LSE and Borsa timeline 2007:2021*

The proposed acquisition of Refinitiv and the divestment and separation of Borsa Italiana, pivoted LSEG's strategy from solely being a provider of exchanges to becoming a leader in Financial Markets Infrastructure (LSEG.COM, 2019) that "delivers financial data, analytics, news and index products to more than 40,000 customers in over 170 countries" (LSEG.COM, n.d.).

Below, I provide a high-level summarised timeline of events on the divestment and separation programme, including events which will become relevant in chapter seven.
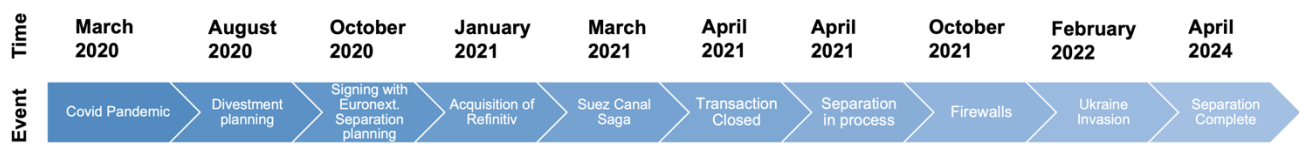
*Figure 4:3 Divestment and separation high level timeline of events*

# 5. Methodology

## 5.1 Introduction

This chapter presents a detailed overview of the research methodology employed. It is first important to outline my overall approach by outlining the epistemological, theoretical, methodology and method approach I followed in order to answer the question: '*How do Actors strategically manage the unbundling of complex interdependencies during the organisational separation process?*'.
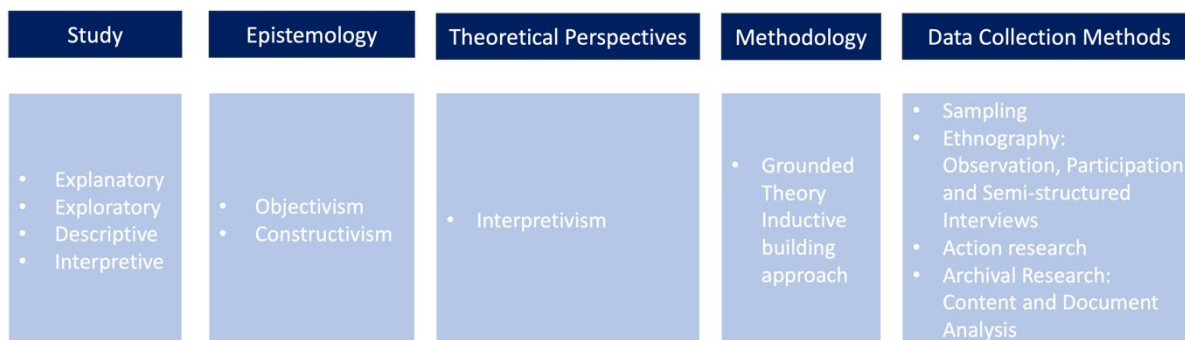


*Figure 5:1 Epistemological, theoretical, methodology and method approach Adapted from (Crotty, 1998, p. 5) as cited in (Gray, 2013, p.19)*

Crotty (1998), points out that there are a "bewildering array of theoretical perspectives and methodologies" as cited in (Gray, 2013, p.19). The issue arises when "the terminology applied to them is often inconsistent" and contradictory in (Gray, 2013, pp.7,19). Therefore, because of this, the understanding of the research is based on the "researcher's theoretical stance", "the methodology and methods used" and "researcher's epistemological stance" in (Gray, 2013, p.19) and "how they choose to use them" (Morgan & Smircich, 1980, p. 498). Gray, (2013, p. 34) explains it is "dangerous to categorise research methodologies against approaches and philosophies" which explains my rationale for adopting an interpretive approach, upon which I can be "flexible" with my methods for my inductive study (Gioia, Corley, & Hamilton, 2012, p.6; Johnson, Buehring, Cassell, & Symon, 2006, p.133). For research to be effective, researchers "can no longer remain as external observers, measuring what they see; they must move to investigate from within the subject of study and employ research tasks techniques appropriate to that task" (Morgan & Smircich, 1980, p. 498).

Throughout this chapter, I outline the interpretive data collection process, the analysis and research context applied within this inductive theory building single-case study (Yin, 2009, 2018). It is important to note that whilst "interpretivism and objectivism hold different epistemological positions, both are still based on the being ontology" (Chia, 2002) as cited in (Gray, 2013, p.7), meaning that the focus and study of phenomena is on the present, in its natural setting (of a separation programme), with a view of what happened and its existence, whilst the study was being conducted (Gray, 2013, p.26).

Applying some principles from grounded theory (Charmaz, 2006) to employ an inductive theory building approach, allowed 'priori theory' and their variables to be discovered or emerge from the data (Lincoln & Guba, 1985, p. 203); (Glaser & Strauss, 1967).

This inductive inquiry process began with empirical data collected from fourteen months whilst working in the field for LSEG on the separation programme, as an observer as well as a field expert. The data was collected from a series of interviews, workshops, observations, documentation from the separation programme as well as external data released into the market either by LSEG, EC, Borsa Italiana and Euronext. Once the data was collected, the aim was to iteratively analyse and develop various theoretical categories from the vast amounts of data. This study sought to create new theory which emerged from the data collected from the separation process. The process followed within this methodology is categorised pictorially below in Fig 5:2.
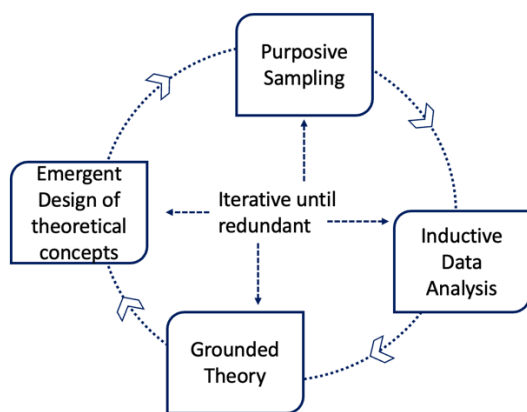


*Figure 5:2 Methodological Inductive Iterative flow (Lincoln & Guba, 1985)*

## 5.2 Grounded Theory

"Grounded theory methods emerged from sociologists Barney G. Glaser and Anselm L. Strauss" in 1965 and 1967 (Charmaz, 2006, p. 4). Glaser and Straus "proposed that systematic qualitative analysis had its own logic and could generate theory" (Charmaz, 2006, p. 5).  Bryant & Charmaz (2019, p. 207), explain that grounded theory is necessary when "the literature does not provide enough theories to cover all aspects or areas of the social life, extent theories seldom fit or work and reality is dynamic, continuously shaped by diverse, subjective lived experiences". Glaser and Straus, (2017) define grounded theory as the discovery of theory from data which is obtained systematically and verified that has a purpose of furthering knowledge in a particular field. According to Denzin and Lincoln, (1994, p. 508) this theory "is the most widely used qualitative interpretive framework in the social sciences today". Charmaz, (2006, p. 8) explains that "the logic of grounded theory can reach across substantive areas and into the realm of formal theory, which means generating abstract concepts and specifying relationships between them to understand problems in multiple substantive areas".

Grounded theory "is an inductive, theory discovery methodology that allows the researcher to develop a theoretical account of the general features of a topic while simultaneously grounding the account in empirical observations or data" (Martin & Turner, 1986, p. 141), and this is why this theory is an ideal methodology for researching the realm of separation. "Grounded theory is developed using qualitative methods as researchers generate a detailed understanding and thick description of the phenomenon of interest" (Shah & Corley, 2006, p. 1822; Geertz, 1973). Researchers start by compiling raw data and information on the phenomenon and "attempt to document the perspectives of all key participants" (Glaser & Strauss, 1967) as cited in (Shah & Corley, 2006, p. 1822). "Grounded theorists construct these data through our observations, interactions, and materials that we gather about the topic or setting" or phenomena (Charmaz, 2006, p. 3). From these materials, the aim is to produce a rich description, "the richness that comes from anecdotes" (Shah & Corley, 2006, p. 1821) from the various inductive and interpretive qualitative methods. "The end result of this process is a logically compelling analysis" and theory development "that identifies and describes key constructs, explaining the relationships among them, and contextualizes the findings in a way that allows for future theory testing" (Glaser & Strauss, 1967) as cited in (Shah & Corley, 2006, p. 1822). The aim for theoretical development is to develop a theory which "tries to make sense of out of the observable world by ordering the relationships among elements that constitute the theorist's focus of attention" (Dubin, 1978, p. 26) as cited in (Shah & Corley, 2006, p. 1821).

Empirically grounded theory follows a specific set of processes developed by Glaser and Strauss, (1967). The following principles are noted by Charmaz, (2006, pp. 5-6):

- Simultaneous involvement between data collection and analysis
- Constructing analytic codes and categories from data, not from preconceived logically deduced assumptions
- Applying the 'constant comparative method', which involves making comparisons during each analysis stage
- Advancing theory development during each step of data collection and analysis
- Memo-writing to develop categories, specify their properties, define relationships between categories, and identify blind spots
- Sampling aimed toward theory construction
- Literature review developed after data collection and analysis development

It is important to note, (and I go into further detail in 5.3) that I utilise some of the grounded theory principles within my thesis and approach, and some within a different format.

The rationale for choosing to utilise Grounded Theory for my methodological approach to document the case study of the divestment and separation of Borsa Italiana from LSEG, was because existing theories do not provide sufficient explanations or frameworks of the separation phenomenon. This

research is entirely new. Utilising grounded theory has allowed me to construct new theoretical concepts based on the lived experiences of those on the separation programme, rather than using prescribed theories which would force data to fit in to existing theories which do not cater for the intricacies and nuances of the separation.

My aim, by applying grounded theory development, is to produce a series of constructs and concepts which highlight a "less-well specified" phenomenon of separation (Gioia, Corley, & Hamilton, 2012, p. 2). "Concepts are pre-cursors to constructs in making sense of organisational worlds" (Gioia, Corley, & Hamilton, 2012, p. 2). Like most things, "an intensive focus on process requires an appreciation of the nature of the social world and how we know (and can know) that world" (Gioia, Corley, & Hamilton, 2012, p. 2). The most "profound recognition in social and organisational study is that much of the world with which we deal is essentially socially constructed" especially in relation to the macroeconomic events I have highlighted in my Findings chapters (Berger & Luckmann, 1966; Schutz, 1967; Weick, 1979,1989) as cited in (Gioia, Corley, & Hamilton, 2012, p. 2).

Applying Davis', (1971, p. 313), characterisation of phenomena to the separation practice and conceptualising the process of applying grounded theory, allows the research community to understand separation as a new phenomenon. In the beginning of this research, this theoretical process initially started out in an unstructured and disorganised way, because it was initially unclear what the data presented. As the grounded theory process unfolded and themes began to appear, through meticulous understanding and learning of the data, I, as a researcher started to see and conceptualise the emerging patterns. Once the patterns within the data were categorised and labelled, these were then structured and linked to other themes. The result of this grounded theory analysis became a coherent structure.

## 5.3 Naturalistic Inquiry Employing Inductive Analysis

Within this chapter, it is important to highlight and clarify the ontological and epistemological grounding of this thesis. "The interpretive paradigm is informed by a concern to understand the world as it is" (Burrell & Morgan, 1979, p. 28) and that the environment studied is truthfully reflected within the data. In essence, the interpretive paradigm understands and recognises that "much of the world with which we deal is socially constructed" (Gioia, Corley & Hamilton, 2012, p.2; Schutz, 1967; Weick, 1979; Berger & Luckman, 1966).  Analysing social constructs means "we focus more on the means by which organisation members go about constructing and understanding their experience" (Gioia, Corley, & Hamilton, 2012, p. 2).

Implementing some of the principles noted in Charmaz (2006, pp. 5-6) on grounded theory, this study follows an interpretive (also known as naturalistic) paradigmatic view. An interpretive paradigmatic view assumes that actors socially construct the worlds they live in, design and implement, such as the

socially constructed processes and laws by which they follow. An interpretive study "sees the world as an emergent social process which is created by the individuals concerned" (Burrell & Morgan, 1979, p. 28). Its purpose is to study how "the intersubjective common-sense world is constructed" (Berger & Luckmann, 1966, p. 34). It looks at the "thoughts and actions" (Berger & Luckmann, 1966, p. 33) of individual actors and how these socially cultivated entities perform, and in this case study - under tight regulation.

Social science is built on naturalistic interpretive foundations (Lincoln & Guba, 1985). "The ontological status of the social world is viewed as extremely questionable and problematic as far as theorists located within the interpretive paradigm are concerned" (Burrell & Morgan, 1979, p. 31). Because of these ontological assumptions I, as the interpretive researcher became familiar with actors in their natural environments and understood their lived experiences within the separation programme. Even though I was amongst the actors performing their roles within their socially constructed environments (technological, operational, risk and legal), I was able to follow thought processes, social interactions and actions over a fourteen-month period. I was able to observe and follow their change in process and thinking as events unfolded. The naturalistic paradigm values the actors influence, especially within the separation programme and as a unique case study. As a researcher studying the socio-cultural facets of the separation programme, I was keen to understand the world as it is and make valuable judgements regarding important aspects of the programme. Utilising the large variety of data collated, and given my experience immersed within the natural environment the programme, this has allowed me as a researcher to evaluate the trustworthiness of the data captured (Lincoln & Guba, 1985).

"Naturalistic inquiry replaces the fixed treatment or outcome emphasis of the controlled experiment with a dynamic, process orientation" (Patton, 1980, p. 42), naturalistic inquiry is therefore the opposite to implementing a quantitative deductive approach.

As you will see throughout this thesis, the aim of an interpretive study is to demonstrate a good understanding of the socio-cultural aspect, this is demonstrated by providing a "thick" description of the processes, events, strategic thinking as well as coping mechanisms within the programme. The term "thick description" was first coined in 1973 by Clifford Geertz. 'Thick description' means to provide a thorough description with "very densely textured facts" (Geertz, 1973, p. 26) so that we can understand the environment, thought processes and challenges, this is especially important for new and unique research. "The ideal-typical qualitative methods strategy is made up of three parts:

1. Qualitative data

2. A holistic inductive design of naturalistic inquiry

3. Content or data analysis" (Patton, 1980, p. 109)

Each Findings chapter provides a detailed understanding of the occurrences and patterns which developed within the programme and patterns or constructs are built upon the documented situational reality of what happened including the events, the feelings, the processes, the stresses and strains, the thoughts as well as the actions of each actor who was interviewed for this case study. These events are reinforced through their lived experiences, historical experience, as well as vocabularies, interpretations, understandings, routines, and habits as they evolved over the life span of the programme. It is a summation of their shared reality.

### 5.3.1 Naturalistic Principles

Gubrium and Holstein, (1997, p. 200), "proposed that naturalistic qualitative researchers could address why questions "by considering the contingent relations between the what's and how's of social life"" as cited in (Charmaz, 2008), by "entering research participants' worlds" (Charmaz, 2006, p. 19) to study a "socially constructed organisational world" (Gioia, Corley, & Hamilton, 2012, p. 3).

For interpretive researchers, to understand this world, researchers must be actively involved and participate in these social contexts (Locke, 2001, p.9). Interpretivists therefore, "use methods like participant observation and ethnographic interviewing to try to elicit organisation members' perspectives on the social worlds they live in, their work, and the events they observed or were party to" (Locke, 2001, p.9). Locke, (2001, p. 9) explains that interpretivists "accept that values and views may well differ across groups and across social settings". By utilising my knowledge and experience, as well as applying an inductive qualitative approach, such as applying action research, ethnographic modelling, participant observation as well as participant interviews the methodology forms the naturalistic inquiry for separations (Gray, 2013, p.27).

When interpretivists "combine their attention to context, action, and interpretation with grounded theory analytic strategies, they can produce dense analyses with explanatory power, as well as conceptual understanding" (Charmaz, 2008, p. 408) which helps produce newly developed theoretical concepts. "A qualitative research strategy is inductive in that the researcher attempts to make sense of the situation without imposing preexisting existing expectations on the research setting" (Patton, 1980, p. 40). "Inductive analysis means that the patterns, themes and categories of analysis come from the data: they emerge out of the data rather than being imposed on them prior to collection and analysis" (Patton, 1980, p. 306). Inductive research "involves the search for pattern from observation and the development of explanations – theories – for those patterns through series of hypotheses" (Patton, 1980, p. 306). Holistic inductive research through naturalistic inquiry is a strategic ideal (Bernard, 2011, p. 7). Interpretivists assume that "meaning is not standardised from place to place or person to person accepting that values and views may well differ across groups and across social settings, and they appreciate that shared meaning is an achievement" (Locke, 2001, p.10). They also accept that their interactions with actors in the separation programme are dynamic, they are not linear and address "how people create, enact, and change meanings and actions" (Charmaz, 2006, p. 7).

"The strategic mandate to be inductive and naturalistic means getting close to the phenomenon under study" (Patton, 1980, p. 43). Interpretivist researchers applying an inductive approach work in tandem; a strong and theoretically sound qualitative study employing naturalistic inquiry "proceeds inductively" (Patton, 1980, p. 44) and so naturalism is the "commitment to actively enter the worlds of interacting individuals" (Denzin, 1978, pp. 8,9) and an inductive study is how "reality is constructed" (Locke, 2001, p.12). To summarise "engaging in inductive research through naturalistic inquiry represents a comprehensive study for describing and understanding" (Patton, 1980, p. 43).

### 5.3.2 Inductive Theory Building Principles

The primary aim of Inductive qualitative research "is to learn from informants about what is important in the context being studied" (Pratt, Kaplan, & Whittington, 2020, p. 7).

Locke, (2007, pp. 880-884), suggests eight guidelines to building inductive theories. The first explains to "start with valid philosophical axioms as the base". Rand, (1990, p. 55) defines an axiomatic concept as a "primary fact of reality" but then contradictorily says it cannot be analysed or disintegrated into smaller parts. Locke, (2007, p. 880) explains that "axioms are perceived or experienced directly but grasped conceptually", they are self-evident (Peikoff, 1991). Locke (2007, p. 880) categorises three different types of axioms, "existence, identity and consciousness" and that without these axioms "all knowledge would be impossible".

Locke, (2007, p. 880) explains that "the question of how one gains knowledge belongs to the field of epistemology and includes the need for a valid theory of concepts: what they are and how they are formed" which then leads us to the second suggestion by developing a "substantial body of observations or data". Locke, (2007, p. 880) explains to "use a variety of methods, participants, tasks and time spans", replication of these, will "help identify possible boundary conditions for the phenomenon". Using inference and introspection to then develop the third guideline to formulating "valid concepts". Rand's, (1990) theory is that "all valid concepts begin at and are ultimately traceable to the perceptual level" as cited in (Locke, 2007, p.881). Locke, (2007, p. 881) goes on to explain that "higher level or more abstract concepts are formed by integrating lower-level ones", this explains my rationale for including various workstreams across the programme. These concepts are built on a true picture and provide insight to what occurred within the separation programme, starting from the ground upwards. The fourth explains to "look for evidence of causality and identify causal mechanisms". Locke, (2007, p. 882) highlights that "concepts are formed inductively, from observing reality" and that "causal generalisations are based on inductions starting at the perceptual level". Each of the defined concepts in the Findings chapters demonstrate a causal link between what was observed, how it occurred and why.

Each concept provides a causal explanation. This is where it becomes precarious, Locke, explains that the fifth guideline is to "tie in valid concepts from other sources and theories where applicable" (2007, p. 883). The rationale for adopting grounded theory was because there are no other existing theories in relation to separations of businesses. This thesis is the grounding for future researchers. It is possible to link some theoretical concepts to concepts from other chapters, as can be seen from the Four Sights chapter and the Three Lines of Defence. As the relationship is demonstrable in the case of the concepts I have theorised, no other theory exists in relation to separation. The sixth guideline initiates the beginning of the theory building process, Locke refers to this as "integrate the totality of findings and concepts into a noncontradictory whole" (2007, p. 883). Locke explains there must be consistency across the findings and concepts. The seventh guideline identifies "the domain and boundary conditions for the theory" (2007, p. 884). Locke explains that defining the boundary is not always possible "at the outset" (2007, p. 884). Boundary conditions demonstrate the interactions between the concepts. To me, guidelines five, six and seven are interlinked and need to be done simultaneously because if a series of concepts are developed, which are not interlinked, and there is an oddity apparent within them, the theory will not be correct and therefore not true, which opposes Popper's (1968) view.

The eighth guideline is to "make theory building a careful, painstaking, and gradual process" (2007, p. 884). The theory needs to be "tied firmly to reality and therefore have lasting value" and that a "valid theory needs to be gradually built from an accumulating body of evidence" (2007, p. 884) so that future theorists can take the theories developed as part of this thesis and test them. Locke, also notes that once the theory is developed, to be mindful of 'ego' and not to become too embroiled in the fact that the theory will develop overtime and may look substantially different from its initial starting point. The aim of the theory developed within this thesis is to that future academics have a starting point to develop from.

### 5.3.3 Naturalistic Inductive Approach

My philosophical approach is interpretive (naturalistic) (Lincoln & Guba, 1985). I have constructed this approach by utilising some of the principles detailed by Charmaz, (2006) and incorporated some of Locke's, (2007) suggestions for inductive theory building. The following principles were adopted:

- Developing axiom concepts (Mind Map Fig 5.4)
- Form a literature review to understand where predominant gaps were. The literature review was developed in tandem with the data I was uncovering to validate whether what I had found was providing a new contribution to literature on divestments and separations
- Development plan of which actors to observe and interview, meetings and task sessions to observe and participate in, which documents to collect and analyse

- Simultaneous involvement between data collection and analysis, reviewing any blind spots and seeking additional data

- Memo-writing from a collection of notes taken through observation, participation and interviewing, to develop categories, specify their properties, define relationships between categories, and identify blind spots

- Sampling aimed toward theory construction

- Development of analytic codes and categories from data

- Making comparisons during each analysis stage to see which themes become more dominant in my analysis and advancing theory development during each step of data collection and analysis

- Causal definition, explanations and boundaries to produce a series of linked concepts

By blending these principles and suggestions, my approach to inductive theory is more rigorous and allows for "flexibility" (Gioia, Corley, & Hamilton, 2012, p. 6).

### 5.3.4 Summary

In conclusion, naturalistic inquiry is dependent on the environment the researcher is in, in this case study, this is LSEG. The inductive approach is dependent on the strategy to document, analyse, theorise and produce findings. Naturalism's purpose is to study the environment, and inductive analysis is the method I used to take the data and shape it into something meaningful, which has a purpose and shows an accurate snapshot of what I discovered.

My primary aim throughout this process has been to immerse myself in the programme; to fully understand the nuances, the behaviours, the stress points and frustrations, the challenges, as well the processes and the rationale for why certain decisions were made. This has enabled me to discover and develop new theoretical concepts and explanations (Strauss & Corbin, 1998). These realistic experiences have enabled storylines based on trustworthiness (Locke, 2001). The interpretive stories and descriptions created from this study can be studied and tested further in future studies on divestments and separations, particularly within a highly regulated environment. It is the role of the researcher to "provide sufficient information about the context" so that future researchers "interested in transferability" can use this research as a baseline (Lincoln & Guba, 1985, pp. 124-125). My approach to theory building was to integrate the principles highlighted by Charmaz (2006)'s review of Glaser and Strauss' (1967) book to study the separation phenomenon in its natural setting, and to incorporate Locke's (2007) guiding principles on inductive theory building to study the concepts and to draw out new theory based on the complex processes and interdependencies of separation practices, the Four Sights and collective sensemaking and coping.

## 5.4 Case study

Gerring, (2004, p. 341) explains that for "methodological purposes a case study is best defined as an in-depth study of a single unit, where the scholar's aim is to elucidate features of a larger class of phenomena".

Yin, (2018, p. 88) describes four key justifiable conditions for research to be used as a single-case study, only two of these are applicable to the case study of LSEG, these are:

1. Unusual circumstances - where the case study deviates "from theoretical norms" (Yin, 2018, p.83).

2. Revelatory - when the "researcher has an opportunity to observe and analyse a phenomenon previously inaccessible to social science inquiry" and "empirical study" (Yin, 2018, p.84).

Yin, (2018, p. 82) explains that the chosen case study should be related to the "theory or theoretical propositions of interest", in this example because this single-case study is unusual and revelatory, no theory currently exists, especially in relation to separations. This case study has paved the way for the theory to be developed and brought to attention through inductive based enquiry.

There are, however, criticisms regarding single use case studies. These "usually reflect fears about the uniqueness or artefactual conditions surrounding the case study" and "as a result the criticism may turn into scepticism" regarding the level of empirical research (Yin, 2018, p.97). I detail these below.

### 5.4.1 Criteria for Judging the Quality and Rigorousness of Case Studies

Gilbert, Ruigrok and Wicki, (2008, p. 1467) define four criteria which are "considered relevant in judging the quality" of a case study, these are "construct validity, internal validity, external validity and reliability". Three of these are applicable to a qualitative single use case study.

| Test | Meaning | Case study tactic | Evidence |
|------|---------|-------------------|----------|
| **Construct Validity** | Identifying correct operational measures for the concepts being studied | - Use multiple sources of evidence<br>- Have key informants review draft case study report | Multiple sources of information from the European Commission, Borsa Italiana and Euronext (public documentation) as well as internal LSEG information.<br><br>Key informants have reviewed and approved this thesis. |
| **External validity** | Showing whether and how a case study's findings can be generalised | - Use theory in single-case studies | Applying an inductive based approach, theory has been derived from this analysis. |

| | | | |
|---|---|---|---|
| **Reliability** | Demonstrating that the operations of a study—such as its data collection procedures—can be repeated, with the same result | - Use case study protocol<br>- Develop case study database<br>- Maintain a chain of evidence | Using Aston's ethical procedures an interview participant form was developed.<br><br>All evidence is maintained within a tracker which documents who was interviewed and when. |

*Figure 5:3 Judging quality: Construct validity, external validity and reliability. Adapted from (Yin, 2018, p. 76)*

### 5.4.2 Single-case Study Design

This case study undertook in-depth investigative case reviews of 62 participants, 3 organisations and 14 groups (made of various workstreams) using different data collection methods, in order to generate new empirical insights and theory by studying the "dynamics present within single settings" (Eisenhardt, 1989, p. 534). The main case and focus of this case study on LSEG, is to demonstrate how a series of workstreams and their patterned (Edmondson & McManus, 2007) and evolving activities were critical to this historical event within LSEG. This case study is theoretically novel, as to date, no case study of a divestment and separation of a stock exchange has been researched and theorised.

This methodology undertakes an analytical inductive approach (grounded) to theory building which is widely seen in qualitative methods (Edmondson & McManus, 2007). I apply a similar method to Gioia, Gorley & Hamilton's (2012) paper, by applying multiple data sources such as archived documentation, publicly available information as well as field observation from fourteen months on the separation programme. This also includes programme specific information, such as reports and documents which contain information such as governance processes. This research should be classified as engagement (Morgan, 1983). The participants were aware of the study and were very forthcoming with information so long as they were anonymised (Locke, 2001). This helped create a rich picture of the processes and activities in the separation programme (Bryman & Bell, 2011). It is important to note that "case study theory is a bottom-up approach, such that the specifics of data produce the generalisations of theory" (Eisenhardt, 1989, p. 547), my aim being that theory is generated post-data collection. My role on the separation programme was to act as a "knowledge agent", "glorified reporter" and "informant and researcher" (Gioia, Corley, & Hamilton, 2012).

My research design encompasses the following methods to build out my case study: action research from leading the programme, ethnographic research (Bell, Bryman, & Harley, 2019; Bryman & Bell, 2011) from being within LSEG for fourteen months which included observation of team meetings, some of which I lead, some of which I observed. Those I observed, were to view and analyse decision making, problem solving and interactions between the teams. I collated several types of notes and memos, relating specifically to the programme as well as the divested and divesting entities. The final element of the research, and where I could verify the information I had collated, was to interview the participants. In total I have over 100 hours of interview transcript data, where I clarified (Bell, Bryman, & Harley,

2019) and understood on a researcher level, the interviewees' understanding of the separation programme. In order for the research data to be rigorous, the data will be organised into aggregate dimensions and categories to facilitate a "more structured form" (Gioia, Corley, & Hamilton, 2012, p. 4) and (Van Maanen, 1979).

My research question was explored using case study methodology (Yin, 2009) which can be further defined as an intrinsic case study (Stake, 2005). This means that this research focuses on the uniqueness of the separation, as I have access to a large quantity of data, I can produce a collective set of studies in the future should I be given permission by LSEG (Locke, 2001). The data captured from the separation process is so unique that it will contribute to the current understanding of what it means to separate, how and by whom. I therefore argue that this case study is instrumental to the development of theory and academic knowledge surrounding this topic (Locke, 2001).

I spent the initial three months of leading the programme, absorbing my surroundings. I then designed a mind map (Fig.5.4) to create a high-level understanding of the programme. From this mind map I then formulated high level research questions, which allowed me to apply a semi-structured interview approach (see appendices 11.2). I was cautious not to apply a logico-deductive theory, whereby the mind map would lead my data (Glaser and Straus, 2017). Instead, I used the data from my participant interviews, documentation, observation, and ethnographic approaches to test the assumptions in my mind map.

I applied a semi-structured interview approach so that I could allow for additional insights to capture any additional themes (Bell, Bryman, & Harley, 2019). This worked well and brought about further topics relating to existing and new themes. I allowed for the fact that development occurs during the research so that I could adjust my approach (Gioia, Corley, & Hamilton, 2012). A set of questions were mapped out and assigned to a dimension and a topic. A dimension is a category such as operational, strategic, financial, regulatory and technological. Each of these dimensions were written out within my mind map. Each topic is a subset category of a dimension. Each dimension, topic and questions are documented in my 'log' which is an excel spreadsheet I created to track and record who has agreed to be interviewed and documented who has been interviewed. Each dimension and topic relate to and feed back to my thesis question.

By applying inductive reasoning through observation and active participation in the separation programme, I am able to evidence the rationale as to why certain decisions and actions were required, as well as identifying which risks and issues were salient to the success of the separation programme (Smets, Jarzabkowski, Burke, & Spee, 2015).

### 5.4.3 The role of the Gatekeeper

Yin, (2009) makes important reference to a gatekeeper within case study research, by drawing attention to their role in permitting access to participants, documents, and observations. In this case study, the gatekeeper was LSEG. LSEG gave me formal written approval to research the case study on the divestment and separation of Borsa Italiana from LSEG. I was allowed access to the research participants as long as participants were aware of my study and the intended use of the data I collated. LSEG reviewed and approved the final written work before being shared with Aston University.

## 5.5 Sampling

The conduct of naturalistic inquiry also involves a set of decisions about sampling during actual data collection (Patton, 1980, p. 106).

The theoretical sampling strategy employed a double pronged strategy for grounded theory, whereby I first chose cases, workstreams and functions which would give me the best opportunity to build grounded theory in relation to the separation (Lincoln and Guba, 1985; Locke, 2001; Glaser and Strauss, 1967 and Strauss and Corbin, 1990) and second, I began with a small subset of actors at senior level. I then expanded this group to actors directly associated with the programme to account for a wider group of opinions, knowledge and insight. As I had been involved in the programme, I had built a level of trust with programme actors, which enabled me to be able to ask detailed and exploratory questions during the interviews. Mann & Stewart, (2002) explain that trust is the grounding for building a good rapport with interviewees. My focus and approach were exploratory. Focusing on trying to gain a sense of how the separation materialised as well as the practices involving the divestment and separation. As I then collated more information, my approach evolved to additional providers of data.

Using the mind map (Fig 5.4), I mapped out a series of generic questions in relation to the programme at varying stages of the separation programme's life cycle. Each of my questions were then split into categories or dimensions, such as planning and technology. This was initially based on what I had come to learn so far, from being actively involved and observing participants. I then applied a code to each question, based upon dimensions those questions were linked to. This was in order to formulate some sort of structure without really knowing what information would emerge from the interviews.
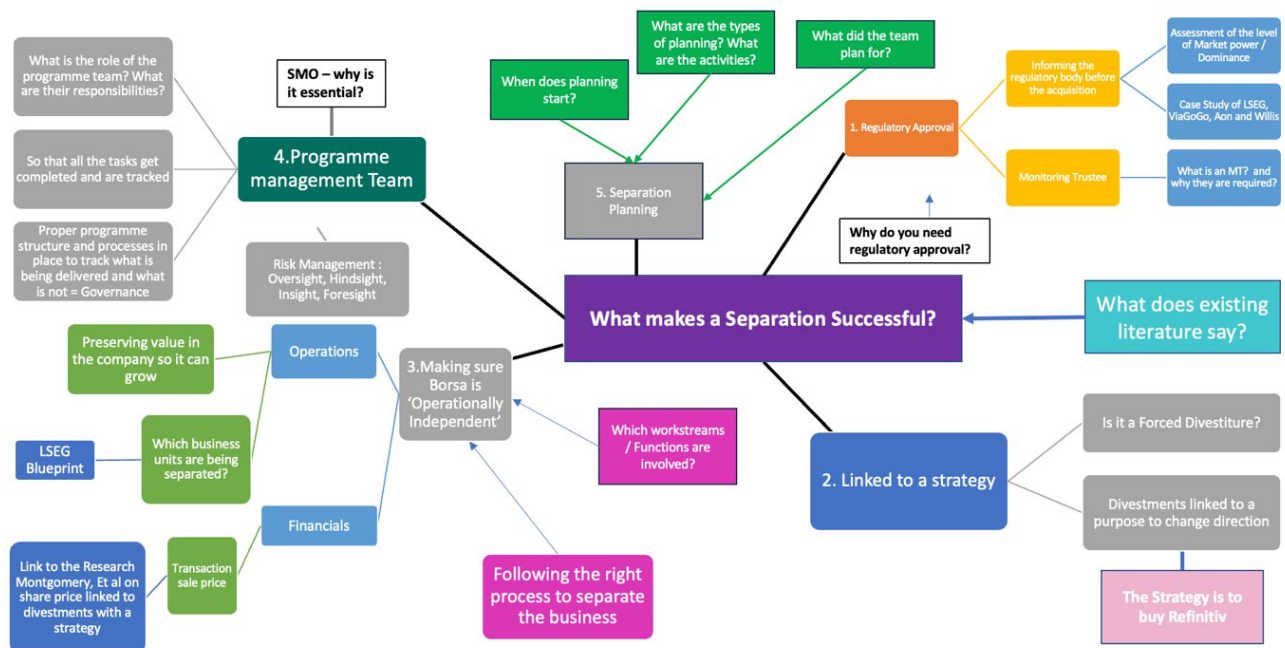
*Figure 5:4 Phase 1: Mind Map*

Each interview followed a semi-structured interview approach (Locke, 2001, p.45) and the interviews were initially set at 1 hour each. The duration lasted until both the participant and myself, as the researcher, no longer needed to discuss insights and had reached a natural conclusion. In 15 of the interviews additional time was required. In total, I spent 100 hours interviewing and each interview followed the set of questions that were originally designed to structure part of the interview. The questions were open ended and designed in a way not to lead the interviewee to a specific answer. Each interview always started with the caveat, that because I was on the programme, I may be asking a question which the interviewee would assume I knew the answer to, and I explained that in some cases I was not always aware of. This was important to mention, so that it allowed the interviewee to be more open and descriptive with their response, rather than presuming I already knew the answer and responding with a short response. This approach worked well, I was able to ascertain a lot of additional information that I was not aware of previously from reviewing documentation or actively observing, in particular the way processes worked when the organisation was defined as "Heritage LSEG" before the separation of Borsa and the integration of Refinitiv.

The interviews (apart from two) took place remotely via a video conferencing tool as the UK was phasing in and out of lockdowns due to the Covid pandemic. During the interview process, I searched for contradictory information from participants and tried to sense-make the rationale for why certain opinions differed from others. I was also able to fact check to ensure the information given was correct. Throughout the interview process, I was able to analyse and evidence the theoretical insights that have been documented within this thesis. Each time a new theme arose, I made notes and tested the logic of these theoretical insights amongst other interviewees, until I was sure that the theoretical themes

and models, I had devised were dense as well as true. I then re-categorised my initial dimensions and checked my thoughts to realign to new insights from the interviews.

I applied the same three phases noted in the paper by Ligita, *et al*, (2020). The aim was to start collating research data on the separation programme without any structured or informed direction. During and post each interview I made notes and after the first batch of ten interviews, I noticed that themes began to emerge. I then applied the 'theoretical sampling' principles.

I structured the next set of interviews to "seek further data to explain the developing concepts", Ligita, *et al*, (2020, p. 118). As more themes began to emerge, I used the next set of interviews to refine the themes. Something I had not expected from the research were the vast number of themes being drawn from the interviews. Next I focused and narrowed down on three key themes, shown in the Findings chapter. Phase two focused on the continuation of analysing the entire data set so that I could "explain properties and dimension of developing categories" (Ligita, *et al*, 2020, p.118) and see that there were links to sub-categories. Once I had completed the entire batch of interviews I used the data I had collated' from participant observation and active participation, to focus on the story line for my Findings.
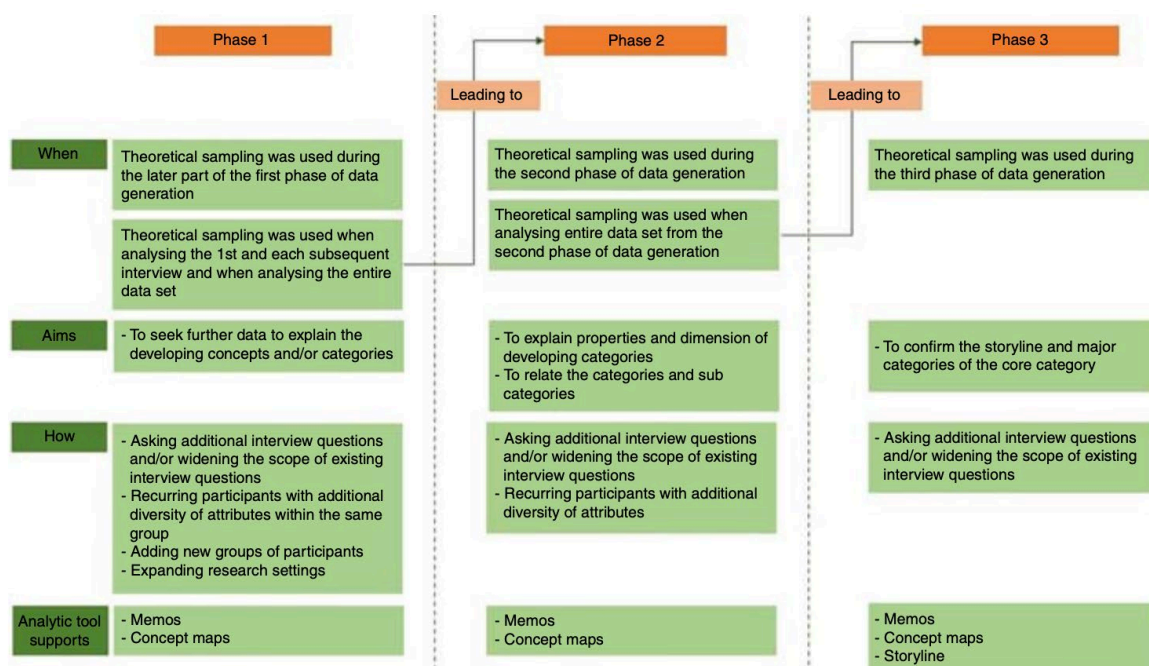


*Figure 5:5 'The use of Theoretical Sampling' taken from Ligita, et al, (2020)*

The next qualitative approach I applied was "participant observation and unstructured interviewing" (Locke, 2001, p.18). This meant I observed team discussions in relation to the programme but was not necessarily leading. I followed how the team would resolve many queries and risks which would arise

from the separation activity. This involved development of migration plans, problem solving in relation to technical challenges, the firewall implementation and shut down of access to tools in the TSAs. Adopting Glaser and Strauss' (1967) principles of theoretical sampling, the separation programme displayed theoretical relevance upon which I was able to draw theoretical insights from separation practices, sensemaking and coping practices and the development of the Four Sights in risk management.

## 5.6 Data Sources

In total I asked 73 participants across the separation programme to be interviewed. 62 participants gave me permission to interview them and signed the participant interview form. The participant form which included an interview guide, was designed using Aston University's ethical approval guidelines, this was also approved by LSEG's Legal Counsel.

Participants are employed in a variety of roles, ranging from board level through to junior level employees. My intention was to involve actors at varying levels to capture strategy making, obtain their insights both "retrospective" and "real-time accounts" of knowledge from the separation programme as well as document the "chronological flow" (Miles & Huberman, 1994, p. 21; Gioia, Corley, & Hamilton, 2012).

Initially, my purpose was to initiate data collection without a predetermined set of analytic categories, however, I realised that in order to obtain useful information, I needed to set very high-level subjects in order to semi-structure the interviews (Locke, 2001, p.18). By using high-level themes, I was then able to demonstrate links between the data and the induction of this new concept (Gioia, Corley, & Hamilton, 2012). My aim was to execute "the data gathering and analysis in a systematic way" (Gioia, Corley, & Hamilton, 2012). Locke, (2001, p. 18) refers to this as a "funnel" structure. It was from these semi-structured interviews (and the numerous notes I took) as well as the literature review, that I was able to develop and shape meaningful themes and dimensions in relation to the separation process.

## 5.7 Data Collection

As mentioned in other areas of this thesis, to summarise; the data sources I used were in relation to the separation programme including internal and external sources.

Working on the separation programme gave me insight and allowed me to undertake primary research, with access to key participants and reports during the separation process. I spent 302 days (amounting to 3,020 hours, averaging a 10-hour day) working on the separation programme. Supplementing data with secondary research I looked at archival data such as annual reports, during the periods which included Borsa as part of LSEG. I also reviewed and analysed documents and official statements published on Borsa Italiana's website pre- 2007, when it was an independent privately owned

exchange, including Euronext's published materials regarding their acquisition of Borsa in 2021, as well as the European Commission's website for formal release notices regarding the divestment. I looked at additional external sources such as news reports but found these to be incorrect in their reporting and have not included these as part of my data.

### 5.7.1 Data Collection and Research Hours

"Properly done, the data collection may lead to large amounts of documentary evidence, in the form of published reports, publications, memoranda, and other documents collected about the case" (Yin, 2018, p.143). In total my research hours amount to:

| Method of Research | Hours |
|---|---|
| Semi-structured Interviews (during time on the programme and post leaving the programme) | 100 |
| Archival Research | 100 |
| Participant observation | 239 |
| Action research | 981 |
| **Total** | **1,420** |

*Table 2: Total number of research hours*

As mentioned above, I applied a qualitative inductive approach to capturing data. My plan throughout, was to collate a large quantity of data so that I felt reassured that I could give a true account of the theoretical insights on the separation programme. Using this approach, I was able to account for different perspectives, understandings and validate information to construct validity (Yin, 2018, p.76) which strengthened the credibility and of this research.

### 5.7.2 Semi-structured Interviews: Video Conferencing and Face to face

Semi-structured interviews refers to a "context in which the interviewer has a series of questions that are in the general form of an interview guide but is able to vary the sequence of questions" and the "interviewer has latitude to ask further questions" to see additional information  (Bell, Bryman, & Harley, 2019, p. 596), semi-structured interviews are the interviewing "aspect of ethnography" (Bell, Bryman, & Harley, 2019, p. 595).

Semi-structured interviews were the primary source of data within this case study. Between November 2021 and January 2024, 100 interviews were carried out between 62 interviewees. The length of these interviews ranged from 1 hour to 3 hours in separate instalments. Interviews mainly took place via conference video calls due to the Covid lockdowns. During the interviews I took notes and created memos which consisted of additional questions to ask the participant, as well as thoughts and links to other workstreams.

It was a simple decision when deciding who to interview. The issue arose when seeking their approval. Some of the interviewees that declined, felt that this may impact their future prospects. There was also some sensitivity around the transaction and the disclosure of information which could be detrimental to the separation. To counteract this, I waited until the separation was complete before finalising my thesis.

When I started the interview process in November 2021, my aim was to start top down, from senior leaders right through to the actors heavily involved in the day to day of the separation programme. This allowed me to gather information on a case-by-case basis. Once I had completed the initial top layer of senior leaders, my next focus was to carry out exploratory interviews (Makri & Neely, 2021) on a workstream by workstream basis and as I was using an inductive theory building approach to interviewing, I recognised the interlinkage between each workstream (Charmaz, 2006, p. 32). It became clear to me that if I were to graphically map out the interdependencies, it would look something like an interconnected spider's web of dependency between other workstreams.

Whilst the separation programme team were aware of me and had worked with me, my aim throughout the interview was to explain to the participants that I was going to ask questions about how the separation unfolded, the work involved to do the separation and to document processes and provide new theoretical insights. I explained that I may ask questions that the interviewees might think I already knew the answer to, however, that in some situations I may know the answer but also, I may not. The purpose of the interviews was to capture their thoughts and inputs, and to gain a deeper appreciation of the separation programme and its processes. I was able to probe and test their understanding of the work they were doing, which provided excellent definitions and examples for this uncommon and revelatory case study (Yin, 2018).

As I moved through the interviews, more information came to light that perhaps had not been previously discussed within the first set of interviews. I was able to go back to those interview participants to ask more questions, clarify and gain insights on a more detailed level. Each interview provided additional layers of information, creating a rich thick description (Geertz, 1973), upon which at the end of the interview stage, it was clear that I was able to map out a separation process journey from start to finish (Gioia & Thomas, 1996, p. 374).

During the interview process, I collated memos on the conversation as well as my own thoughts. Once the interviews were complete and I uploaded these transcripts into a transcript tool. After each session, I reviewed my notes from the conversation and made follow up notes and questions to ensure I had enough data, as well as to close off any gaps relating to questions, I had made note of in other interviews. My aim was to be consistent and keep the tracker I had designed updated. These interviews allowed me as a researcher to probe, question, query, and gain insight into all aspects of the separation programme. These insights allowed me to "uncover new clues" and to "secure vivid, accurate, inclusive

accounts which were based on personal experiences" of the separation programme (Burgess, 1982, p. 107). It is these accounts which provide authenticity to my research.

The interviews were all digitally recorded and transcribed verbatim using a transcript tool. I listened to each recording and checked every transcript to ensure accuracy. This took around 1 to 3 hours per transcript. The transcripts are all password protected and can only be accessed by multi-factor authentication. Each interview participant was directly involved on the separation programme. The roles of each participant ranged from senior managers to junior members of the programme. Each of their experience and input was extremely important to give a fair and accurate view of 'life' whilst on the separation programme. In addition to the planned formal interviews, there were also informal conversations via internal communication messaging tools, emails as well as in person meetings which provided additional valuable insight.

When listening to the recordings, I started from the bottom up, to ensure I had collated all of the detail. There were a lot of errors within the text, due to the transcription tool not understanding accents or content relating to the entities or technologies. Whilst I listened back to each recording, I made a series of new notes, the aim of this was to compare my current understanding with my notes I made from the live interviews in 2022 and see if any new information appeared. Each time a recording and transcript were checked, I documented in my 'Log', to keep track and ensure consistency ensuring all transcripts followed the same process. I started to work through the themes I had initially gathered whilst going through this approach, I then added more themes, where I had not previously realised was key information in the beginning. This allowed me to be as thorough as possible and apply a systematic review to the information I had collated.

I then went back through every transcript to ensure that what was said, was detailed correctly within the transcript and I then made a second subset of memos with my notes. I did this over eight months post interview. The rationale for this was to compare my thinking and assumptions at the time of the interview as well as post separation and to see if new insights appeared. Not only was this an assessment of the interviews but my own knowledge and thought processes. The process was intriguing as I was able to understand some elements of the conversations in a new light, without being too deep and in the thick of the programme itself whilst it was ongoing. Once I had validated each transcript, I was able to analyse the percentage of how much each speaker contributed to the conversation. In all of the transcripts, I was able to see that the interviewee covered 76% or more in each transcript. This was important as it showed that as the researcher, I did not lead the interview, I allowed for the contributor to share information and speak.

The recording quality within the transcript tool was fair, each transcript required me to listen to each interview again to ensure that the transcriptions were correct. Once each transcript was then correct these were uploaded into NVivo. Going back through the recordings and listening to the programme

actors talk about their experiences, "lessons learned" (Gole & Hilger, 2008, pp. 22, 280; Joy, 2018), the interactions with team actors along with reminders of the 5am shifts on a weekend to ensure that the firewalls were separated between Borsa and LSEG, the team meetings and the problem-solving meetings to resolve issues with the TSAs, reminded me how well the team had developed a good rapport with one another.

### 5.7.3 Complete Participation

For this study, I took on the role of a 'complete participant', by participating internally (Gold, 1958). "The goal of observation is to understand what it means to be a participant in the social situation – to understand how the social context influences individual behaviour and how individual behaviour influences the social context" (Shah & Corley, 2006, p. 1828).

Throughout the process, I systematically followed a process of documenting interpretations, the creation of memos, and employment of other established techniques. This rigorous approach was designed to create a comprehensive view of the separation phenomena which aligns with academic inquiry procedures.

My observations during the separation programme used both ethnographic and action research. Using Gold's (1958) connotation for complete participations observation, upon which the researcher fully immerses themselves into their research subject. I have taken this and separated them into two sections:

1. Active participation focuses on the meetings and workshops in which I was actively engaged. I have provided a summary of all the meetings I attended.

2. Participant observation addresses the meetings and workshops upon which I attended but only observed. I have provided an additional summary calculating the hours of these meetings. Notes from both types of observations were used to enhance semi-structured interview questions (Charmaz, 2006, p. 26).

### 5.7.4 Active Participation

Action research is the overarching method under which active participation falls. The aim of action research is to be actively involved as a researcher, to be involved and a part of the social setting rather solely observing it (Bryman & Bell, 2011).

Charmaz (2006, p. 21) refers to active participation as "full participation", the concept is the same. The meetings I attended and was actively involved in mainly discussed separation, sensemaking, coping, risk management processes, mitigation strategies, workstream progress and challenges, topical 'to-

do' list activities in preparation for key milestones and meetings, TSA exit meetings, as well as process updates or changes, implementation of new networks, tools and applications.

Some of these sessions were recorded for minute taking purposes but I did not request access to these recordings due to the sensitive nature of the programme and discussions around LSEG's infrastructure. I took notes from these meetings which excludes sensitive and confidential information. These meetings were attended by the acquirers, the divested business as well as stakeholders from LSE and LSEG. My notes include key separation process updates as well as information such as key challenges noted in my Findings chapters. For each formal meeting, materials were produced to provide key talking points and I was able to utilise these as part of my archival resources data collection. The meetings were obligatory attendance due to the nature of my role on the separation programme.

| Type of meeting | Year 1 (2021) April to Dec | Year 2 (2022) Jan to May | Total (Hours) |
|---|---|---|---|
| **Workstream Leads Calls (Weekly to Bi-Weekly)** | 20 | 5 | 25 |
| **1:1 Workstream Calls (Weekly to Bi-weekly) (reduced as workstreams completed)** | 300 | 100 | 400 |
| **Budget meetings (As required)** | 10 | 5 | 15 |
| **SMO and Risk Catchup Meetings (initially scheduled for 1 x a week + *Ad hoc*)** | 36 | 24 | 60 |
| **SMO meetings (Daily, to 3x a week in Oct 2021 to 2 x a week from Feb 2022) (30 min sessions)** | 168 meetings<br><br>84 hours | 60 meetings<br><br>30 hours | 228 meetings<br><br>114 hours |
| **Lessons Learned Sessions** | 5 | 3 | 8 |
| **Joint Planning Meetings (Monthly) these then merged with the Technology Service Delivery meetings** | 8 | 5 | 13 |
| **TMO Meetings (Weekly to Bi-weekly) then merged into SMO meetings** | 24 | 0 | 24 |
| **Technology Service Delivery Meetings** | 32 | X | 32 |
| ***Ad hoc* Meetings with Separation Programme members** | 200 | 90 | 290 |
| **Total** | **719** | **262** | **981** |

*Table 3: Quantitative data number of hourly active participation meetings*

### 5.7.5 Participant Observation

In addition to participant interviews, I employed observation techniques. One of the huge benefits of participant observation, is it provided a wealth of information and insights, especially in this research. LSEG gave me permission to use the data observed from meetings, workshops, and documentation to formulate the information I captured. Participant observation is a research technique used, whereby

the researcher immerses themselves "in a social setting for an extended period of time, observing behaviour, listening to what is said in conversations" along with the researcher asking questions in that setting, this technique is linked to the "observational aspect of ethnography" (Bell, Bryman, & Harley, 2019, p. 595). "Observation when combined with interviews proved to be a powerful methodology for not only uncovering data either distorted in interviews or else not accessible through interviews" (Conger, 1998, p. 112). Observation allowed me to gain an inside understanding of separation actor's lived realities and routines which until now have been inaccessible (Conger, 1998).

Applying the set of qualitative criteria defined by Gibbs, (2012) the criteria was used to capture notes and information from the qualitative inductive theory based approach defined by (Charmaz, 2006; Bell, Bryman, & Harley, 2019; Bryman & Bell, 2011; Glaser & Strauss, 1967). Observation is categorised as the "fundamental base of all research methods" (Denzin & Lincoln, 2011, p. 467). I observed interactions, their ways of working, the language used by the teams and how these were interpreted, how they identified key issues and resolved these, as well as their everyday actions and challenges on the separation programme. I observed management meetings, meetings with the acquirer, meetings with the divested entity, internal management meetings, including workstream meetings, and problem-solving sessions amongst members of various workstreams. I also attended an external meeting with the Monitoring Trustee. As an example, during some of the technical meetings where IT infrastructure was discussed, I observed and made notes on the interactions and problem-solving techniques. This included the assessment of risks and issues and how the team devised a strategy to resolve these. I applied a similar approach to each workstream. I participated in team meetings to discuss progress, assessment of programme risks and issues as well as formal meetings with Euronext. In total there were over 239 hours spent in workshops and meetings. This insight proved invaluable and an explicit process to capture the progress of the separation and its success.

Much of the literature on divestitures has been developed using quantitative information from news articles, data via paid subscriptions and public information data such as share prices or news articles post divestiture. The data is not always factually correct and academics have learned about divestitures from this data (Moschieri & Mair, 2008). This is the first case study to be observing participants whilst they are in the process of separation. The following chart is a quantitative data set of the number of hours observed in meetings, this data has come from a snapshot of my diary whilst working at LSEG.

| Type of meeting | Year 1 (2021) | Year 2 (2022) | Year 3 (2023) | Year 4 (2024) | Total (Hours) |
|---|---|---|---|---|---|
| Regulatory Meeting - External | 1 | X | X | X | 1 |
| Senior Management Meeting | 4 | 2 | X | X | 6 |
| Programme Meeting (Problem solving sessions) (Internal) (Workshops) | 100 | 45 | X | X | 145 |

| | | | | | |
|---|---|---|---|---|---|
| TSA Progress Meetings (External) | 52 | 20 | X | X | 72 |
| *Ad hoc* Meetings with programme members (Post leaving the separation programme) | X | 6 | 5 | 4 | 15 |
| **Total** | **157** | **73** | **5** | **4** | **239** |

*Table 4: Quantitative data number of hourly participant observation meetings*

The nature of the meetings I observed mainly related to problem solving incidents which had arisen involving SMEs discussions around how it would impact risks to the separation programme as well as LSEG, including mitigation strategies, status update meetings as well as initial discussions on implementation of new hardware. I observed testing calls on weekends for the firewall implementations and I was in a fortunate position where I was aware of the meetings taking place. For these meetings, notes were taken during the session by the meeting coordinator, as well as subsequent follow up emails with actions and notes. I used these meeting notes to draw upon key themes for my research. I did not request to record these sessions due to the sensitive nature of the topics being discussed. Throughout these sessions, I was there to observe and to comment only if directly asked a question, or to confirm a piece of information from meetings I was actively participating in.

My aim was to try to attend as many meetings as possible whilst being mindful of my responsibilities including my role as separation programme manager and my commitments during the first year of the DBA programme, which included attending online lectures and examination to pass the first year of the DBA.

### 5.7.6 Archival Resources

In addition to the semi-structured interviews and observation techniques, I also collated archival resources. The purpose of using archival resources as part of the data collection method was to "accurately reflect situations that occurred at some time in the past" (Lincoln & Guba, 1985, p. 203), they act as a snap shot in time and helps the researcher be able to pinpoint what happened on the separation programme. Archival sources provided a rich source of contextual information (Lincoln & Guba, 1985). "Archival data include pre-existing documents, photographs, email exchanges, audio and video recordings, and other artefacts. This data is most often used in conjunction with interviews and observations to develop a better understanding of the phenomenon of interest and the context in which that phenomenon is occurring" (Shah & Corley, 2006, p. 1829).

I collated various archival resources where possible. In total I collated 100 key documents for analysis. The materials I have gathered mainly came directly from the separation programme. I was able to access internal documents such as reporting packs which went to the board and to the acquirer,

minutes of joint steering committee workshops and separation planning workshops, programme charters from planning sessions, separation plans, RAID logs, as well as internal operational handbooks and legal documentation. Other useful LSEG specific information provided context on the operating model of LSEG before the divestment of the Borsa Italiana Group, and where Borsa was operationally part of the group.

I also researched publicly available data. This meant access to public documents on websites such as the European Commission's website, as well as Euronext, Borsa and LSEG. This included press coverage and an assessment as to whether some of the information released on news sites and articles concerning the divestment was correct. Interestingly, I found some discrepancies with some of the data, even quoting an incorrect transaction price. One of the benefits to being this close to the programme is that "raw materials are created in vivo, close to the point of origin" (Van Maanen, 1979) and I can validate what is correct and what is false. I also learned that the media has difficulty understanding the different structures between LSEG and LSE. There is an assumption that LSE is LSEG, and not part of a group of companies. I also noticed confusion regarding the leadership teams for LSE and LSEG. Using publicly available data allowed me to understand and interpret the view that those outside of the programme had of the divestment and the separation.

### 5.7.7 Managing the Dataset

This complex case study on the separation programme, generated vast amounts of data across different workstreams, different periods of time and different dimensions of data. It was essential that the data was organised effectively for ease of identification and retrieval, as well as ensuring "integrity" and safe keeping for data analysis (Watts, 2008). The dataset was managed in accordance with LSEG's permission and Aston's ethical guidelines.

I created and kept recordings of all of the documentation, including meetings I observed, actively participated in, as well as interviews, based on location, role, name, company, dates of interviews, length of interviews, key themes. The data was stored in a secure manner, with multi-factor authentication and biometric identification, with no passwords disseminated. At the time of publication of this thesis, the data will be permanently deleted unless given permission by LSEG to use for additional studies. To ensure the data was organised appropriately, I created several folders, each in relation to the themes for this thesis.

Having discussed my approach to organising the data and the tools I used, the next section focuses on data analysis.

## 5.8 Data Analysis

My inductive theory building method was to understand the separation programme at a granular level. By studying each level from 'workstream' level (including the Corporate Development team) up through to EXCO level, to understand how the separation programme evolved from initiation through to the completion of the separation.

Practical inductive analysis involved using Charmaz's, (2006, pp. 5-6) "simultaneous involvement between data collection and analysis", by capturing data through various techniques, then reverting and analysing what the data depicts, categorising, then seeking more data, reverting, categorising, until there is a meaningful synthesised set of data.

By inductively building theory to look for frequent themes across the programme, my aim was to interview, actively participate, observe and capture documents which ultimately showed how members within the separation programme, unbundled the complex interdependencies between LSE and Borsa.

Going into finer detail, my research was split into different strands of analysis. The first was designed to track and document how each actor understood and recalled key separation milestones, the second was their involvement, third and fourth were their activities and processes leading up to the divestment and the separation. This approach included current and retrospective interviews. Glick, Huber, Miller, Doty and Sutcliffe, (1990, p. 302), highlight that it is important to explain that "although errors of recall are important problems with retrospective event histories, the magnitude of these problems" are minimised by the interview being "explicitly focused on "important" changes that tend to be recalled more reliably" as well as the interviewees being "managers who, by virtue of their positions, tended to be involved with or close observers of the important events and processes about which they reported". Retrospective interviews were an essential part of this research so that I could analyse the data from the beginning of the separation process. Interview participants were able to reflect on their experiences from a personal point of view, without it being too corporately framed. Documents were compiled from public and private documentation from this period, as an additional lens of knowledge.

The data collection process was straightforward and without issues. The hard work came when coding the vast amount of data. "The intensive conceptualization work occurs later in a project, during and after data collection, through an inductive process of seeking patterns to explain the data (Edmondson & McManus, 2007, p. 1175).

### 5.8.1 Coding Procedures

Coding is a "fundamental analytic process" (Corbin & Strauss , 1990, p. 12). Charmaz, (2006, p. 43) explains that coding "means categorising segments of data with a short name that simultaneously

summarises and accounts for each piece of data", with the aim to avoid forcing one's own "preconceptions" on the coded data (Charmaz, 2006, p. 67).

Coding allows the researcher to understand and interpret what the data is about, by breaking it down into smaller pieces and begin "an analytic accounting of them" (Charmaz, 2006, p. 45). "Coding is the pivotal link between collecting data and developing an emergent theory to explain these data" (Charmaz, 2006, p. 46). I started by knitting together "generalisable theoretical statements that transcend specific times and places and contextual analyses of actions and events" (Charmaz, 2006, p. 46) to create unique theories. By applying an inductive based approach utilising some of the techniques documented by Corbin and Strauss, (1990) and Locke, (2001) I also followed some of the grounded theory principles by Glaser and Strauss (1967).

Inductive theory building coding utilises three main processes. These are referred to as "Initial coding", "focused coding" coined by Glaser, (1978) and discussed by (Charmaz, 2006, p. 46) and axial coding coined by Strauss and Corbin, (1990, 1998) and reviewed by Locke, (2001). Initial coding involves coding (or naming) each word, line and incident in terms of relevance to the study. Focused coding then assesses which codes appear the most frequently, for them to form the basis of the theory by sorting, synthesising and aggregating the data into something that is tangible. Axial coding forms the framework for theoretical concept building.

**5.8.2 Initial Coding**

In the beginning of the analytical process, I applied an ''open coding'' (Corbin & Strauss, 1990; Locke, 2001) or "initial coding" (Charmaz, 2006, p. 46) approach to see which themes were emerging from the vast amount of data being collected. Initial codes assist with separating "data into categories to see processes" (Charmaz, 2006, p. 51). My aim was to create a "nuanced set of codes that synthesized" what I saw happening in the data (Charmaz, 2006, p. 69) by building a coding set from the "ground up" (Charmaz, 2006, p. 51).

The coding process involved three strategies. The first was to assign a code, word by word for key actions or processes. This helped me look at this monumental task in a more manageable way by looking specifically for key words which indicated processes, events or actions. I grouped the interview recordings in Nvivo by entity, and initially created three separate projects in NVivo relating to these entities. The rationale was to ensure I could correlate and see if there was a pattern of codes, themes and words across each entity and to see if each code was appearing across all three entities.

When applying 'open' coding in NVivo, I began uploading a document and then coding each one. As I moved on to the next couple of transcripts and documents, more themes began to materialise that I had not picked up in the first few documents. Each coded transcript was documented within my 'Log' to ensure I was being methodical and following a systematic process to ensure I did not miss any data

from the various sources. Once I had completed this, I needed to extrapolate the data. I realised it was going to be difficult across three separate projects. So, I then created one single project which combined all of the data. This took longer than expected but using this method meant I had superb and in-depth understanding of all the data across different dimensions. At the end of this process, I assessed how frequently each code (word) appeared in Nvivo.

The second was by assigning a code to each line and segment of data within NVivo12. This process took a while to do as there were many interview transcripts, memos and documents to work through. By splitting the data into components, I was able to identify gaps within my data set, look for actions and processes, explicate their meanings (or lack of) and compare with other accounts of the same processes and actions in other transcripts. Using line by line coding, I compared what I found in one interview and compared to another from a member in the same team to see if they addressed the same topics and narrative. I was then able to create a richer understanding of that process because the various interviews gave an additional viewpoint and data.

The third and final process for initial coding was to code incident to incident. By comparing these incidents noted within the interview transcripts as well as my memos, I could see whether there was some sort of causal process or action which triggered them.

Whilst I used NVivo12 to initially do the coding, I found the tool difficult to use for two reasons. The first being that many of my transcripts and documents were in PDF format, which included bullet points or infographics. One of the main downsides to using NVivo was that it struggled to select this data and therefore code it. The second was that in order to representationally present the data in a format I needed for it to be insightful. This was not possible and so I found a workaround using Excel to ensure that I was able to create an output that would facilitate the theory mapping process.

So that I could keep "analytic momentum" (Charmaz, 2006, p. 137) I realised I needed to be more efficient with the data and to extract useful insights and take advantage of Excel's different functionalities. With my second attempt at coding, I took the information I had coded in NVIVO and started to sub-categorise. I split the data into additional sections and assigned them a code based on the topic, event, process, meeting, or milestone. I associated varying levels of data attributes which had an interlinkage. I was able to take direct quotes, which were assigned to single themes and apply them to several other categories, based on the various workstreams that had also talked about the same event, method, issue, risk, process or milestone. I started to notice smaller details which evidently became a significant part of my second chapter focusing on risk management. This meant I was able to apply a deeper level of coding, creating new theoretical themes.
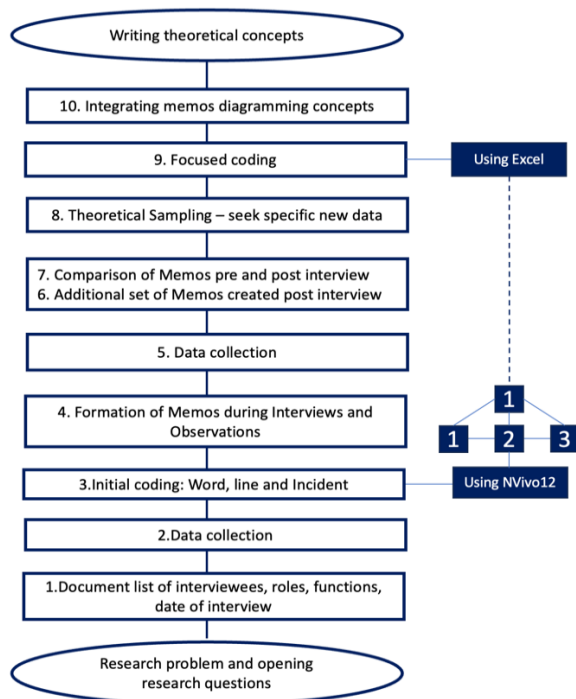
*Figure 5:6 Source: Adapted from 'The Grounded theory process' (Charmaz, 2006, p. 11)*

By applying open coding in the beginning of the research, I was able to break "through standard ways of thinking about or interpreting phenomena reflected in the data" (Corbin & Strauss , 1990, p. 12). My main concern was that because I had so much data, I needed to be 'selective' in order to produce something valuable and engaging, which matched what was in the data.

It was not until I began coding, that it became apparent that by applying the grounded theory methodology, that this was going to take a substantial amount of time to code and connect each of the codes into something meaningful and theoretical. It could be argued that grounded theory is much more arduous than other methodologies because as an "informant and researcher" (Gioia, Corley, & Hamilton, 2012) the theory requires starting from the "ground up" (Charmaz, 2006, p. 21). Essentially coding every single note, interview, internal and external document including the notes I took from meetings and interactions during the period of the programme. The wealth of information collated over this period is staggering.  As the research progressed, I started seeing similarities and differences among the many categories (similar to Strauss and Corbin's [1998] notion of axial coding), (Corley & Gioia, 2004). The themes were "Inchoate and vague at first then increasingly explicitly and grounded" (Miles & Huberman, 1984, p. 26).

### 5.8.3 Focused Coding

I then moved to "selective coding'' (Corbin & Strauss , 1990) or "focused coding" (Charmaz, 2006, p. 46).  Focused coding looks at the initial coding's data set to understand how frequently certain codes appear. Focused coding required looking at the most prevalent codes appearing within the data. Using

Excel, I created a pivot table to see which codes appeared the most often and in which context. In the example of this single case study (Yin, 2009), it was clear that there were several themes which warranted further investigation. These were themes around key macro-economic events, separation processes and risk management processes. As there was so much data, focused coding was not a linear process. It took a while to understand which of these themes to focus on first and which themes linked to one another. I began with the most prevalent, which was the separation process and the interdependencies on the businesses, which came to light in the literature review. I collated a grouping of the themes which related to separation processes then moved to axial coding.

After I had finished reviewing a subset or batch of interviews which were uploaded into the transcript tool, which I had grouped into a particular group based on their role within the programme, I started to formulate an additional set of information on A1 sheets of plastic to create a visual representation, with the key information in relation to the three blind spots that I identified in the literature review. The information for the first twenty participants formed over 13 sheets of A1 and I was able to see a theoretical picture emerge. I also used the information from the memos I created and I started to group the themes by issue, topic, separation process and events. I started to see several themes appear drawing attention to the chaotic nature of the separation process as well as unforeseen events.

### 5.8.4 Axial Coding

Strauss and Corbin (1990, 1998; Strauss, 1987) draw upon a "third type of coding, axial coding, to relate categories to subcategories" (Charmaz, 2006, p. 60).

"Axial coding relates categories to subcategories, specifies the properties and dimensions of a category, and reassembles the data you have fractured during initial coding to give coherence to the emerging analysis" (Charmaz, 2006, p. 61), the purpose of axial coding is to arrange, sort, organize and aggregate the data into new categories to create a theoretical framework (Charmaz, 2006, p. 60; Creswell, 1998). Using the data from the focused coding process, I looked at the list of themes which all fell under the category of separation processes. It was clear there were themes appearing in the data which were perceived to be substantial categories in their own right. I used this data to start creating a framework for sub-categories and quotes to fall in to. Within Excel, each quote was assigned a sub-category and each sub-category was assigned a main category. I worked from the ground up to assign each quote a category. "Initial coding fractures data into separate prices and distinct codes. Axial coding is Strauss and Corbin's (1998) strategy for bringing data back together again in a coherent whole" (Charmaz, 2006, p. 60). Strauss views axial coding as "building a dense texture of relationships around the "axis" of a category" (Strauss A. , 1987, p. 64) (Charmaz, 2006, p. 60).

Even though Charmaz, (2006, p. 60) and Robrecht, (1995) refer to axial coding as cumbersome, I disagree. It was an essential step in bringing my analytical framework together and producing a theory which was tangible and began to depict something creative and new to the world of divestitures and

separations. It would have been difficult for me to have made the leap from focused coding to theoretical coding, without first bringing the story back together, with a deeper understanding and a different viewpoint of the data.

### 5.8.5 Theoretical Coding

"Social scientists often draw from several coding" structures but "neither are exhaustive nor mutually exclusive" (Charmaz, 2006, p. 67). I followed Glaser's (1978, p. 72) "theoretical coding" process. Theoretical coding is a "sophisticated level of coding" which follows post axial coding (Charmaz, 2006, p. 63). Glaser, (1978, p. 72) designed theoretical codes as a way to conceptualise how codes drawn out in the axial coding stage "may relate to each other" to tell an analytic story, which are then "integrated into a theory" (Charmaz, 2006, p. 63). Glaser, (1978, p. 74) produced a set of analytic categories, referred to as the "Six C's". I noticed within my coding set that the following appeared: causes, contexts, contingencies, consequences, and conditions. These were not necessarily explicit codes within my data set but the context is implied. For example, when I coded a series of events occurring, these fed into the "causes" (Glaser, 1978) "analytic code" (Charmaz, 2006, p. 63).

In order to develop the theoretical story, and employing inductive analysis, my method was to "work back and forth between the data and the classification system to verify the meaningfulness and accuracy of the categories and the placement of data in categories" (Patton, 1980, p. 311). When several different categories were developed, I prioritised which category systems to apply according to the "salience, credibility, uniqueness, heuristic value, feasibility, special interests, and materiality of the classification schemes" (Patton, 1980, p. 312).

Using the visual representation of the A1 sheets of paper, as well as my data set within Excel, I began to draw out the prioritised theoretical concepts using PowerPoint. It took several reiterations until the theoretical model showed a true depiction of the actions, events, and processes.

### 5.8.6 Establishing Trustworthiness

According to Lincoln and Guba (1985), trustworthiness is realised when these four key criteria are met by an interpretive research study: credibility, transferability, dependability confirmability. I have provided evidence where I believe this naturalistic research study meets those criteria:

| Trustworthiness Criteria | Methods for meeting trustworthiness criteria | Evidence of criteria |
|---|---|---|
| Credibility | • Extended engagement in the field | • Being on the separation programme for fourteen months in total. |

| | | |
|---|---|---|
| | • Triangulation of data types<br>• Peer debriefing<br>• Member checks | • Evidence of the divestment and the separation documented by the EC, LSEG, Euronext and the FT.<br>• Applying different methods of data capture. Interviews, active participation, observation, and archival resource collection.<br>• LSEG review and approval of the thesis. |
| Transferability | Detailed thick descriptions of:<br>• Concepts and categories in the grounded theory<br>• Structures and processes related to processes revealed in the data | • Thick descriptions of processes, including models and sub-processes included in all three findings chapters.<br>• Detailed descriptions of how the data was collated. Data analysis experiences documented.<br>• "One way of strengthening the knowledge claim in qualitative research is the use of "thick descriptions" (Sergi & Hallin, 2011, p. 193; Geertz, 1973). |
| Dependability | • Purposive and theoretical sampling<br>• Informant's confidentiality protected<br>• Inquiry audit | • Participant forms signed by participants detailing confidentiality of participants.<br>• Participant confidentiality protected. |
| Confirmability | • Meticulous data management and recording:<br>  o Verbatim transcription of interviews<br>  o Careful notes of observations<br>  o clear notes on theoretical and methodological decisions<br>  o accurate records of contacts and interviews | • Each recording is transcribed verbatim.<br>• Participant data is tracked within an Excel tracker which can only be accessed by biometric data from the researcher. This records all names, emails, job roles, interview dates.<br>• All notes from interviews are in separate folders and can only be accessed by biometric data. |

*Table 5: Credibility, Transferability, Dependability Confirmability (Shah & Corley, 2006, p. 1830) taken from (Lincoln & Guba, 1985, p. 290)*

To strengthen the credibility of my research, three external individuals reviewed my research and checked for errors or misleading data which could skew the accounts of what happened.

## 5.9 Producing Theoretical Concepts

There are two main criticisms regarding inductive qualitative approaches. The first is that they "do not meet the high standards usually held for demonstrating scientific advancement" (Gioia, Corley, & Hamilton, 2012, pp. 2,3), the second implies "scepticism about whether qualitative researchers are engaging in creative theorising on the basis of thin evidence" (Gioia, Corley, & Hamilton, 2012, p. 4).

The purpose of this section is to provide evidence which negates the above two statements and demonstrates how qualitative research can be judged upon its validity. Gioia, Corley and Hamilton's (2012, p. 7) paper, implemented the following methodological approach to apply science to their theory,

as well as demonstrating the structure and requirement for large amounts of acquired data throughout their research study in order to provide testimony of rigour:
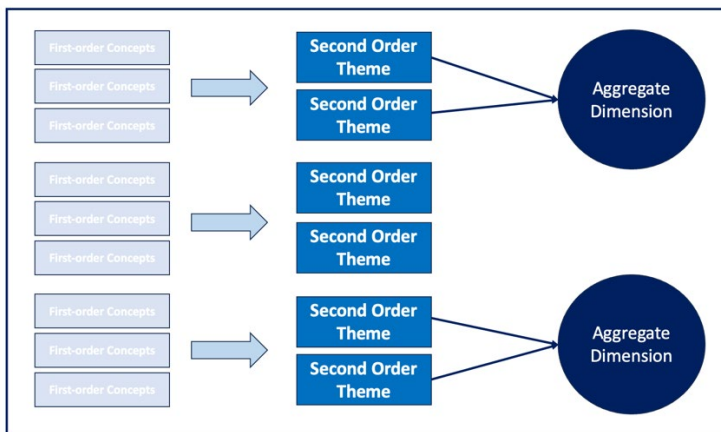


*Figure 5:7 Gioia, Corley and Hamilton's 2012 1st, 2nd order and Aggregate dimension*

I took Gioia, Corley and Hamilton's (2012, p. 7) approach and flipped it around, mainly because it was more practical for me to conceptualise the information I had acquired. From the data, I could see solid dimensions appearing. I investigated these further to see how many second order themes were appearing. I then assessed to see how the concepts' evidence (from the first order) contributed to the 'aggregate dimension' to produce "nascent" dimensions (Gioia, Corley, & Hamilton, 2012, p. 6). The principle and the science are the same, the application is in reverse, which following an interpretive study allows for this kind of flexibility (Gioia, Corley, & Hamilton, 2012). "Concepts are precursors to constructs in making sense of organisational worlds" (Gioia, Corley, & Hamilton, 2012, p. 2), constructs are "formulated to be measured" and their primary purpose is to delineate a domain of attributes that can be operationalised" (Gioia, Corley, & Hamilton, 2012, p. 2).

First order concepts are based on the quotes from the transcripts from the interviews, these are empirical facts. The second order themes are an amalgamation of the first order concepts which start to appear into categories. The "aggregate dimensions" (Glaser & Strauss, 1967) act as an academic naming convention to what has been identified within the first order concepts and second order themes. To make sense of the aggregate dimensions, I have provided a 'thick description' in the Findings sections, which helps the reader delineate and follow the research trail (Sergi & Hallin, 2011).

My theoretical story was mapped as below:
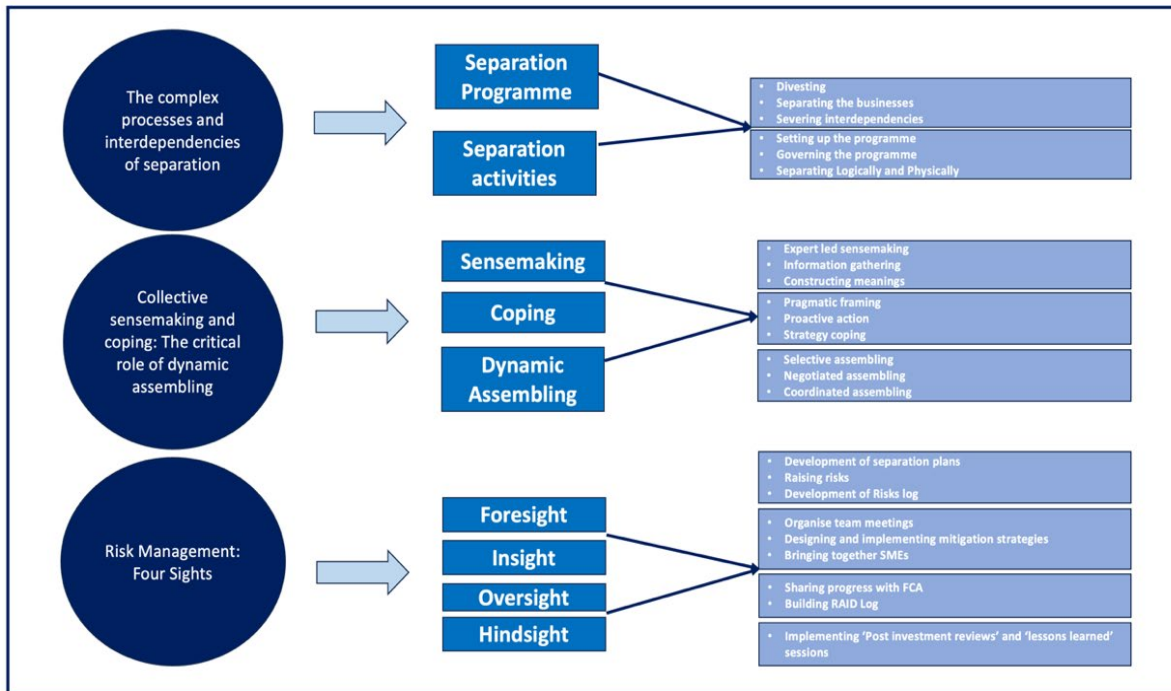
*Figure 5:8 Aggregate dimension, 2nd order and 1st Order in reverse*

Once "theoretical saturation" (Glaser & Strauss, 1967) is achieved by development of the dimensions, the next step is developing a "static picture of a dynamic phenomenon" (Gioia, Corley, & Hamilton, 2012, p. 8) which shows the hierarchy of the dimensions. From then, to move on from a static picture, to a model which shows the "relational dynamics among" these concepts, I added in arrows to show the direction and transparency of the modes and their "dynamic interrelationships" (Gioia, Corley, & Hamilton, 2012, p. 8), "it is the arrows that "sets everything in motion"" (Nag, Corley, & Gioia, 2007), as cited in (Gioia, Corley, & Hamilton, 2012, p. 8).

## 5.10 Ethical Research

Given the exposure, regulatory significance, and economic impact of this transaction, it was important to seek approval from LSEG and to follow Aston University's guidelines on ethical approval.

On 10th November 2021, formal approval was given to me by LSEG's General Counsel as well as LSEG's Chief Operating Officer to conduct this research. The approval from LSEG was shared with Aston's Ethical Research Committee. My ethical approval form was approved on the 17th November 2021 by Paul Jones and Aston's Ethical Research Committee. Within the ethical approval documentation that I submitted to Aston University I made note that I intended to interview 40 participants however, I was able to extend this to 62 participants.

I do not intend to share private or strictly confidential information such as financials or budget information. Any financials disclosed by LSEG or Borsa Italiana are publicly available and can be

obtained from [www.lseg.com](www.lseg.com) or Companies House. Each data set including names from programme actors have been anonymised and given codes. The data obtained was originally collected for research purposes as well as to deliver the programme. I have included a snapshot of the participant form (see Appendices 11.1). Before submission of my thesis to Aston, this thesis was submitted to LSEG for approval, which was received by LSEG on the 20th September 2024.

## 5.11 Conclusion

Within this chapter I have provided a detailed description of how I ethically collated data from participants involved in the separation programme by adhering to LSEG and Aston University's standards of practice. I apply an exploratory inductive research case study (Yin, 2009), using grounded theory (Glaser and Strauss, 1967) to draw out key themes from the separation programme.

In total I collated 1420 hours' worth of research as well as 100 key documents which provide tracked evidence of progress and insight into the separation programme. This information and data are invaluable and has never been provided on any case study on divestitures or separations prior to this. My role on the separation programme provided me with an excellent opportunity to have a bird's eye view of the programme and to work with many skills from various functions and workstreams, gaining insight into the challenges they faced over the duration of the divestment and separation period. Due to the large number of hours I spent on the programme whilst researching, I was able to build a true and authentic picture of the events that occurred which I have demonstrated within my Findings chapters.

Having demonstrated my methodological approach, this chapter moves on to the main empirical findings from my research. The following chapters present findings on the complex processes and interdependencies within the separation programme.

# 6. The Complex Processes and Interdependencies of Separation

## 6.1 Introduction

As mentioned in the literature review, there is meagre literature on divestment and separation processes. This chapter's approach is to take the academic and professional community on a journey of divestment and separation discovery. "Disentangling a business is more arduous than integrating an acquired business, because it usually entails more complexity and imposes tighter time constraints on the divestiture" and separation teams (Gole & Hilger, 2008, p. 180).

In this chapter, I unpack and illuminate the processes around planning, documenting interdependencies, programme governance initiation and utilisation as well as key information on what the TSAs are. This chapter not only contributes to the academic literature but also the business literature by providing an exploratory and descriptive picture of the interrelatedness of the separation programme. These grounded insights will become the basis for future researchers to build upon. Until now, other research on divestitures and separations omits key insights into the processes that the divestment and separation teams implemented and followed.

This chapter is split into eight main sections. The first section details the separation programme's initial setup and governance structure. The second section drives focus to the responsibilities of every actor on the separation programme. The third section explains the divestment and separation practices (including logical and physical separation) and outlines where the handover between the two occurs. The fourth section documents each of the separation planning documents and their purpose. The fifth section goes into more detail around how the governance structure is managed within the programme and amongst the workstreams. The sixth section defines what an interdependency is especially within the context of a separation. The seventh section details the transition service agreements, including a definition of forward and reverse TSAs. The eighth section details the importance of the procurement workstream and their role within the separation.

## 6.2 Separation Programme Structure

One of the first steps within the separation process was to "mobilise as fast as possible" by "identifying the key players in each of the different divisions and functions" and defining "the process for procuring other staff" (INV 12). The programme structure needed to be formulated quickly, a programme specialist explained: "we went from zero to 100, practically overnight" (INV12). Mobilisation means "getting everything in the right place to start delivery" (INV 12) of the separation programme.

*"There wasn't a team beautifully structured, it was, right we will take you from there. You from there, and you from there, probably because they had a historic knowledge of what was required to be done"* for the separation (INV12).

Within a separation programme, a sponsor needs to be appointed. A senior member within LSEG was appointed during the first few weeks of the initiation of the separation programme. The sponsor's role meant they were accountable for the separation programme. The sponsor was involved in weekly governance and progress meetings, working in tandem with the SMO and the separation steering committee, to challenge the programme and help resolve issues. They were also an additional layer of escalation where, in the beginning when being appointed, they "worked really closely with the corporate development" team (INV41).

At the start of the separation thinking, the corporate development team, the senior leadership team (individuals from Exco), and senior separation members identified a separation strategy. The external third party, took this strategy and developed a "separation blueprint" for the Borsa Italiana Group. The blueprint identified "how that [separation] would impact both elements" (INV21). A separation blueprint document brings "all the strands of the separation transaction together, so that there is a guiding star in terms of this is what we're trying to achieve and how we're going to go about achieving it. That then aligns everybody to work on their own individual area, but knowing who they've got to talk to, what everybody else is trying to achieve across the separation. The blueprint is very much that more strategic view" (INV21).

Once the SMEs were selected, briefed, aligned to each workstream and with their teams constructed, the next step was "getting the governance setup". This involved implementing governance meetings and forums; the SMO set up "the workstream leads and then we had the internal steering committee" forums which was a "weekly call" (INV12). Programme governance was essential for the separation programme. As one manager explained, it was "about making sure that we can retrack the flight path (INV12), "it is about knowing your journey from A to B with regular checkpoints" to ensure the programme does not derail from the intended outcomes and separation strategy. Separation programme governance "must be fit for purpose, it needs to add value, it needs to be the right checks and balances at the right point to ensure that we are delivering to plan and that we are also delivering the outcome that everybody is expecting" (INV12).  Once the workstreams were in place, "we put together a preliminary budget of what we thought it would take to separate", "we had to agree on what we would pay for and Euronext would pay for" (INV41).

I go into more detail in the governance section about the governance processes implemented in the separation programme. Below is a high-level construct of the separation programme.
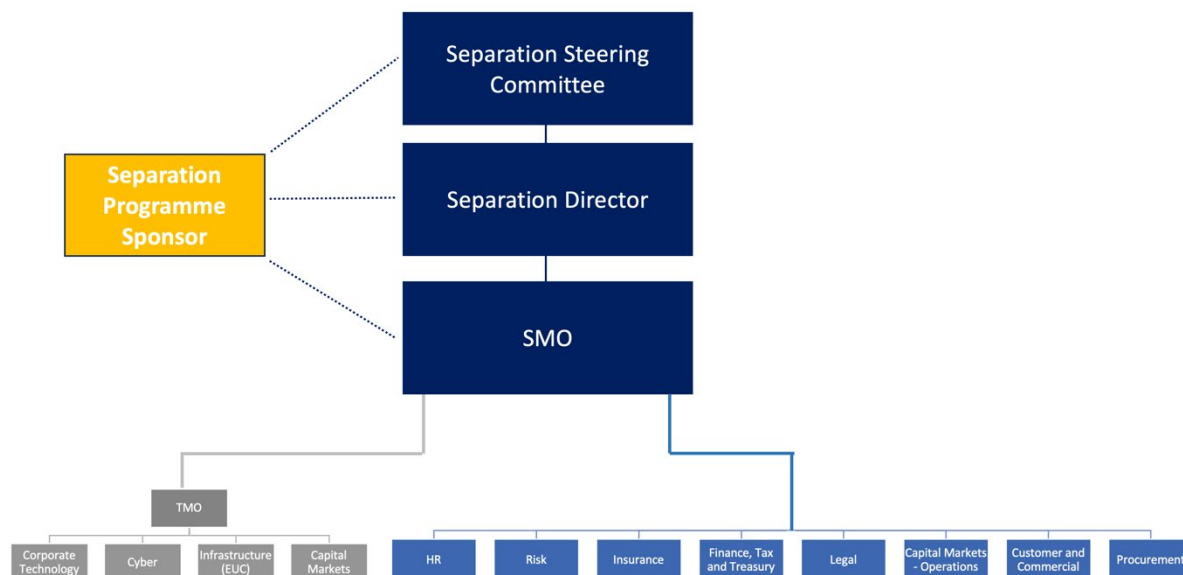
*Figure 6:1 High-level construct of the separation programme structure*

## 6.3 Roles and Responsibilities of the Separation Programme

As noted above in the separation programme structure, each party within the programme has distinct responsibilities. Below, I have provided more detail to their roles.

**The Exco and Separation Steering Committee**

Three members of the Exco (Executive Committee) sat in on the separation steering committees. With an additional board member for LSE also attending. Their responsibilities included attending weekly steering committee meetings.

Their role included the initiation of the divestment and subsequent separation, which meant having internal meetings to discuss the structure of the transaction, especially with the feedback from the European Commission.

The Exco also implemented Group Strategic Objectives (GSOs) across LSEG in relation to the Borsa separation: "Complete Borsa Italiana Group disposal ensuring separation plan is on-track" (Source: Internal documentation). This meant that all LSEG employees, even if they were not on the separation programme, needed to do what they could to assist, should they be required to answer any queries or help implement processes to facilitate the separation. For example, in technology, various teams outside the programme were required to help facilitate with service tickets being raised by the programme and by Euronext, to allow for changes in order to progress with the migration plans. The Exco has final sign off on the separation budget. The separation budget pays for the resources, tools, equipment and additional required spend in order to do the separation effectively. The Exco has accountability of the overall transaction and separation towards the regulators, such as the European

Commission. CONSOB (Italy) and the FCA (UK) have an interest in the separation not impacting the exchanges.

**The Separation Director**

The SMO report into the Separation Director. The role of the Separation Director was to "retain the overall responsibility" of the programme and be "the named person in all the legal documents" (INV21) such as the SPA and any escalation processes noted in the governance section in the Separation Framework Agreement (SFA). This role has financial and legal authorisation.

The separation director role and responsibilities included "liaison with both the buyer and buyer's teams and the sold party's teams, acting as a point of escalation for any disputes" (INV21). Having "authority to make lots of the financial calls across the transaction" (INV21). The separation director also has a "responsibility to bring the teams together to have a [separation] model that works for both parties through the [separation] process". The separation director also has "a counterpart in the sole structure in the Borsa Italiana Group". "We're both there to make sure that the TSAs design and builds served both parties" (INV21).

**The Separation Management Office (SMO)**

The SMO is the programme management office for the programme, they "have a thorough knowledge of project risks, as well as of risk management tools and their implementation. They are responsible for leadership of the project management team, oversight of contractors and consultants, notification of senior management when significant risks arise and management of risks during project execution" (National Research Council (U.S.). , 2005). As one manager explained: "The SMO is there to make sure you've got that consistent and coherent view of what needs to happen [and] when, across the programme to make the best outcomes" for the separation programme (INV21).

Within the SMO "there's a bunch of additional skill sets that we have which are just slightly specialist" (INV21). Within the SMO, there is the separation programme manager, which is the role I had on the separation programme. "The separation manager is effectively carrying out the TSA management, the migration delivery plans, and all of the day-to-day activities" (INV21).

Along with the separation programme manager, is the PMO. The PMO role is different to that of a standard programme. The PMO is heavily involved in separation activity, working with the SMO and the workstreams to help organise productivity, in terms of separation planning, budget setup, meeting setup, minute taking, capturing budgets, ensuring the SMO adhered to the best programme management practices (in relation to a separation), tracking risks and issues. They are the much-

needed support for the separation programme manager. In addition, "we've got a finance manager looking after TSA charges, we've got a TSA lead looking after contractual items, which would normally be left to procurement in a classic third-party arrangement" (INV21). Each role within the SMO needs to work closely together, ensuring seamless communication and delivery across the programme. The workstreams also fed into the SMO.

**Functional Workstream Level**

"A cross functional project team of internal managers is needed to identify the areas of interdependency between the divested business and the selling corporation and to manage the [separation] of those functions" (Gole & Hilger, 2008, p. 149).

Each business function is called a 'workstream' within the separation programme. LSE and Borsa are each designated a 'workstream lead' for every function. The workstream lead was usually someone that worked within that business function or appointed as a programme manager.

The workstreams were grouped in two:

**Non-Technological**: HR, Legal, Finance, Risk, Procurement, Tax, Treasury, Customer and Commercial, Insurance and Capital Markets Operations.

**Technological:** Capital Markets Technology, Infrastructure, Corporate Technology and Cyber. The technological workstreams had an additional layer of governance management, which oversaw the technological workstreams, called the Technology Management Office (TMO).

Within each LSEG workstream there was a programme manager which included a minimum of two project managers responsible for the delivery of the reverse TSAs. The number of project managers depended on the amount of separation activity for that workstream. The workstream leads were responsible for the separation of that workstream between LSE and Borsa. The LSEG workstream lead had a counterpart within Borsa and Euronext becoming a tri-partite working arrangement.

The workstream leads ran their workstreams as a subset programme. For example, in Corporate Technology, there were three project managers, one programme manager, and one workstream lead. Each project manager was assigned to a reverse and a forward TSA. Each workstream had internal weekly progress update calls to discuss activity completed that week, as well as risks and issues which had arisen.

Each workstream was responsible for updating their weekly Workstream Leads Report, which would go to the SMO on a Wednesday evening. This report would contain progress and topics discussed in their internal weekly workstream call as well as key issues which needed to be raised in the 'workstream

leads call' which involved every LSE separation workstream. Each workstream lead was responsible for updating their separation and migration plans in a technological recording tool, this then fed through to the SMO. The SMO also had weekly update calls with the workstream to obtain insights in to risks, challenges and progress.
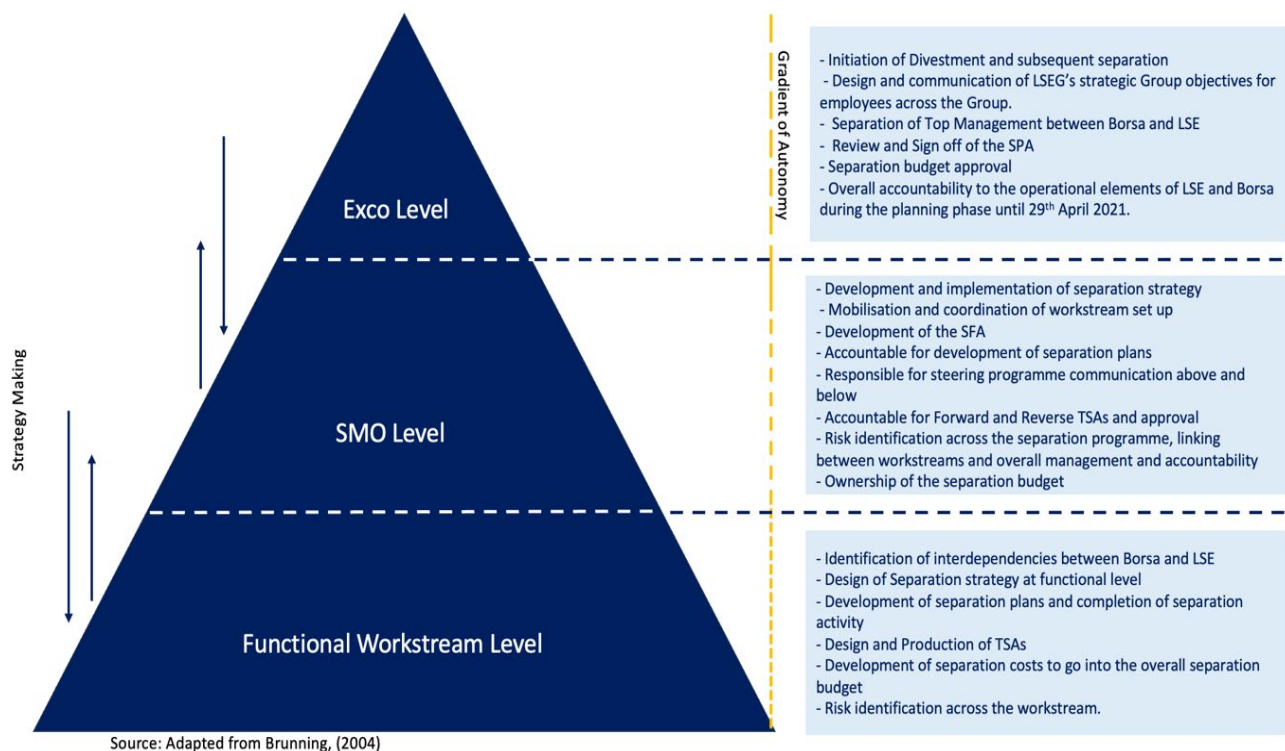


*Figure 6:2 Exco Separation vs Separation Management Office vs Functional Separation*

## 6.4 Divestiture and Separation as Practices

It is important to explain that divestiture and separation as practices, follow a sequence of steps, with important deadlines. Logical and physical separation ensures that the entities are separate, which is essential now that the exchanges are competitors post divestment (INV24).

To recap, with a divestiture, there are certain milestones which need to be met (INV 02, INV 03, INV 04, INV 21, INV 23, INV 24) (Gole & Hilger, 2008). These are:
- Defining the perimeter of the divesting entity
- Searching for a buyer (although in some cases this is often subcontracted to Bankers) based on strategic fit
- Memorandum of Information (MOI) produced and shared with the prospective buyer which sets out the perimeter and high-level detail around the divesting entity
- Receive Letter of Intent from the buyer (LOI)
- Disclosure of buyer's intended interest with the European Commission
- Approval of the purchaser from the European Commission

- Due diligence process begins, whereby the divesting entity provides more detail to the acquirer
- Appointment of the Monitoring Trustee with regular update meetings organised
- Signing of the SPA
- Announcing to the market of the intention to divest
- Completion and closing of the transaction, whereby monies have been exchanged
- Announcement of transaction closure to the market

The Corporate Development team worked with the business and the senior leadership team (including Exco) "establishing the perimeter for" Borsa Italiana, "there was a high degree of carve out complexity that we needed to deal with". Once the perimeter was decided, the corporate development team worked with Legal and Finance, and various leaders from the Borsa Italiana Group. As one divestiture specialist explained:

> *"We spent a fair bit of time with them, to make sure that we got the relevant information and had the right conversations to be able to represent their business in a good way". The Corporate Development team then spent time "preparing the documentation required for sale", which "touched on all aspects of our business". The document which includes the perimeter of Borsa Italiana, and details the business, was then shared with the bankers. The bankers drafted the investment memorandum (INV23).*

This was shared with the buyer, Euronext. As the transaction was complex and required approval from the European Commission, LSEG needed to find a buyer and sign by October 2020.

One specialist explained: "The European Commission has certain timelines for which they allow companies to submit remedies as a fix to try and effectively get their approval for something else. So, we had a backstop date from the European Commission from memory [It] was back in October, at that point in time we needed to effectively have a signed deal in place" (INV23).

'Sign' is when the share purchase agreement is signed by Euronext and LSEG. This happened on the 9th October 2020, on the same date LSEG announced to the market their intention to acquire Refinitiv, which was conditional on the premiss that Borsa Italiana was divested to Euronext. On the 29th April 2021, the transaction 'closed'. This became known as 'Day 1' to the separation team. This is when the monies of EUR 4.32bn were paid to LSEG and legal ownership of the Borsa Italiana Group transferred to Euronext. 'Close' marks the end of the divestment but the beginning of the separation process.

Within the separation timeframe, the seller has a responsibility to ensure that all transitional service agreements (TSAs) are complete and that there are no interdependencies between the divested entity and the seller, as well as ensuring the divested entity is operational post closure of these TSAs. Separation relies upon the divestiture triggers to start planning. For example, the separation team need

to have completed their planning by Day 1. The separation planning process needs to identify logical and physical separations. I explain the definitions of these below.

### 6.4.1 Logical Separation

"For this transaction, we had to be as logically separated, as possible by close, because of the European commitments" (INV21).

Logical separation requires the separation workstreams to draw up a list of all of the technologies which were shared between Borsa, LSE and LSEG. In order to be logically separated for close (29th April 2021), the technologies needed to implement the use of the "software entitlement rules" (INV21) for each system or tool. The entitlement rules, restricts one's access and what data they can view, this essentially created a theoretical wall between the systems. A good example here is LSEG's financial tool. "Through logical separation although it is the same platform, our finance teams could only access information that was relevant to the LSEG finance world, whereas the Borsa finance teams could only access information relevant to the Borsa finance world. So that is logical separation" (INV21).

Logical separation "can be applied to many systems, but not all systems", it depends on the technical capability of those systems. "Other examples of logical separation would be email address lists, so, have we separated, so people aren't getting information from the wrong side, can they see and access SharePoint sites etc. Those sorts of things are deemed to be logical separation, because we're using the same underlying platform, same tenant instance, or whatever it may be, but we're using account management roles to dictate whether you can access one piece of information or not" (INV21).

### 6.4.2 Physical Separation

Linking the same example above:

> "a physical separation then is hardwiring that separation. So, moving in the case of LSEG's finance system, if we move [Borsa] to a separate instance of the Finance system, so we were on separate platforms. And if you think of logical separation, our tech team can still get into the whole of the finance system, whereas in physical separation, it would be [Euronext] tech team running their finance system instance" which meant LSEG was "fully separated". "From a network perspective, as we've done now, putting in the back-to-back firewalls", which is a physical separation, and meant "we could run our own networks separately across those firewalls". "We can pull the drawbridge down as it were. Whereas if you are on the same platform, you can't pull the drawbridge [down]" (INV21).

Any tools which had Commercially Sensitive Information (CSI) in, also needed to be physically separated. There were a "number of different areas with CSI in it. Obviously, the one which we have longest running is the finance system, obviously, we can, if we have access to that we could see the profitability, etc. The other element of that would be CRM systems, that was a big area of concern. So, CRM systems was separated. That was easy. So that was physical separation by close" (INV21).

In summary, physical separation is the physical movement of data to a new instance of that tool. Logical separation is creating a wall in the system and limiting access rights per team to that tool to view that data.

**High-Level Divestment and Separation Structure**

Below, is a high-level process flow of how the separation's key milestones flowed. Each process is split by three phases. The first phase links the divestment activities to the Corporate Development team, then flows through with shared responsibilities in the divestment and planning stage between the Separation programme team and Corporate Development team and then finally through to the Separation team only. The separation phase is completed, once all of the TSAs are exited, the migration plans are complete and the firewall networks between Borsa and LSE are severed.

*Figure 6:3 High Level Divestment and Separation Structure*
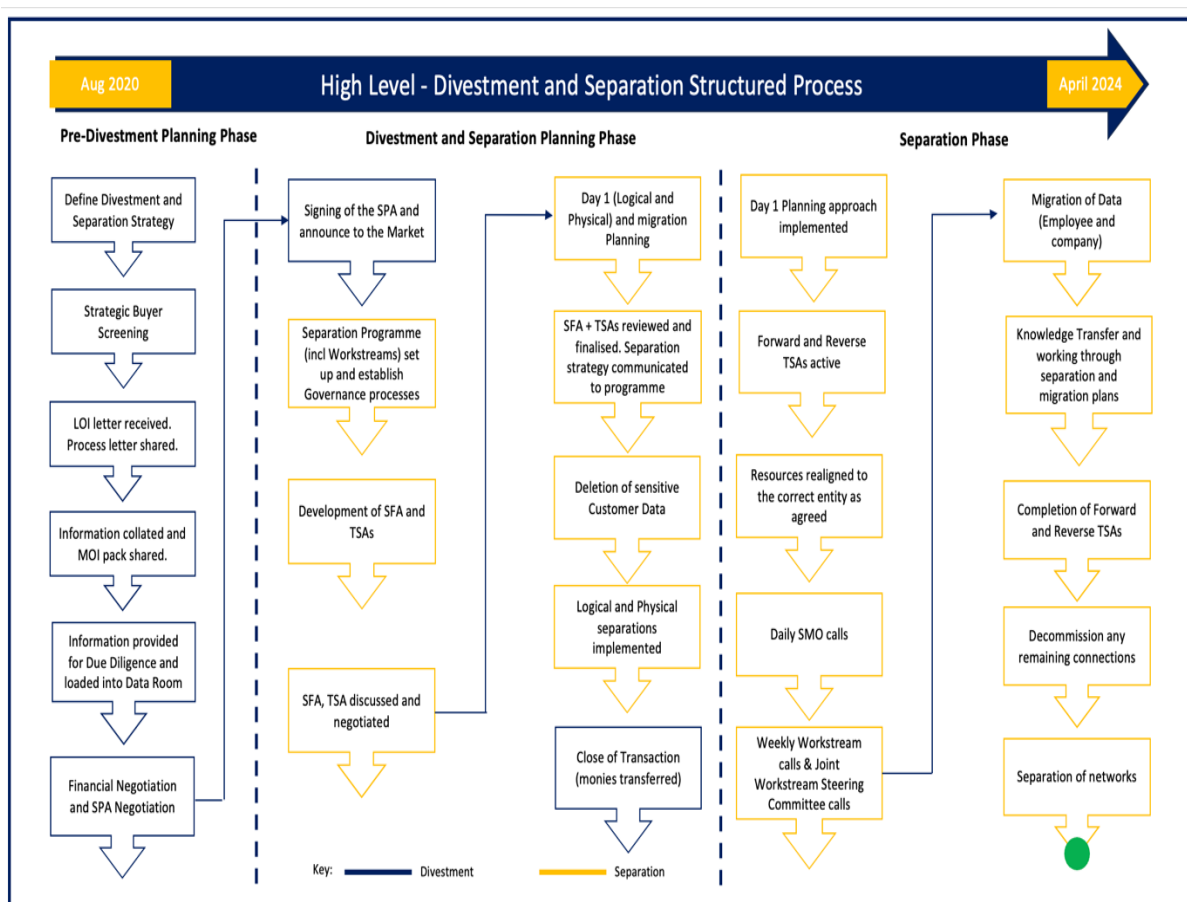
There are various documents and processes which were created by the separation programme, I detail these below, along with their purpose.

## 6.5 Separation Planning and Documentation

The separation planning process officially started on the 9th October 2020 and ended on Day 1 which was the 29th April 2021. As mentioned above, the programme was constructed by the SMO and each workstream was set the task of documenting key separation activities.

One manager explained: "so the first part of the separation, we defined separation plans as the planning required us [to be] logically separated, as we might still be on the same platforms and using the same systems" (INV21). From October 2020 to April 2021 the teams were working on Day 1 plans, separations plans, which included drafting the TSAs and the associated documents mentioned in the TSA section.

| Document Name | Purpose |
|---|---|
| **Business Case** | Which included a very high-level overview of how the separation will take place and high-level dates, this document was approved by the LSEG board. |
| **Separation Blueprint** | The separation blueprint document defines the operating Model of LSE and Borsa's systems. It defines and includes the perimeter which is being separated from LSE and going over to Euronext.<br><br>"It took quite a lot of discussion to get to the point where we knew, here's the perimeter, here's what's included in that perimeter. Here's the cost of running, here's the revenue it generates, and then move forward with the actual separation" (INV32). |
| **Share Purchase Agreement** | The SPA document is a standard legal document in M&A and Divestitures. The SPA was tailored towards the divestment of Borsa Italiana. The SPA contained details on the transaction, such as what is being divested and transferring over to Euronext. It also included conditions of the sale, and the terms of the sale which need to happen between sign and closing of the transaction.<br><br>"Signing is when the terms are agreed and therefore the SPA and the SFA are signed. There's a number of activities that typically need to happen to enable the closing. So, depending on what those activities are, whether it's financial, operational, legal, or regulatory, or whatever else might need to be done between signing and close to get the authorisations and everything in place to enable the close to happen, which would mean there's a time period and that could be a few months, one or two months, or in the case of the Borsa transaction, it was about six months" (INV 44). |
| **Separation Framework Agreement** | The "separation framework is the overarching document that we've agreed in terms of what we need to do based on different scenarios and so a lot of the questions that we get are ultimately addressed by that framework. So, a lot of it is guidance and making sure that changes get tracked or any questions get answered in accordance with that overarching framework" (INV44).<br><br>The aim of the separation programme on Day 1 was "to make sure all their pre-closing obligations and separation framework [obligations] were tracked and completed. So, there was a day one plan, which was based on all of the obligations that we've agreed to do ahead of closing. That was the focus of the pre day one work" (INV44). |
| **People Road Map and Resourcing plans** | This document contained information on the number of resources across Borsa and LSE split by employees, contractors, and consultants. LSEG created this document to keep track of which employees needed to be replaced by the separation or stay informed of which employees were transferring back to LSEG. This information also helped inform the separation budget to hire new resources to carry out additional services. |
| **Project Initiation Document and project charters** | "My first job with the technology leads, was to define what that plan of work was going to be and in the short term, what resources we needed to mobilise and execute in the time we had" (INV32).<br><br>We had to do "discovery to specifically understand, you know, every component that was going across" the divestment (INV32). |

| | Once the governance structure of the workstreams was defined; "within each of those projects, which we call them project per area of the business, for each division, a charter was stood up. So, we had a high-level view of what the perimeter was. Each of the LSEG leads for Capital Markets, Corporate Technology, Infrastructure, Cyber would go away, then they would use guidance from SMEs [with the third-party vendor brought into help with the separation planning], and they populated a charter for each workstream. And as part of that charter, they got into the specific components of, okay, if we're going to separate services ABCD from the Group to Euronext as part of the Borsa divestment, then that means these systems, these tools, these processes all need to be thought about. And we got a relatively granular scope of work together, they were given two weeks to do that, for each of those project teams, which we then translate it into delivery plans which then became the kind of backbone of what we needed to deliver against" (INV32). |
|---|---|
| | The project charter is essentially a Project Initiation Document, "So it's everything you'd have in a PID. It had your scope and your risks and your plan, any dependencies issues, and that charter evolved, then over the subsequent weeks, as delivery commenced, but it was an initiation document for each project" (INV32). |
| **TSA standard service model** | Which classifies which categories the TSAs fall into, for example Tier 1 services are TSAs which if there were an outage would trigger the Major incident management (MIM) process (Source: TSA Standard Service Model). |
| **Separation plan** | Day 1 plan: these included priorities and impact assessments to ensure that Borsa's systems were still up and running under their new ownership of Euronext as well as ensuring the Logical separation was effective and the Borsa and LSE teams could access their own instances of data. |
| | "The first thing to do is understand the objectives, scope, and then start to get together a plan of action. In parallel, we knew we needed to do discovery across our finances, and processes and technologies and everything as well. So that when we knew what we had to do, we knew what we were working with and what our starting point was" (INV32). |
| | A "separation plan effectively is the end-to-end piece. So, the first part of the separation, so for this one in particular for Borsa, we defined separation plans as the planning required to get us logically separated. So, we define that as a separation plan. Normally, you'd think of the separation plan as being the end to end it would include that and the migration plans" (INV21). |
| **Migration Plan or also termed as Exit Plans** | "The migration plans specifically talk to the exit of the TSAs. So how much can you do to migrate that? So, to support that, that activity, that's the migration plan. The exit plan is really part of the migration plan. So, in terms of the exit, you need to know what the integration is on the other side. So, they're doing an integration activity or a stand-up capability using a third-party activity. That is their exit plan. So, the exit plan is the statement saying I'm going to exit this TSA by moving on to in Euronext world Microsoft Dynamics for finance. That's fine. Great. That's your exit plan. Simple statement, it's almost a strategy. The migration plan is all the activities you need to do up to getting to that exit. Separation plan was then we need to carve out Oracle Financials into a self-contained block with appropriate access controls before we got to day one" (INV21). |
| | "So, migration plans are, if you think of a TSA is providing continuity of service, for an element of a capability for the business, the migration plan is how you migrate off that service to a new provider, either third party or internal within the new hard group, be that dedicated within the business that has been sold or across the group, but effectively migration of provision of that capability from one party to another" (INV21). |
| | "If the TSA has a transitional service term, the migration plan is how is the service going to be exited during that term" (INV44). |

| | |
|---|---|
| **Separation Handbook** | A separation handbook is a document, "which goes down into the details sort of process by process or really capability by capability view, certainly to say this is how Accounts Payable needs to be managed and the changes going across" (INV21). "The Separation Handbook was a key document for the SMO and the workstreams. It detailed all of the unique processes the SMO needed to follow for the separation. It was updated on a quarterly basis" (INV40). |
| **Major Incident Management (MIM)** | Process which outlined and categorised the severity of potential issues. Major, High, Medium, Low (Source: TSA Standard Service Model). |
| **Testing plans** | Testing plans worked in conjunction with the migration plans. The testing plans were devised to test the new tools, process or applications put in to allow LSEG to exit the reverse TSAs.<br><br>"You set it up, you test it, you, you run some dummy data and dummy users through it, which is what we did, you assess the results to make sure what was intended to copy did get copied and then you do some sampling to make sure, you know, before you start doing a mass migration. And then what we did is we did a pilot of a smaller set of some smaller set of users, before you do the Big Bang migration" (INV08). |
| **Decommissioning plans** | Decommission plans were drawn up to ensure all tools and technologies were decommissioned as soon as all of the TSAs were exited.<br><br>"So, decommissioning in that sense was for those items of equipment that were no longer required by the group as a result of providing the TSA services we were going through and decommissioning. So that's often things like firewalls that we've set up, but we no longer have the network connections. It may be, we've had temporary spaces and buildings built out. So, they have a segregated area, removing those elements. Basically, any of the costs, which you don't want to carry in the group, longer term, you want to rectify, so the group returns to its new operating model and just tidying things up" (INV21). |

*Table 6: Separation Documentation*

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## 6.6 Separation Programme Governance Structure and Processes

Governance processes within a separation are essential. The programme was so complex that governance processes facilitated an element of control over the separation activities. One specialist explained: "one of the things we did is we put together the governance structure, our kind of delivery governance structure. So, you know, how are we going to design the programme team in order to run the maximum number of parallel projects possible, to make best use of time" (INV32).

### 6.6.1 Internal and External Governance sessions:

I start with the governance meetings which were held on a frequent basis:

1. Joint TSA Steering committee was implemented on an 'as and when needed' basis. This was for senior executives to join should there have been an issue which was escalated. This governance session did not need to be used in the programme but it was there for escalation purposes.

2. Joint planning meeting (JPM) as mentioned above in the TSA section, was attended by the SMO LSEG and the IMO from Euronext on a monthly basis to discuss progress, issues and the TSAs. The meetings post close, ran monthly. Any actions which were discussed in the session were documented, tracked, and followed up on by the SMO.

3. The Technology Service Delivery forum ran fortnightly. This was attended by the TMO from LSEG and Euronext and Borsa's technology representatives. The teams discussed key topics such as the firewall implementation, access rights to tools and separation activities that were being progressed during that period as well as service availability of tools. Key actions were documented and logged, and any risks were updated in Smartsheet.

4. The SMO then set up an *ad hoc* weekly session with Euronext's IMO to go through any remaining actions that needed to be completed. The teams spent time going through the 'outstanding actions' tracker. This helped alleviate any items blocking progress.

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**6.6.2 Internal Governance Sessions**

In the beginning of the separation, the meetings were more frequent to ensure each actor on the programme had an awareness of the complex and vast amount of separation activity happening.

1. Internal workstream meetings with the SMO. On a weekly basis the SMO would have a 1:1 session with the workstreams. These sessions were less formal.
2. Internal weekly workstream Leads calls, whereby each workstream lead would attend a more formal call. The workstreams would submit their progress reports on a Wednesday evening, for the Thursday meeting. Each workstream lead would present their update to the rest of the LSEG separation programme. As the programme progressed, these meetings moved to bi-weekly and then monthly.
3. Monthly separation steerco meetings with actors on the separation steering committee. The SMO would present a monthly roundup of progress and request approvals from senior executives, such as budget updates or change requests. The SMO would also discuss any risks or concerns that strategies to mitigate these. The steering committee would give feedback on concerns or progress. As the programme moved on these steering committees moved to quarterly.
4. Weekly internal TMO calls, with each of the technology workstreams, as one technology specialist explained: "we went through each migration plan status, where we looked at whether the deliverables were being achieved, but the kind of key components [the TMO] was interested in things like, the scope of work, obviously, the associated delivery plan within that. So, you know, key milestones within that scope of work, almost like a very high level PID, because they are essentially mini projects - each of them. There was a cost for each one. There were key milestones for each one and there was risk management: there are a set of risks managed against each one, which were escalated as needed and [noted] in the RAID" (INV32).
5. Before close, the SMO would have daily catchup calls at the end of each day, this included the separation director, the third party brought in to assist with the separation preparation work, as well as Borsa's senior leadership actors. Each call was a roundup of activity and queries which arose from that day. As the separation progressed, these calls only included LSE's SMO team and the meeting was reduced to three times a week, then weekly.

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### 6.6.3 TSA Governance

There were several processes tied to the TSA governance process to ensure that each TSA was delivered as set out in the SFA and the TSAs. Each TSA had a set of KPIs marked against it to ensure service viability did not fall below the agreed service level. Each month the workstreams would meet to discuss progress (noted above).

Each TSA was tracked by the TSA manager. The SMO and the finance manager ensured payment for the TSAs were made, as well as received as agreed.

To ensure that appropriate governance is applied to the TSAs, the team developed the following processes:

1.  The TSAs were all defined, drafted, and documented in the TSA Standard Service Model document. Each TSA was given a timeline, including an extension clause of up to 6 months.
2.  Each TSA was documented in a tracker, to track the partial and full exits of the RTSAs and the FTSAs.
3.  Each TSA was assigned a project code, utilising LSEG's change management framework. These were then tracked internally by the SMO, Capital Markets, and LSEG's Transformation Management Office.
4.  A TSA payments process was setup to ensure the TSA invoices were paid and received on time for the FTSAs and the RTSAs.
5.  As mentioned above the FTSAs were managed by the LSEG TSA service managers to produce management information reporting to ensure LSEG adhered to the SLAs and KPIs.
6.  TSA extension and exit letters were drafted. These would be sent to Borsa's legal team and IMO at Euronext, if an extension was required, or LSEG wanted to early exit the RTSAs. The same applied for the FTSAs.

### 6.6.4 Change Request Process

Documented within the Separation Framework Agreement were the conditions and process the LSEG and Borsa teams needed to follow for change requests. Change requests imply changes to a service or a tool, or access to a tool, for example there was a change request raised to make a change to the process which captured tickets raised in the service management tool for Borsa. Other change requests raised related to risks identified on the programme. In order to mitigate it, the risk changes needed to be implemented.

Each time a risk occurred; it was documented in the RAID log. If change of direction was required because of a newly seen risk, a change request was raised and sent through the various governance levels for approval.
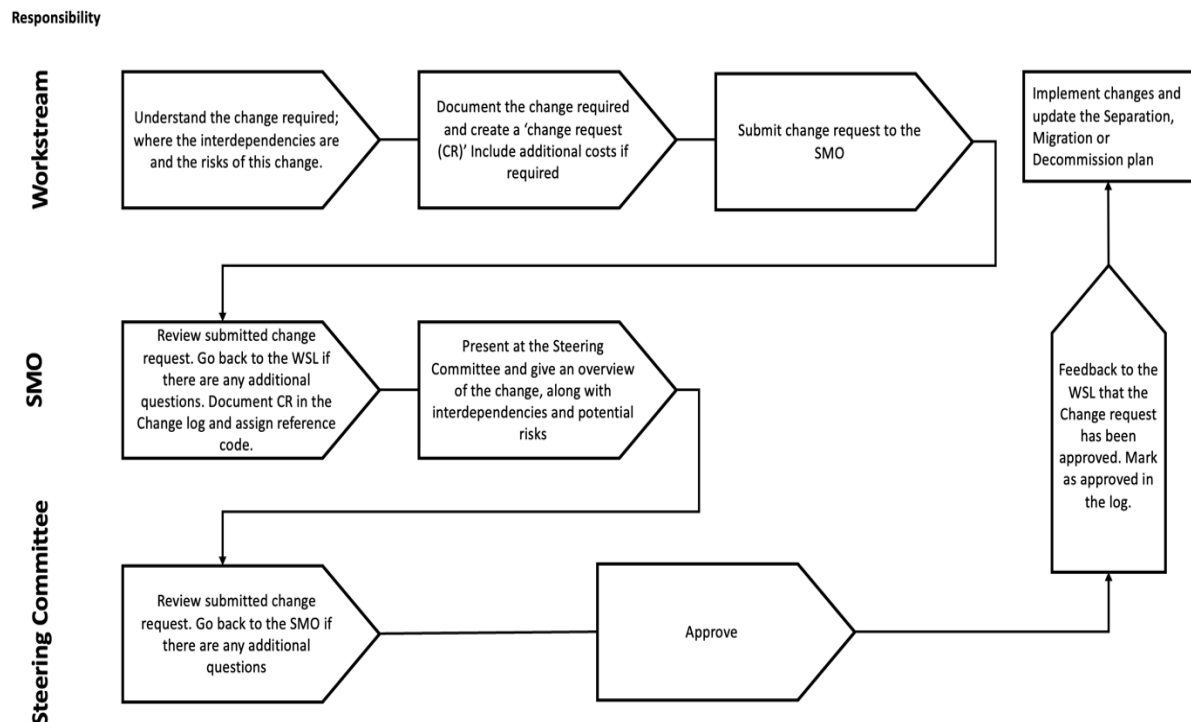


*Figure 6:4 Change request Governance process*

As explained above, the governance process is essential for the separation process. It creates a structure for the separation team to follow and ensures careful tracking of separation activity. I now move on to additional key elements concerned with the separation such as interdependencies, TSAs and the importance of the procurement function.

## 6.7 Separation of Interdependencies

The definition of an interdependency is "the condition of two or more things depending on each other" (Cambridge Dictionary, 2023). In relation to a separation, this means the dependency between LSE and Borsa's tools, systems, resources and processes. The separation team "must consider every area of interdependency" (Gole & Hilger, 2008, p. 145) this covers both front and back office functions (Gole & Hilger, 2008) such as Sales, HR, Finance, Tech, Investor relations, Legal, Customer facing teams, Operations, etc.

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The process of separation "requires the [separation] team to identify all such interdependencies and to plan and implement a controlled termination of each of these connections with the selling organisation" (Gole & Hilger, 2008, p. 145). The aim of the Borsa separation programme ensured that interdependencies between LSE and Borsa were severed and without causing harm to either Borsa or LSE.

Looking at the history between Borsa Italiana and the London stock exchange, the process of creating the interdependency between the groups, started in 2007, when the merger was cleared by the regulatory authorities (Borsa Italiana, 2007; Gole & Hilger, 2008).
Integration of back-office teams, applications and tools started between the businesses in 2007, until 2010. However, there was a regulatory requirement to ensure that both exchanges remained separate (Borsa Italiana, 2007) as noted in the Fig. 6.2 LSE and Borsa timeline 2007:2021.

Interdependencies from the Borsa separation programme meant that each programme team, needed to unwind and separate the 'back-office' elements of the Exchanges, ensuring both were operational post separation. "Identifying a large complex interdependency late in the deal process puts undue pressure on both the business operation and the [separation] team" (Gole & Hilger, 2008, p. 180). Throughout the process of identifying the interdependencies between both organisations, it was clear, that in order to sever the connection and dependency, gaps were created on either side of the businesses, this is why the TSAs were essential for the separation programme.

Key interdependencies between the businesses, were linked beneath the surface level. These entailed: Data (which includes audit trails of information and records, created on shared tools as well as tools which Borsa would service for LSEG), licences for tools and applications, whereby both companies were able to create synergies using the same vendors and benefitting from economies of scale. There was also an interdependency created between resources such as employees working for both businesses. Some Borsa employees were working full time for LSEG and others for Borsa. For example, in the finance team, pre-separation, these employees were within a central team, then when the separation occurred, there was a decision made internally to transfer employees directly to Borsa or to remain within LSEG. These are examples of clear interdependencies. People interdependencies were documented in the People Road Map document.

What was more difficult and missed during the planning stage, were elements of indirect or unexposed interdependencies. For example, the TSAs covered services for both Borsa and

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LSEG. The TSAs were in place, to temporarily backfill the gap whilst the separation occurred. An indirect interdependency was exposed when LSEG needed to upgrade tools and applications which were listed in the TSA. This then meant that because Borsa was also using these applications, that LSEG would need to cover the cost of the upgrade for Borsa also. This cost increase would then trickle back into LSEG's separation budget, because from a cost element, LSEG would not realise the cost benefit from upgrading Borsa's software, as they were no longer seen part of the group. So, whilst the businesses were going through the separation, by accident, new indirect interdependencies were being exposed and in some instances created new costs, which created dyssynergies.

During the firewall implementation process, End to End (E2E) rules needed to be created between each LSEG and Borsa firewall to manage the traffic going through the firewalls. The LSEG and Borsa teams were rapidly creating E2Es. When the teams did a test run, they found that more traffic had bypassed the firewalls than expected. This then highlighted to the Infrastructure and Cyber teams that LSEG and Borsa were "more interconnected than expected" (INV16). The Infrastructure, Cyber, Capital Markets, Corporate Technology, and SMO teams then worked closely together to identify as many interdependencies as possible.

Internally, other interdependencies were being created, which put strain on resources. At the time LSEG was separating from Borsa, it was also integrating Refinitiv. There were some significant examples around HR tooling and identity access management, whereby the HR actors which had knowledge around these processes, were time constrained to which integration or separation they could work on. Their knowledge created a significant dependency gap on the progress and  success of separating that tool.

To conclude, the practical insight on interdependencies provides an additional contribution to the literature. In summary, interdependencies are a web of links created by tools, applications, processes, policies, and people. Understanding this and being able to map these out within the planning phase was essential for a successful separation.

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## 6.8 Transition Service Agreements (TSA)

A TSA is a service provided by either the seller or the buyer to continue the service and obligations which were in place prior to the divestment. Gole and Hilger, (2008, p. 181) explain that TSAs are "an agreement to provide post-closing support for a limited period". This allowed the acquirer to purchase a company with services intact, whilst the acquirer initiated the integration process. In this case study, Borsa Italiana was also required to continue services for LSE whilst they were transitioning over to Euronext. In total there were 48 TSAs.

There were 24 Forward TSAs and 24 Reverse TSAs. A Reverse TSA (RTSA) meant that the obligation was on Borsa Italiana to continue providing services for LSEG for up to two years. A Forward TSA (FTSA) meant that the obligation was on LSE and LSEG to continue providing services for Borsa Italiana. The TSA services were essential for this separation, it meant that both businesses could remain operational and backfill the gap that was created as part of the separation process.

An example of an RTSA was for the Corporate Technology workstream for the company websites. Borsa had a team of specialists which were responsible for updating the Groups websites. This RTSA was operational until LSEG brought this expertise back in house.

An example of an FTSA was for Borsa Italiana to continue to use a wide range of LSEG tools, whilst Borsa Italiana migrated on to Euronext's applications and tools.

| TSA | Number | Total Length |
|------|--------|--------------|
| RTSA | 24 | From 3 months to 24 months |
| FTSA | 24 | From 6 months to 30 months |

*Table 7: Number of TSAs*

Initially there were 46 TSAs in total. An additional two forward TSAs were drafted and signed, due to a complication with 2 of the forwards TSAs, which meant that when Euronext exited the Forward TSAs, it initiated an exit of a tool that the remaining TSAs still required access to.

The process to decide which TSAs were required for the separation programme, is clarified by a technological specialist:

> *"We had to figure out what the forward and reverse TSAs were going to be, what that TSA list was even going to be, and then then we created bottom up, what we believed each TSAs and scope would actually cost on an annualised basis" (INV32). The TMO and SMO then organised sessions with SMEs to draft the TSAs. "The way we ran each TSA drafting session was to have, obviously, the programme team and workstream*

*leads there and also the owners of those services. So, for EUC, we would have the head of EUC and some of his team who provided EUC services to Borsa on the actual drafting call". "They were given templates and they were asked to put together a definition of the scope of work that they provide to Borsa". Then on screen, we had a virtual real time review of that document, went through it, agreed language, agreed SLAs, all three parties on the call" (INV32).*

Each of the TSAs contained a list of services that the TSA was required to provide, it also included Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) and an extension clause. Each TSA was designated a 'TSA Service Manager' to ensure accountability and the service conditions were being met. Each month Euronext, Borsa and LSE would have a call to go through progress of each TSA and update one another on any issues which occurred, including any down time of services. The TSA service reports, were also submitted to the SMO and these were included in the joint planning meetings which occurred every month. Source: (TSA standard Service Model (Internal Doc))

*The "separation completes once we have finished providing all the TSAs and receiving all TSAs and decommissioned" (INV21).*

Challenges arose when LSEG (as part of the integration with Refinitiv) moved away from core applications that the Group used, to utilise new tools. LSEG was required to still provide those services for Borsa under TSA obligations.

Other challenges arose when the Forward TSAs had a subset of services written into them. The agreement was for Euronext to exit part of each TSA to save on TSA costs, but it created issues for LSEG as the teams were unsure which partial exit would come first, so that they could assist with the shutdown of access and services to LSEG's tools and systems.

## 6.9 The Importance of Procurement

When looking through academic literature and business literature in relation to M&A and divestitures and specifically separations, there is very little mention of procurement's input and how essential the Procurement team are and the role they play, especially in relation to interdependencies and the TSAs (Gole & Hilger, 2008). From this case study, I discovered that the role of procurement forms the basis for interdependency mapping and drafting of the TSAs. The procurement team's knowledge of tools, applications and the renewals, the relationships they have with third party vendors can deeply impact the success of the applications being novated over to the divested entity for a short period of time whilst the

separation is in progress. Without the procurement team obtaining a list of applications and their consents for the TSAs, the separation would be unsuccessful as the divested entity would not be able to continue 'as-is' post close.

The separation process starts with the procurement workstream. The procurement function triggers the beginning of the interdependency discovery phase. As one procurement specialist explained: we were "identifying which vendors need to be split, which vendors need to be assigned, which customer contracts need to be split, which customer contracts need to be moved" (INV 29) and "there's a lot of data that needs to be gathered". The procurement team read "through [the separation framework] and through the TSAs, to extract all the suppliers that were listed". The team "then went out to all the TSA owners and said, can you confirm this is the list of suppliers that we have?". The data was then used "to start building the list of all the suppliers or contracts in scope [for] novation, assignment, separation and all those suppliers in scope of the TSAs" (INV29).

Once the workstream leads and the TSA owners confirmed the list, and the type of application and tool is confirmed, the procurement team then "needed the draft of the TSA consensus letter from legal" (INV29).

> *"Our start position was that we wanted to replicate the agreement that we have with the supplier for both entities" i.e. LSEG and Borsa. "We would then sign a Novation letter" "saying that all three parties agree that the rights and obligations will transfer from LSEG to Borsa". At this point in the transaction, this process is "still confidential, so we don't talk to any of the suppliers ahead of sign". Then once the supplier has agreed the novation, "we actively transfer a contract to the buyer, ahead of close" (INV29).*

To conclude procurement's involvement in the separation programme is essential. Without it, the programme would not have consent from the third-party vendor to continue using the tool or application as part of the service written in to the TSA.

## 6.10 Conclusion

Within this chapter, I have provided a "thick description" of separation practices (Sergi & Hallin, 2011, p. 193). This thick description opens the black box of separation and reveals how managing complex interdependencies are central to separation (Gole & Hilger, 2008). Limited

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prior work often portrays separation as a relatively simple and minor planning activity where the main issues are interdependency management, neglectful of the role and prominence the procurement workstream plays, especially in the beginning of the separation process, along with many other descriptive factors within the separation process (Gole & Hilger, 2008). What this chapter illuminates is how underpinning such processes involves layers and layers of complexity, dynamic interdependencies, and potential risks which present managers with huge challenges that are not well documented or understood in the prior literature (Gole & Hilger, 2008). One of the main challenges is dynamically assembling resources to overcome challenges on the separation programme. In the next chapter, our attention turns to how managers deal with collective sensemaking and coping whilst trying to resolve emergent issues during the separation.

In this chapter I have provided case study (Yin, 2009) information on the separation process and structure which LSEG followed during the separation between Borsa Italiana and LSE. I have detailed and given insight into the separation practices. Detailing new terminology as well as defining logical separation, physical separation, interdependencies, forward and reverse TSAs, the TSA governance process, governance processes and the role of procurement for managing the separation as well the roles and responsibilities of actors on the separation programme. Before now, information such as this has not been documented in academic literature or business literature.

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# 7. Collective sensemaking and coping: The critical role of dynamic assembling?

## 7.1 Introduction

In this chapter, I unpack and illuminate the linkage between the practice of collective sensemaking and collective coping, highlighting the critical yet understudied role of dynamic assembling in this process. These grounded insights, it will be argued, will advance the literature on separation by highlighting how dynamic assembling fundamentally shapes how actors make sense of ambiguity and cope with unpredictable events.

This chapter discusses how the separation programme imposed order on the disorder created by sensemaking triggers. Whilst separation planning was an essential activity for the separation programme, several unprecedented events occurred during the separation, noting that "there will always be things that weren't planned for by virtue of the fact that there is a finite amount of time for planning" (INV 18). Divestitures and separation programmes are demanding, complex and "must be executed within substantially tighter time constraints" (Gole & Hilger, 2008, p. 145). I discuss a method upon how the separation team managed the chaos through dynamically assembling to make sense of the different events that occurred, both internally and externally.

This chapter is split into four main sections, the first section details the macroeconomic and micro events which triggered sensemaking, and often created complexity and ambiguity (Weick, 1995). Secondly, I  discuss the formation of collective assembling of subject matter experts (Gole & Hilger, 2008, p. 229), and thirdly, how these specialists with knowledge of processes, tools and applications then facilitated the sensemaking processes of those events. The fourth section moves to the strategic coping practices for both the external and internal events and how progression from sensemaking to implementing coping practices created opportunities for the programme team to either resolve the issues, partially mitigate them or risk accept them. For theoretical purposes it is demonstrated in the literature (Weick, 1995) that sensemaking and coping are tightly coupled. For analytical purposes I have separated these out.

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## 7.2 The Literature

As noted in the literature review, "sensemaking is what it says it is, namely, making something sensible. Sensemaking is to be understood literally, not metaphorically" (Weick, 1995, p.16). "Sensemaking occurs when a flow of organizational circumstances is turned into words and salient categories. Second, organising itself is embodied in written and spoken texts. Third, reading, writing, conversing, and editing are crucial actions that serve as the media through which the invisible hand of institutions shapes conduct" (Gioia, Thomas, Clark, & Chittipeddi, 1994, p. 365) as cited in (Weick, Sutcliffe, & Obstfeld, 2005, p. 409). In summary, "sensemaking involves turning circumstances into a situation that is comprehended explicitly in words and that serves as a springboard into action" (Weick, Sutcliffe, & Obstfeld, 2005, p. 409) whilst ultimately forming a framework for the separation team to follow.

"Uncertainty can be coped with via opportunities creation, flexible organisations, and networks"  (Magnani & Zucchella, 2019, p. 132). I explain within this chapter how the process of dynamically assembling the right SMEs assists with sensemaking and coping practices.

"Coping is important since making sense is not seen as a cognitive activity whereby the sense maker stands alone facing the world" (Dwyer, Hardy, & Tsoukas, 2023, p. 423), the way that actors "make sense is grounded in different forms of coping" and their approach of "engaging with their situated circumstances" (Dwyer, Hardy, & Tsoukas, 2023, p. 423).

## 7.3 Context

Below, I detail five key events which occurred during the separation programme. These stories detail the events which disrupted purposeful planning, which subsequently triggered sensemaking, requiring the need for dynamic assembling, collective sensemaking and collective coping. I begin with the Covid lockdowns.

### The COVID Lockdowns

The United Kingdom (UK) went into lockdown on the 23rd March 2020 (The UK Government, 2020). The Covid lockdown initially created confusion and disruption and a new way of working was required to be implemented immediately across the Group. LSEG's management directed employees to work from home. This required quick thinking to dynamically assemble a specialist internal team within the operations and technology functions and to devise a plan of

action to implement these changes. The ambiguity of the lockdowns meant that companies across the UK were unsure of exact timelines for when the lockdowns would be lifted, and when employees would be back in the office to resume previous working practices.

Additional challenges arose for the separation programme. On the 23rd June 2020, the UK government announced that the "national hibernation" was coming to an end and the goal was to get the UK back to normal (Gov.uk, 2022). To allow for this, new health and safety practices were put in place by specialist facilities members around LSEG's offices to manage the spread of the virus by social distancing. By October 2020, the separation was in full swing. Once the employees had become accustomed to the new ways of working, additional disruption followed and the UK was sent back in to lockdown again on the 5th November 2020 (Gov.uk, 2022). This meant that the separation programme team could not press ahead with planned 'in person events', goodbye dinners and gatherings for the Borsa and LSEG teams. As one manager explained:

> *"We'd planned to do much more as we got closer to day one, around doing some farewells, good to meet yous, keep in touch, and then COVID hit. So, two months before closing, we weren't in the office for the next two years. And it certainly didn't help us. There wasn't a big event where people could turn around and say goodbye. And I do think that did impact us from that perspective"* (INV 21).

In order to plan, make sense of events and discuss key milestones that needed to be completed on the separation programme, employees previously would come together in a room to resolve challenges and use a "white board to hash out issues" (INV 12), now the programme team had to adapt their ways of working and jump on a call with team members and do this virtually.

To summarise, the Covid lockdowns triggered several behavioural and practical changes, especially in the way the separation programme would collaborate with one another to complete the separation planning process, as well as to resolve emergent issues within the programme.

**The Suez Canal Saga**

The second challenge was in relation to the Suez Canal saga in March 2021 (Berger, Ledur , & Taylor, 2021), whereby a large ship had become stuck and subsequently blocked the canal preventing other ships passing. These ships' containers carried technological equipment

required for the separation programme. There was a level of concern amongst the technology workstreams, as this event was unforeseen and it was difficult to know what would happen to the equipment onboard, whether there would now be a shortage and whether this would impact the price of the equipment. The technology workstream leads and procurement teams organised calls with vendors to understand the impact and try and gauge if or when the equipment would be delivered or if they needed a different supplier.

After three days, a total of 369 ships were queuing to pass the ship that had caused the blockage (BBC, 2021). The separation programme team knew that they needed this equipment and needed to react quickly. In order to cope and manage the impacts of the shortage, the Technology Infrastructure workstreams used the information from news sources, as well as feedback from suppliers and vendors regarding the lack of supply and were pragmatic by seeking "sign-off internally to progress ahead and purchase the equipment at an increased price" (INV 34). Utilisation of the contingencies in the separation plans and budget allowed for this extra spend. "We were pragmatic in our planning, we always allow for contingency in terms of time" (INV 40), "We have a rule of thumb, where we add a certain level of contingency to those numbers" (INV 21).

**The Invasion of Ukraine and the Micro-Chip Shortage**

The third challenge related to impact of supplies of equipment required for the Technology workstreams. Due to the coronavirus's impact on the global economy, workers were unable to physically attend factories, which subsequently led to a "widespread global shortage" in the semiconductor industry in April 2021 (Semiconductor Industry Association, 2021) of microchips. This shortage created a spike in prices for technological microchips used for hardware, network, and firewall equipment, which needed to be purchased by the separation programme and installed in the UK and in Italy.

In February 2022 the programme team were faced with additional challenges due to the invasion of Ukraine by Russia (Philp, Loyd, & Dawber, 2022). "We're obviously in a situation where there's war potentially kind of happening in Ukraine" (INV 35). This impact created delays to the planned exits of two forward and one reverse TSAs (Source: Internal documentation). This meant the teams needed to be pragmatic and revise the separation plans formulated in April 2021 to reflect the situation in February 2022.

It was initially assumed that the invasion would not impact the programme, until the senior leadership team spent time investigating and looking at supply chains and setting up meetings

to speak to vendors to understand potential impacts. Senior management discovered that some individuals within the vendors "were leaving their roles to volunteer in the war, this initially proposed a potential disruption to the delivery of some of the planned elements in one of the workstreams" (INV 40). In the beginning it was unclear how long the war would be going on and whether these impacts would be short term or long term. The senior leadership team collated information which was shared internally to develop strategies to mitigate these impacts. The separation programme lead worked with the workstreams and the senior leadership team to monitor external news sources frequently and check in with suppliers that were based in Ukraine (Source: Internal reports, (INV 40)).

**Firewall**

The fourth challenge was programme specific.

To give context, the firewalls were required to separate LSE and Borsa Italiana. The firewalls managed the traffic going between LSE and Borsa and a lot of planning went into the firewall implementation project. The teams needed to create specific rules for the traffic going through the firewalls so that each party could see which data was going to and from the exchanges. When the separation technology workstreams initiated the testing of the firewalls, they encountered several issues. The firewall implementation teams spent time trying to make sense of what traffic was going through the firewalls, and why those which did not have rules were still able to bypass the firewalls. The separation programme formulated a special task force team with knowledge of the firewalls and the systems they were connected to, to investigate the causation. They collated data, created an Excel tracker report which was consistently updated, then the team organised a subset of planning meetings to understand the "primary main pain points. We had to spend a lot of time understanding the system" (INV 16) and they then "produced an additional subset of plans to ensure we covered each of the end-to-end rules" (INV 40).

In order for the team to employ coping mechanisms and to resolve the issues with the firewall implementation, the teams needed to be pragmatic. They applied logic, patience, common sense and had to sacrifice a lot of their personal time to work through the issues. "During the last few weeks of the split, when issues arose, we stayed back over the weekend, took turns and reviewed requests that were coming in during the testing when a couple of things weren't working" (INV 16).

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**Resourcing and Time Pressure**

The fifth challenge, which arose frequently in the research, was in relation to the timelines of the transaction and resourcing issues. 'Time pressure' related to every single activity on the separation programme. "We signed the deal in super rapid time in October 2020" (INV 21) and so "time was the biggest challenge" (INV 32).

Each milestone and deliverable were under pressure to be delivered on time, as prescribed within the separation and migration plans and in accordance with agreements set with the monitoring trustee, CONSOB, FCA, Borsa Italiana and Euronext. As three specialists explained: "obviously, we had to get all of that done" (INV 32). "In the ideal world, we would have had all that time, but we just didn't have that time" (INV 26). There "was a huge amount of work because we needed to get it right, we needed to map all of the interdependencies between LSE and Borsa and create services to ensure that post separation, the services which were in place before the separation, were still operational" (INV 40). "I remember, even on Christmas Day, we were still hammering through some, so it was pretty painful" (INV 32). "There was a number of days before day one, where all TSAs had to be agreed. So, there was a lot of pressure to get those completed" (INV 32).

One of the ways the teams dealt with time pressure was to build in weekly meetings and check points to track progress. The SMO's priority "was getting the governance set up," getting the cadence up," "and the meetings sorted," "in the very early days, we used to do daily calls with the SMO," "we had weekly meetings with each of the workstream leads" (INV 10, INV 21) as well as "implementing governance escalation processes" (INV 40) in order to oversee which deliverables from the programme were being delayed and needed assistance. There were also set approaches to decision making, limited time meant "being able to make a decision and stick by it" (INV 21). "That's fundamentally what governance is there to do. Without it, you keep on going round around in circles quite often" (INV 21). The separation programme felt that "having a standard approach to these things" (INV 26) and making "timely decisions to influence the outcomes of the separation" (INV 21) as well as "getting things right upfront investing that time early, in terms of logical separation, clear communications; that was all valuable time and effort to make sure that we've achieved what we have achieved so far" (INV 21).

As mentioned previously, LSEG was divesting and separating Borsa Italiana and acquiring and integrating Refinitiv simultaneously (LSEG, 2021). This caused a heavy strain on the separation programme's resources as well as LSEG's resources. At some points colleagues were working on both the separation of Borsa and the integration of Refinitiv. Example

challenges arose on the HR and Technology workstreams when "Subject Matter Experts" (SMEs) (Gole & Hilger, 2008, p. 229) for LSEG's HR human capital management tool and access tools, were being pulled from either the integration or separation to help push through with deliverables on the integration and separation programmes. "We had the complexity of integration and separation happening at the same time" (INV 26). "One of our real pinch points was that resource and that resource saturation challenge" (INV 32). There were situations observed in meetings, where problem solving became rigid and stuck because the meeting did not contain the right SMEs that had the knowledge of the process which were being discussed. The meeting concluded after thirty minutes, after the teams recognised that a solution was not able to be created and documented until the correct SMEs were able to attend those meetings, due to meetings which clashed at the same time (source: Memo 43). "We did have issues with resource availability, particularly someone like [anonymised individual], where I think [they] were 200% on the integration and 200% on separation" (INV 26). The SMO flagged the issue to the leadership team. The leadership team then sought information from the separation programme to understand what the issues were and which priorities to tackle first. The SMO at times needed to negotiate with the senior leadership team to bring the resources on to the separation programme full time (INV 40).

There was also the additional challenge of resources leaving LSEG (not just because of the separation) because their contract was ending, or redundancy or moving within LSEG to new positions. With this came the risk "that knowledge potentially will go", especially "with so many people leaving, it's been a problem" (INV 26). In some cases, "people forgot that people were going to be rolling off, or their contract would be ending and they needed to get an extension. So that caught us out a few times, where we've got the resources, but suddenly, they didn't have access anymore" (INV 26). In addition to this issue, when new resources were brought in there was a push to onboard them as quickly as possible, "we just had to get them onboard like tomorrow" (INV 26).

The programme was dependent on those SMEs and their knowledge in order to tackle issues, without them, progress was limited. "You can put 100 people onto a project, but if the SME's knowledge of a particular system, or process or whatever it might be, sits in one person's mind" (INV 32) "then the team can't move forward" (INV 40), when the SMEs were freed up, it would be for a short period of time, "that person can only spend so long on each activity (INV 32) and so because of this resource constraint, 'bottle-necks' were being created on either programme. "Those bottlenecks were probably the biggest challenge to overcome throughout the year and a half this ran" (INV 32). To compound the issue further, "these SMEs were the LSEG workstream leads" (INV 32). Which meant that these SMEs had knowledge of LSEG's

systems, tools, applications, and processes, which were essential for delivery of the separation plans as well as problem solving. The SMO "got involved with the workstreams to corral the SMEs and help move things along, and progress with the plans by speaking to and bringing in different members in the programme as well as externally" (INV 40). In addition, the "programme sponsor helped resolve any internal backlogs and drive complex items through" (INV 40).

In order to cope with and help resolve the above challenges, the Group applied four strategic tactics which worked well to ease some of the pressure on the separation programme.

The first strategy was the LSEG executive team designed 'Group Strategic Objectives' (GSOs) (Source: Internal documentation) for all LSEG employees. This meant that colleagues that were not on the separation programme had a strategic objective aligned to them, in order to be able to assist with the separation programme's deliverables, should they be requested to do so. For example, colleagues within Sri Lanka were asked to assist with tickets being raised in LSEG's helpdesk tool. Whilst Sri Lankan colleagues were not on the separation programme, there was an expectation and requirement that they would help prioritise the tickets to assist with the separation.

The next strategy was from the SMO. The SMO spent time with each of the workstreams assessing their separation plans and budgets, assigning costs and contingency to each of the deliverables in the separation and migration plans. "We have a rule of thumb, where we add a certain level of contingency to those numbers and that depends on a variety of factors, particularly how confident we are that we've captured all the different elements," contingency was set "between five and ten percent" (INV 21). These costs were added in to the separation budget which was approved by the steering committee. "The budget was really opened up to allow us to address that type of challenge, so that's credit to everyone involved" (INV 32).

There were two additional pragmatic strategies which helped the separation programme. The first was that the senior leadership team communicated prioritisation of the separation deliverables over day-to-day roles and the second was to allow a third-party consultancy to come on to the programme and assist with much of the programme administration. A lot of the LSEG SMEs had full-time positions and it was those "SMEs which really provided the content" (INV 32), as well as the responsibility for the separation, "the third-party consultancy assisted with getting programme governance in place, helping to tie up any loose ends before day one" (INV 40). "There was a high degree of saturation across a lot of the teams, what worked really well was in EXCO, Group did help all of the LSEG team prioritise this work with backfills, with

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[third party consultancies] [and] wherever it might be [needed]. And so, I don't think they could as a Group, do more to support their teams, but it was a big ask of those individuals to kind of, you know, drop everything, and get focused on this to get it delivered. Taking on something of this size, you know, on the side of the desk, frankly, because we were all utilised fully already, would have been impossible, hence brilliant to bring in the [Third party consultancy] to create capacity" (INV 32).

More standard strategies within the separation programme, were to construct a resource plan, to understand which resources were due to finish their contract, "having a clear plan and resource plan that identifies those critical individuals, and it is hard to replace, or buy in and pay away that risk, because you cannot accelerate institutional knowledge. I mean, it's not how it works" (INV 18). The plan also ensured that the "resource onboarding" (INV 26) process could be aligned to when TSAs exited, there was a significant issue with the onboarding process and that issue "was partly [down to lack of] knowledge of the process. I now know that process really well" (INV 26). The workstreams and the SMO found "that having experienced LSEG employees on the team helps" (INV 26) reduce the impact on loss of resource, "a good PM or a good developer is worth three or four bad ones" (INV 18).

The final strategy was to put in "frequent feedback mechanisms, as part of the governance structure, to update the senior leadership team on particular issues and challenges" (INV 40).

**Conclusion**

In conclusion, the separation program encountered numerous unforeseen internal challenges and external jolts that disrupted plans, caused confusion, and required programme leaders to inquire 'what is going on, and what should they do next' (Maitlis & Christianson, 2014, p. 70). These challenges were not isolated, singular, or sequential; rather, they were continuous, intertwined, and complex, requiring leaders to continuously make sense of the situation, bring people together and cope strategically. In the following sections, this chapter offers an inductive grounded theoretical explanation of how actors managed these challenges through three interrelated processes: (1) Dynamic Assembling, (2) Collective Sensemaking, and (3) Collective Coping.

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## 7.4 Purposeful Planning

"Planning has always been about analysis—about breaking down a goal or set of intentions into steps, formalizing those steps so that they can be implemented almost automatically, and articulating the anticipated consequences or results of each step" (Mintzberg, 1994).
In short, purposive planning does not exist in the literature. This term has been derived from inductive inquiry into the separation process.

The process of separation is characterised by purposeful planning i.e., deliberately engaging in devising separations plans. Strategic planning is a standard element of the separation process. Chia and Mackay (2023, p. 1), explain that "well formulated strategic plans frequently do not deliver intended outcomes when they encounter the cut and thrust of strategic and operational realities," and this is where the issue lies. Within chapter six, I have detailed essentials around the process initiation of separation planning and the various types of strategic (purposeful) plans, such as separation and migration plans. The planning stage is a typical but essential process within a separation. It is essential to be able to organise and structure the programme so that each actor understands what needs to be delivered and when.

Strategic planning for the divestment of Borsa Italiana began in August 2020, the planning for the separation began in October 2020. The separation teams within LSEG, Borsa Italiana and Euronext spent six months planning for the separation with the intention of producing a deliberate set of plans for the separation workstreams to follow. During this period, the separation programme saw unpredictable macroeconomic events, (I detail these in section 7.4) which affected the programme in ways the separation team could not have foreseen. During this period, several large complex transformation programmes were also in play, which triggered additional challenges for the programme.

Most organisations know that "a plan is a symbol of legitimacy" (Middleton Stone & Greer Bush, 1996, p. 644). "A written plan becomes an orienting metaphor that allows the organisation to be understood by resource suppliers and other stakeholders" (Middleton Stone & Greer Bush, 1996, p. 645). Each separation participant knows that planning is a "prerequisite for organisational success", yet the plans and the processes are so rigid in their approach, they do not cater for the realities of a world that is "often chaotic, unordered and perpetually changing" (Chia & Mackay, 2023, p. 5).

There is much literature on strategic planning (Dutton & Duncan, 1987; Mintzberg, 1994; Mintzberg & Waters, 1984; Whittington, Yakis-Douglas, Ahn, & Cailluet, 2017; Whittington, Regner, Angwin, Johnson, & Scholes, 2020, p. 516).

Overall, purposeful planning is an essential planning requirement. Without a plan, chaos would ensue as none of the workstreams would know what needed to be delivered nor be able to track those actions. The purposive planning dimension consists of three themes, these are: deliberate, emergent and sub-setting. I begin with deliberate planning.

Purposeful planning includes deliberate plans. These are strategic plans which contain and specify "a primary course of action" including a large set of tasks that actors within the programme must follow (DeChurch & Haas, 2008, p. 543). Deliberate planning includes creating the budget and allowing for "contingencies" (Walker, Davis, & Stevenson, 2017, p. 182) within the budget and the plans. "Leaders must first articulate their intentions in the form of a plan, to minimise confusion and then elaborate this plan in as much detail as possible, in the form of budgets, schedules and so on" (Mintzberg & Waters, 1985, p. 259).

Deliberate planning was carried out during the planning stages of the separation. The deliberate plans allowed for money and time contingencies. These plans did not specify or categorise events outside of the programme's control, an example of this is the Suez Canal event. The monetary contingency was utilised to weather the price increases for equipment and changes to resourcing requirements. The time contingencies allowed for a short delay in the delivery of this equipment (Walker, Davis, & Stevenson, 2017, p. 184).

The second element of purposeful plans includes emergent plans. Emergent plans are required when there are unexpected deviations from the deliberate plans. According to Mintzberg and Waters (1985, p. 259), the deliberate plan "is of no use, if it cannot be applied as formulated in the environment surrounding" the separation programme. DeChurch and Haas, (2008, p. 545) refer to emergent planning as 'reactive'. "Reactive strategy adjustment occurs during the action phase, invoking a transitory sub-episode when the team recognizes the need to change primary plans based on evolving task circumstances".

Emergent planning is linked to emergent strategy developed by Mintzberg. With 'emergent strategy', strategy "emerges over time as intentions" (developed in the deliberate planning stage) which collide and adapt to an "evolving reality" (Mintzberg & Waters, 1985, p. 271). Key examples of the development for emergent plans during the separation process were noted within the invasion of Ukraine case, whereby revisions to the separation plans were

required to reflect the current status of the TSAs extensions. Walker, Davis and Stevenson, (2017, p. 182) refer to this as a "recalibration" of plans.

The third element of purposeful plans includes sub-setting plans. Sub-setting is a new theme which has been applied to the research through inductive theory building. 'Sub-setting' plans are different to emergent plans. Emergent plans require an update to a deliberate plan which reflect the "highly dynamic and evolving interaction between parts of the situation being faced" (Walker, Davis, & Stevenson, 2017, p. 182). Sub-setting plans are a set of plans which are created for a short-term purpose and focus on a set of tasks required for a project or single deliverable. There is no literature relating to sub-setting other than a brief connection to emergent planning (Mintzberg & Waters, 1985). Sub-setting is applied in two instances, first, there is an emergent requirement for plans containing tasks which were not originally defined in the deliberate plans, and second, short term plans which are designed for small projects aimed at completing a subset of tasks, which could be rolled up into the emergent or deliberate plans. Good examples of this, indicated in the data, are during the firewall issue when the firewall implementation team needed to focus on the end-to-end rules which were bypassing the firewall. These were all collated in to an Excel sheet, tracked and marked against a ticker, the plans documented whether the end-to-end rules had been implemented, tested and completed. This is an example of a subset plan. Primary focus of this plan is to help assist with live and continuous action and is usually required for a short period.

To summarise "elaborate strategic plans may look good on paper, but in practice, they are often ineffective or unhelpful in the face of unexpected environmental changes" (Chia & Mackay, 2023, p. 4). Purposeful planning largely assumes events are controlled, and to some extent they are. However, "as new discrepancies emerge, events become more unstable and less predictable" (Weick, 1995, p. 154). Purposeful planning is a required element of the separation process. It assumes a certain degree of control, which is constantly disrupted by sensemaking triggering events, which I detail below.

## 7.5 Sensemaking Triggers

"The world does not present itself pre-packaged into unambiguous and clearly differentiated objects" (Hilgartner, 1992, p. 42).

Sensemaking is triggered by issues that leaders "perceived as ambiguous, unpredictable and involving numerous stakeholders" (Maitlis & Lawrence, 2007, p. 76).

It is important to understand "how events become triggers for sensemaking" (Maitlis & Christianson, 2014, p. 59). Sensemaking mechanisms are triggered when actors "confront events, issues and actions that are somehow surprising or confusing" (Maitlis, 2005, p. 21) and when these events or surprises "trigger a need for explanation" (Louis, 1980, p. 241).

Sensemaking is triggered by a "discrepant set of" cues and frames (Weick, 1995, p. 2). "What an extracted cue will become depends on context" (Weick, 1995, p. 51). Context requires scanning (Daft & Weick, 1984) and noticing (Starbuck & Milliken, 1988). "Context also affects how the extracted cue is then interpreted" (Weick, 1995, p. 51). The actors then rely upon these cues to generate a frame (Goffman, 1974), a frame "is used as shorthand for the structure of context" (Weick, 1995, p. 51). Within the context section, there is an accurate and reflective account of the events that occurred on the separation programme.

Using an inductive based approach, it is apparent that there are several triggers for sensemaking. These have been grouped under the following themes: ambiguity, disruption, and perceived impact.

Ambiguity is the first of the sensemaking triggers. Ambiguity by definition is a "situation or statement which is unclear and could be interpreted in more than one way", which can therefore lead to confusion (Cambridge Dictionary, 2024).

There is literature in relation to causal ambiguity, which is "a state of uncertainty that entails incomplete understanding and knowledge" (Einhorn & Hogarth, 1986) as cited in (McIver & Lengnick-Hall, 2018, p. 305). "To deal with ambiguity, interdependent people search for meaning, settle for plausibility, and move on" (Weick, Sutcliffe, & Obstfeld, 2005, p. 419).

Several of the triggers which lead to ambiguity are partly down to 'lack of knowledge' and a sense of not knowing, especially in relation to an event such as the Covid lockdown. Ambiguity in this instance led to unclear timelines, with management teams wondering how long the lockdowns would be in force for and when employees would be able to come back to the office. Other examples were in relation to lack of knowledge around some processes internally, especially around onboarding processes for new actors joining the separation programme, as well as a sense of doubt or vagueness about the Suez Canal situation and the Ukraine invasion.

In the case of the Suez Canal saga, Gunessee and Subramanian, (2020, p. 1201), found that "ambiguity is shown to distinctively affect supply chain decisions" which can then affect coping mechanisms.

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Currently, "there is no prescription for what to do when ambiguity remains ambiguity" (Arend, 2020, p. 1232). This research proves otherwise.

Disruption is the second sensemaking trigger. By definition, disruption means "the action to prevent something, especially a system, process, or event, from continuing as usual or as expected. An agent, when pursuing some predefined goals, makes intentional decisions and performs some actions that, in turn, affect other entities. Sometimes the effects are disruptive, either intentionally or unintentionally" (Cambridge Dictionary, 2024) as cited in (Kilkki, Mäntylä, Karhu, Hämmäinen, & Ailisto, 2018, p. 276).

"To make sense of the disruption, people look first for reasons that will enable them to resume the interrupted activity and stay in action. These "reasons" are pulled from frameworks such as institutional constraints, organisational premises, plans, expectations, acceptable justifications, and traditions inherited from predecessors" (Weick, Sutcliffe, & Obstfeld, 2005, p. 409).

This research has identified several key factors which caused the programme a certain level disruption. Disruption is noted in the past tense, i.e. that the disruption has already occurred. Disruption was realised when there was an immediate impact to the programme, examples include delays to the exits of the TSAs due to the Ukraine invasion, immediate time pressures in relation to the separation programme delivery timelines, including resources who's contracts had not been renewed, which subsequently led to them being locked out of their system access; as well as resource saturation challenges, prompting key SMEs to juggle between their day to day roles including time allocated to the separation and integration programmes. Disruptive triggers also lead to ambiguity (Gunessee & Subramanian, 2020, p. 1206).

Perceived impact is the third of the sensemaking triggers. Perceived impact looks towards the future. There is an expectation or opinion that something is likely to happen which will have a negative impact. Perceive means to "come to an opinion about something" (Cambridge Dictionary, 2024) and impact is defined as a powerful effect (usually negative) that something "has on a situation" (Cambridge Dictionary, 2024). Reed, *et al.,* (2021, p. 1) explains that perceived impacts are "subjective" in nature "as they are perceived by different groups in different times, places and cultures".

This research identified several 'perceived impact' sensemaking triggers. An example was the initial perceived impacts from the Ukraine war. Impacts were not necessarily understood immediately but there was an expectation that there would be a negative impact. Another

example during the separation was that there would be a known impact to the programme with resources leaving LSEG, the impact was the loss of knowledge from LSEG employees who were fundamental to resolving key issues arising in the programme. Complexity arising from the integration and separation simultaneously also triggered an expectation that it would be difficult to guarantee SMEs full availability on the separation programme. Many of the instances where concern was felt, triggered the feeling that there would likely be an impact or potential disruption to the programme.

There was common understanding amongst the separation workstreams that limited time meant that some activities were rushed and that there would likely be impacts further down the separation process.

## 7.6 Dynamic Assembling

Assembling can be defined by two elements. The first, "to come together in a single place, or bring parts together in a single group" and the second "to make something by joining separate parts" (Cambridge Dictionary, 2024). Dynamic assembling includes both definitions. It is about bringing together a team of specialists within a specific function, workstream or specialised area, that has the capability to resolve issues the programme is facing. It is a constant cycle of coming together, whether virtually or in the office, bringing in additional expertise to create a team that can tackle and help resolve these obstacles and disruptions.

Dynamic assembling was discovered through an inductive approach and did not appear in any previous literature, especially in relation to sensemaking and coping. It is an entirely new concept. Dynamic assembling in relation to the separation meant bringing together key SMEs within the separation programme that understood LSEG, its processes, tools, systems and ways of working.

By dynamically assembling, sensemaking occurs, actors "are socialised to make do, be resilient, treat constraints as self-imposed, strive for plausibility, keep showing up, use retrospect to get a sense of direction, and articulate descriptions that energize. These are micro-level actions" (Weick, Sutcliffe, & Obstfeld, 2005, p. 419). "The team will be most successful if it is organised to be reactive, responsive and fluid within a complex and changing environment" (Gole & Hilger, 2008, p. 178). Teams share "understandings about task requirements, procedures, and role responsibilities, team transactive memory comprises shared understandings about where particular knowledge is located among team members and how it can help solve specific problems" (Edmondson & Harvey, 2018, p. 349).

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There are three components which make up dynamic assembling; selective assembling, negotiated assembling and coordinated assembling.

Selective assembling is the starting point for dynamic assembling. It is the process upon which the SMEs, leadership teams and project teams bring together key expertise with knowledge that is required to either: deliver a specific task or resolve an issue. The selective element is based solely on that expert's knowledge and experience. Selective means to intentionally choose "some things and not others" (Cambridge Dictionary, 2024), this is a deliberate action of choosing the right skill sets to progress forward.

"An effective team member needs a combination of technical skills" (Harris & Harris, 1996, p. 29). Cannon-Bowers, Salas, & Converse, (1993) as cited in (Kozlowski & Ilgen, 2006, p. 83), defined the following criteria when selecting the right teams, they were required to have: "knowledge about the equipment and tools", an "awareness of team-member composition and resources, including representations of what individual members know and believe and their skills, preferences, and habits", meaning an awareness of their skills and their team members, as well as "what team members know or believe about appropriate or effective processes".

A good example is in the resourcing and time pressure event, "you can put 100 people onto a project. But if the SME's knowledge of a particular system, or process or whatever it might be, sits in one person's mind" (INV 32) "then the team can't move forward" (INV 40). There is an element of dependability on those SMEs, there is also an assumption that they have the knowledge to deliver the tasks documented within the separation plans but to also resolve the issues and this is why selective assembling is key, because the onus falls to those bringing together the right SMEs.

Another example is when a special task force team were selectively assembled, with knowledge of the firewalls and the systems to resolve the confusion around why the traffic was getting through. In addition, there were specialist internal teams selected to deal with the Covid restrictions. These examples demonstrate that the teams were selected based on their knowledge, experience, function and roles.

I documented another example whilst observing a meeting, whereby the teams could not progress as there was a realisation that key members of the team were not in the meeting (source: Memo 43). From most of the sessions observed, it was seen that there was a level of respect given to the SMEs and that there was an underlying assumption that those SMEs could resolve the issues because of what they knew.

Having established and selected the right SMEs, the focal level shifts to negotiated assembling. There is ample literature on negotiation. The literature discuses negotiation in the context of sales (Weigand, Schoop, de Moor, & Dignum, 2003), as well as conflict management (Carnevale & Pruitt, 1992), and how to negotiate effectively in general situations (Vetschera, 2013) but the literature does not cover negotiation in the sense of assembling internal teams.

Negotiation is defined as "the process of discussing something, with someone, in order to reach an agreement with them" (Cambridge Dictionary, 2024).
It was found within the data that due to time restraints concerned with SMEs time, negotiation was required between the SMO, senior leadership teams and the line management of the SMEs, to be able to bring those SMEs on to the programme, as well as to retain them for a longer period. There were instances noted within the data that SMEs were either tied to the integration, made redundant, moving on to a new role within the business or due to leave as their contract had expired.

Negotiated assembling could theoretically be linked back to the perceived impact and disruption themes within the sensemaking triggers dimension. Without the availability of these resources an immediate trigger flashes red, which signals concern to the SMO. The actual and perceived loss of these SMEs is detrimental to the separation programme and this why negotiated assembling is crucial to ensure the viability of the separation plans, progression of these plans as well as the problem resolving. Negotiated assembling is a continual effort, until the selected resources are present in discussions and delivery of the programme.

The third and last element within dynamic assembling is coordinated assembling. "Existing studies of sensemaking and change overlook the fact that sensemaking is a team-based process" (Maitlis & Christianson, 2014) as cited in (Balogun, Bartunek , & Do, 2015, p. 975). Coordinated assembling means "effectively organised, so that all parts work well together" (Cambridge Dictionary, 2024).

The coordinated assembling theme relies upon the SMEs being selected, their time guaranteed (due to negotiation) and them being coordinated within meetings. It is the act of bringing them together, ensuring they attend the workstream meetings, the *ad hoc* project meetings to discuss issues, which have arisen as well as attending their internal meetings to ensure the workstreams are delivering as to how they would expect. As documented, most of the SMEs are actually the workstream leads. This is because their roles normally consist of Head of HR, or Head of Finance, or Head of a particular team with Finance. This theme

included battling challenges with their diaries so that they attended those meetings. Coordinated assembling means to work together and for the SMO and the leaders of those meetings to corral and bring everyone together in that meeting, it "implies co-operative and co-ordinated effort by individuals working together in the interests of their common cause" (Harris & Harris, 1996, p. 23).

## 7.7 Collective Sensemaking

Dynamic assembling is the foundation for collective sensemaking. You have the right people so now you need to collectively make sense of what is going on.

Collective is defined as involving "every member of a group", whereby activities are shared (Cambridge Dictionary, 2024), amongst a workstream, programme or group of individuals. Collective sensemaking means the "making of sense" (Weick, 1995, p. 4) "of ambiguous situations by searching for meaning, settling on the plausible explanation and thus coping with ambiguity" (Weick, Sutcliffe, & Obstfeld, 2005) as cited in (Gunessee & Subramanian, 2020, p. 1207) together.

Balogun, Bartunek, & Do, (2015, p. 970) noted that "sensemaking occurred in shared conversations and interactions".

Sensemaking has been written about extensively in the literature (Weick, 1995; Liu-Tang, Wing-Hung Lo & Zhan, 2016; Maitlis & Christianson, 2014). As noted in the literature review, the literature talks about the practice of sensemaking and how actors rely on cues to make sense of their surroundings (Porac, Thomas, & Baden-Fuller, 1989, p. 398; Weick, 1995, p.8). These cues then build frames (Starbuck & Milliken, 1988, p. 51). Within the research, the sensemaking triggers formulate the cues. Dynamic assembling then brings together the SMEs to help build these cues into frames. "Sensemaking edits continuity into discrete categories, observations into interpretations, experience into bounded events, and perceptions into pre-existing plans and frameworks" (Weick, 1995, p. 108).

Collective sensemaking is only fruitful when the following criteria are followed; "first, successful sensemaking depends on the adequacy with which content preserves flow and continuity. Content that is rich in dynamics, process imagery, verbs, possibilities, and unfolding narratives should represent flows more plausibly and accurately than does content that is dominated by statics, structures, nouns, the impractical, and lists. Second, successful sensemaking also may depend on the adequacy with which categories are literally enacted into the world as

boundaries, differences, and breaks that make subject matter less continuous" (Weick, 1995, p. 108).

From the data it is apparent that collective sensemaking can be split in to three themes. These are expert led sensemaking, information gathering and constructing meanings. The first theme starts with expert led sensemaking.

Feldman (1989, p. 19) explains that sensemaking is an interpretive process that is necessary "for organisational members to understand and to share understandings about such features of the organization as to what it is about, what it does well and poorly, what the problems it faces are, and how it should resolve them". An expert is "a person with a high level of knowledge or skill relating to a particular subject or activity" (Cambridge Dictionary, 2024).

"Senior managers play a key role ……. of change through sensemaking to transmit understanding" (Bansal, King, & Meglio, 2022, p. 279). As noted in the selective assembling concept (within dynamic assembling), there is a level of respect paid towards the SMEs. These SMEs are experts in their respective fields. SMEs can be internal or external. SMEs can be vendors and suppliers. They have the knowledge, information and sometimes, intuition; they are seen as the experts that can help guide and set a pathway amongst the confusion. "Leaders help shape the sensemaking processes of organisation members toward some intended definition of reality" (Maitlis & Lawrence, 2007, p. 58).

In the examples of the Suez Canal, the Ukraine invasion, and the Micro-chip shortage events, LSEG leaders and workstream members spoke to external SMEs to gain more detail about current and future disruptions. Internal SMEs required frequent feedback mechanisms so that they could understand more about what was going on in the programme as well as any issues which arose. In the examples of the Covid lockdowns, the resourcing and the time pressure narratives, the SMO kept the senior leadership team abreast of information and updates, so that, if any queries for approval were required, the leadership team would approve immediately as there were no information gaps.

> *"What I worry about the most is what I don't know", "as a senior leader, you are not going to be in the detail of every project", "one of the things you are constantly testing for is the culture within the project, one that is going to tell you the things that you need to know, have they set themselves up in a manner that delivers accountability for the outcome, with the knowledge, between the thing that needs to be done and, and the*

*articulation of it. And then, are they prepared to talk through what the issues are and I have observed in that the Borsa separation programme" (INV 20).*

In summary, expert led sensemaking consists of three crucial criteria. SMEs can be internal or external and can be at varying levels including the senior leadership team. Internal SMEs were workstream leaders as they were normally responsible for an internal function, SMEs can be process, tool or application specialists.

The second element of collective sensemaking, moves to the gathering of information. Information gathering is a crucial part of the process in sensemaking. It is the second theme within collective sensemaking because firstly the experts need to be *in situ* to give direction as to what information is required and secondly, they use the data to create frames in order to be able to make sense of the data. "SMEs" (Gole & Hilger, 2008, p. 229) "with their day-to-day knowledge of the business operations are critical to the information gathering part of the disentanglement" (Gole & Hilger, 2008, p. 149).

Balogun, Bartek and Do, (2015, p. 961) reference information gathering as an "interpretive context", which "refers to both local, team specific frames of reference and more general organisational frames of reference which the team members draw on to make sense of their change experience and which influences the meanings they construct".

For Information to become "clear and consistent" (Gunessee & Subramanian, 2020, p. 1206) the following are implied: "unique objective probabilities could be assigned to possible outcomes, signals or data being better interpreted to tell coherent stories and we can shape the meaning of a decision situation through our evaluation of outcomes to decipher cause from effect" (March J. , 1988, p. 395)  as cited in (Gunessee & Subramanian, 2020, p. 1206).

Information gathering means to bring together and collect information relating to the issue, tool, process, or system. Information can be obtained externally from conversations with suppliers, from news sources as in the case of the Ukraine war, from government websites, as in the case of the COVID lockdowns. Information such as data can be obtained internally, for example in the firewall issue the teams collated data relating to the end-to-end rules, the systems it impacted along with more precise and detailed data such as timings and codes. Information collated both internally and externally, feeds back to the 'experts' to interpret and make sense of.

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The third element of collective sensemaking moves to constructing meanings. Constructing meanings is based on the frameworks formalised throughout the sensemaking process. This is the last process for the collective sensemaking dimension. Gunessee and Subramanian, (2020, p. 1207) refer to constructing meaning as editing; "Editing is the structuring of available information in a meaningful way to be interpreted".

Constructing meanings is "to construct a story or sentence or argument, (Cambridge Dictionary, 2024) "to build something or put together different parts to form something whole" (Cambridge Dictionary, 2024). It is also about making sense of the information gathered to make frames (Starbuck & Milliken, 1988, p. 51), the 'expert' leads workshops and internal meetings to make sense of the information.

Constructing meaning is an iterative process, that dynamically flows between each of the themes (expert led sensemaking and information gathering) until all of the information has been identified and the framework is made whole. As in the example of the firewall issue, the teams collated the data, they used this information to build reports using the gathered data to formulate a meaning from it. Meetings were then held where they discussed the causation of the issue. In this example the frame is the Excel report. It was consistently updated to give a true reflection of the current situation.

"Sensemaking involves people working to understand issues or events that are novel, ambiguous, confusing, or in some other way violate expectations" (Bansal, King, & Meglio, 2022, p. 279; Walker, Davis & Stevenson, 2017; Gacasan & Wiggins, 2017; Maitlis & Christianson, 2014). "The responsibility sought by stakeholders in organisational sensemaking is 'bounded' by the combination of their perceptions of the issue's importance and whether they perceive themselves as needed to co-construct meaning around the issue" (Maitlis & Lawrence, 2007, p. 77).

Each of the members involved within the sensemaking process implement heuristic behaviours. "Heuristics are mental shortcuts that enable decision-makers to make sense of an ambiguous decision-making situation" (Gunessee & Subramanian, 2020, p. 1208). "Using heuristics is often an intuitive and frugal way of making decisions" (Gigerenzer, 2004) as cited in (Gunessee & Subramanian, 2020, p. 1210)

To summarise "sensemaking is what it says it is, namely, making something sensible. Sensemaking is to be understood literally, not metaphorically" (Weick, 1995, p. 16).

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## 7.8 Collective Coping

Coping is defined as "the fact of dealing successfully with problems or difficulties" (Cambridge Dictionary, 2024). The literature defines coping in several ways; Rouse, (2000, p. 8) explains that coping is about being "flexibly responsive to a situation as it unfolds", "improvisation" (Yanow & Tsoukas, 2009, p. 1339), "the ability of people, organizations and systems, using available skills and resources, to face and manage adverse conditions, emergencies or disasters" (Karman, 2020, p. 886), "the ability to accept a problem and the ability to develop and implement solutions" (Jaques, 2007) as cited in (Karman, 2020, p. 886). Walker, Davis and Stevenson, (2017, p. 186) refer to collective coping as collaboration. Collective coping "enables the project owner …. and delivery teams to better understand each other's perspective through jointly solving problems and overcoming difficulties and coping with unanticipated events".

"Uncertainty can be coped with via non-predictive control and opportunities creation, flexible organisations, and networks" (Magnani & Zucchella, 2019, p. 132). I have discussed expert led sensemaking, where by SMEs come together to lead conversations and help formulate a strategy and structure around ambiguity of obstacles arising on the programme. Collective coping now moves on to the separation teams, this includes the SMO, the SMEs, the workstreams and additional specialists across LSEG. Collective coping involved "every member of a group", its activities are shared (Cambridge Dictionary, 2024), it is a collective responsibility.

"Coping is important since making sense is not seen as a merely cognitive activity whereby the sense maker stands alone facing the world. Rather, he or she is already engaged in – entwined with – the world, aspects of which s/he seeks to make sense of" (Rouse, 2000, p. 12) (Wrathall, 2014, p. 3) as cited in (Dwyer, Hardy, & Tsoukas, 2023, p. 423).

"Sensemaking does not stop when the incident ends. Rather, it continues as practitioners continue to try to make sense of the incident in its immediate aftermath, as they engage with the subsequent inquiry, and as they implement its recommendations. We found that sensemaking varies during this process as practitioners used different forms of coping to reflect on and engage with their situated circumstances" (Dwyer, Hardy, & Tsoukas, 2023, p. 422).

The literature explains that coping strategies or mechanisms are to accept, learn and "dwell" (Yanow & Tsoukas, 2009, p. 1350) but from my inductive theory building approach the data

suggests an additional type of coping mechanism to resolve the issues, or at least reduce the severity. New mechanisms such as implementing contingency into the budget and separation plans, changing the structures to processes, as well as bringing in additional resources encourages an additional type of coping known as strategy coping. Collective coping is made up of three components, the first is pragmatic framing.

Pragmatic framing follows on from constructing meanings in the collective sensemaking process. Pragmatic framing has two connotations. The first is defined as a "a way of explaining something" (Cambridge Dictionary, 2024), the second is "solving problems in a sensible way that suits the conditions that really exist now, rather than obeying fixed theories, ideas or rules" (Cambridge Dictionary, 2024). Pragmatism assumes there is a behavioural element as well as an approach to coping. Pragmatic team members "are present-focused and problem-solving oriented" (Hunter, Bedell-Avers, & Mumford, 2009, p. 385). This meaning is important, as the point here is to resolve the issues, not to dwell and allow the disruption to ensue and potentially impact the success of the separating entities.

"A pragmatic-framed situation given its emphasis on problem-solving as well as malleability with respect to method of problem-solution (Mumford, Scott, & Hunter, 2006) may help guide information processing in high-complexity conditions resulting in increased performance" (Hunter, Bedell-Avers, & Mumford, 2009, p. 388). Therefore, "pragmatic approaches may be more effective in situations characterised by uncertainty" (Hunter, Bedell-Avers, & Mumford, 2009, p. 384).

As in the case of the firewalls issue, the teams built an Excel report which brought together all the data in to a single 'live' document which iteratively reflected the current status. From the report, the teams were able to apply logic, patience, and common sense to understand which traffic was getting through and why. In the other example regarding the Suez Canal saga, the team used the information they have obtained to pragmatically move forward and accept a higher price for the equipment. The teams knew they needed the equipment but had to accept it was for a higher price, the teams knew that if they waited longer, this may cause issues to being able to purchase the equipment. Not purchasing the equipment at all, was not an option because of the detrimental effect it would have on the programme.

The term pragmatism arose in every interview and every meeting observed (Memo 1-100).

Sometimes, when there was an issue, pragmatism was about being fair, reasonable and logical on both sides of the separation, choosing the most viable solution, which meant in

some cases accepting some losses, especially in relation to increased costs. Decision making was based on balance. Pragmatism was likened to a managerial trait of the SMEs, workstream and the separation programme, but it was also an approach, to be logical and sensible. SMEs were selected based on the characteristic of being pragmatic. "Managers at multiple levels play a significant cognitive function in organisations by interpreting events and ultimately use those interpretations to frame meaning for other organisational participants" (Maitlis & Lawrence, 2007; Daft & Weick, 1984).

The definition of pragmatism does not include sacrificing, but when the teams were in a situation where there was a tight deadline and they were the sole SME to resolve these issues, there was no other choice other than to sacrifice their time. This included cancellation of personal time. "I remember making calls to people, saying whatever summer holiday plans you have, please cancel them because now it's going to be pretty intense" (INV 23).

There were four pragmatic approaches (in addition to characteristics of the separation programme members), applied on the separation programme, the first; to seek sign-off internally to purchase equipment at an increased price.

The second; a revision to the separation plans and their subsequent activities, such as extending the TSAs, using internal governance processes, to communicate these changes, revision to the costs in the budget and the extensions of some resources' contracts to stay on the programme for longer. The third, putting in two types of contingency, a buffer of time in the separation plans and built in additional contingency of ten percent to the costs and fourth; allowing third party consultancies to come in and assist with the administration elements of the programme.

The second component of collective coping is proactive action. Being proactive means "taking action by causing change and not only reacting to change when it happens" (Cambridge Dictionary, 2024). Proactive action in relation to the separation programme means to be able to pre-empt an issue before it happens, using pre-formed foresight, by getting a task completed or by applying logic to a process or situation. It also means having an awareness of consequences. The programme team were aware of the amount of work that was due and on a tight timeline, "it's about working through the list of activities and the plans and not leaving them to the last minute" (INV 40). Rahi, (2019) relates proactive action by "managing possible disruptive events" to a company's organisational resilience as cited in (Karman, 2020, p. 889).

The first proactive action was to assign the Group strategic objectives (GSOS) to all LSEG colleagues, by pre-empting issues across the group, that enabled the separation team to call on those SMEs not on the programme, if they needed them.

The second proactive action was strategically communicating priorities to the SMEs and their line managers. These proactive actions worked in tandem. Whilst effective, it did not completely resolve the resourcing and time challenges.

The third proactive action was to learn business processes such as onboarding. This meant that the workstream leads could build those processes in to their plans.

The fourth action was a continuous process around creating mitigation strategies for any risks which arose. This was done on a continual basis.

The third component of collective coping is strategy coping. Strategic coping is "a way of doing something or dealing with something" (Cambridge Dictionary, 2024). This theme incorporates both pragmatic framing and proactive action. Taking the issue at hand and developing strategies to mitigate these impacts. The literature for coping, references a level of acceptance of the issues, the difference here is about resolving the issue, rather than solely 'dealing' with and "accepting" it (Karman, 2020, p. 886; Jaques, 2007).

Strategic coping is impelled by "unconsciously acquired, culturally shaped habits of acting; a modus operandi that, though latent and visible, nevertheless plays an active role in shaping individual choices and strategic action' (Chia & Holt, 2009, p. 23) as cited in (Guiette & Vandenbempt, 2016, p. 88).

"What appears to onlookers as making-it-up-on-the-spot are context-specific, embedded judgments about what will work best in specific circumstances, based upon a repertoire that has been rehearsed – practiced – over time" (Yanow & Tsoukas, 2009, p. 1346).

In summary strategy coping, is about merging pragmatic framing and proactive action into strategy coping with an overlay of intent to resolve the issue. It is about having clear communications, building governance frameworks, utilising strategic plans and feedback mechanisms, and bringing in those SMEs that have the knowledge of processes, tools and applications to help create a strategy.

## 7.9    The Link between Sensemaking and Coping

I now link sensemaking processes to coping mechanisms. "To understand sensemaking is also to understand how people cope with interruptions" (Weick, 1995, p. 5).

In the previous section I discussed how sensemaking enabled the separation programme to make sense of each of the issues on the programme, "the concept of sensemaking keeps action and cognition together" (Thomas, Clark, & Gioia, 1993, p. 240) in (Weick, 1995, p. 30). Actors "must make sense of an uncertain situation that initially makes no sense. When professionals consider what road to build, for example, they deal usually with a complex and ill-defined situation in which geographic, topological, financial, economic, and political issues are all mixed up together" (Weick, 1995, p. 9). "The concept of sensemaking is valuable because it highlights the invention that precedes interpretation" (Weick, 1995, p. 14) and that "different forms of coping influence how sense is made of a particular situation"  (Dwyer, Hardy, & Tsoukas, 2023, p. 423; Guiette & Vandenbempt, 2016; Sandberg & Tsoukas, 2020).

The case study on the separation demonstrates that sensemaking and coping are two distinct concepts working in tandem but only if the right actors have been dynamically assembled to assist with the sensemaking and coping processes. Coping cannot progress without sensemaking having first occurred and sensemaking cannot occur without having anyone to make sense of the situation and form these cues (Weick, 1995, p. 8).

In an example observed during a meeting regarding the firewall issue, (memo 14), there was a realisation that the required SMEs were not involved and needed to be brought in (dynamic assembling). Once the meeting had the correct SMEs in attendance, the sensemaking process could begin. It was in this session that the teams began to discuss and define the issue at hand, as soon as the data had been collated, the teams then analysed and assessed. It was at that point that the collective coping mechanisms (pragmatic framing, proactive action and strategic coping) came in to play.

In summary, all three dimensions are complementary so none can proceed without the others: the cycle is broken if one is missing.

## 7.10  Collective Sensemaking and Coping: The Critical Role of Dynamic Assembling

As demonstrated in the literature review there is limited research on dynamic assembling between sensemaking and coping, in relation to divestitures and separations. From this case study, this new theoretical model has been constructed with the following dimensions:
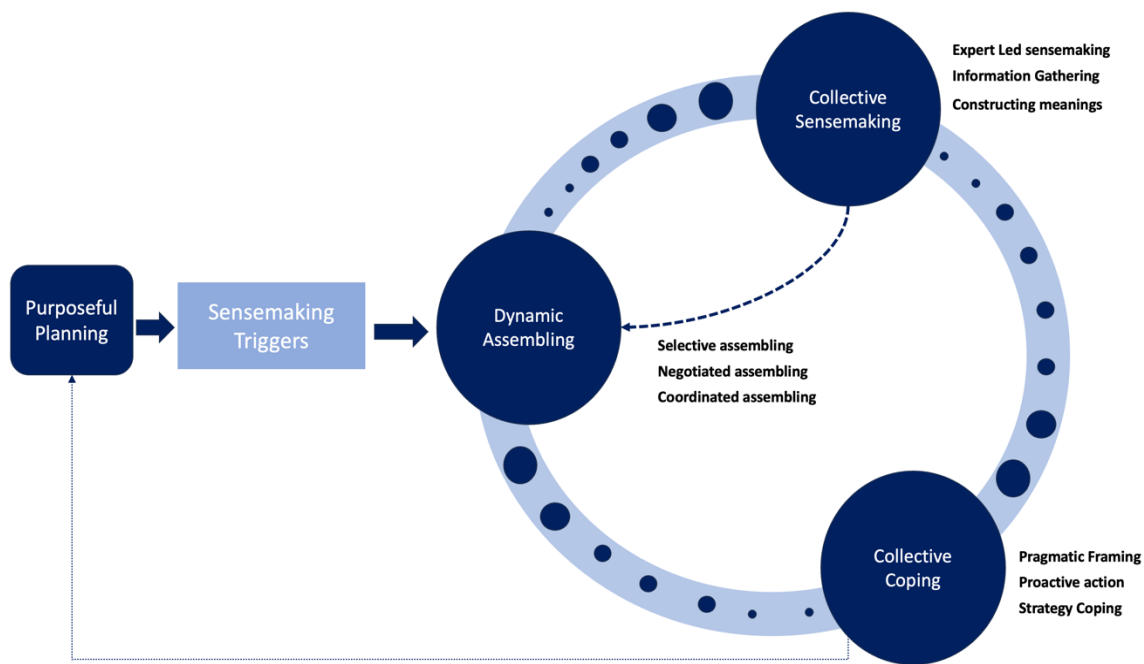
*Figure 7:1 Theoretical Model: The critical role of dynamic assembling*

The first dimension is purposeful planning. Purposeful planning documents the key activities within the separation and it is the dimension responsible for capturing the interdependencies between the businesses and in the separation plans, both of which are deliberate and emergent.

The process then moves on to the sensemaking triggers which are initiated by an event (detailed in the context section). This event could be internal or external triggering ambiguity, disruption or perception of impact.

Sensemaking triggers prompt the need for dynamic assembling. This is a new concept in relation to sensemaking and coping. Dynamic assembling is made up of three key themes. Selecting the right SMEs, negotiating with internal (and sometimes external) stakeholders for these SMEs' time, and then coordination of these SMEs and programme members to begin the sensemaking process. The sensemaking process begins with the experts leading the sensemaking discussions. These experts formulate the need for information and data to be collated to inform and benefit the construction of meaning for sensemaking. It is during the sensemaking process that there is a realisation that some key experts (SMEs) are absent and sensemaking cannot take place. In this instance the process is directed back to the dynamic assembling dimension. This is a continual cycle, until all of the SMEs with the right level of knowledge to resolve the challenge, are present.

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If all SMEs are in the sensemaking sessions, and the members of the separation programme now understand and have made sense of what the event is, the process moves on to collective coping. Initially, coping worked in tandem with sensemaking and the literature does not separate them however, in my research they are deemed as two distinct dimensions. Collective coping finds ways to deal with and establish some form of acceptance with the situation, this came under pragmatic framing. In this research, I discovered that there is an additional interpretation which was implemented on the programme which was to resolve or 'remediate' the issues presented by the events, this came under proactive action and strategy coping. One of the strategic coping mechanisms is to update the plans or to create a new subset of plans for a short-term purpose, this theme is called 'sub setting' which then moves round to the purposeful planning dimension. This process is continually revolving until the perceived issue no longer exists and sensemaking ceases.

## 7.11 Summary

In summary this chapter makes two theoretical contributions. The first being a contribution to the sense making literature with the theoretical concept of dynamic assembling. The second contribution is in the literature on M&A and divestitures and in particular separations, linking dynamic assembling, sense making and coping.

In this chapter I have provided an empirical analysis which gives a thorough overview of the separation programme's process around dynamically assembling, sensemaking and coping.

# 8. Searching for Risks during the Process of Separating: Advancing a More Dynamic View of Risk Management

## 8.1 Introduction

This chapter specifically focuses on the practice of searching for and identifying risks which may have affected the separation of LSE and Borsa. The main theoretical contribution is to develop a new theoretical model, which I call the Four Sights of Risk Management, which underpins the process of searching for risks during separation. Searching for risks is critical to risk identification, which has been defined as the "processes of acquiring information about emerging events" (Sax & Andersen, 2019, p. 721).

The concept of risk and its importance during a separation programme is complex, especially when the programme team are trying to avoid the 'ultimate risk' of creating a service outage on either of the exchanges. This inductive chapter discusses the theoretical foundation upon how the Four Sights contributed to the success of identifying the risks within the separation programme. To explain the risks involved with the separation programme and the identification of searching for risks in more detail, this chapter is split into two key parts. Part one presents a detailed exploratory view of the risk management process throughout the separation and the practice of searching for risks. It begins with an empirical description of the process highlighting the presence of four 'sights': Foresight, Insight, Oversight and Hindsight. Part two offers a grounded theoretical explanation of how these 'sights' were critical to the process of searching and identifying risks, before integrating them into a theoretical model that advances the literature on risk management.

As can be seen from the literature review, there are two key limitations. First, there are limited papers on what risk management is in relation to Mergers, Acquisitions, Divestitures and in particular Separations (Gole & Hilger, 2008). Second, while there are many studies of risk, there is little consideration of the relationship between foresight, insight, oversight and hindsight. While studies look at these different sights individually, scholars rarely consider how these four sights are associated or interact with one another. The central argument of this chapter is all four sights are vital for understanding separation.

The Four Sights were developed specifically for the separation programme and these 'sights' work conjointly, characterised by extreme, unpredictable and shifting risks which makes them

novel. The aim of this research is to develop the Four Sights model and for it to be tested to see if it can be transferable and applied to any programme managing risks. Using foresight, insight, oversight and hindsight, to identify and capture these risks before now has not been analysed or documented in the academic literature. (Hilgartner, 1992, p. 42) explains that the number of risks being captured "in principle, is infinite". This then highlights one of the main challenges, with any programme of work, leading to the question, how does one know if they have found and exposed all of the risks to prevent this negative impact on either Borsa or LSE?

### 8.1.1 Risk Management Literature

Current risk literature, as discussed in the literature review, covers Enterprise-wide risks (Crawford & Jabbour, 2024, p. 122), financial and operational risks relating to the solvency of financial services firms. Some of the frameworks implemented were enforced by the FCA due to the 2008 financial crisis (Parliament.uk, 2015). The literature is missing studies on project and programme specific risks, as well as 'Group' risks associated with functions such as HR, finance, legal, etc. There is also a significant gap in the literature in relation to risks in terms of separation programme management.

### 8.1.2 Risk Management within the Programme

Risk management within a separation programme is particularly important. One of the main requisites for the separation programme was to search for as many risks as possible. The rationale for this is to prevent not only the LSE from "service disruption" or "outage" but also Borsa Italiana. The Stock Exchanges, whilst privately owned, signify a "sovereign" (INV 20) importance for a country's economy and how well that country performs economically.

Risk management covers all aspects within a separation. These include vendor risks, knowledge risks, system, process, people, and resource risks (key man risks), technological risks, operational risks, information risks including Intellectual Property and 'Commercially Sensitive' information (Herbert Smith Freehills, 2023). LSEG refers to this as the "Risk Taxonomy" (INV 28).

Risk management looks at how these risks are captured and "mitigated" by the actions within the separation programme team, but most importantly by the senior leadership team across LSEG. Risk management can be defined as an "Interpretation of the possible events and responsive actions [which] enables the firm to make informed choices about risk responses of accepting, avoiding, transferring, or mitigating the implied exposures" (Sax & Andersen, 2019, p. 722; Moeller, 2007) and (Lam, 2003, 2014).

Over the years "Risk Management has evolved from a narrow view that focuses on evaluating risk from a silo to a holistic all-encompassing view" (Quon, Zeghal, & Maingot, 2012, p. 263).

### 8.1.3 Group Risks and the Group Risk Team

From the research I have carried out over the last three years from LSEG, it is evident that risk management impacts the separation programme as well as LSEG companywide risks, which I refer to as 'Group' risks.

I base this evidence from data in interviews, field research, key documents used within the separation, conversations between peers, observations from team meetings, as well as information the regulators are keen to see.

To explain further; within LSEG there is a Group Risk function, which were responsible for identifying 'Group' risks on the separation programme. The Group Risk function identified risks which could impact the London Stock Exchange Group. The Group Risk function "were able to identify risks that the organisation was facing through a wider separation piece" and "able to address them" (INV 28).

Two Risk Subject Matter Experts (SMEs) (Gole & Hilger, 2008, p. 229) were assigned to the separation programme, split between Technological and Non-Technological functions, with oversight from the Chief Risk Officer for LSE. Each Risk SME was responsible for identifying and searching for risks within the technological workstreams such as Capital Markets, End User Computing, Infrastructure and Cloud and the non-technological workstreams, such as HR, Tax, Finance, Legal, etc.

Each of the Risk SMEs then worked closely with the SMO, to search for additional risks within the separation plans such as the Day One plans, migration plans and testing plans.

The aim of the separation programme was to identify as many potential risks as possible, no matter how minor (in terms of materiality) they may have seemed in the beginning.

### 8.1.4 Categorisation of Risks

Within the three dimensions of a divestment, the divesting, planning and the separation phases, there are various categories of risks. It is important to mention that these risks, highlighted below, are generic divestiture risks. To clarify, these risks apply to all divestitures. The first dimension looks at the divestment specifically, these risks are transaction specific. These risks fade on the premiss that the transaction closes and there are no violations to the

rules stipulated in the Share Purchase Agreement, in LSEG's case this was the 29th April 2021 and the ruling from the European Commission (European Commission, 2021). The second (planning) and third (separation) dimensions relate specifically to the separation and how those risks affect the Group as well as the separation programme.

In the case study of LSEG, whilst these generic transaction risks could affect any divestiture, these transaction specific risks arose between August 2020 and April 2021. Planning and separation specific risks theoretically arose as soon as the separation planning began in October 2020 through to the separation completing in April 2024. Below is a list of some of the risks which were documented in the RAID log. The workstreams were encouraged to search for as many risks as possible and to identify "remediation" strategies for these.

**Generic Transaction Specific:**
- Failure to close transaction (This can be remediated against as the Monitoring Trustee has powers to enact the sale on the European Commissions' behalf) (INV 21)

**LSEG (Group) specific:**

- Cyber: Potential Cyber-attacks on LSEG and the Exchanges (INV 17) (Operational point of view)
- Vendors: Reduction in bargaining power for the remainder of LSEG's business units (INV 21, INV 24)
- Reputational risks – that the process of separation is inadequate that it negatively impacts LSEG's reputation and share price (INV 28)
- Consumer and customer risks: potential impact to service and the way the customers use the tools to be able to trade on LSE and Borsa's exchange platforms (INV 06)

**Programme Specific:**
- People risk – loss of knowledge, key man dependencies (INV 28)
- Operational risks – that the stock exchanges (Borsa and LSE) face a "trading outage" (FT, 2023) (INV 06)
- Financial risks – that there is significant overspend and it becomes difficult to seek more capital from already pre-approved budgets (INV 21)
- Technology risks – that the LSEG systems suffer unplanned downtime (INV 30)
- Cyber risks – Cyber-attacks affecting the exchanges and LSEG's services (INV 17)
- Vendor risks – vendors refuse access permissions in the TSAs (INV 29)

- Consumer and customer risks: risk that Borsa and LSE's customers cannot access services (INV 33)

## 8.1.5 Remediation of Risks and Issues

Risks are monitored on a continual loop throughout the separation programme. Risks can be "remediated" by either through a change in process, change in tool (used to do the separation) *or* negotiated internally or externally to; close the risk or reduce the impact to a point where it can be "risk accepted" (INV 18) by the programme or LSEG.

It is important to clarify that risks and issues are two distinct and separate topics. Risks are essentially theory based until their materiality and likelihood is proven. Issues are current, with an immediate impact either to the separation programme or the Group.

From research it has been discovered that the separation programme and LSEG specific risks are remediated via the below theoretical process:
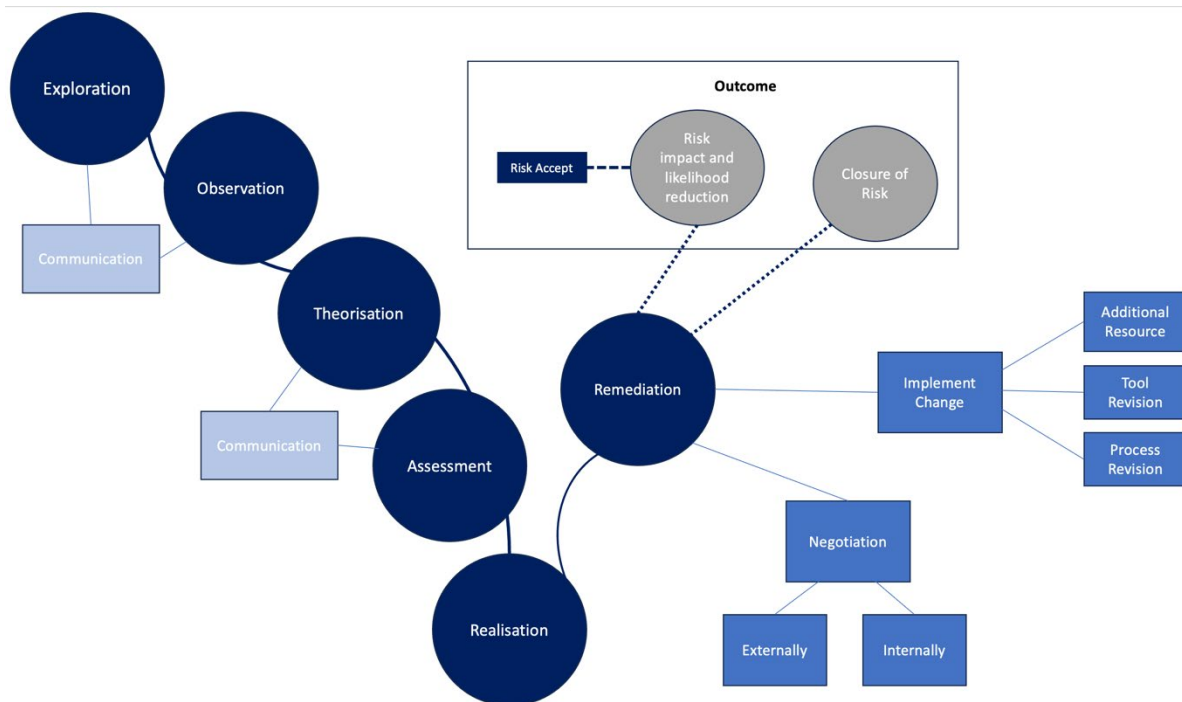


*Figure 8:1 Remediation of Risks*

Fig.8.1 assumes that the risks have emerged during the continuous monitoring loop of the programme. When a risk arises, the workstreams go through a series of activities to understand the risk and its impact and identify ways to resolve or reduce materiality.

Within the planning and separation phases, the process starts with exploration, then moves to observation. The risks are identified and then theorised to formulate a critical story, which outlines the impact of that risk, which workstreams it affects, including any TSAs, tools or processes within LSEG and Borsa. The process then moves on to assessment. Throughout these steps communication amongst the teams is essential. It then moves on to realisation of the risk, which demonstrates that the risk is genuine and will have a material impact, either on the programme or to LSEG. Remediation has a subset of different processes. This may require changes to a process or tool *or* additional resource may be required to be brought in. If remediation requires negotiation, this will either be internal within LSEG or external with Borsa and Euronext, to agree a change in process, such as extending the TSAs. If the risk cannot be remediated, the programme will need to 'risk accept it' (INV 18), which means understanding the risk impact and accepting the consequences.

## 8.2 Part One: Searching for and Identifying Risks

**The Planning Phase: The Pre-Mortem Risk Assessment**

As can be seen from the literature review, there are two key limitations. There are limited papers on what risk management is in relation to M&A, divestitures and in particular separations. There are many papers on the topic of risk, but there is limited research in relation to risk and the relationship between foresight, insight, oversight, and hindsight. There are papers which look at the four sights individually but not how they are associated or interact with one another.

The following section gives an empirical description of what happened, how the process of searching for risks unfolded during the pre-mortem assessment and how the Four Sights began to materialise.

The separation planning phase started on the 9th October 2020 and ended on the 29th April 2021 (INV 21). This is the period between the signing of the Share Purchase Agreement (SPA), announcing to the market of the divestment and the closing of the transaction.

Originally coined as "prospective hindsight" in a paper by Mitchell, Russo and Pennington (1989), and later renamed as 'Pre-mortem' by Klein (2007). A Pre-Mortem assessment "involves generating an explanation for a future event as if it had already happened" (Mitchell, Russo, & Pennington, 1989, p. 25). Klein (2007, pp. 18-19), explains that the purpose of a

pre-mortem "helps project teams identify risks at the outset" and reduces risks by "30%" during the actual programme.

The purpose of a pre-mortem assessment is designed to start at the beginning of the programme's lifecycle, to plan out the projects within each workstream in the separation. The plans are then critiqued by the Group Risk team, by working backwards from the separation plans, each workstream is asked "what *might* go wrong" (Klein, 2007, p. 18). Separately, the Group Risk team also actively look for errors in the plans to see where failures may occur (INV 27). "The Pre-mortem technique raises awareness of possibilities, including their likely consequences, to enrich planning" (Serrat, 2017, p. 223).

Fig 8.2 Below gives an overview of the pre-mortem assessment and the eight themes involved to search for and identify the risks.
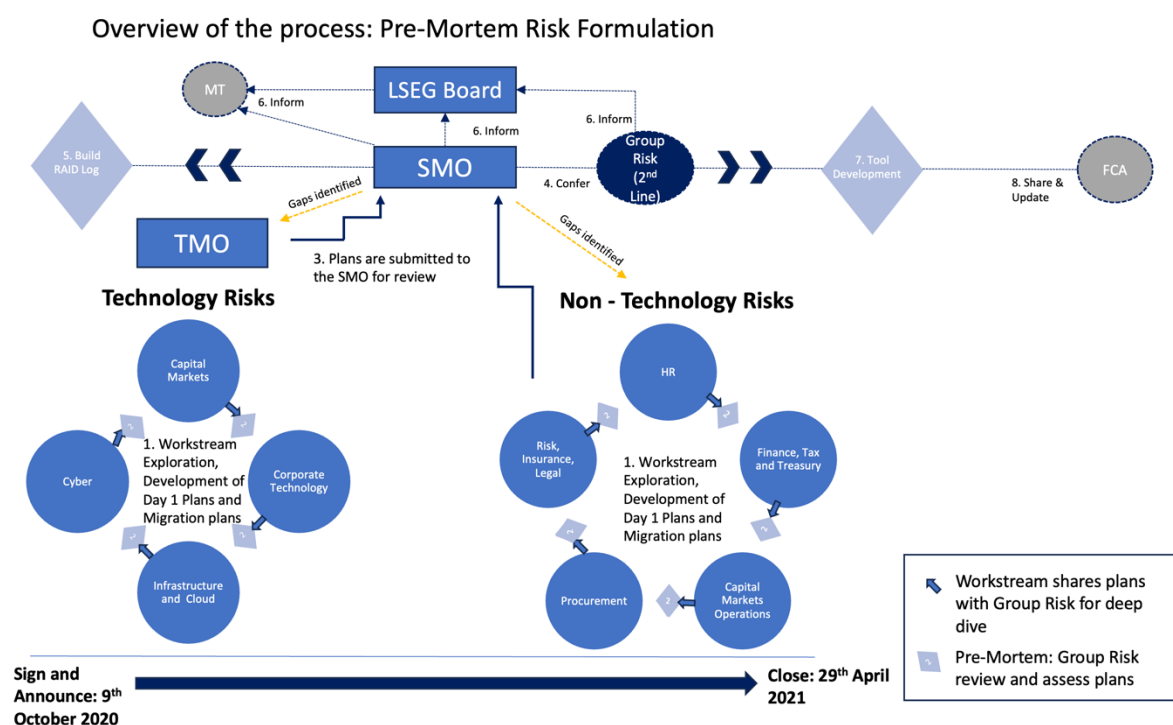


*Figure 8:2 Pre-Mortem Risk Formulation*

Table 8. summarises each of the eight processes, who is involved within those processes and where the responsibility lies.

| Process | Pre-Mortem Risk Formulation | Theoretical Theme | Process Meaning | Quotes | Responsibility and Line of Defence |
|---|---|---|---|---|---|
| 1 | Workstream Development of Day 1 Plans and Migration Plans | Exploration, development and landscaping of actions and risks | Scoping of activities which will trigger risks and issues for the programme, LSE, Borsa and LSEG | "Identify who was going to be the lead in each, well working with the lead and then their plans" (INV 12)<br><br>"You scope it all out, work it out, you build a plan, you check your plan, you use the experience of the team to go is there anything we've missed?" (INV 06)<br><br>"Any risks to delivery" (INV 37)<br><br>"Work out what needed to be divested, we then needed to work out how we would divest it. And we then needed to agree the plan to do that, track against it, escalate any key issues, and basically overcome them" (INV 06)<br><br>"We put them all together, Indicatively, in terms of what we felt it would take, and we had, in effect to start with two plans. So, we had a kind of like, super aggressive plan. And then we have what we call the realistic plan. And then we challenge the realistic plan a little bit, and we bought in a couple of months" (INV 06) | Workstreams, including Workstream Leads<br><br><br>**First Line of Defence** |
| 2 | Group Risk Review and assessment of the separation plans, shared by the workstreams. | Review and Risk Assess | Pre-mortem risk assessment begins. | "I performed a risk assessment of each of the work streams, which is like an interview workshop with a set of quite generic questions just to identify and flush out any particular risks" (INV 28)<br><br>"We were completing the risk assessments associated with those. So, we were doing a lot of evidence-based reviews with [the Capital Markets workstream Lead], where we were looking at all of the artefacts that they had supplied through the operational readiness templates within [the Group risk tool]" (INV 28)<br><br>"We applied risk assessments to each of those applications ahead of key delivery dates, but then we did pan programme sort | Risk<br><br>**Second Line of Defence** |

| | | | | of deep dives basically on certain elements of the processes that were in place as part of the TSAs" (INV 28)<br><br>"Here's the plan, in a very transparent way, if that plan changes, here are the consequences of that plan changing, whether that be changes to TSAs or changes to costs" (INV 13) | |
|---|---|---|---|---|---|
| 3 | Separation plans are submitted to SMO for review. | Submission of Review | Review of risks and issues before they are shared upwards (in terms of hierarchy of the programme). This process includes any gaps which are identified are sent back to the workstreams to re-develop. | "We looked at all of the governance and change processes, the artefacts that supported that and effectively kicked the tires on those and did an assessment to understand where there were potential control gaps" (INV 28)<br><br>"One of the things we quite quickly uncovered was the fact that a lot of the things put in place by [a Third party] were sort of either incomplete or have been put together in principle but not actually completely delivered and rolled out so some of the communications or governance around that (INV 28)<br><br>"[The SMO] we should also be ensuring that we've got visibility of any risks to those plans, with the associated mitigating action" (INV 12) | Workstream Leads, TMO, Risk and SMO<br><br>**First and Second Line of Defence** |
| 4 | Group Risk and SMO review the Pre-mortem risk assessment | Confer | Risk and SMO share <u>Insights</u> from the Pre-Mortem and discuss <u>Oversight Methods</u> | "The structures that formally bring together the right people across the lines of defence, but also across the two parties to enable effective decision making, performance tracking, risk management, issue discussion, and dependency tracking" (INV 28) | SMO and Risk<br><br>**First and Second Line of Defence** |
| 5 | SMO builds RAID log with risks identified in Pre-mortem assessment. | Build Raid Log | Build formal document to capture all risks and issues, grading of impact and likelihood. These are programme specific | "I remember doing lots and lots of work early on with the risk log" (INV 12)<br><br>"Once the risks have been found, they are entered into the into the risk system" (INV 31)<br><br>"To manage and oversee the risks and ensure that they're visible to everybody in the within the wider stakeholder group" (INV 31) | SMO<br><br>**First Line of Defence** |

| 6 | SMO and Group Risk discuss Pre-mortem risk assessments and findings with LSEG Board. | Inform | Communication of risks | "There's a huge amount of risk paraphernalia and documentation and audit and assessment". "Being able to turn that into useful MI for the business and or the function itself to be able to help make to drive decisions" (INV 25)<br><br>"It'll have areas on governance, proposed governance, particularly, and the big risks and issues that are presented through the separation" (INV 21) | SMO and Risk<br><br>**First and Second Line of Defence** |
| --- | --- | --- | --- | --- | --- |
| 7 | Group Risk populates Group risk tool. | Tool Development | This is a Group Risk tool. It contains risks and issues which could affect the wider group | "Development of Risk Tool which encompasses and logs all of the tools" (INV 27)<br>"We put a tool in to manage and report on the dependency risk with Borsa so while we were, you know we had a host of reliance on their support teams as we were sort of transitioning off some of the TSAs, we were running a fairly significant tech risk there. And so, we put it in a tool to be able to show that we're very, very clear as to the performance of those TSAs, but also the reduction of the risk around them." (INV 27)<br><br>"Was effectively to do the inherent operational risk assessments to identify where the high-risk projects are across those areas across a whole number of dimensions" (INV 28) | Risk<br><br>**Second Line of Defence** |
| 8 | Group Risk share key separation activities and update the regulator on risk formulation and outcome of risk assessment of the Pre-mortem | Share and Update | Keeping the regulator informed of risks which will affect LSE especially for the Reverse TSAs | "Heat maps which shows the risks and the interdependencies". (INV 27)<br><br>"We put together quite a nice heat map" (INV 27) | Risk<br><br>**Second Line of Defence** |

*Table 8: Unpacking the Pre-Mortem Risk Formulation*

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## 8.2.1 The Planning Phase: Empirical Description: The Pre-Mortem Risk Assessment

### 1.  Exploration, Development and Landscaping of Actions and Risks

Exploration, development and landscaping of actions and risks starts with <u>foresight and insight</u>. The workstreams develop their separation plans. These plans formulate the separation strategy and define the areas, processes, systems and teams which need to be separated.

During this process, the workstreams utilise their knowledge and <u>insight</u> of their function to draw out key activities required in order to separate LSE and Borsa. The workstreams developed their plans utilising key resources from within LSE, Borsa and other workstreams which drew upon additional <u>foresight</u> and <u>insight</u>. It was during the separation planning stage that risks and issues began to surface and be identified. "Strategic planning can serve as an important mechanism translating risk exposures and response strategies into 'effective and timely initiation and implementation of strategic change'" (Sax & Andersen, 2019, p. 722).

During this stage, it was the responsibility of the workstream, including the workstream lead, to identify the risks that they believed would either:

1.  Affect the workstream
2.  Affect the programme
3.  Affect the Stock Exchange (either Borsa or LSE)
4.  Affect the wider *Group* (LSEG).

The term 'affect' is implied in a negative connotation. Very rarely are risks a positive for a separation programme.

The role of the workstream's "Project manager was simply to understand what is the risk? And how do we mitigate a risk? What do we need to do to mitigate the risk?" (INV 39).

### 2.  Review and Risk Assess

For <u>oversight</u> purposes, the next process, moves to the Risk SMEs from the Group Risk function to review the separation plans and risk assess them, as well as searching for and identifying the risks.

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The Risk SMEs used their <u>insight</u> to review the material produced by the technology and non-technology workstreams, to identify key risks. Risk <u>insight</u> comes from experience and knowledge of problem areas. "[If] you get an experienced risk person, they will know what to look for" (INV 27). The Risk SMEs held initial "deep dive" sessions with each workstream, to "discuss the risks within the individual project" (INV 31) and capture additional information around the separation activity. From these sessions, more risks were identified.

Once the plans were documented by the separation workstreams (such as HR, Finance, Tax Treasury, Legal, Operations, etc), the Risk SMEs then reviewed the separation plans again to identify any hidden risks.

The second responsibility was, as a risk workstream (which came under non-technology), to review their own plans for hidden risks whilst considering the information from other workstream's separation plans. The risk workstream's tools and applications fall under the Corporate Technology workstream, any changes to their plans could impact the risk workstream.

Within the 'review and risk assess' process, the Risk SMEs identified potential risks regarding identity access management and key man risks pertaining to an HR tool. These technology workstreams include Infrastructure and Cloud, End User Computing, Cyber, Corporate Technology and Capital Markets Technology.
Non-Technology workstreams are HR, Finance, Procurement, Legal, Antitrust, Capital Markets Operations, Risk, etc. As noted in Fig 8.1.

### 3. Submission of Review

Once the Technology risk SME (<u>oversight</u>) has reviewed the risks with the Technology Management Office (TMO), these are then shared with the Separation Management Office (SMO) for <u>insight</u> and an additional layer of <u>oversight.</u> The non-technology risks are shared straight away with the SMO. The SMO then reviews the separation plans and looks for risks and issues.
"We'll talk about [the separation plans] from an individual workstream level, but as you wind it up to the rest of the programme, [this] is when you normally can manage it to think actually, hold on a second, that risk is going to impact this workstream, which is also then going to impact the programme, you know, on a wider scale" (INV 31).
Any separation plans which appear to have gaps or missing parts are sent back down to the workstreams to review to add additional information. The gaps identified relate to missing

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information within the separation plans relating to the risk, the "remediation" of the risk, or the detailed activities within the separation plan.

### 4. Confer

The SMO and Risk SMEs conferred, shared <u>insight</u> and "discussed the potential risks that one workstream had and were able to cross reference that with conversations we've had with other workstreams" (INV 31). The SMO and Risk SMEs discussed the required and appropriate level of <u>oversight</u> from information gathered in the separation plans. If a problem area (i.e. the risks had a significant impact) was exposed during the discussions, which was not previously remediated during the 'review and risk assess' process, the process went back to the workstream lead to formulate and initiate the risk exploration process again with the relevant SMEs. In this instance the Risk SME and SMO attended. In these meetings the risk exposure was reduced or remediated by implementing a different tool or extending the Reverse TSA.

### 5. Build Raid Log

The SMO then formulated the "RAID log" (Risks, Actions, Issues, Decisions) (INV 12 and INV31). This is a tool which records and documents all of the risks identified within the separation programme. The RAID log, allows the SMO to manage, monitor and report on the risks. There was a grading system applied to each risk in terms of materiality and impact to the programme, this is an LSEG standard and categorised in the "Group Risk Taxonomy" (INV 27) for consistency across all programmes. The RAID log acted as an <u>oversight, insight</u>, and <u>hindsight</u> tool. The log allowed other workstreams to view risks pertaining to their workstream, raised by other workstreams, that they would not normally see (INV 31).

The tool was continuously reviewed and updated (by the SMO and the workstreams once built). At the end of the programme, it contains all the risks and issues and how these were remediated, this is required for a "lessons learned" (Gole & Hilger, 2008, pp. 22, 280; Joy, 2018) review to formulate <u>hindsight</u>, as well to demonstrate good governance of the programme.

### 6. Inform

'Inform' is a joint responsibility between the SMO and the Risk SMEs. Two <u>oversight</u> reports were created. The first report is disseminated by the SMO to the LSEG Board which contained progress updates as well as risk information and mitigation data in relation to the programme

(INV 20). In a separate report, the Risk SMEs shared the risks possibly affecting the Group with the LSEG Board. "The risk management office, possibly headed by a CRO, facilitates these activities, aggregates the risk data into a holistic firm-level risk profile, and reports to top management and the board" (Sax & Andersen, 2019). Within this process, the Monitoring Trustee was also informed of any potential complications.

Once the LSEG board and the senior leadership team saw the status reports and the SMO answered, "what are the reasons for the risks or the issues?" (INV 20) as well as remediated any concerns, the SMO either communicated to the workstream leads, for them to make changes to the separation plans, or carried on with separation planning activities. This was a continual process up until day one which fell on the 29th April 2021.

### 7. Tool Development

In parallel to building the RAID log, the Group risk tool was also built for <u>insight, oversight, hindsight</u> purposes. The Risk SMEs "capture" the risks in the Group Risk Tool (INV 28). This is defined within LSEG's "risk taxonomy or risk library" (INV 28). This tool encompassed the risks identified in the programme that could impact the Group. Development of the RAID log and the Group Risk tool covered the entire risk documentation basis, whereby the risks could cause complications for the separation programme or LSEG for the separation planning phase.

### 8. Share and Update

The progress reports from the Risk SMEs (containing the risks and issues) were then shared with the FCA for <u>oversight</u>. The report contained a "heat map diagram" and "the governance approach" which "was quite key to show the FCA, as was the "remediation" plans and plans to migrate and timescales" (INV 27).

Any feedback or concerns were addressed by the Risk SMEs, the SMO, the TMO and the workstreams.

## 8.2.2 The Separation Phase

So far, the findings have discussed the processes involved in searching for the risks during the planning phase, which the risk team refer to as the "pre-mortem risk assessment phase", however, here we reach a critical juncture, in this section the analysis shifts to the separation

phase, whereby more risks were discovered. The separation workstreams were using the documentation created during the planning phase.

The separation phase officially started 'post close' (29th April 2021). It is during this stage that the planning documents such as the TSAs and the separation plans were then implemented and followed. There is a slight change in the process in the separation phase compared to the planning phase, as noted below in Fig.8.3.
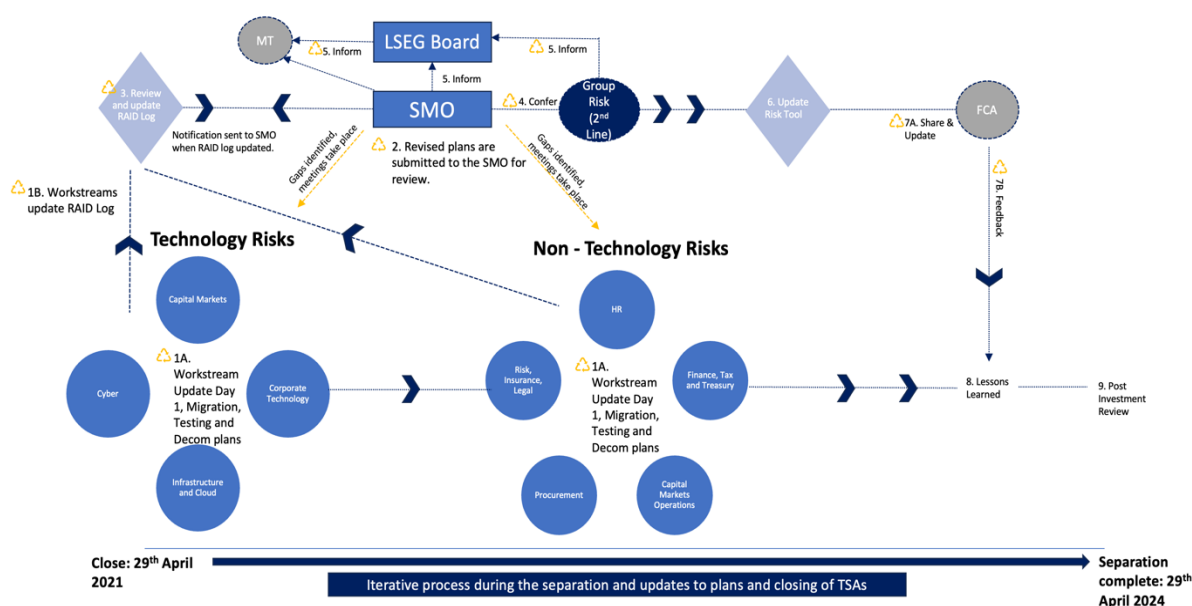


*Figure 8:3* Overview of the process during the separation phase

It is during this phase that any errors, gaps or deviations within the separation plans or the TSAs start to materialise. "It's often those sorts of derivative factors, where you rely on interdependencies and subsystems and peripheral systems, that probably just weren't obviously in scope at the start of the separation planning" (INV18). A good example of this was forward TSA13, it was apparent that the TSA included access to and use of an element within the HR tool, amongst other access to other systems. Once this forward TSA completed, it would mean access to this HR tool would cease, whilst other forward TSAs were still dependent on that HR tool. This meant that a new forward TSA needed to be created during the separation period for the buyer to still have access to the HR tool.

In the beginning weeks of the separation phase, the workstreams start to work through the separation plans, as well as to anticipate TSA exit plans from Borsa and Euronext. The LSEG workstreams initiate resource planning to be able to assist with Euronext's exits of the forward TSAs (INV 14). In parallel, LSEG's workstreams implement their migration plans to push

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forward with the exit of the reverse TSAs. It is during this separation phase that the workstreams will be able to see if their planning efforts have been fruitful. It is usually during this period that more risks start to emerge, because pre-separation the separation plans were theoretical. Now that the teams need to use them, it highlights gaps within processes, realigns the focus of the programme to resolve the emerging risks and provides new insight. During the separation phase, an issue emerged across the programme, whereby those actors who were involved in developing the separation plans and the TSAs had left the programme, either through redundancy or being placed elsewhere within the Group. This caused an issue on the separation programme because the actors which had developed the plans, were those with the insight of the development of the plans, it took time to replace those actors, "you can't all of a sudden duplicate those key resources because they're just very hard to place" (INV 18), and so there was an element of relearning and gaining insight by the new actors that had joined the programme.

| Process | Separation Period | Theoretical Theme | Process Meaning | Quotes | Responsibility and Line of Defence |
|---|---|---|---|---|---|
| 1A | Workstream update separation plans, migration plans, decommissioning plans | Continual review of actions and risks | Refinement of activities which will trigger risks and issues for the separation programme: LSE, Borsa and LSEG | "Identify who was going to be the lead in each, well working with the lead and then their plans" (INV 12)<br><br>"Effective migration is to ensure that those activities can be done with the right knowledge and with minimal risk" (INV 37)<br><br>"You scope it all out, work it out, you build a plan, you check your plan, you use the experience of the team to go is there anything we've missed?" (INV 06)<br><br>"Is this a new risk that has come in?" (INV 39)<br><br>"Work out what needed to be divested, we then needed to work out how we would divest it. And we then needed to agree the plan to do that, track against it, escalate any key issues, and basically overcome them" (INV06)<br><br>"We put them all together, Indicatively, in terms of what we felt it would take, and we had, in effect to start with two plans. So, we had a kind of like, super aggressive plan. And then we have what we call the realistic plan. And then we challenge the realistic plan a little bit, and we bought in a couple of months" (INV 06) | Workstreams, including Workstream Leads<br><br>**First Line of Defence** |
| 1B | Workstreams update the RAID log | Continual update of RAID logs in real time | Workstreams update the RAID log with new risks or reduced impact risks which were already documented. Risk and the SMO team review | "The project managers do it in their own workstreams" (INV 31)<br><br>"But to actually update the individual risks was the risk owner, so the project managers or potentially, if it was something that was highlighted by a project manager, but was owned by an operational person, it would be them that would provide information" (INV 31)<br><br>"Do we have any open risks as a result of that activity?" (INV 35) | Workstreams<br><br>**First Line of Defence** |
| 2 | Revised separation plans are submitted to SMO for review. | Submission of revised separation plans | Review of risks and issues before they are shared upwards (in terms | "We looked at all of the governance and change processes, the artefacts that supported that and effectively kicked the tires on those | Workstream Leads, TMO, Risk and SMO |

| | | | | and did an assessment to understand where there were potential control gaps" (INV 28) | **First and Second Line of Defence** |
|---|---|---|---|---|---|
| | | | of hierarchy of the programme). This process includes any gaps which are identified are sent back to the workstreams to re-develop. | "One of the things we quite quickly uncovered were that was the fact that a lot of the things put in place by [a Third party] were sort of either incomplete or have been put together in in principle but not actually completely delivered and rolled out so some of the communications or governance around that (INV 28)<br><br>"[The SMO] we should also be ensuring that we've got visibility of any risks to those plans, with the associated with the mitigating action" (INV 12) | |
| 3 | SMO reviews and updates RAID log with additional risks identified | Review and update RAID Log | Build formal document to capture all risks and issues, grading of impact and likelihood. These are programme specific | "I remember doing lots and lots of work early on with the risk log" (INV12)<br><br>"Once the risks have been found, they are entered into the into the risk system" (INV 31) | SMO<br><br>**First Line of Defence** |
| 4 | Group Risk and SMO review the updated plans and discuss any changes to the plans which could create new risks for the programme | Confer | Risk and SMO share Insights from the updated Separation plans and discuss Oversight Methods | "The structures that formally bring together the right people across the lines of defence, but also across the two parties to enable effective decision making, performance tracking, risk management, issue discussion, and dependency tracking" (INV 28)."We applied risk assessments to each of those applications ahead of key delivery dates, but then we did pan programme sort of deep dives basically on certain elements of the processes that were in place as part of the TSAs" (INV 28)<br><br>"I performed a risk assessment of each of the work streams, which is like an interview workshop with a set of quite generic questions just to identify and flush out any particular risks" (INV 28) | SMO and Risk<br><br>**First and Second Line of Defence** |
| 5 | SMO and Group Risk discuss any additional risks and findings with LSEG Board. | Inform | Communication of risks | "There's a huge amount of risk paraphernalia and documentation and audit and assessment". "Being able to turn that into useful MI for the business and or the function itself to be able to help make to drive decisions" (INV 25)<br><br>"It'll have areas on governance, proposed governance, particularly, and the big risks and issues that are presented through the separation" (INV 21) | SMO and Risk<br><br>**First and Second Line of Defence** |

| | | | | "Here's the plan, in a very transparent way, if that plan changes, here are the consequences of that plan changing, whether that be changes to TSAs, changes to costs" (INV 13). | |
|---|---|---|---|---|---|
| 6 | Group Risk updates Group risk tool with new risks or risks which have been remediated. | Continual update of the Group Risk tool. | This is a Group Risk tool. It contains risks and issues which could affect the wider group. It is updated in real time. | "Development of Risk Tool which encompasses and logs all of the Tools" (INV 27)<br><br>"We put a tool in to manage and report on the dependency risk with Borsa so while we were, you know we had a host of reliance on their support teams as we were sort of transitioning off some of the TSAs, we were running a fairly significant tech risk there. And so, we put it in a tool to be able to show that we're very, very clear as to the performance of those TSAs, but also the reduction of the risk around them" (INV 27)<br><br>"Was effectively to do the inherent operational risk assessments to identify where the high-risk projects are across those areas across a whole number of dimensions" (INV 28) | Risk<br><br>**Second Line of Defence** |
| 7A | Group Risk share progress on the separation, along with the types of risks and how these are being mitigated by the separation programme, in the form of Heat Maps. | Share and Update | Keeping the regulator informed of risks which will affect LSE especially for the Reverse TSAs | "Heat maps which shows the risks and the Interdependencies". (INV 27)<br>"We put together quite a nice heat map" (INV 27)<br><br>"I set that up. And it was also to help the FCA see how we were managing that" (INV28)<br><br>"It's also helping our regulators get comfort and proximity to the risks or the risk profile of the separation work" (INV 28) | Risk<br><br>**Second Line of Defence** |
| 7B | FCA shares feedback based on information shared by the LSEG Group Risk team. | Feedback | Group Risk share and update the regulator on risk formulation and outcome of Risk assessment of the Pre-mortem | "I think the important thing is what we did, which is almost best practice, and it was recognised by the FCA" (INV 28)<br><br>"And when [the Risk team] took [the risk heat map] to the FCA, they said, to literally quote it, they thought it was an excellent and diligent way for the programme to be managing risk" (INV 28) | Risk<br><br>**Second Line of Defence** |
| 8 | Lessons learned take place amongst workstreams, the SMO and the Risk SMEs. | Lessons Learned | Review at the end of each TSA closure or completion of large piece of work. The teams review the challenges, things they would do differently and | "What do we want to do differently moving forward?" (INV 21)<br><br>"It was quite ground-breaking oversight hindsight. We were looking at lessons learned" (INV28)<br><br>"Which I've learned my lesson now on any programme" (INV 27) | **First and Second Line of Defence** |

| | | | | | |
|---|---|---|---|---|---|
| | | | highlight any risks which may have been missed during the planning and separation phases. Reflection post action. | "I think the learning always on those is, it's often the support functions that are the most complex in terms of are they in scope" (INV 25)<br><br>"For me anyway is definitely a lessons-learned is you know, understand the sophistication of the acquirer" (INV 40)<br><br>"For me, that's a lessons learned is just really understanding the knowledge and the experience of the counterpart on the other side so that you can build that relationship" (INV 40)<br><br>"Balancing those challenges" (INV 20) | |
| 9 | Post Investment Review | | Full assessment and review at the end of the programme to understand the | "We run what is known as a post investment review, which is a review of how well we've delivered what we said we're going to deliver. So, for Borsa, have we met the obligations required to meet under the European Commission commitments? Have we retained in budget? Have we exposed the group to any additional risks and have we managed those risks? And as you say, have we completed and closed out all remaining connectivity between the groups" (INV 21) | Programme Leadership team<br><br>**First Line of Defence** |

*Table 9: Separation phase risk identification process*

### 8.2.3 The Separation Phase: An Empirical Description

**1a. Continual Review of Actions and Risks**

During the separation phase, the focus is on searching for and addressing any risks and issues which have started to surface because of gaps within the separation documentation such as workstream plans, migration plans and TSAs. <u>Foresight and insight</u> are key, utilising the team's knowledge and experience to be able to resolve the emerging risks. The next focus is also on developing the migration plans (<u>insight</u>) to reduce the dependency on Borsa Italiana and for LSE to exit the reverse TSAs efficiently. This process is a continual process throughout the programme, enabling the plans to be in real time. This process is applied to each workstream and works on a continual loop (as noted with the orange symbol in Fig 8.3) as more risks emerge.

**1b. Continual Update of Individual Workstream RAID Logs in Real Time**

A continual update of the RAID logs ensures that each workstream lead (both technological and non-technological) provides information in real time for the SMO and the Risk SMEs to review. This provides <u>insight</u> and ability for the SMO and Risk SMEs to maintain <u>oversight</u> of the programme. When the workstream leads have updated the RAID log with additional risks or updated current risks, a notification is sent to the SMO for an <u>oversight</u> review. The information is also required to produce the information packs which go to the senior leadership teams, the board and the FCA. This process is applied to each workstream and works on a continual loop (as noted with the orange recycling symbol in Fig 8.3) as more risks emerge.

**2. Submission of Revised Separation Plans**

Each time new risks have been identified; this requires updates to be made in the separation plans. The workstream leads share the updated separation plans, including updated migration plans (<u>insight</u>) with the SMO. The SMO reviews the plans to understand future activity as well as looking for additional risks and issues that may have been missed in the latest versions. Any gaps or queries are worked through in workstream sessions with SMEs from Borsa, LSE and LSEG, the SMO as well as the Risk SME via Teams calls for (<u>oversight</u>). At this stage "It was all about getting the right people to the right place to have the right conversation" (INV 12). The SMO and Risk SME gain <u>insight</u> from these sessions into the separation activity. This process is applied to each workstream and works on a continual loop (as noted with the orange

recycling symbol in Fig 8.3) as more risks emerge. It is important to note that each of the workstreams are interconnected, meaning that usually, an activity within one workstream will trigger activity or risks in another workstream, for example activities in the finance workstream may trigger risks in the tax function. The SMO encourages each workstream to confer with the other including Borsa's workstreams. "Managing each risk class in a separate silo creates inefficiencies due to lack of coordination between the various risk management departments" (Quon, Zeghal, & Maingot, 2012, p. 263). The SMO applies this foresight and insight to search for additional risks in the remaining workstreams and develops a strategy to remediate these by applying the appropriate level of oversight.

## 3. Review and Update RAID Log

The SMO checks the RAID log to ensure the workstreams have been updating their workstreams' risks. The SMO searches for and identifies more risks. For oversight purposes, having the risks in a single tool, makes it easier to see the interlink between the workstreams' risks, to monitor them and report on them. Risks which appeared in more than one workstream, increased the importance of that risk and the SMO called a meeting with the workstream involved to resolve. This process works on a continual loop as more risks emerge. This tool will be used in the 'lessons learned' and the 'post investment review' processes for hindsight.

## 4. Confer

Similar to the planning phase, the SMO and Risk SMEs assessed, conferred and shared insight on "recent workstream updates to the plans and weekly workstream leads calls" (INV 40). Discussion was around "risks and problem areas exposed to higher risks and application of an appropriate level of oversight" (INV 40). As mentioned above, a key example of a risk which then became an issue, was the "loss of knowledge" (INV 28), with SMEs leaving LSEG. They "had historic knowledge of what was required to be done" (INV 12) on the separation and within the workstreams.

## 5. Inform

To carry on with the example above concerning loss of knowledge, this was then "escalated" (INV 28) by informing the LSEG board for oversight purposes. In addition, anything detrimental to the separation of Borsa and LSE is also discussed with the Monitoring Trustee for oversight purposes (INV 21). In summary, this process is similar to the planning phases 'inform',

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whereby the senior leadership team are informed of progress as well as challenges on the separation programme on a continual basis.

## 6. Continual Update of the Group Risk Tool

Similar to the 'Review and Update RAID log' process, the Risk SMEs "update the Group risk tool" (INV 28) (insight) with additional risks discovered from updated separation planning documentation. Any risks which were already documented and haven't been resolved are "escalated" (INV 27) (oversight). This tool was used in the 'lessons learned' and the 'Post investment review' processes for hindsight.

## 7a. Share and Update

For oversight purposes, and similar to the planning phase, the Risk SMEs worked with Group Risk to "give regular updates to the FCA" (INV 27) and shared insight on progress of the separation programme discussing risks and issues. This was on a continual basis and occurred as frequently as the FCA required (INV 21).

## 7b. Feedback

The FCA demonstrated oversight by giving feedback on the separation packs which were shared. Commentary from the FCA was disseminated internally to the SMO and LSEG board, feedback was also documented internally to provide additional information for 'Lessons Learned' (INV 27, INV 28 and INV 21).

## 8. Lessons Learned

Lessons learned for the separation phase were very important. Lessons learned (hindsight) sessions, were held with the workstream (such as the technology workstreams), directed by the workstream lead with the SMO and Risk SME attending. The aim of the meeting was to discuss the closure of the Reverse TSAs or to discuss the completion of a significant milestone or task within the separation plan, such as the firewall implementation.  The teams reviewed the work undertaken, discussed the risks and issues which emerged as well as the insight they gained, "lessons learnt more, not for the programme, but for what it probably taught us" (INV 06) for future separations (INV 08).

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The separation planning materials and the risk tools provided <u>hindsight</u> and a record of the activity that took place, this in turn contributed to <u>foresight</u> for future divestments undertaken by LSEG (INV 10).

**9.  Post Investment Review (PIR)**

Once the separation completed in April 2024, the SMO and Transformation Management Office (different to the TMO) carried out a 'Post Investment Review (<u>hindsight</u>), "which is a review of how well we've delivered what we said we're going to deliver. So, for Borsa, have we met the obligations required to meet under the European Commission commitments? Have we retained in budget? Have we exposed the Group to any additional risks and have we managed those risks?" and "have we completed and closed out all remaining connectivity between the groups other than those areas where we have an ongoing relationship?" (INV 21). The PIR and the lessons learned sessions are slightly different. The 'Lessons Learned' sessions review individual workstreams and their activity. The PIR looks at the programme as a whole and considers the costs spent on the programme. Both are important for <u>hindsight</u> formulation.

## 8.2.4 Conclusion of the Pre-Mortem and Separation Periods

The below tables summarise how frequently the Four Sights appear within the practice of searching for risks. Each process includes more than one of the sights, displaying a dynamic use of the sights throughout the risk searching practice.

| Process of searching for Risks | Planning Phase (Sign to close) | Second Order Enabler |
|---|---|---|
| 1 | Foresight and Insight | Material, Structural and Practice |
| 2 | Insight and Oversight | Structural and Practice |
| 3 | Insight and Oversight | Practice |
| 4 | Insight and Oversight | Material and Practice |
| 5 | Insight, Oversight and Hindsight | Material, Structural and Practice |
| 6 | Oversight | Structural and Practice |
| 7 | Insight, Oversight and Hindsight | Material, Structural and Practice |
| 8 | Oversight | Structural and Practice |

*Table 10: Process of searching for risks Period one*

| Process of searching for Risks | Separation Phase (Close to Separation Complete) | Second Order Enabler |
|---|---|---|
| 1A | Foresight and Insight | Material, Structural and Practice |

| 1B | Insight and Oversight | Material, Structural and Practice |
|----|-----------------------|----------------------------------|
| 2 | Insight, Oversight and Foresight | Material, Structural and Practice |
| 3 | Oversight and Hindsight | Structural and Practice |
| 4 | Insight and Oversight | Material, Structural and Practice |
| 5 | Oversight | Material, Structural and Practice |
| 6 | Oversight, Hindsight and Insight | Structural and Practice |
| 7A | Insight and Oversight | Material, Structural and Practice |
| 7B | Oversight | Structural and Practice |
| 8 | Hindsight, Insight and Foresight | Material and Practice |
| 9 | Hindsight | Structural and Practice |

*Table 11: Process of searching for risks Period two*

## 8.3 Part Two: The Four Sights Model

"A corporation can manage risks in one of two fundamentally different ways: (1) one risk at a time, on a largely compartmentalized and decentralized basis; or (2) all risks viewed together within a coordinated and strategic framework" (Nocco & Stulz, 2006, p. 8).

There is a wealth of literature concerning risks in general. There is literature on risks linked to board governance, crisis and disaster management and risks in relation to healthcare and the pandemic crisis. There are also risks linked to strategic management but there is a significant gap in linking risk to foresight, insight, oversight, and hindsight, which is where the need for an inductive theory building approach is required.

The Four Sights approach was developed specifically for the separation of Borsa Italiana and LSE, "what we're doing the methodology- that was unique and what we had established for Borsa [separation programme] was unique as a means of assessing" (INV28). From applying an inductive approach to gather the data, I uncovered the ways in which the Four Sights worked together. I then conceptualised and formalised the Four Sights and created a dynamic model to demonstrate the way they are dependent on one another. The Four Sights model is also applicable to other programmes specifically managing large risks. This would need to be evaluated in further research.

Each of the Four Sights act as a check and balance against one another, for example, the model ensures that the overall process has the right level of oversight and insight and that it is not too dependent on foresight and hindsight. Each sight has an important weight, in order to be able to search for and identify as many risks as possible. The sights counteract the bias relating to each one, allowing the teams to continually monitor progress of separation activity,

whilst keeping an eye (oversight) on searching (foresight, insight, and hindsight) for risks and 'remediating' them.

The model requires the programme team to consistently search for risks, by applying knowledge, experience and an understanding of what the separation entails as well as the businesses which are being disentangled.

Within the Four Sights model each of the sights are dynamic. The model requires the actors that are "making decisions and taking actions to manage risk" in "a continuous process requiring *inter alia* foresight and moral discipline" (Campbell K. A., 2015).
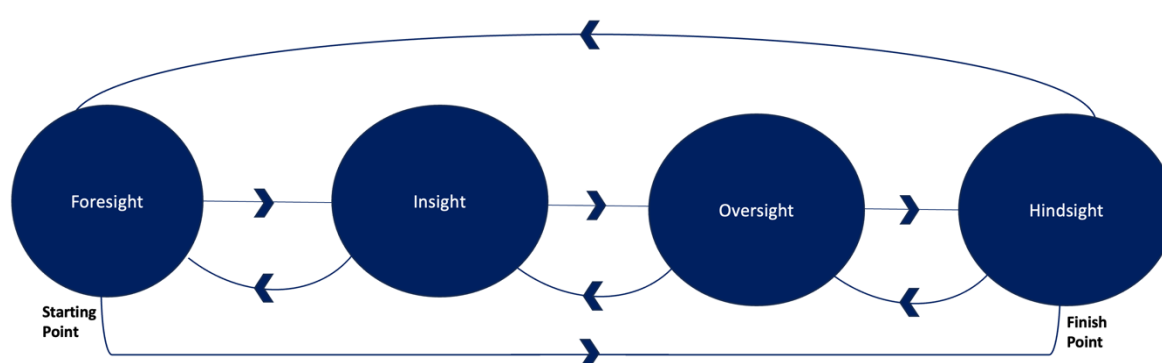


*Figure 8:4 Overview of the Four Sights*

Research literature on the combined four sights was limited. I found a single paper by (Amini, Salimi, Yousefinejad, Tarokh, & Haybatollahi, 2021), which mentioned hindsight, insight and foresight in a literal sense but with a different connotation and understanding. This paper focuses on risk within an agricultural insurance business and applied these three concepts as part of a quantitative study. This approach is very different to the Four Sights model and can therefore be discounted, meaning that the Four Sights model is unique.

### 8.3.1 Theorisation of the Risk Four Sight Model: Foresight

The Four Sights theoretical model begins with foresight. By definition, foresight is the "ability to judge correctly what is going to happen in the future" and counteract these risks "based on this knowledge" (Cambridge Dictionary, n.d.). "Foresight should provide insight into the impact of drivers on risk" (Riddell, van Delden, Maier, & Zecchina, 2020, p. 3).

Foresight is required at the beginning of each process within the separation planning phase and for problem-solving within the separation phase and comes into play before the teams have discussed and documented what it is that needs to be separated. Foresight also leads the exploration process. "Risk management is intrinsically connected to strategic foresight. It

offers a structured approach of how to proceed and how to decide which risks are so severe that they require precaution and action and which risks can be accepted" (Dehmer, Meyer-Nieberg, Mihelcic, Pickl, & Zsifkovits, 2015, p. 306).

"Foresight can be integrated into risk management procedures by allowing a broader consideration of the 'context' pertinent to the risk assessment" (Riddell, van Delden, Maier, & Zecchina, 2020, p. 3). The SMEs across each workstream, the Risk SMEs as well as the SMO draw upon foresight to anticipate where the risks lie, i.e., within which workstream (function), tool or process. From the literature, foresight is not something that is developed on its own, it comes from experience, "in short hindsight influences foresight" (MacKay & McKiernan, 2004, p. 163). Learned experiences inform foresight, and this is why an "experienced risk person, will know what to look for" (INV 27).

Fischhoff, (1975, p. 288) clarifies the difference between hindsight and foresight as "the information available to the observer".

Within "risk management there is growing use of the principles of foresight to inform strategic risk management – a process for identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios, that could inhibit an organisation's ability to achieve its strategy and strategic objectives" (Riddell, van Delden, Maier, & Zecchina, 2020, p. 2).

Foresight assumes that the teams have the knowledge to be able to search for the risks in the first instance. The model does not work, if there are only inexperienced actors within the programme. The model relies on knowledge and experience to know where to start looking for the risks. My point here is that in order for foresight to be effective there is an assumption of hindsight in the back of the minds of the actors searching for the risks. Their learned experiences will inform and guide them as to where to look.

In the paper written by Lindaas and Peterson, (2016, p. 1233), they liken the art of predictability to foresight. They refer to foresight as "imaginative prediction" and that "making a prediction amounts to making a statement expressing knowledge of what is to come". The paper highlights that "when relying on prediction, risk analysis is doomed to fail".

By only using predictability or in this instance, foresight, and neglecting the other sights, this would lead to a "mismatch between expectations" and "experiences, but the mismatch is so profound that it shocks us". Lindaas and Peterson, (2016, p.1234) explain that it is in this situation, that "problems start looming". However, there is a gap within Lindaas and

Peterson's, (2016, p.1238) paper, they do not explain how the predictions are formed, only that "predicting reflects our quest for knowledge" rather than the insight or hindsight from previous experiences and knowledge to have been able to predict those risks. I therefore argue that by using foresight to be able to source certain risks, based on hindsight as well as insight, serves as a better outcome for risk identification and 'remediation'.

This is why the additional three sights are important when searching and carrying out a risk analysis. It allows the actors within the programme to work in a dynamic way to identify and assess each risk through insight, oversight, and hindsight to inform them of the risks throughout the separation programme's life cycle. I place emphasis on the key word 'dynamic'. The Four Sights model is effective when used throughout the programme. By zooming in and out of various separation activities and consistently looking for risks, the possibility of finding more risks increases. Which is what the SMO, Risk SMEs and workstream leads encourage. The more risks the SMO and the programme are aware of, the better chance there is to reduce these risks turning into issues.

So which teams are responsible for foresight within the separation programme? Foresight is split between the workstream lead, assuming they are also the function lead within LSEG, it also sits within the SMO or general programme management (if the Four Sights model was to be used on a different risk management programme), this would be the Project Management Office (PMO), having the knowledge of the separation and knowing where the risks are likely to occur, but it also aligns to the Group Risk function, as they have the experience to know where to look for the risks. Each of these teams have the foresight to be able to develop the plan of work (the separation activities) and have the foresight to know where those risks will appear.

In conclusion, foresight is informed by hindsight. Foresight is at the beginning of the process but as the programme goes through a continuous loop, foresight is used to search for the risks in areas which are likely to be affected the most by the change as a result of the separation programme.

**8.3.2 Theorisation of the Risk Four Sight Model: Insight**

Insight is defined as "the ability to have a clear, deep, and sometimes sudden understanding of a complicated problem or situation" (Cambridge.org, n.d.).

Insights from risk assessments and mitigation efforts across operating business units, can inform the planning process with information about how the organisation may deal with emergent risks and opportunities.

So which teams are responsible for insight within the model? Insight can be sliced into different situations. Situation one: when the teams are drafting the plans during the planning phase and realise that some activities cannot happen because of high impact risks materialising from that separation activity.

Situation two: could be when the teams have implemented their separation plans, and they have found that new risks are now emerging.

Situation three: could be when the TSAs are already in motion and new risks have emerged. In all three of these situations, there will be various functions (or workstreams) that are able to provide insight to resolve these risks. Insight is linked to knowledge. The Group Risk team and SMO team also have insight as they are aware as to what is going on in the programme and their insight proves useful to reduce or mitigate risks arising. Foresight and insight differ on the premiss that there is an assumption that foresight already has some indication of the work to do and where the issues lie. Insight reflects that moment in time, whereby the separation teams are working together to resolve the risks identified and search for additional risks which may occur. Insight is gained from the work that is carried out in the separation programme and can also be pre-existing knowledge from workstreams, i.e. tax may have insight on an issue that will occur in the finance workstream. It could be argued that foresight informs insight.

Like foresight, insight comes from pre-existing knowledge and experience of those on the programme. The programme team may also rely on outside expertise (within the Group or a third party to part knowledge on a process, tool or policy and contribute to the development of those the plans) for example in the end user computing workstream within technology "the external service provider was responsible for developing the plans to do the migration" (INV 08).

Within the risk assessments carried out by the Risk SMEs, "insight can be gained on how to best inform the assessment process by including more relevant information related to exposure and vulnerability" (Riddell, van Delden, Maier, & Zecchina, 2020, p. 4). Insight identifies and looks at the drivers of the risks, where these occur and possible 'remediation' strategies.

Risk management does not just sit within the Group Risk team. It is a shared responsibility of workstream leads, programme managers and project managers. It includes those actively involved in the programme delivering the activities on the plan, these could be developers or

Subject Matter Experts (SMEs) (Gole & Hilger, 2008, p. 229), the Technological Risk SME, and Non-technological Risk SME, as well as the Risk Officers, Lawyers, Antitrust experts, SMO, as well as senior leaders within the company. Each person is accountable and responsible for finding the risks and communicating these to the wider teams. This is an inherent trait within the separation programme's actors.

All of the workstreams are interlinked, either on a one-to-one relationship or a one-to-many. Key activities within one workstream such as the finance team, may trigger a set of risks within HR. It is for the programme management leadership team (SMO) to understand all of the workstreams' key activities and how that activity could create potential risks for other workstreams within the separation programme.

In conclusion, insight is derived from experience, along with knowledge of the separation activities and the risks that could impact the separation programme and the wider Group. Insight spans the length of the programme from initiation to completion. Like foresight, risk insight orbits the programme on a continual basis.

### 8.3.3 Theorisation of the Risk Four Sight Model: Oversight and Implementation of the Three Lines of Defence

Oversight can be defined in two different ways, for the purposes of this model, it is defined as "systems or actions to control an activity and make sure that it is done correctly and legally" (Cambridge.Org, n.d.). Oversight within programme management implies there is a level of governance within the separation programme to oversee the delivery of the separation. Oversight in this exemplar refers to risk oversight. The Four Sights model requires that oversight is implemented across all levels of separation activity, including the planning process, within the workstreams and across the separation programme. In order to enforce the correct levels of oversight, the separation programme, implemented the Three Lines of Defence model as seen below in Fig. 8.5.
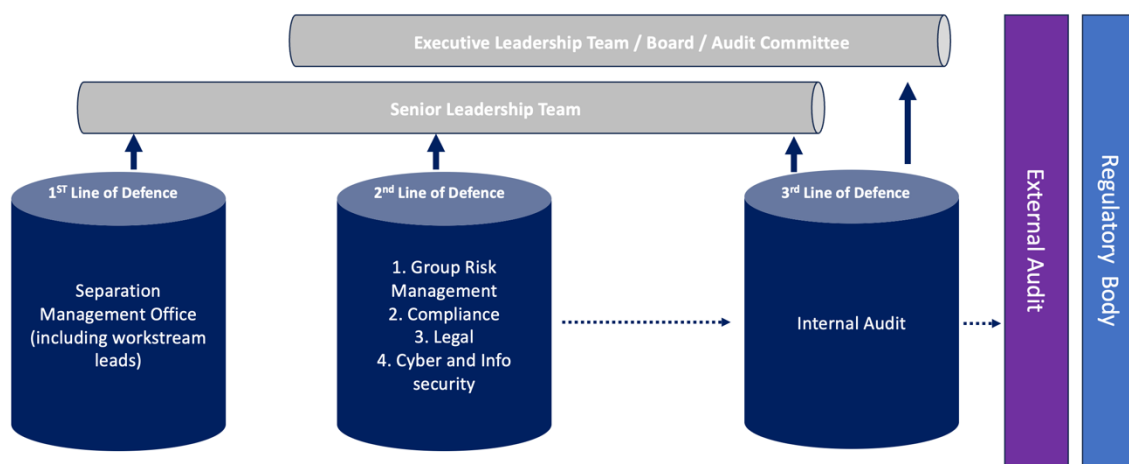
Source: Adapted from EC/FERMA Guidance on the 8th EU Company Law Directive, article 41 (IIA, 2013)

*Figure 8:5 Three Lines of Defence Model for Separation*

The Three Lines of Defence model (3LoD) is an 'oversight' framework. It allows for appropriate levels of oversight and governance at each level of the separation programme. This is referred to as "Integrated oversight" (INV 28) by the programme team. "The 3LoD could be seen as an organisational instrument to facilitate oversight within financial institutions" (Davies & Zhivitskaya, 2018). The risk team were "both assessing and monitoring. But then it was the integrated oversight, i.e. between where you would notice a risk that was more thematic, that could impact the wider organisation" (INV 28).

"Board risk committees should review the operation of the three lines of defence within their organisations to ensure appropriate oversight of risk management" (Davies & Zhivitskaya, 2018, p. 34).

Oversight is applicable at function level, with the programme lead for that workstream overseeing the work and ensuring activities are completed appropriately to not impact the Group or the separation programme. There is an additional layer of oversight above the workstreams via the SMO for the programme, which oversees the work for all the workstreams, as well as managing the programme risks. There are then an additional three layers of oversight which sit above the SMO; the board, the regulator and the Monitoring Trustee (MT). The UK regulator (FCA) is ensuring that the separation activity does not negatively impact the financial services sector, economy or create issues for the consumers of LSE's services. The board oversees the programme in its entirety ensuring the programme does not affect the wider Group, as well as investors using LSE's platform. In summary, both the FCA and the board have an obligation to ensure LSE's platform is not negatively impacted during the separation. The Monitoring Trustee (MT) "is appointed to act on behalf of the

European Commission" (INV 21), they oversee the implementation, ensure full compliance of the commitments, seek feedback on progress of the separation process and "monitor the implementation of the commitments" made to the European Commission (European Commission, 2021).

"Active risk management includes the assignment of mitigation responsibilities to appropriate project participants and the oversight of follow-through regarding every risk factor" (National Research Council (U.S.). , 2005).

So which teams are responsible for the oversight within the Four Sight model? Davies and Zhivitskaya's (2018) paper argue that it falls to the board. I propose a counter argument, that oversight falls to the various management levels within the separation programme, the programme director, programme manager, Group Risk as well as the workstream leads. By providing appropriate oversight at varying levels, any emerging risks are likely to be discovered and resolved or reduce material impact.

Oversight also includes monitoring and assessment of risks by the Risk SMEs, the SMO and the workstreams. As the programme moves through the separation life cycle, there is a continuous loop of monitoring and assessment of risks. As noted previously, the process applies to those risks which were already highlighted through the planning and testing of separation materials in the planning phase. It also applies to risks which emerge either by a change in strategy from the buyer or an unexpected, hidden risk within the programme in the separation phase.

This continuous loop of monitoring and assessing applies oversight to the risk searching practice and allows the separation programme to "remediate" or reduce the severity of the risks as soon as they become apparent.

In summary, oversight includes the adoption of the Three Lines of Defence model to oversee all separation activity within the programme. It ensures an appropriate level of governance and scrutiny to ensure the separation team are searching for risks and remediating them, which in turn reduces complications and detriment to the Borsa and LSE exchanges.

**8.3.4 Theorisation of the Risk Four Sight Model: Hindsight**

Hindsight is defined as "the ability to understand, after something has happened, why or how it was done and how it might have been done better" (Cambridge Org, n.d.).

As mentioned previously, hindsight informs foresight. There is limited research on how hindsight is important in risk management and in relation to the other sights. There is, however, a lot of literature on hindsight bias. "Hindsight bias occurs when people feel that they "knew it all along," that is, when they believe that an event is more predictable after it becomes known than it was before it became known" (Roese & Vohs, 2012, p. 411). One of the limitations that could be drawn from the Four Sights model, is the assumption that hindsight bias could impact the success of the model's effectiveness in practice as well as theory. Roese and Vohs's (2012, p.16) paper associates Hindsight Bias with over confidence, whereby there is an over exaggeration of "one's own ability to analyse situations".

With the above limitation in mind, the Four Sights model is effective because it does not solely rely on hindsight. The model relies on oversight to catch any gaps, insight to allow for knowledge and experience of the separation programme, with these combined, they ensure that hindsight is not the seldom sight when searching for risks.

### 8.3.5 How the Four Sights Model is Effective

The Four Sights model is only effective if all four parts work together, sometimes in tandem. It is a dynamic process, with the workstreams, separation management office, Risk SMEs and the Board zooming in and out of each variant. This model does not follow a linear pattern. It is possible to jump from one sight to another and back again.

### 8.3.6 Theorisation of Risks and how the Three Lines of Defence support these

The practice of searching and identifying risks as mentioned in Fig 8.2. begins with a level of theorisation. The risks are all theoretical until they are tested against LSEG's "divestment risk questionnaire based on the Group risk taxonomy" (INV 27). The theorisation process starts at the workstream level. The level of theory is either based on experience or knowledge of a particular process or tool that the company relies upon to operate. It is then for the Risk team to test the theory and understand whether the mitigation suggested is suitable to either eradicate the risk or reduce its materiality.

During the theorisation process, the actors identify risk objects. "Risk objects are the things that pose hazards, the sources of danger, the entities to which harmful consequences are conceptually attached" (Hilgartner, 1992, p. 41). During the theorisation process, it is for the actors involved to identify the causation of the risk.

In a key example, LSEG, post close, needed to implement a set of firewalls on the LSEG exchange as well as the Borsa exchange. The firewalls were identified as the 'risk object'. Implementation of the firewalls essentially meant "drawing an artificial line in the sand" (INV 17) to implement a technological barrier between Borsa and LSE. This created a 'divorce' between the networks which controlled the "traffic" going back and forth between LSEG and Borsa. When implementing the firewalls, the technology workstreams, the TMO, the SMO and the Technology Risk SME, searched for many risks, to ensure that a full understanding of what needed to be implemented and when as well as understanding areas which were 'likely' to cause problems. The Infrastructure and Cyber workstreams spent time during the testing weeks to test their plans and pre-empt any additional risks.

The Three Lines of Defence model was first imposed by the regulators to stave off future financial crashes, such as the 2008 financial crisis. It acts as a risk governance tool, to ensure all actors within a company are accountable and responsible for the risks that occur, either in a change programme or normal business activity. From the literature, the responsibility of searching and identifying risks falls to actors that sit within the "Three Lines of Defence" (Addae, Mota, & Moreira, 2023, p. 2).

Within the Three Lines of Defence framework, the first line actors are responsible for searching for the risks, and managing the oversight of them, the programme sponsor, the SMO, TMO and the workstreams acts as the First Line. Their responsibility is to "support risk considerations in operational decision-making" (Andersen, Sax, & Giannozzi, 2022, p. 2).

The Risk SMEs sit within the Second line of Defence. For the Three Lines of Defence model and the Four Sights model to be effective "an appropriate balance between staff with experience of the front-line and risk management experience is needed" (Davies & Zhivitskaya, 2018, p. 41).

The second line provides oversight of the risks. "Second line of defence practices, manage risk oversight for top management and the board" (Andersen, Sax, & Giannozzi, 2022, p. 2). "The second line being functions such as legal, regulatory, compliance and risk that are able to do two things; one, to independently assess and two, opine on the risk profile associated with activities within the first line" (INV 28).

The third line of defence is supported by the internal audit team. The audit team can access the RAID logs and internal Group Risk tool to view all the documented risks and issues (hindsight and oversight). As mentioned previously, the RAID log and the Group risk tool are

two separate tools used to manage the risks once they have been identified. The RAID log captures all the risks which were found during the planning and separation phases and affect the programme. The Group risk tool captures all the risks across the Group, including those which have been identified within the programme. These tools are continuously updated.

In summary, the "first line of defence and second line of defence practices, respectively support risk handling in frontline operations and risk oversight at the corporate level" (Andersen, Sax, & Giannozzi, 2022, p. 3). They produce "a comprehensive updated perspective across the full corporate risk portfolio from the second line of defence practices" and relay important insights to the board, (Andersen, Sax, & Giannozzi, 2022, p. 5).

One of the challenges within the programme as highlighted by INV26 is educating the workstream to search for and identify risks. "I was trying to get the project managers into the habit of raising risks, rather than issues, tell me about it when it's a risk, so we can prevent it being an issue."

Below is a theoretical conceptual model of the process involved to identify the risks.
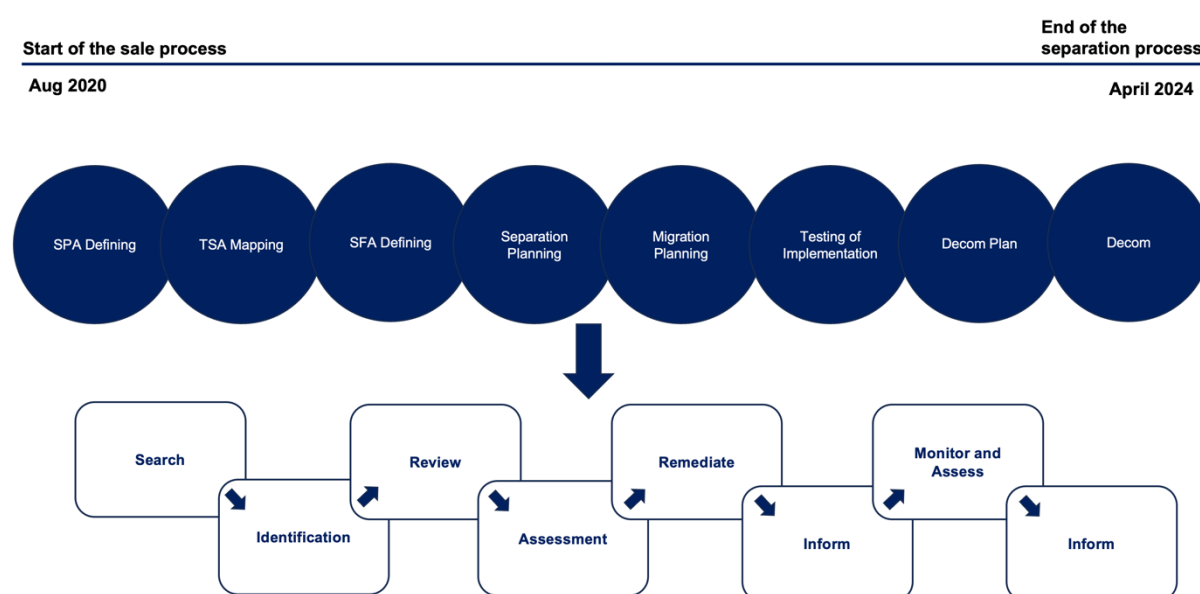


*Figure 8:6 Practice of Risk Theorisation and their emergence*

The items in the blue circles are key high-level activities the separation programme needs to do in order to achieve the separation. Throughout each activity, the workstreams, Risk SMEs and the SMO, go through the following process to identify risks. It starts with searching, identifying (and clarifying that it is a risk), reviewing, assessing, remediation, informing,

monitoring and assessing, then informing by communicating up the level as indicated in the Three Lines of Defence model.

In conclusion, this process in Fig 8.6. demonstrates that the identification of risks falls to various stakeholders within LSEG and specifically the separation programme. The list of risks goes through a series of reviews to establish whether all have been identified. This is on a continual loop. The aim of identifying the risks is to ensure that these do not progress and become issues.

## 8.4  Conclusion

According to Davies and Zhivitskaya, (2018, p. 39) "risk management becomes more of an oversight function, because it is policing whether the behaviour of the first line is in accordance with its frameworks and requirements, rather than actively confronting it". The Four Sights model demonstrates that risk management is not solely an oversight function, risk management involves foresight, insight and hindsight to be effective. Risk management is a shared responsibility ensuring each party within the separation programme is accountable. Perhaps the reason why the Four Sights were so effective within the programme, was because the model was designed to 'fit' the needs of the programme.

To conclude, the theorisation of searching for and identifying risks in relation to divestments and in particular separations has not yet been researched and discussed in academic literature. In this chapter I have provided an empirical analysis which gives a thorough overview of the separation programme's structure to searching for and capturing risks.

This empirical chapter gives an overview of the Four Sights Risk model, which contributes to the theoretical basis upon which risks are searched, found and remediated, by using foresight, insight, oversight and hindsight. For these Four Sights to work effectively, they need to work dynamically. Over time, the Four Sights will become more refined. Many studies have looked at strategic foresight and hindsight in relation to strategy and occasionally risk, but very few have looked at the Four Sights working together. I therefore call for further research into this area.

# 9. Discussion and Conclusion

## 9.1 Thesis Summary

My initial purpose for this research was to produce a case study which provided new insights in to divestitures and separations literature. My aim was to demonstrate and form the grounding for separation research. I have documented how the separation programme implemented different processes and techniques to complete the separation successfully, by carefully disentangling the interdependencies between the stock exchanges.

The additional findings chapters demonstrate challenges faced on the programme and how these were mitigated by assembling the right SMEs to make sense of the current environment, implementing coping mechanisms as well as utilising the four sights to search and identify risks.

## 9.2 Theoretical Contributions

In summary, my research is a single-use case study, which focuses on a separation as a result of the divestment of Borsa Italiana from LSEG. The divestment and separation's success is not dependent on the firm's share price but the operational viability.

This thesis makes three prominent theoretical contributions. The first addresses the importance of divestitures and separations and clarifies the distinction between the two. I provide a thick description of separation processes which include the purpose of a separation and its construct. Second, I provide a new contribution to the sensemaking and coping literature by discussing and developing insights around the importance of dynamic assembling as well as linking sensemaking, coping and dynamic assembling to the M&A literature on divestitures and separations. Third, I contribute to the risk management literature by linking separations to risk management and most importantly the development of the Four Sights whilst searching for and identifying risks.

From the research, it is clear that the actors within a separation, are enveloped in an "particularistic proposition", whereby each actor is part of the entire organisation. Each actor has a specific part to play in the unfolding of the separation practice and each actor contributes to the process of unbundling the organisations (Davis, 1971, p. 317). An organisation is made up of actors and their hierarchical structured implementation but also the "property" (Davis, 1971, p. 317) within those organisations, such as processes, policies, procedures, equipment,

legal entities, technological infrastructure, systems and physical sites or intangible sites that withhold data, such as the cloud. This is the same for all organisations.

Separations are often categorised as "general phenomenon's" (Davis, 1971, p. 318), which can be and need to be localised to the organisation that it pertains to. Whilst strategic planning is essential to all separations, it enables some level of stability within the programme, by trying to control the environment and the level of predictability of success, but most importantly, limit the severity and number of risks which may occur. In truth, separations are unstable, changing and evolving phenomena. The research shows that the only way to stabilise and assert some sort of control to the separation, is to encourage 'risk management', dynamic assembling, sensemaking and coping behaviours, so that each of the actors within the programme, look for and address the changes in the programme to reduce emerging risks.

The events unfolding within an organisation, all correlate, i.e. that they are interdependent on another (Davis, 1971, p. 322). A series of actions and decisions, in one workstream or business area, affect alternate areas of the business, especially during the separation.

## 9.2.1 Separation in Context

With this a substantial contribution has been made to the separation literature, and this research thesis should form the basis for future research.

Within this thesis I have defined the separation process, which details key timelines and stages such as when the separation process is initiated and when the divestment stage completes. Each of the separation plans have been detailed with an explanation assigned to each. The definition of a workstream has been included, as well as the importance and role of the procurement function within a separation. For the first time, a definition of a forward and reverse TSA has been added to the literature, as well as the governance process and additional key documents such as the SFA. Lastly, I have provided a purpose of the separation which its primary goal is to ensure the divested and separated entity is operationally independent post close and during the separation process whilst it transitioned over to the buyer.

## 9.2.2 Dynamically Assembling, Collective Sensemaking and Coping

Within the sensemaking and coping literature there were two blind spots. The first was in relation to dynamic assembling. Dynamic assembling is the pre-concept to collective sensemaking and collective coping. It includes three key themes, selecting, negotiating and coordinating. Within the literature, there is an assumption that the members required for sensemaking have already been assembled, there is no discussion or mention of bringing together the SMEs, to negotiate for their time as well as coordinate their inputs in order to sense make. In addition to the contribution to sensemaking and coping literature, this has also been contributed to the separation literature.

The second contribution provided an additional interpretation to coping. The initial definition discusses coping as a way to deal with and accept. This additional definition looks at a way to resolve these risks and issues.

### 9.2.3 The Four Sights

This research provided new insights and a theoretical model to risk management literature by using four sights to construct a new way of using foresight, insight, oversight and hindsight to search for, identify and critically assess new risks appearing on the separation programme. The Four Sights model also highlights the risk management process within the separation programme.

## 9.3 Conclusion

In conclusion this case study made three significant contributions to research.

The first contribution was to the world of M&A, divestitures and in particular, separations, by detailing the separation processes, as well as linking the practice of risk management, dynamic assembling, sensemaking and coping to separation.

Second, this research contributed to the sensemaking and coping literature by adding a new lens which considers dynamic assembling to be an essential construct in bringing together the various SMEs across the business and externally to make sense of and cope with the events that occur. There is also an additional contribution to the definition of coping.

And thirdly, this research also contributed to the risk management literature and added a new theoretical concept which allows risk management specialists to assess risks actively and dynamically by applying the Four Sights.

## 9.4 Research Limitations

As most researchers are aware, one must make best of the situation to produce high quality research.

Processual research, especially using grounded theory suffers from much scrutiny. "The strategy process perspective is not without its limitations and criticisms. Researchers such as Pettigrew acknowledge that qualitative research, particularly when it lacks explicitness of a theory of method, can be vulnerable to having the reliability and validity of its knowledge base challenged" Pettigrew, (1997) in (Chia & MacKay, 2007, p. 221). To explain further Whittington "contends that the main focus of processual research continues to be the whole organisation and not enough is said about the 'unheroic work of ordinary strategic practitioners in their day-to-day routines'" (Whittington, 1996, p. 734); (Chia & MacKay, 2007, p. 221), with this in mind, my aim of the research was to focus and bring to light every workstream's contribution to the separation, without which the separation would be unsuccessful as some element would be likely to fall over and hinder the divested entity's operational capability.  One of the challenges I faced when building theory from the vast amounts of rich data I collected, was to ensure that the theory still allowed for "simplicity of overall perspective", the aim was to avoid building theory which is "narrow and idiosyncratic" (Eisenhardt, 1989, p. 547).

To avoid the above pitfalls, the aspiration for my theoretical approach is to follow Pfeffer's, (1982) test for good theory, by ensuring the theory is "parsimonious, testable and logically coherent".

I note two key limitations.

The first key limitation to note is that the separation programme completed in April 2024. My contract with LSEG was to oversee and programme manage the success of the separation between LSE and Borsa.
I was working on the separation programme at LSEG for fourteen months from April 2021 until the end of May 2022. Therefore, I was not party to the same level of detail and interactions whilst I was involved in the programme. In order to mitigate this, I was able to reach out to LSEG to request updates relating to the progress of the TSAs as well as carry out any

substantial enquiries to mitigate any concerns affecting important milestones being missed and I was able to use follow up interviews for any queries. Nevertheless, I am confident that the emergent theoretical insights documented in this thesis, captured a true reflection of what happened on the separation programme.

The second limitation arose whilst carrying out the literature review. Research in relation to existing theory on M&A and divestitures, only focused specifically on M&A and their subsequent integrations. There were limited papers researching the practice of separation and all of the essential components which are required in order to carry out a separation of two businesses (Gole & Hilger, 2008). There was a concern that by being the first, my research would not be taken seriously and subject to undue scrutiny.

Applying Lincoln and Guba's (1985) rigorous set of four key criteria for trustworthiness, I ensured that this research was credible, transferable, dependable and confirmable.
All qualitative inductive based theory research involves trade-offs and the method I applied was best suited to the research question and the state of knowledge.

## 9.5 Future Research Considerations

This research has triggered many avenues for further investigation. Within the finding's separation context chapter, I highlighted many new separation terms, processes and developed new strategic models which could be utilised within academic and professional strategic management literature. This chapter forms the basis for future academics to build upon.

Within the Findings chapter dynamic assembling, sensemaking and coping, I discussed how the separation programme team used various coping strategies to resolve the unprecedented macro-economic issues which were occurring. Additional research could focus on capturing and understanding additional macro-economic and internal challenges and attempting to understand whether new events have occurred or whether the same events keep repeating. That data may inform future separations and highlight key events which should be considered during the planning stages of the separation.

Within the Findings chapter the Four Sights, I identified, developed and drew upon a new theoretical model which focuses on four sights when searching for risks. Further research would be useful, particularly on the implementation of the Four Sights model for other

separation programmes as well as large risk programmes, outside of M&A to test transferability. The Four Sights model could be utilised for strategic management purposes within academia to test whether the four sights were applied within a risk management context. In addition, it would also prove fruitful to track the progress of Borsa Italiana over a period of five years to understand whether any issues may arise and to see if these can be directly attributed to the separation.

As mentioned in the introduction the sequence in this case study is to divest then separate the business. It would prove useful to study firms which are able to apply a different separation strategy, such as separating the business and its assets by transferring these to a new entity (Hive Down) prior to the divestment.

Future research should look at separations in different sectors to see if the same separation principles noted in the separation as context chapter can be applied, especially in relation to the Four Sights and dynamically assembling, sensemaking and coping strategies.

## 9.6 Personal Reflections

Lastly, I detail my personal reflections on this research process and production of a single-use case inductive theory building case study.

Much has been written about analysing qualitative data within a single-use case study (Strauss & Corbin, 1998; Yin, 2009; Pettigrew, 1997; Miles & Huberman, 1984). I have separated my personal reflections in to three groups, the first being about the literature, the second about capturing the data from the separation using interviews, participant observations and document analysis and the third discusses the process of managing the DBA.

Whilst doing my literature review research, I was astounded to find that there was such limited content on divestitures, and more specifically separations (Gole & Hilger, 2008), especially as "the number of divestiture transactions represents a surprisingly large percentage of all mergers and acquisitions" (Gole & Hilger, 2008, p. xi).

Due to the abundant amount of data I obtained, the most significant challenge I faced was how to select which story to tell. I used my research data to draw concepts and new themes. When I went back to complete additional research, I realised how challenging it was to find literature on the same themes that had come from my data. I had assumed that it would be

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straight forward to find the same concepts but realised that other academics assigned ostentatious terms to concepts that I had also discovered. The single-use case study (Yin, 2009) on the separation of LSE and Borsa enabled me to take a step back and look at the separation in a different context. I re-listened to recordings and read my notes from meetings to test what my perceptions were from 'in the moment' compared to a year later after I had left the programme. By taking this approach, I was able to see things in a new light and was able to catch new themes that I had not picked up on previously. My research process was 'richer' by adopting this approach.

I was given a unique opportunity to work within a high-profile divestment and separation of the Italian stock exchange, something that I am very grateful for. Whilst I was in my first year of the DBA programme, I was simultaneously attending lectures, completing exams, beginning the research process, and carrying out the role of separation programme manager for LSEG.

To manage the numerous amounts of tasks, I found that one of the most important ways to manage the DBA in its entirety was to have good organisational skills. I made several trackers using Microsoft Excel. These covered tracking which interviews were complete and the dates these were carried out. As well as other trackers which formed the basis of a 'to do' list, including a complete DBA plan, which included submissions for DBA programme coursework, as well as reading various papers, and admin such as supervisory forms and annual reports.

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# 11. Appendices

## 11.1 Interview Participant Form

**Aston University**

**Expenses and payments**

N/A

**Who is organising this study and acting as data controller for the study?**

Samantha French and Aston University are organising this study and acting as data controller for the study.

**Who has reviewed the study?**

This study was given approval by LSEG's COO and General Counsel as well as Aston University.

**What if I have a concern about my participation in the study?**

If you have any concerns about your participation in this study, please speak to the research team and they will do their best to answer your questions. Contact details can be found below.

If the research team are unable to address your concerns or you wish to make a complaint about how the study is being conducted you should contact the Aston University Research Integrity Office at research_governance@aston.ac.uk or telephone 0121 204 3000.

**Contact information for Research Team**

**Samantha French:** Samantha.french@lseg.com or

sam.french@virtualservicescompany.com

You can also contact Samantha French's supervisor: Christos Ioannidis

E-mail: c.ioannidis@aston.ac.uk

### 3. GDPR

Aston University takes its obligations under data and privacy law seriously and complies with the General Data Protection Regulation ("GDPR") and the Data Protection Act 2018 ("DPA").

Aston University is the sponsor for this study based in the United Kingdom. We will be using information from you in order to undertake this study. Aston University will process your personal data in order to register you as a participant and to manage your participation in the study. It will process your personal data on the grounds that it is necessary for the performance of a task carried out in the public interest (GDPR Article 6(1)(e). Aston University will process this data on the grounds that it is necessary for statistical or research purposes (GDPR Article 9(2)(j)).

Aston University will keep identifiable information about you for 6 years after the study has finished.

Your rights to access, change or move your information are limited, as we need to manage your information in specific ways in order for the research to be reliable and accurate. If you withdraw from the study, we will keep the information about you that we have already obtained. To safeguard your rights, we will use the minimum personally identifiable information possible.

You can find out more about how we use your information at www.aston.ac.uk/dataprotection or by contacting our Data Protection Officer at dp_officer@aston.ac.uk.

If you wish to raise a complaint on how we have handled your personal data, you can contact our Data Protection Officer who will investigate the matter. If you are not satisfied with our response or believe we are processing your personal data in a way that is not lawful you can complain to the Information Commissioner's Office (ICO).

This information will not identify you and will not be combined with other information in a way that could identify you. The information will only be used for the purpose of research, and cannot be used to contact you.

**Aston University**

**Project Title: How to divest successfully, in the case study of LSEG and its divestment of the Borsa Italiana Group**

### 4. Participant Consent Form

**Name of Chief Investigator: Samantha French**

Please initial boxes

| | | |
|---|---|---|
| 1. | I confirm that I have read and understand the Participant Information Sheet for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily. | |
| 2. | I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason and without my legal rights being affected. | |
| 3. | I agree to my personal data and data relating to me collected during the study being processed as described in the Participant Information Sheet. | |
| 4. | I understand that if during the study I tell the research team something that causes them to have concerns in relation to my health and/or welfare they may need to breach my confidentiality. | |
| 5. | I agree to my interview (s) being audio recorded and anonymised direct quotes from me being used in publications resulting from the study. | |
| 6. | I agree to the focus group being audio recorded and to anonymised direct quotes from me being used in publications resulting from the study. | |
| 7. | I agree to my anonymised data being used by research teams for future research. | |
| 8. | I agree to my personal data being processed for the purposes of inviting me to participate in future research projects. I understand that I may opt out of receiving these invitations at any time. | |
| 9. | You agree to your name being added to the Acknowledgements section of the Thesis which will be published in the British Library. | |
| 10. | I agree to take part in this study. | |
| 11. | I agree to my data being kept for up to 6 years after the study has finished. | |

_____   _____   _____
**Name of participant**       **Date**              **Signature**

**Samantha French**          _____   _____
Person receiving Consent       **Date**             **Signature**

## 11.2 Interview Question- Coding

| Interview Template Coding Structure | | |
|---|---|---|
| **Code** | **Meaning** | **Workstreams** |
| G: 1,2,3 | Generic Question | All |
| OSS: 1,2,3,4 | Operational | All (including Insurance) |
| RA: 1,2,3, 4 | Regulatory Approval | Anti-Trust, Risk, Legal, Compliance, |
| S:1,2, 3, 4 | Strategy | Corporate Development Team and remainder workstreams |
| T: 1,2,3 | Technological | Corporate Technology, Infrastructure, Cyber, Capital Markets |
| F: 1,2,3 | Financial | M&A Strategy, Procurement, Finance, SMO |
| P: 1,2,3,4 | Programme Management | All |

## 11.3 Research Methodology Overview

| Dates | Aston University |
|---|---|
| Interviews | 62 interviews. These are interviews which were directly involved in the strategy making of the separation. Questions relate to a theme. Interviews were semi-structured with an informal theme to put the interviewee at ease. The interviews were carried out during the separation and after the separation planning for them to reflect and give a view on all the events that took place |
| Participant observation | Daily meetings<br>Formal weekly governance meetings with acquirer<br>Formal weekly governance meetings with acquirer's leadership team<br>Informal weekly programme meetings<br>Informal team meetings<br>Workshops |
| Field Notes | Descriptions, phrases, quotes |
| Documents | Legal frameworks<br>Formal presentations<br>Excel trackers of key risks and issues<br>Separation plans<br>Project charters<br>Emails<br>Post observations via email to programme director |

## 11.4 Inductive Theory Building Design

| Qualitative Method |
| --- |
| Interviews (Internal and External) |
| Participant Observation and Active Participation |
| Document Review |

**The Separation Process**

**1. Strategic Planning:** Unbundling of processes, people, systems and interdependencies

- Perimeter definition – The What- – Logical vs Physical separation.
- Separation Process – How
- Identification of the Strategy makers: The Programme Team
- Separation Discourse
- Strategic coordination
- Production of key documentation
- Accountability and responsibility assessments
- Identification of people, processes and Systems
- Unbundling of workstreams in the business
- Record and analysis of Risks and Issues
- Separation reporting
- Blueprint creation

**2. Dynamically Assembling, Sensemaking, Coping**

- Identification and summarisation of key events
- Management of complex events

**3. Risk Management**

- Identification of Risks and Issues
- Record and analysis of Risks and Issues

## 11.5 Inductive Theory Building

| Qualitative Method | Pro | Con | Mitigation |
| --- | --- | --- | --- |
| Ethnography | Start with collecting the data "without a predetermined set of analytic categories and focus more narrowly as the study proceeds" (Locke, 2001, p18) with this approach, I can start and then develop the theory as I move along the separation process. Use the information I have to develop the 1:1 interview questions. | Lots of notes, some information will be contradictory as decisions have changed. Large set of data may be overwhelming to know which themes are the most important. | As decisions will change, it's important to track when the decision was originally made, when it changed and why. Deploy a grading to each theme, to see which themes occur the most frequently. |
| 1:1 Interviews - Semi Structured Interviews | As an internal researcher that has been working with the team for 14 months, Positive relationships should already be established. Assumption is a better response rate to permission to be interviewed as well as permission to follow up with questions which can be clarified and more detail sought. | Preparing for the interview takes time. Especially obtaining signoff from the participants, preparing the interview guide and devising the questions. Transcribing the interviews correctly will take an estimated 3 hours per participant. These must be correct so that it does not skew the data. There is a possibility that some participants may unintentionally give false information in the interview. Some interviewees may not have the right information. Validation will be required. | Build a good rapport with the individual to seek the most information from them. Reaffirm confidentiality. Highlight information which may be incorrect in the notes taken. Validate and ask the same question again with other participants. Make a list of the individuals that are able to answer the questions with the level of detail required. Do a pilot run of 5 participants to test validity of Research design. |
| Participant Observation and active participation: In person | Can obtain the data as it occurs at the time of the event. Allows the research to record data that the participants may dismiss as irrelevant and therefore not disclose. Can observe social cues. | Can be draining with the number of meetings and the notes which need to be taken. | Depends on the company's working model and whether the UK will go back in to lockdown. Notes will need to be organised and in a structured format. As soon as a session has taken place, upload the recording to Otter.ai to transcribe. Allow time to review the transcript and then upload Nvivo and start to segment and categorise the data. More themes may appear. |
| Participant Observation and active participation: Internet-based | | Less interactive - unlikely to see thought processes activity take place and some reactions if off camera. Unlikely to pick up on social norms between some of the team members compared to an in person meeting. | |
| Document Review | The documentation will provide an overview of LSEG's policies and procedures, team structures, and governance protocol for the separation. A tangible piece of information categorised at a point in time adds further clarity to progress of the separation. | Could be large documents which are thousands of pages long. Will be time consuming to read. Some legal documents may be difficult to interpret. There could be errors within the documentation. | Seek approval from Legal and the board to review any sensitive information. Disclose and keep a log of which documents have been read. Categorise which documents are private to LSEG and publicly available. Link the documents back to the Mind map and look for additional themes. Cross reference each document to check for consistencies and validate information. |
| Grounded Theory | Application of inductive reasoning from the above research methods to produce a naturalistic study | | |