

**EMPLOYEE LEVEL DYNAMICS WITHIN A MERGER OR ACQUISITION
THE “ME-I” THEORY OF ORGANIZATION CONSOLIDATIONS;
AVOIDING MERGER-ENCOURAGED-INDIVIDUALISM**

By

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ABSTRACT

With the employee as the unit of analysis while studying mergers and acquisitions, our results suggested for merger consolidations, perceived organization support (POS) and identification with the new merged organization partially mediated the relationship between procedural justice and job satisfaction. Identity with the new organization fully mediated the relationship between cultural discontinuity and job satisfaction. For acquisition consolidations, we suggest identification with the new organization partially mediated the relationship between procedural justice and organization citizenship behavior (OCB). Further, POS fully mediated the relationships between procedural justice and job satisfaction and between trust in management and job satisfaction. Lastly, identification with the new organization fully mediated the relationship between trust in management and OCB.

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“When Chicago based Tribune Company acquired Times Mirror six years ago, it was more than \$8 billion fusion of two media companies. The merger also threw together two competing and incompatible cultures, each rooted in the traditions of their respective flagship newspapers, the Chicago Tribune and the Los Angeles Times. ‘It’s a tragic, bad marriage,’ L.A. Times editor Dean Baquet has told colleagues. Mr. Baquet’s own tenure was cut short amid the infighting and his last day is today.” –

*Wall Street Journal front-page story
November 10, 2006*

Mergers and acquisitions (M/A) have provided organizations synergistic opportunities for market share improvements, technological advancements and economies of scope through vertical integration (Kennedy, Payne & Whitehead, 2002; Lindgren, 1982 and Haspeslagh & Jeminson 1991). They have also provided employees with rewards and benefits including skills attainment, expanded market knowledge and career opportunities (Laamanen, 1997 and Leroy & Ramanantsoa 1997). Despite these potential positive outcomes, mergers have been fraught with problems and value destruction. The value of global mergers for 2006 is expected to be approximately \$3.8 trillion, beating the previous high of \$3.33 trillion in 2000 (Reuters, 2006). Despite these enormous sums of money to consolidate these businesses, approximately 70% of these ventures fail (Perry and Herd 2004). Referencing studies by academics, consulting firms, and the business press, DeCamara and Renjen (2004) confirmed that mergers are “just as likely to destroy value as to create shareholder value.” A.T Kearney, tracking mergers over the last 10 years, found that two years after merger agreements were finalized, nearly 50 percent of the largest mergers and acquisitions had lower total shareholder returns than their industry peers (Lebedow, 1999).

Why do mergers and acquisitions fail so often despite their promise of positive outcomes? Extant literature has examined a wide variety of issues (Lubatkin, 1987; Jeminson

& Sitkin, 1986) but much of the attention has been focused on cultural conflict between two combining organizations that hinders or destroys the acculturation process (Marks & Mirvis, 1992, 1997; Weber & Schweiger, 1992; Cartwright & Cooper, 1993 and Larsson, 1993). “Acculturation” is the outcome of a process in which beliefs, attitudes and values of two organizations previously independent emerge to form a unified culture. “Not surprising, achieving acculturation represents a major challenge to firms” (Larsson & Lubatkin, 2000). Employees may resist this acculturation effort choosing to adopt an individualist role or remain independent of the consolidating firms. Wide-spread resistance has often been referred to as “culture clash” which has been shown to have such consequences as lower commitment, reduced cooperation and turnover (Sales & Mirvis, 1984; Buono, Bowditch & Lewis, 1985) and a deterioration of operating performance (Weber, 1996; Very, Lubatkin, Calori & Veiga, 1997).

Employee response to a M/A due to cultural differences has been central to a number of studies (e.g. Albert and Whetten, 1985; Ashforth and Mael, 1989; Dutton, Dukerich and Harquail, 1994). Other studies have focused on how employees identify with one merger partner’s culture over another (Buono & Bowditch, 1989; Greenwood, Hinings & Brown, 1994; Fried, Tieg, Naughton & Ashforth, 1996). Buono and Bowditch (1989) found that negative employee reactions to a merger or acquisition may lead to lower levels of job security, satisfaction and less favorable attitudes toward management. Fulmer and Gilkey (1988) noted that employees faced with uncertainty will redirect their energy toward coping with anxiety and confusion, negatively impacting productivity.

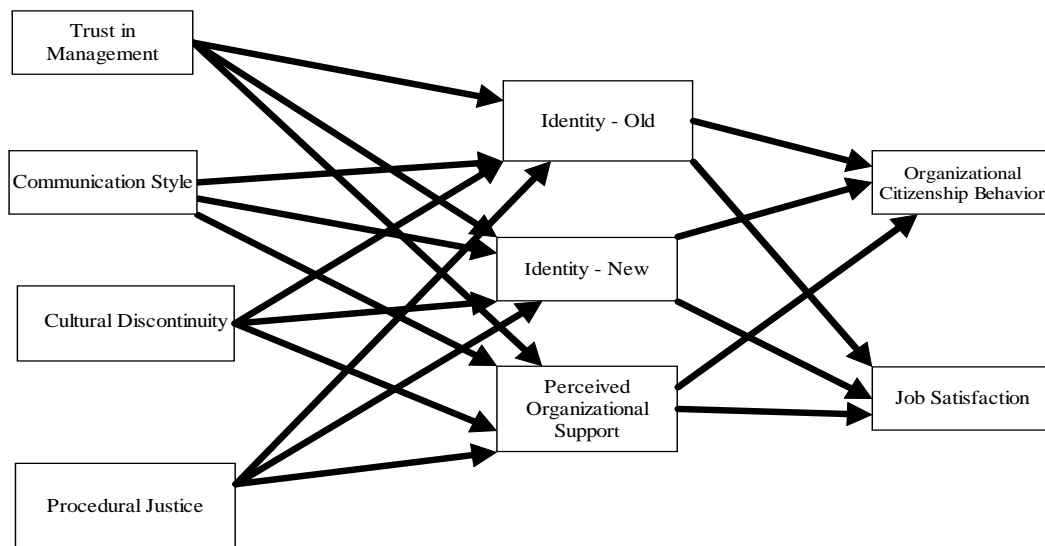
Scholars have conducted research on various aspects of cultural discontinuity, communication, identity and organizational citizenship behaviors within a merger or

acquisition environment. However, extant literature appears to lack exploration of the causal links between all four constructs nor an examination of how management may prevent individualistic employee behaviors during acculturation activities. In striving to understand at the employee level, determinants of merger (or acquisition) encouraged individualism; we examined the effects of communication channels, procedural justice, trust in management and cultural discontinuity on an employee's identity and perceived organizational support. Of further interest was how this identity and perceived organizational support affected employee job satisfaction and organization citizenship behaviors.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS

The conceptual model guiding this research draws from the broad management and psychology literature and is depicted in Figure 1. We begin our discussion by conceptualizing employee behaviors and job satisfaction in general within an organization while narrowing toward an organizational event such as a merger or acquisition. Once within that domain, we proceed to propose mediating and direct effects on such.

FIGURE 1
Research Model



Organizational Citizenship Behavior

Organizational Citizenship Behavior (OCB) is defined as “a discretionary nature that is not part of employee’s formal (role) requirements, but nevertheless promotes effective functioning of the organization” (Podsakoff, MacKenzie, Moorman & Fetter, 1990: 115). The underlying construct consists of 5 types of citizenship behaviors: altruism, conscientiousness, sportsmanship, courtesy and civic virtue (Organ , 1988). Within a merger or acquisition, employees assume additional responsibilities due to acculturation tasks. “Researchers have reported the extreme difficulty in managing large scale organizational change and its traumatic impacts on employees such as layoffs, turnover, stress and illness” (Seo & Hill, 2005: 423). Due to this degree of organizational trauma, high levels of organizational citizenship behaviors (or “extra role behaviors”) are necessary during the acculturation period. “Extra role activities carried out on behalf of the organization play a major influence in an organization’s success” (Eisenberger, Fasolo & Davis-LaMastro, 1990: 52). Employees charged with M/A integration tasks often face extra work demands and concerns about financial security, loss of managerial control, declining levels of job satisfaction, geographic relocation, feelings of alienation, lack of co-worker trust and concerns of organizational fit (Jeminson & Sitkin, 1986). However, affirmative employee behaviors from this group are necessary to produce positive organizational outcomes. Considering this, strengthened levels of OCB may provide improved outcomes for organization consolidations.

Job Satisfaction

Job satisfaction has been defined as the level to which a person or employee has a positive affective attitude or orientation toward their job. These feelings have been directed

toward the job in general or toward facets of it. (Smith, Kendall & Hulin, 1969). Sekaran (1989) operationalized job satisfaction as an index of the affective responses of employees to the work setting. These affective responses have been of keen interest to managers and administrators for decades. McCue (1999) suggested that job satisfaction is an important theoretical and practical concept because it may affect the ability of the employee to deal with job demands successfully and perform effectively. Due to the heavy demands placed on employees engaged in M/A integration, job satisfaction may be helpful in sustaining positive employee performance during a period at which the organization could be vulnerable.

At the organization level, low job satisfaction has been linked to increased absenteeism, job turnover, decreased task performance and declining employee morale (Mathieu & Hamel, 1989; Petty, McGee & Cavender, 1984). Any of these negative outcomes has the capacity to seriously undermine an M/A acculturation effort. Sekaran (1989) found that job satisfaction had several predicted correlates, of them absenteeism and turnover which could be damaging to an M/A integration. Bateman (1977) and Bhagat (1982) found that organization environments rich in employee communication and include employees in decision making are significant predictors of job satisfaction. Bluedorn (1982), among other researchers, found that job satisfaction lead to greater organizational commitment. Michaels and Spector (1982) supported the causal order of job satisfaction leading to organization commitment. Commitment to the M/A undertaking and organizational thus appear to be critical elements for successful acculturation and integration.

Employee Identity

According to Tajfel and Turner (1985) interpretation of social identity theory, people self classify into various social categories. It was posited by Mael and Ashforth (1992) that

organizational identification is a form of social identity. Organizational identification is defined as “a feeling of oneness with a defined aggregate of persons, involving the perceived experience of its successes and failures” (Mael & Tetrick, 1992: 814). Organizational identification then is the process of accepting as one’s own the identity of the organization. Organizational membership occurs when individuals define themselves in terms of the organization for which they hold membership. (i.e. “I bleed Fed X Orange and Purple”). This identity is a powerful definer of the person. “To varying degrees, people derive part of their identity and sense of self from the organizations or work groups to which they belong. Indeed, for many people their professional and/or organizational identity may be more pervasive and important than ascribed identities based on gender, race, age, ethnicity or nationality” (Hogg & Terry, 2000: 121).

The research on identity within the merger and acquisition arena focuses on organizational identity as a result of the change. Abratt (1989), Balmer (1995 & 1998), Gray & Balmer (1998) and Van Riel & Balmer (1997) viewed corporate identity as those attributes which make an organization distinct or unique. Typically, corporate identity is best envisioned through a multi-disciplinary lens. Therefore it embraces a number of management disciplines including corporate communications, corporate image and reputation, corporate strategy and organizational structure. Rousseau (1998) posited that a change produced by a merger or acquisition could seriously challenge an employee’s identification due to the disturbance of cognitive alignments and emotional attachments to one of the two consolidating businesses. Schweiger and Ivancevich (1987) study of acquisitions found that employees described feelings of loss of identity and purpose as a result of the business consolidation. “Several identities can be impacted during the M&A process, including

organizational identity, professional identity and work group identity” (Seo & Hill, 2005: 427)

Therefore, the prudent management of organization identity may provide for improved success during M/A integration. In many mergers or acquisitions, identity is disrupted. “To address loss of identity concerns during M&A, researchers have suggested that it is important to assess how strongly employees are attached to existing identities” (Terry & O’Brien, 2001: 275). Braham (1987) suggests that to the erosion of loyalty due to mergers and takeovers require that management seriously consider organization identity during the M/A process. Directionally speaking, employees must migrate from an old identity to a new identity which includes cognitive and emotional separation from the company of origin in a merger or acquisition and alignment of self with the new organizational reality (Weick, 1995; Weick & Quinn, 1999). “Research on organizational mergers has shown, for instance, that the success of a merger depends partly on the extent to which employees let go of their pre-merger identity “(Haunschild et al., 1994: 1157).

Organization identity can have a direct impact on organizational citizenship behavior. “The perception of being valued and cared about by the organization would encourage the incorporation of organizational membership and role status into the employee’s self identity and thereby increase the prosocial acts carried out on behalf of the organization” (Eisenberger et al, 1990: 52). Dutton et al., (1994) and Mael and Ashforth (1995) suggest that organizational identification has attitude and behavior consequences which make it congruent with identity producing employees that think and feel protectively toward the organization. “Moreover, members that identify with an organization may be more likely to remain with the organization and to expend effort on behalf of the organization” (Dutton et al, 1994: 252).

In addition, organization identification has been seen to affect job satisfaction. “Thus, through identification, ‘the job’ becomes in a sense part of the self...it may be expected to add to feelings of job satisfaction” (Beggan, 1992: 231). Bachman (1993) and Terry (2001) suggest that research on mergers and acquisitions demonstrates that identification with the post-merger organization is related to high job satisfaction, more extra-role behavior and lower turnover and absenteeism.

Brewer and Gardner (1996) suggested that individuals may adopt one of three identity orientations - with the new (merged) organization, the pre-merger sub unit or adopt an individualist identity. The fundamental difference in the three is how the focal person defines him/herself. “Defining self as a unique individual reflects a personal identity orientation” (Flynn, 2005: 742). Further, defining the self as a member of a relationship reflects a relational (or group) identity and defining the self as a member of a social group reflects a collective identity orientation, which may correspond to an organization. In individualism, the self is construed as independent; a unique entity whose behavior is organized by reference to the individual’s own thoughts, feelings and action rather than by reference to others (Markus & Kitayama, 1991). Hence those that adopt an individualists (or self) role are less likely to engage in favorable behaviors or commitments toward the organization. The identities not associated entirely with self concern one of the two consolidating businesses. “In this context, it is fruitful to distinguish between at least two foci of identification, that is (1) identification with the pre-merger sub-unit...(2) identification with the new, larger organization post merger..” (van Dick, Wagner & Lemmer, 2004: 124). Employees make choices of identifying between the company or origin or the new combined organization. “Employees who are more identified with either the pre-merger subunit or the post merger

larger organization will be more satisfied with their jobs...and will show extra role behavior to a greater extent” (van Dick et al. 2004: 133).

Therefore the powerful phenomena of identifying with the organization can assume three forms (individualism, pre-consolidation company or post consolidation organization) that allow us to offer the following hypotheses.

Hypothesis 1 – Employees identifying with the new consolidated organization will exhibit high levels of OCB.

Hypothesis 2 - Employees identifying with the new consolidated organization will high levels of job satisfaction.

Perceived Organizational Support

Perceived Organizational Support (POS) conveys the quality of the relationship between the employee and organization by measuring the depth to which employees believe their organization cares about their welfare and value their contribution (Eisenberger, Huntington, Hutchinson & Sowa, 1986). Setton, Bennet and Liden (1996) found that if organizations treat their employees well and value their efforts, employees will recompense by devoting greater effort toward helping the organization achieve its goals. This perception is generated by the personification of the organization by the employees when they attribute humanlike characteristics to it (Stinglhamber & Vandenberghe, 2003).

Many studies have found POS to be an effective mediator. Rhoades, Eisenberger & Armeli (2001) found that POS mediated the role between job conditions and affective organizational commitment. Another found POS mediated an individual’s judgment of managerial justice (procedural justice) and attitudes (Manogram, Stauffer & Conlon 1994; Moorman, Blakely & Niehoff, 1998). Narrowing toward our research model, Rhoades and Eisenberger (2002) found three major predictors of POS; organizational rewards and working

conditions, support from supervisors and procedural justice. Similar to our model, Moorman et al., (1998) found that POS fully mediated the relationship between procedural justice and organizational citizenship behavior. Likewise, Masterson, Lewis, Goldman & Taylor, (2000) found that POS fully mediated the relationship between procedural justice and job satisfaction and partially mediated the relationship between procedural justice and organizational citizenship behavior. We therefore augment current thinking and theory by suggesting the following hypotheses within the domain of a M/A.

Hypothesis 3 – Employees experiencing high levels of perceived organizational support (POS) will exhibit higher levels of OCB.

Hypothesis 4 – Employees experiencing high levels of POS will experience greater levels of job satisfaction.

Management Communication Style

Communication is an integral part of an organization's operation and can take numerous forms. Stinchcombe (1990) posited that organizations rely on information for making decisions and coordinating tasks. To accomplish this, an organization's information can be transferred by methods such as: group gatherings, face to face meetings, telephone or other media provided in general by technology such as Computer Mediated Communications (CMC) (William, 1977) A modern day example of CMC would be email. Several studies have shown that email systems have the potential to enhance the flow of communication (Fulk and DeSanctis, 1995) through its flexible use, properties of documentation, consistency and mass delivery.

While there are several theories studying the effective use of various forms of communication medium to achieve desired results, one of the most widely used is Information Richness Theory (IRT) (Daft & Lengel, 1986; Olson & Olson, 2000).

Communication richness is defined as the ability of a system to convey enough cues or stimuli that individuals receiving the communication can reach a clear understanding efficiently. IRT posits that a medium's communication richness explains why it is more or less effective in communicating ambiguous or equivocal information. According to IRT, face to face communication is the richest media due to its ability to provide immediate feedback (body language or facial expressions). Non rich media (e.g. an office memorandum) cannot provide immediate feedback via these cues which can make it less effective when communicating equivocal information.

Examining the effect of communication within a merger or acquisition, Leana and Feldman (1989) found contrary to management's perception that advance notice to employees of a merger or acquisition did not positively correlate to increases in absenteeism, tardiness or productivity. Buono and Bowditch (1989) and DeNisi (1991) suggest that employee communication on the long term career possibilities within a merger or acquisition may significantly bolster employee's confidence and commitment to the new consolidation. Berry (1990); McEntire and Bentley (1996) and Sales and Mirvis (1984) posit that communication plays a central role in the acculturation process that employees go through when experiencing a merger or acquisition. Schweiger and Denisi (1991) reported positive results from a communication program they termed a "realistic merger preview" whose design was to mitigate the anticipated negative effects of a merger or acquisition. Their results suggest that realistic communication during a merger process aided the employees in getting through the process as measured by significantly lower levels of stress and uncertainty experienced by the employee population.

Davy, et al. (1988) designed a study measuring the effects of management communication during a merger or acquisition. The measures studied the effect on employees attitudes, intentions to seek other employment or remain employed and job performance. Employees found the purposed, management-initiated, communication program valuable and the evaluations correlated positively toward perceptions of personal control, organizational commitment and job satisfaction.

Organizational communication in general can play a role in shaping employee identity. “Organizational identity researchers suggest that corporate identity is made concrete through elements such as culture, products and communications” (Seo & Hill, 2005: 428). A merger or acquisition requires precise communication to construct a foundation upon which a melded corporate identity can be built. “These significant relationships seem to indicate that the respondent who has a positive feeling about communication within the organization also has positive feelings regarding the way employees identify with the organization” (Muchinsky, 1977: 600). Communication is seen to be an antidote to problematic organizational coherence which destroys identity. “Although the coherence of a group’s or organization’s identity is problematic, we believe that symbolic management (via communication) is designed to impart this identity or at least management’s representation of it” (Schultz, 1985: 129).

Communication affects perceived organizational support as well. “It was shown that job satisfaction; climate and communication measures share common variance” (Muchinsky, 1977: 605). Tyler and Bies (1990) found that communication affected how employees perceive the organizations’ treatment of them. “Employees are likely to rely on daily interactions with supervisor to infer the extent to which the organization values and respects

them”. (Tyler & Bies, 1990: 87). Nowakowski and Conlon (2005) suggest that organizations whose communication lines are more open and flexible produce environments in which employee relationships flourish. For relationships to flourish, employees’ positive perception of organizational support may be necessary. Taken together then, we propose the following hypotheses.

Hypothesis 5 – Greater managerial use of rich communication forms (e.g. face to face, group meetings) will lead to higher levels of POS within the employee community.

Hypothesis 6 – Greater managerial use of rich communication forms will result in employee identification with the new consolidated organization.

Cultural Discontinuity

The sense of cultural continuity or organizational fit between the pre-merger and post-merger scenarios is critical to the success of a merger. Jemison and Sitkin (1986) defined “organizational fit” as the match between the company’s cultures and administrative practices. Graves (1981), Levinson (1973), and Marks (1982) found that poor organizational fit impacts motivation and productivity. Barrett (1973), Costello, Kubis and Shaffer (1963) suggest that differing CEO management styles (between the consolidating partners) have negative effects on M/A outcomes. A difference in management control systems can also contribute to negative outcomes (Leighton & Tod, 1969). Therefore, to the extent possible, prudent managers should choose similar M/A partners wisely. As, Drucker (1985) noted in his “rules of successful acquisition” that organizations should only consider acquiring other companies whose cultures and managerial practices are similar to their own.

Lubatkin (1983) found that M/A partners high in organizational fit or cultural continuity produced higher shareholder returns than those low in fit. Greenwood, Hinings & Brown (1994: 239) said, “Two factors have been found to influence the incidence of

(employee) behavioral problems. First the greater the difference between merging firms, the more likely that implementation will be problematic". Buono and Lewis (1985), Leighton and Tod (1989) and Marks and Mirvis (1985) found that differences in managerial practices and culture were especially significant in determining acculturation success. Continuity affects employee identity. Terry & O'Brien (2001) found that the degree to which employees are willing to accept a new identity during an M&A process is based on the degree to which they accept the status difference between the two groups as legitimate. In this instance, a difference in status could be thought of as the market preference for one company's product over another, size of firm, prestigious nature of one firm over the other.

Van Knippenberg and Van Leeuwen (2001) suggest that a sense of cultural continuity is key to employee identification with the post-merger company. "If the workers feel the merger does not affect their daily work, this sense of continuity helps translating the pre-merger identification (with the former organization) into a new identification with the post-merger organization" (van Dick et al., 2004: 123). A healthy sense of company and job continuity may bridge the employee identity from "company A" to "merged companies A+B". In Rousseau's (1998) terms, that which is essential to maintain identification after a merger is a sense of continuity. It seems that continuity during the acculturation process can determine the degree employees identify with the newly combined organization. Stated differently, "We argue that continuity plays a key role in determining post-merger organizational identification" (van Knippenberg, van Knippenberg, Monden & de Lima, 2002: 236). In the present research then, we defined cultural discontinuity (poor organizational fit) as consolidating companies whose culture, administrative practices, control systems and management styles differed significantly.

Based on previous research and construct definition, we suggest the following:

Hypothesis 7 – Employees who experience lower cultural discontinuity will identify with the new combined organization.

Hypothesis 8 - Employees who experience lower cultural discontinuity will have higher levels of POS.

Trust in Management's Competence

According to Blau (1964), actions initiated voluntarily by the organization's treatment of its employees with the expectation that similar treatment will be eventually reciprocated are "social exchanges". Social exchanges are in contrast to economic exchanges which usually reside within contractual or legal boundaries. Within social exchanges, the nature and extent of future enumerations are at the discretion of the person making them and are dependent on gratitude, trust in the organization or personal obligation. (Haas and Deseran, 1981). Therefore in a social exchange environment, one individual voluntarily provides a service or benefit to another which invokes an obligation on the part of the recipient to provide some benefit in return. Trust is considered essential in supporting social exchanges in that the act of engaging social exchange relationships requires the originator of the exchange to trust that the recipient will respond in similar fashion (Blau, 1964; Hass and Deseran, 1981). Stated differently, trust underpins dyadic relationships where two or more individuals are engaged in activities which contain vulnerability and discretionary effort (Whitner, 1997).

In studying organizations, trust has been found by many scholars to be essential. "Building trust is an important consideration as a lack of trust has been found to lead to dysfunctional outcomes, such as cynicism, low commitment, low motivation and a lack of confidence between parties" (Gould-Williams and Davies, 1995; p. 5). Bennis and Nanus (1985) described trust as "the lubrication that makes it possible for organizations to work".

Within organizations, trust was defined as “a willingness to rely or depend on some event, process, individual, group or system” (Clark and Payne, 1997; p. 208). In studying trust within a management team, Clark and Payne (1997) identified five elements of trust which were: integrity, competence, consistent behavior, loyalty and openness. Competence and ability were found to be closely related constructs (Mayer, Davis and Schoorman, 1995). Mayer et al., (1995) found three trust factors: ability, benevolence and integrity. Ability was defined as that group of skills, competencies and characteristics that allow a party (management) to have some influence within some domain. “For..management this subsumes both the formal and informal influence they are perceived to have in the organization, as well as their perceived competence and skills” (Mayer and Davis, 1999; p. 124). Our research interests lie in employees’ trust of management’s ability (or competence) to produce successful M/A outcomes.

Both job satisfaction and OCB have been found to have been directly affected by trust (Dwyer and Oh, 1987; Konovsky, and Pugh). Dirks and Ferrin (2001: 455) offer, “As an employee’s trust in management increases, job satisfaction will increase”. Significant relationships have been found between trust and commitment (Brockner, Siegel, Daly, Tyler, & Martin, 1997; Pillai, Schriesheim, & Williams, 1999). While commitment is not included in the model, identity is hypothesized. Becker, Billings, Eveleth and Gilbert (1996) and Lines, Selart, Espedal and Johansen (2005) found that commitment was highly associated with employee identification. Muchinsky (1977) found that trust had an effect on employee’s perceptions of organizational climate with climate being defined as the employees’ perception of positive organizational attributes – similar to POS. A leader’s or manager’s concern for the special needs of employees will positively affect POS

(Eisenberger et al., 1990). The quality of a supervisor-employee relationship will be positively related to POS. Leader member exchange (LMX) describes the nature of the relationship between a manager and employee. “In general, there is agreement that LMX is intertwined with the concept of mutual trust” (Bauer & Green, 1996. 1541). Dienesch and Liden (1986) proposed that trust was essential to the LMX development process. Therefore we offer the following hypotheses:

Hypothesis 9 – Employees with higher levels of trust in management will be more likely to identify with the new consolidated organization.

Hypothesis 10 – Employees with higher levels of trust in management will have greater levels of POS.

Organizational Justice

Viswesvaran and Ones (2002) and Cohan-Charash and Specter (2001) described organizational justice as being comprised of “distributive justice” (reward based); “procedural justice” (process based) and “interactional justice” (supervisor based). Because we were interested in the managerial sponsored processes and/or procedures that can lead to successful M/A outcomes, procedural justice was of greater interest than other forms of justice. Procedural justice, as originally conceptualized, was concerned with an individual’s perception about the fairness of procedures governing decisions (Masterson et al., 2000). Viswesvaran & Ones (2002) defined procedural justice as the perceived fairness of the means or procedures used to determine a final outcome. “There is substantial evidence that fairness is an important dimension affecting employees’ actions and reactions within organizations”. (Masterson et al., 2000: 738). Leventhal (1980) described procedural justice as a process in which rules were applied consistently across people and decisions were free from vested or self-serving interests. Negative perceptions of process or procedural fairness may produce

distrust and ill will among employees charged with acculturation activities producing negative M/A outcomes.

Byrne (1997) found that justice perceptions held by employees were positively related to their commitment and citizenship behaviors. Cropanzano and Ambrose (2001) claimed that procedural justice had a clear link to several organizational outcomes including job satisfaction and organizational citizenship behaviors. Viswesvaran & Ones (2002) established that procedural justice was associated to a great degree with organizational citizenship behaviors and commitment as well as job satisfaction. Skarlicki and Folger, 1997 found that negative perceptions of procedural justice could lead to lower levels of work incentive. Dailey and Kirk (1992) found evidence that negative procedural justice perceptions could even lead employees to act against the organization. In the present research, procedural justice is posited as being mediated by employee identity and POS.

Procedural justice has been found to contain causal links to identity and perceived organizational support. Huo, Smith, Tyler and Lind (1996) associated fair treatment with organizational identification in that fair treatment had a greater positive impact on employee's decision to identify with the organization. Kwong and Leung (2002) found that positive perceptions of procedural justice symbolizes inclusion, a strong relationship, secures social bonds and encourages people to define the relationship in a long term perspective. These later findings were similar to feelings of organizational support. It appeared then that negative perceptions of procedural justice could produce lower levels of perceived organizational support and organizational identity within employees working through an M/A integration.

Hypothesis 11 – Employees with positive observations of procedural justice experience high levels of POS.

Hypothesis 12 – Employees with positive observations of procedural justice will strongly identify with the new consolidated organization.

Overall we endeavor to understand the impact of a merger or acquisition at the employee level in an effort to uncover casual links between communication style, specifically communication channels, procedural justice, trust in management and cultural discontinuity and key outcomes of organization citizenship behavior and job satisfaction as mediated by an employee's identification with the organization and perceived organizational support.

RESEARCH METHODS

Research Setting, Sampling Procedures, Non-Response Bias and Factor Analysis

Utilizing an electronic survey panel that was pre-screened for manager, director, officer and professional level employees, we obtained a total sample of 2254 respondents who answered two qualifying questions 1) “Has the organization you currently work for (or previously worked for) experienced a merger or acquisition in the previous 36 months?” 2) “Did you experience the merger or acquisition first hand?” Provided the respondents answered “Yes” to both questions, they proceeded to respond to the survey instrument which is included in Appendix A, B and C. Respondents had the option of completing the survey via the internet or downloading a Word document to complete and return. We obtained a valid sample of 302 respondents that reported experiencing a merger or acquisition. Of the 302 responses, 48 were excluded due to missing values or lack of variation in responses. Our eligible sample consisted of 254 respondents with a response rate of 44%. Table 1 contains demographic and organizational data on the respondents.

TABLE 1
Respondents Demographic and Organizational Data

Consolidation Type	Merger – 73 Acquisition - 181	Respondent's Age	Less than 25 – 1 25 to 35 yrs. – 52 36 to 46 yrs. – 72 46 to 55 yrs. – 84 56 to 65 yrs. – 40 Over 65 yrs. - 5
Respondent Gender	Male – 115 Female - 139	Number of employees in companies represented	1000 or less – 105 1001 to 5000 – 54 5001 or more - 95
Position	Salary – 149 Hourly - 106	Respondent's Time in position when M/A was announced	Less than 1 yr. – 36 Less than 3 yrs. – 60 Less than 5 yrs. - 47 Less than 10 yrs. – 69 Over 10 yrs. - 42
Industries (each comprised less than 20% of total sample)	Manufacturing, banking, health care, telecommunications, insurance and consulting		

To account for the potential of non-response bias, I performed independent samples T test for both waves of respondents to the survey. The first wave consisted of 193 valid responses; after one survey reminder; the second wave contained 61 responses. All 38 survey items were tested across both groups and none produced a significant difference in means. Thus the potential for a biased sample (or convenience sample) is reduced and inferences may be made for the general population.

Measurement of Study Variables

Construct measures for this study are included in Appendix A, B and C. For a majority of the constructs used, existing scale items were utilized and, where necessary to fit the research context of mergers or acquisitions from an historical perspective, we adapted or adjusted the items with minor word changes through survey piloting on an initial sample of 12 respondents and “think aloud” exercises to refine clarity and construct alignment.

Changes to the items included tense, context and length. Although discussed in the next section, as a part of the method of analysis, exploratory and confirmatory factor analysis, utilizing SPSS and AMOS, were employed to determine item loadings and scale properties.

Job Satisfaction. We measured job satisfaction (JOBSA) by using the three item scale utilized by van Dick, Wagner and Lemmer (2004). This scale concerned itself with the meaningfulness of the job, challenging aspects and level of job contentment. Also used were two items from the scale produced by Wood, Chonko and Hunt (1986). This scale measured aspects of job satisfaction concerning information sharing, variety of work tasks, work closure and pay.

Organizational Citizenship Behavior. Organizational Citizenship behaviors (OCB) were measured using two items from Podsakoff, Mackenzie and Fetter (1993) that measured their 4 factors of OCB – altruism, sportsmanship, civic virtue and conscientiousness. Our interest was in extra role behaviors that could enable a smoother acculturation process therefore our focus was upon the civic virtue items within this scale. Three other items were utilized from the Podsakoff, MacKenzie, Moorman and Fetter (1990) OCB scale which measured altruism, conscientiousness, sportsmanship, courtesy and civic virtue. The items within the altruism factor seemed of particular interest and were utilized. These scales have been utilized to measure OCB and proved to be reliable.

Procedural Justice. We measured procedural justice (PROJS) using a six-item scale that captured the degree to which employees felt management process and procedures were fair and openly communicated during the merger or acquisition. Those items were based on Mansour-Cole and Scott (1998) and dealt with the fairness of the procedures used in an organization during company restructuring and associated layoffs.

Trust. Trust (TRST) was measured using Becerra and Gupta (2003) scale regarding perceived trustworthiness with specific scale items drawn from the latent variable that dealt with employees perception of managerial competence only. Our interest was targeted at the employee's belief (trust) in management's ability to successfully execute the merger or acquisition at the onset of the business consolidation.

Communication Style. Information richness theory which describes a communication medium's ability to communicate equivocal or complex information was of interest in the next variable. To measure communication style (COMM), we revised two items from the scale developed by Daft and Lengel (1986). The items were aimed at uncovering the communication style of management during the ambiguity and stress of a merger or acquisition. The communication continuum ranged from one-on-one meetings to no communication at all regarding information pertaining to the announcement, department consolidations or colleague severances.

Cultural Discontinuity. Cultural discontinuity was measured using van Knippenberg, van Knippenberg, Monden and De Lima (2002) scale and was designed to measure the cultural fit of two merging entities. We used two items from their scale to measure the differences in culture or cultural discontinuity of the consolidating partners.

Organizational Identity. To measure the organization identity (IDENTO – identity old, representing the identity of one of the pre-merger partners; IDENTN – identity new, representing the identity of the newly consolidated organization) of the employees of the consolidating partners, we used the three item scale utilized by van Knippenberg, van Knippenberg, Monden and de Lima (2002). This scale measured whether employees still identified with the pre-merger organization or the post-merger consolidation entity. Also

used was one item from a scale by Mael and Tetrick (1992) which contained an alpha of .81 and measured if successes and failures of the organization reflected on the self as they reflect upon the organization.

Perceived Organizational Support. Perceived organizational support (POS) was measured using six items from the scale as used by Cummings, Armeli and Lynch (1997). This scale was used to measure the degree to which the employees perceived the organization cared about the employee's growth, values and stress as they endeavored through the ambiguity and rigor of M/A integration.

Model Structure Testing

Model structure testing was conducted to consider the path model equivalence across the two sample groups, also referred to as "structural testing". Due to the popularity and problematic nature of M/As (Haspeslagh and Jeminson, 1991) and the different processes and employee outcomes (Fried, et al., 1996), we selected as our sample groups those that had experienced a merger or acquisition. An initial model was constructed (Figure 2), but a subsequent, respecified model (Figure 3) was utilized for this testing purpose. This respecified model was utilized to estimate the regression coefficients across both merger and acquisition samples while adjusting for unequal reliabilities across all constructs employed which allowed multivariate comparisons with some control on overall error rate. This approach was based on the Latent Variable Structural Equation (LVSE) modeling method (Bollen, 1989; Singh 1994). The LVSE approach contained several advantages when compared to regression analysis. These advantages included the ability to simultaneously examine hypothesized equations involving multiple dependent variables; simultaneously estimate a system of equations in multiple data sets (i.e. merger and acquisition samples);

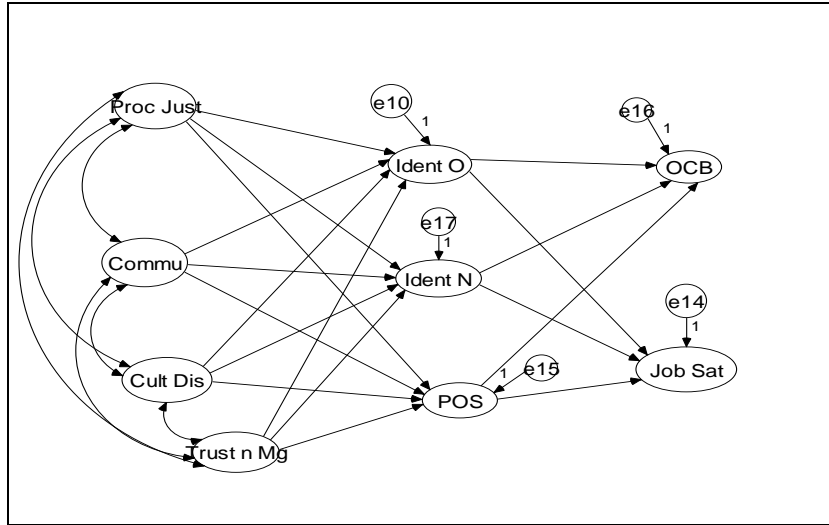
provide a multivariate goodness-of-fit indices such as NFI, CFI, IFI among others; correct for unequal reliabilities among the path coefficients and offer the ability to measure “restricted” models using systematic constraints on hypothesized relationships.

A primary aim was to understand the degree to which the research model and its subsequent paths measured equivalently (invariantly) across both groups. Based on Singh (1994), the process began with first producing an “unrestricted” model in which path coefficients are allowed to freely estimate across the sample groups of interest. The next step included a model which fully restricted all model paths to equal its counterpart within both models producing an “omnibus” model. This model’s premise was that invariance existed across both sample groups of interest. In previous research, when the multivariate goodness-of-fit statistics for the unrestricted and omnibus models were compared utilizing a chi-square difference test, the evidence indicated the acceptability of the equivocality/invariance hypothesis of the model across both groups. Because this process tested all paths simultaneously, the multivariate nature also offers a degree of error rate control. If this test were found to be non-significant, the fully restricted (omnibus) model could be assumed to be invariant across both groups.

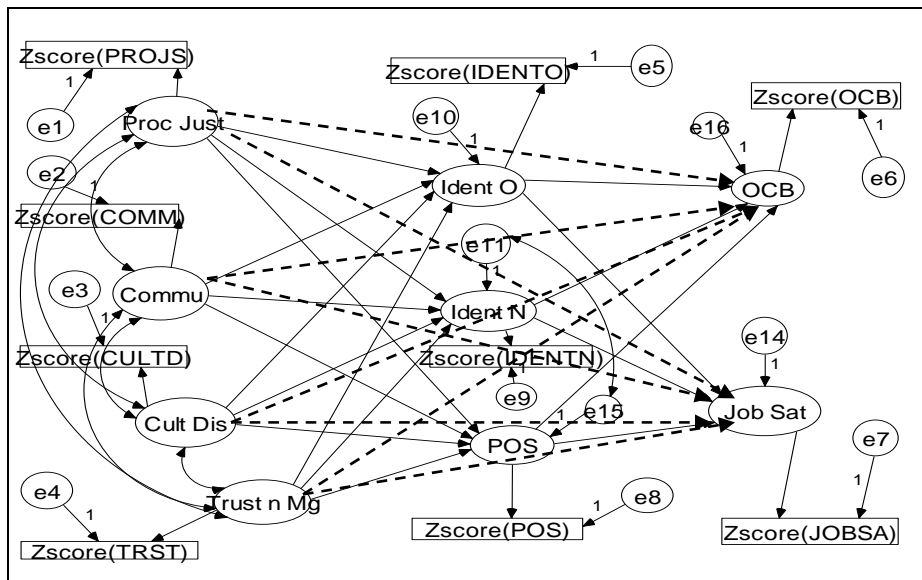
However, if the test was significant ($< .05$), a rejection of the Null hypothesis would indicate the model was not equivalent across both sample groups. This would lead to further steps involving several “partially restricted” models which would require restricting path coefficients one at a time across both sample sets. Our respecified model (Figure 3) indicated a p-value of .632 when comparing our fully restricted model across groups. The fit indices improved to: Chi 58.7; Probability .035; NFI .914; IFI .972; CFI .971; PCFI .553; RMSEA

.042; SRMR .0598 and Pclose .699. These results indicated model equivalence across groups.

**FIGURE 2
Initial Model**



**FIGURE 3
Respecified Model Utilizing LVSE Method**



Dotted lines between IVs and DVs, two correlated error terms and inclusion of composites reflect respecification.

Mediation Testing

In testing for mediation, the model in Figure 3 was utilized with the respecification of adding direct paths from all independent variables to dependent variables. We then compared this saturated model to subsequent models with a path set to zero. As indicated by the chi-square difference test (CMIN) and the significance test ($p < .05$), subtracting a path from the model (setting it to 0 within the model) could have resulted in a significant negative change or very little change. Significant negative model fit change indicated relationships while non-significant model fit change indicated no relation. This iterative process was conducted for both sample groups – merger and acquisition from mediator to dependent variable paths and for independent variable to mediator paths. The findings of this process are included in Appendix D with the interpretation discussed in the next section.

RESULTS

Utilizing exploratory factor analysis, there was evidence of convergent and discriminant validity for all items within the research model. Appendix E contains factor loadings and evidence of convergent and discriminant validity. The constructs of procedural justice, identity old, identity new, OCB and job satisfaction; no items were trimmed. The communication construct had items 1, 4, 5 and 6 trimmed. Cultural discontinuity had items 1 and 3 trimmed. Trust had item 1 trimmed and perceived organizational support had items 1, 6 and 7 trimmed.

Using AMOS, confirmatory factor analysis (CFA) of all 38 items and 9 study variables was constructed. We proposed that individual items would load only on a single factor in accord with the concept's definitions. The CFA produced the following acceptable model fit statistics: Chi-square = 1267, degrees of freedom (df) = 783, probability = .000,

NFI = .846, IFI = .935, CFI = .934, PCFI = .850, RMSEA = .049, SRMR = .0547 and PCLOSE of .566. The NFI is less than desired (.900), but overall the model fit statistics indicate a reasonably good representation of the variance-covariance matrix of study measures.

Measurement Invariance

Davis, Douglas and Silk (1981) referred to measurement error or unreliability as a threat to research due to the amount of error that can occur in the process of measuring constructs. While the best researchers have tackled this measurement dilemma, it still persists as a menace to research validity. "Measurement invariance refers to whether or not, under different conditions of observing and studying phenomena, measurement operations yield measures of the same attribute" (Horn and McArdle, 1992: 117). Steenhamp and Baumgartner (1998) add that if the evidence supporting a measure's invariance is lacking, any conclusions based on that scale are at best ambiguous and at its worst, erroneous.

Measurement invariance was conducted to ensure item measures were invariant across sample groups. Mergers and acquisitions have gained in popularity over the last two decades. Thus, the researchers thought different findings between these groups could aid management decisions in securing successful M/A outcomes. Therefore, the data was separated into merger and acquisition groups. Measurement invariance was tested by building a model in which all items were free to estimate. A subsequent model ("omnibus") was built which fully constrained all items to equal one another across the sample groups. Lastly, within each subsequent model, one item at a time was released and freed to estimate. The initial test of the null hypothesis that the model was invariant was accepted with a p value of .317. However four of the 38 items measuring communication, identity new, OCB

and trust failed the initial test. These items were then allowed to estimate freely while all others were constrained across the sample groups of those that experienced a merger and acquisition. All items passed the succeeding test proving the items are reliable in making inferences across the sample groups. In Table 2, further analysis was conducted to determine the parameter estimates. This table reveals that the standardized factor loadings are all statistically significant (t value > 2 ; $p < .05$;) and large ($> .40$). Additionally, the composite reliabilities exceed .70 and variance extracted exceeds .50. This variance extraction approach was based on and detailed in Ramaswami & Singh (2003) and Fornell & Larcker (1981). Overall, our results suggest that the items are suitable for measuring across the sample groups of interest – those that have experienced a merger or an acquisition. Additionally, the constructs within our research model have suitable properties and appear reasonable for subsequent analysis and interpretation.

TABLE 2
Loadings by Factor and Measurement Properties of Study Constructs

Construct		Loading	T-score	Variance Extracted	Highest R2	Average R2	Reliability
Procedural Justice	PROJS1	0.787	14.760	0.677	0.653	0.221	0.926
	PROJS2	0.885	17.743				
	PROJS3	0.795	14.983				
	PROJS4	0.752	13.814				
	PROJS5	0.880	17.581				
	PROJS6	0.837	16.221				
Cultural Discontinuity	CULTD2	0.799	11.112	0.620	0.187	0.087	0.876
	CULTD4	0.774	10.848				
Communication Style	COMM2	0.741	12.201	0.553	0.045	0.024	0.711
	COMM3	0.745	12.279				
Trust in Management	TRST2	0.829	16.038	0.777	0.174	0.095	0.758
	TRST3	0.911	18.716				
	TRST4	0.893	18.095				
	TRST5	0.864	17.114				
	TRST6	0.911	18.701				
Identity Old	IDENTO1	0.773	13.276	0.599	0.076	0.021	0.817
	IDENTO2	0.658	10.957				
	IDENTO3	0.902	16.044				
Identity New	IDENTN4	0.624	10.589	0.597	0.582	0.208	0.852
	IDENTN5	0.871	16.845				
	IDENTN6	0.647	11.083				
	IDENTN7	0.878	17.065				
Perceived Org Support	POS1	0.847	16.632	0.722	0.653	0.250	0.939
	POS2	0.904	18.501				
	POS3	0.897	18.260				
	POS4	0.910	18.735				
	POS5	0.690	12.355				
	POS8	0.802	15.273				
Job Satisfaction	JOBSA1	0.862	11.068	0.590	0.391	0.147	0.922
	JOBSA2	0.864	14.308				
	JOBSA3	0.669	11.606				
	JOBSA4	0.779	16.704				
	JOBSA5	0.645	16.661				
Org Citizenship Behavior	OCB1	0.876	17.191	0.704	0.024	0.008	0.946
	OCB2	0.879	13.928				
	OCB3	0.818	15.581				
	OCB4	0.759	17.443				
	OCB5	0.871	17.362				

TABLE 3
Estimated Coefficients for the Hypothesized Relationships for Merger and Acquisition
Consolidations Data: Results from Multigroup SEM Analysis

Dependent Variable:	←Merger Consolidation→		←Acquisition Consolidation→	
	Coefficient	t-Value	Coefficient	t-Value
Perceived Org. Support				
Communication Style	-.014	-.134	-.088	-1.514
Procedural Justice	.737 ***	5.350	.742 ***	11.801
Trust	-.013	-.102	.129**	2.387
Cultural Discontinuity	-.123	-1.066	-.034	-.519
Identity - Old				
Communication Style	-.158	-1.064	-.217**	-2.279
Procedural Justice	-.155	-.806	-.120	-1.177
Trust	.563 ***	3.176	.317 ***	3.604
Cultural Discontinuity	.275 *	1.678	.094	.887
Identity - New				
Communication Style	-.153	-1.128	-.003	-.04
Procedural Justice	.524 **	2.958	.508 ***	6.025
Trust	-.112	-.689	.186 **	2.559
Cultural Discontinuity	-.310 **	-2.069	-.123	-1.400
Org. Citizenship Behavior				
Communication Style	-.086	-.565	.077	.895
Procedural Justice	-.501 *	-1.854	-.377 **	-2.355
Trust	.369 *	1.846	-.078	-.940
Cultural Discontinuity	.022	.122	.053	.570
POS	.179	.674	.082	.450
Identity Old	.121	.788	.139 *	1.658
Identity New	.172	.717	.349 **	2.585
Job Satisfaction				
Communication Style	.039	.278	-.045	-.514
Procedural Justice	.474 *	1.928	-.107	-.733
Trust	-.088	-.480	.043	.505
Cultural Discontinuity	-.173	-1.031	-.023	-.238
POS	.464 *	1.891	.588 **	3.178
Identity Old	.242 *	1.735	.094	1.103
Identity New	.389 *	1.712	.198	1.447
	* $p < .10$			
	** $p < .05$			
	*** $p < .01$			

Hypothesis Testing

Table 3 provides the estimated coefficients from the multigroup SEM analysis. In regard to H1, results indicated non-support within the merger domain, employees identifying with the new consolidated company over the pre-merger companies indicated no

difference in OCB. However, within the acquisition environment, the data supported H1 which suggested as employees identify more with the new organization, they will exhibit more extra role behaviors or OCB ($B=.349, p<.05$). In support of H2, employees experiencing a merger and who identified with the new consolidated organization ($B=.389, p<.10$) experienced more job satisfaction than those identifying with the old ($B=.242, p<.10$). With employees experiencing an acquisition, we found no evidence to support H2.

Regarding H3 and employees who experienced a merger or acquisition, we found no evidence to support the hypothesis. However, we found evidence to support H4 within both the merger ($B= .464, p< .10$) and acquisition group ($B= .588, p< .05$). This data suggests that as feelings of POS improve among employees, job satisfaction is positively influenced. For employees experiencing a merger or acquisition, neither H5 nor H6 were supported by the data which posited that rich uses of communication (face-to-face and group meetings) would improve POS and identification with the consolidated organization. Fully supporting H7 within the merger group, cultural discontinuity has a negative effect on an individual's identification with the newly merged organization ($B=-.310, p<05$). Likewise, as cultural discontinuity increased, identity with the pre-merger company increased ($B=.275, p< .10$) H8 was not supported by the data which proposed that employees experiencing high levels of cultural discontinuity would also experience declining levels of POS. This may be due to employee perceptions of a manager or management team's care for employees which are controllable as compared to macro-level organizational fit which may seem less controllable and hence unrelated. Within the acquisition group, the data failed to support H7 and H8 which may be explained by the nature of an acquisition which, unlike a merger, cultural discontinuity is anticipated.

In regards to either H9 or H10 within the merger sample, neither were supported by the data which respectively posited that as employees trust in management's ability to successfully execute the merger increased, so to would employees' identification with the new organization and perceived organizational support. However, interestingly, as employees trust in managements' competence increased, so to did their identity with the pre-merger organization ($B=.563, p<.01$). With the employees who had experienced an acquisition, H9 was not supported. Antithetically, as employees felt confident in management's ability to execute the acquisition they identified more with the pre-consolidation company ($B=.317, p<.01$) than the new organization ($B=.186, p<.05$). These results were similar to the merger group. High levels of trust in management's competence, for both the merger and acquisition groups, seem to serve as an insulator against identifying with the new organization with employee preference for the old or status quo. Employees with high levels of trust in managements' competence base that trust on past accomplishments whose outcomes, according to the data, were successful. It is posited here that those successful outcomes insulate against the employees' cognitive understanding of the need to consolidate hence inhibiting identification with the newly formed organization. H10 was supported in that as trust in managements' competence improves, so do employees perception of organizational support ($B=.129, p<.05$) within acquisitions.

Full support was provided to H11 which suggested that procedural fairness has a significant and strong positive relationship with perceived organizational support ($B=.737, p<.01$) within the merged organization. Likewise, H12 was partially supported in that high levels of procedural justice will have a strong and positive influence on an employee's identification with the new merged organization ($B=.524, p<.05$). Similar to the merger

sample, H11 and H12 were fully supported within the acquisition group. As perceptions of procedural justice improves, POS improves ($B=.742, p<.01$) and employees identify with the new organization more so than the pre-consolidated company ($B=.508, p<.01$). Please see Appendix F for side by side comparison of supported hypothesis by sample group.

DISCUSSION

The primary aim of the present investigation was to examine elements that could influence employees to adopt the identity of a new organization as a result of a merger or acquisition and then suggest that the new identity was helpful in achieving higher levels of OCB and job satisfaction. Identification with the newly consolidated organization was believed to be preferred to pre-M/A company identity or employee-centric isolationism.

Research Limitations

This present study does have some limitations. First, our sample consisted of utilizing a research panel as opposed to directly gathering data from employees in participating organizations that had experienced a merger or acquisition. Second, due to self report, it is difficult to assess the authenticity of any participant despite qualifying questions that were utilized prior to respondents being granted access to participate in the survey. Third, employees were asked to self-rate their organizational citizenship behaviors which may reflect social desirability in their responses. Fourth, employees were asked to review events and actions from a historical perspective and constructive memories or poor recollection of events could influence the responses. Lastly, our study design could not rule out the possibility of common method bias as the survey instrument did not include any constructs that were clearly unrelated to the phenomena being studied.

Even with these limitations, our findings are consistent with and in several cases build on the findings of prior research. Secondly, we believe we have achieved the purpose of this study which was to help determine what managers can do to prevent employees from not identifying with the new consolidated organization as a result of a merger or acquisition and suggested how this new identity related to two important factors within a M/A acculturation period – namely job satisfaction and organizational citizenship behaviors.

Based on Eisenberger et al., (1990) and Bluedorn (1982), we posited that high levels of OCB and job satisfaction would help produce better outcomes for merger or acquisition acculturation goals. To build on Moorman et al., (1998) we further examined the effect of perceived organization support on OCB and job satisfaction. When examining the merger group, our findings were consistent with and extended prior research of Rhoades et al., (2001), Rhodes and Eisenberger (2002) and Moorman et al., (1998) who found that POS mediated the relationship between procedural justice and OCB. Our work suggested that perceived organizational support partially mediated the relationship between procedural justice and job satisfaction. Therefore, prudent managers engaged in merger or acquisition oversight should take careful notice of employees' perceptions of fairness of the processes employed and actions taken by management to avoid reducing perceived organizational support and subsequent job satisfaction. Our work also built on the work by Rousseau (1998) and Schweiger et al., (1987) which found that mergers and acquisitions can bring about significant change to employee's identification with their organization. We suggested that identifying with the new organization or consolidated organization partially mediated the relationship between procedural justice and job satisfaction. Based on our findings, we further suggest that managers should make decisions and engage employees in the processes

of acculturation to improve the likelihood of achieving identification with the new organization and avoid the continued identification with either of the pre-consolidated companies or withdrawal into individualism.

Cultural discontinuity refers to the degree of difference between the merger partners. Building on the work of Jemison and Sitkin (1986), Lubatkin (1983) and Van Knippenberg and Van Leeuwen (2001), our work found that cultural discontinuity had a significant impact. Our data suggests greater degrees of cultural discontinuity will result in less identification with the new consolidated organization and lower subsequent job satisfaction. In this relationship, old and new identities fully mediate the relationship between cultural discontinuity and job satisfaction. Managers seeking a merger partner should evaluate the cultural, managerial, geographic and operational practices thoroughly to understand similarities and differences before engaging in merger dialogue. The evidence also indicated that identifying with the old organization fully mediated the relationship between trust and job satisfaction indicating that higher trust could strengthen employee ties to the management of the pre-consolidated company. Depending on the managerial structure of the new organization, they may not be desirable. In addition, our work suggested direct relationships between procedural justice and OCB as well as job satisfaction. Managers should strive to ensure practices, policies, processes and procedures are perceived as being fair, unbiased and equally distributed across the employee population to achieve the OCB and job satisfaction levels necessary during M/A acculturation. Lastly, this research found evidence that the level of employee trust in management's ability to meet the goals in the merger process was positively related to organizational citizenship behaviors or extra role behaviors practiced by the employees during acculturation activities. These findings are consistent with Dirks and

Ferrin (2001) who found direct relationships between trust and OCB and job satisfaction. Therefore, if management has a positive track record with organizational changes such as a merger, those accomplishments and competencies should be made manifest to the employee population to increase the likelihood of positive outcomes in O.C.B.

When examining the acquisition group, our findings were similar to the merger sample and therefore consistent with and extended the prior research of Rhoades et al., (2001), Rhodes and Eisenberger (2002) and Moorman et al., (1998) who found that POS mediated the relationship between procedural justice and OCB. Our work suggested that perceived organizational support fully mediated the relationship between procedural justice and job satisfaction. Within the acquisition sample, POS also fully mediated the relationship between employees' trust in management's ability to successfully perform the acquisition and job satisfaction. These findings continued the work by Masterson et al., (2000) which found that POS partially mediated the relationship between procedural justice and OCB and organizational commitment. These findings were consistent with the work of Dirks and Ferrin (2001) who suggested that trust results in main effects on positive attitudes, OCB and job satisfaction. Similar to a merger consolidation, managers engaged in an acquisition consolidation should take careful notice of the processes and procedures employed during the acculturation process to ensure high levels of POS.

This work is consistent with Albrat (1989), Balmer (1995) and Van Riel and Balmer (1997) which placed importance on the phenomena of organizational identity within a merger or acquisition consolidation. Our findings suggest a continuation of the work by Haunshild et al., (1994) which suggested how important it was for employees to abandon the former company identity and embrace the new. We further posit that identifying with the new

organization partially mediates the relationship between procedural justice and OCB and fully mediates the relationship between employees' trust in management's ability to effectively execute the acquisition and OCB. Managers who strive to create a new identity for employees as a result of the acquisition should seek to ensure the practices, policies and procedures are fair and unbiased while also conveying past managerial success at both acquisitions and mergers if applicable. Positive outcomes from procedural justice, this data suggests, will positively affect employees identification with the newly consolidated organization which could lead to improved organizational citizenship (or extra role) behaviors practiced by employees engaged in acquisition acculturation. The hypotheses for both merger and acquisition groups are summarized in Appendix E.

CONCLUSION

Despite the enormous sums of money spent on organization consolidations designed to create shareholder wealth, many destroy wealth. Prudent managers should seek to lessen the probability of culture clash within M/A acculturation activities to prevent such value destruction. Employees committed to the organization during the acculturation process improve the M/A outcome possibilities. This commitment can be positively influenced through identifying with the new consolidated organization and improving organizational support for the employees. Therefore, based on this study, minimizing cultural discontinuity between M/A partners, and maintaining fair management practices and/or procedures during the M/A process should lead to higher levels of organizational identification and feelings of support. These elements combine to produce higher levels of extra role behaviors (OCB) and improved job satisfaction both of which can improve M/A acculturation and subsequent shareholder value creation.

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APPENDIX A
Items Representing Procedural Justice and Communication

Procedural Justice

1. Management made sure that all employee concerns were heard before job changes and eliminations were made.
2. Management offered explanations that made sense to you when making decisions about job changes and eliminations.
3. When decisions were made about the restructuring, management dealt with me in a truthful manner.
4. All job decisions were applied consistently across all affected employees.
5. Management clarified decisions and provided additional information when employees requested it.
6. Procedures were put into place to provide the employees with timely information about any restructuring and its implementation.

Communication

(answer could be face-to-face, group meeting, telephone, email, no communication or not applicable)

1. What method was used to first communicate the merger or acquisition announcement to you?
2. What method did your manager use most to communicate to you “what was going on”?
3. If any workers were downsized, what method was used to communicate the news to you?
4. What method did your manager use to communicate the merger or acquisition integration plans to you?
5. What method did top management use most to communicate to you “what was going on”?
6. If any department structures were going to be changed or consolidated, what method was used to communicate the news to you?
7. What method was used to communicate to you where the corporate headquarters would be staying or moving to?

APPENDIX B
Items Representing Cultural Discontinuity, Identification with Pre-Consolidated Company, Identification with Post-Consolidated Company, Trust in Management and Organization Citizenship Behavior

Cultural Discontinuity

1. In general, (company A) and (company B) were similar to each other.
2. The cultures of (company A) and (company B) differed considerably.
3. The beliefs and values of (Company A) were very similar to those of employees of (Company B).
4. The way of working at (Company A) was clearly different from the way of working at (Company B).

Identification with the Pre-Consolidation Company

1. I still identified strongly with my former organization.
2. When someone criticized my former organization, it felt like a personal insult.
3. I still felt strong ties with my former organization.

Identification with the Post-Consolidation Organization

1. When someone criticized the new combined organization, it felt like a personal insult.
2. I strongly identified with the new combined organization.
3. I felt strong ties with the new combined organization.
4. When I talked about the new combined organization, I usually said “we” instead of “they”.

Trust in Management

1. Top management was very capable of performing its job.
2. Top management was known to be successful at the things it tried to do.
3. Top management had much knowledge about the work that it needed to do.
4. I am very confident about top management’s skills.
5. Top management had specialized capabilities that could increase our performance.
6. Top management was well qualified.

Organizational Citizenship Behaviors

1. I helped others who have been absent.
2. I helped others who had heavy work loads.
3. I was always willing to lend a helping hand to those around me.
4. I helped orient new people even though it is not required.
5. I willingly helped others who have work related problems.

APPENDIX C
Items Representing Job Satisfaction and General Questions

Job satisfaction

1. Generally speaking, I was satisfied with my job.
2. I am satisfied with the feeling to do something meaning with my job.
3. I am generally satisfied with the kinds of work I do in this job.
4. I had enough opportunity of independent thought and action.
5. I am satisfied with the security my job provides me.

General Questions

1. Your gender?
2. Your age?
3. How many years were you in the position that you had at the time of the merger or acquisition?
4. What was your annual income at the time of the merger or acquisition?
5. How many years were you employed with the company at the time of the merger or acquisition?
6. Please specify the industry for which you worked during the merger or acquisition.
7. How many employees were in your organization at the time of the merger or acquisition?

APPENDIX D
Results of Mediation Testing Procedures on the Merger and Acquisition Groups

Merger Sample

Model Path	Signif	DF	CMIN	P	NFI Delta1	IFI Delta2	RFI rho1	TLI rho2
PROJS-POS	***	1	24.261	.000	.109	.111	.883	1.054
PROJS-IDENTN	***	1	8.090	.004	.036	.037	.226	.270
PROJS-IDENTO		1	.643	.423	.003	.003	-.076	-.091
COM-POS		1	.018	.893	.000	.000	-.101	-.121
COM-IDENTO		1	1.114	.291	.005	.005	-.057	-.068
COM-IDENTN		1	1.256	.263	.006	.006	-.051	-.061
CULTD-POS		1	1.120	.290	.005	.005	-.057	-.068
CULTD-IDENTO	*	1	2.741	.098	.012	.013	.009	.011
CULTD-IDENTN	**	1	4.134	.042	.019	.019	.066	.078
TRST-POS		1	.010	.919	.000	.000	-.102	-.121
TRST-IDENTO	***	1	9.434	.002	.043	.043	.281	.335
TRST-IDENTN		1	.473	.492	.002	.002	-.083	-.099
IDENTO-OCB		1	.558	.455	.003	.003	-.079	-.095
IDENTO-JOB		1	2.683	.101	.012	.012	.007	.008
IDENTN-OCB		1	.471	.492	.002	.002	-.083	-.099
IDENTN-JOB	*	1	2.787	.095	.013	.013	.011	.013
POS-OCB		1	.448	.503	.002	.002	-.084	-.100
POS-JOB	*	1	3.535	.060	.016	.016	.041	.049

*** p < .01; ** p<.05; * p<.10

Acquisition Sample

Model Path	Signif	DF	CMIN	P	NFI Delta1	IFI Delta2	RFI rho1	TLI rho2
PROJS-POS	***	1	99.838	.000	.215	.217	1.484	1.609
PROJS-IDENTN	***	1	32.363	.000	.070	.070	.436	.473
PROJS-IDENTO		1	1.378	.240	.003	.003	-.045	-.049
COM-POS		1	2.273	.132	.005	.005	-.031	-.034
COM-IDENTO	**	1	5.147	.023	.011	.011	.014	.015
COM-IDENTN		1	.002	.968	.000	.000	-.066	-.072
CULTD-POS		1	.268	.605	.001	.001	-.062	-.067
CULTD-IDENTO		1	.784	.376	.002	.002	-.054	-.059
CULTD-IDENTN		1	1.946	.163	.004	.004	-.036	-.039
TRST-POS	**	1	5.600	.018	.012	.012	.021	.022
TRST-IDENTO	***	1	12.560	.000	.027	.027	.129	.139
TRST-IDENTN	**	1	6.420	.011	.014	.014	.033	.036
IDENTO-OCB		1	2.511	.113	.005	.005	-.027	-.030
IDENTO-JOB		1	1.299	.254	.003	.003	-.046	-.050
IDENTN-OCB	**	1	5.678	.017	.012	.012	.022	.024
IDENTN-JOB		1	2.334	.127	.005	.005	-.030	-.033
POS-OCB		1	.171	.679	.000	.000	-.064	-.069
POS-JOB	***	1	10.984	.001	.024	.024	.104	.113

*** p < .01; ** p<.05; * p<.10

APPENDIX D
Exploratory Factor Analysis

Factor	1	2	3	4	5	6	7	8	9
PROJS1	.787								
PROJS2	.864								
PROJS3	.725								
PROJS4	.812								
PROJS5	.792								
PROJS6	.873								
COMM2		.759							
COMM3		.771							
CULTD2			.797						
CULTD4			.774						
IDENTO1				.718					
IDENTO2				.733					
IDENTO3				.856					
IDENTN1					.752				
IDENTN2					.814				
IDENTN3					.666				
IDENTN4					.708				
POS2						.744			
POS3						.736			
POS4						.710			
POS5						.538			
POS8						.766			
TRST2							.764		
TRST3							.934		
TRST4							.911		
TRST5							.863		
TRST6							.902		
OCB1								.885	
OCB2								.873	
OCB3								.813	
OCB4								.767	
OCB5								.880	
JOBSA1									.813
JOBSA2									.903
JOBSA3									.760
JOBSA4									.762
JOBSA5									.427

Extraction method – Principal Axis Factoring; Rotation: Promax with Kaiser Normalization;
Converged in 8 rotations

APPENDIX E
Hypotheses Support

Hypothesis	Merger	Acquisition
1. Employees identifying with pre-merger company will exhibit less OCB than those with new organization.		X
2. Employees identifying with pre-merger company will exhibit less job satisfaction than those with new organization.	X	
3. Employees experiencing high levels of POS will exhibit higher levels of OCB.		
4. Employees experiencing high levels of POS will exhibit higher levels of job satisfaction.	X	X
5. Greater use of rich communication forms will lead to higher levels of POS.		
6. Greater use of rich communication forms will lead to employees identifying with the new organization and abandoning the old.		
7. Employees who experience little cultural discontinuity will more readily identify with the new organization than those that experience high levels of cultural discontinuity.	X	
8. Employees who experience little cultural discontinuity will experience greater levels of POS than those with high levels of cultural discontinuity.		
9. Employees who believe management can execute the M/A successfully will identify more so with the new organization than those whose belief in management is less.		
10. Employees who believe management can execute the M/A successfully will exhibit more POS than those whose belief in management is less.		X
11. Employees who had positive feelings of procedural justice will exhibit greater POS than those who had negative feelings.	X	X
12. Employees who had positive feelings of procedural justice will identify more so with the new organization than those who had negative feelings.	X	X

“X” – indicates support for the hypothesis

**APPENDIX F
OLS Relationships**

Regression Relationships

Construct	OCB Coefficients	OCB Significance	JOB Coefficients	JOB Significance
PROJS	-.107	.144	.405***	.000
CULTD	.009	.900	-.052	.373
COMM	-.015	.816	-.079	.150
TRST	.099	.151	.16***	.000
IDENTO	.129**	.039	.103**	.038
IDENTN	.154*	.068	.116*	.082
POS	.081	.339	.531***	.000

*** - $p < .01$; ** - $p < .05$; * - $p < .10$

Correlation Matrix

Construct	PROJS	CULTD	COMM	TRST	IDENTO	IDENTN	POS	JOB	OCB	Mean a	Std.Dev.
PROJS	1									2.79	1.08
CULTD	-.372**	1								3.56	1.14
COMM	-.170**	.025	1							2.72	1.20
TRST	.391**	-.235**	-.053	1						3.26	1.05
IDENTO	.029	.071	-.155*	.256**	1					3.52	.99
IDENTN	.559**	-.329**	-.110	.347**	.052	1				2.86	.94
POS	.759**	-.343**	-.188**	.399**	.031	.673**	1			2.80	1.04
JOB	.500**	-.242**	-.158*	.335**	.125*	.479**	.612**	1		3.43	.94
OCB	-.069	.025	-.002	.056	.135*	.107	.027	.095	1	3.76	.81

n= 254

a = all scales were 5-point Likert scales except for COMM which was a 6-point scale

** - Correlation is significant at the .01 level; * - Correlation is significant at the .05 level

APPENDIX G Competing Model

A competing model to the research model shown in Figure 1 is shown in Figure 4. This model excludes “Identity New” as a construct partially due to its high correlation with perceived organizational support (.673). Additionally, this model exclusion produced better fit statistics: NFI .991; IFI 1.007; CFI 1.000; SRMR .0157; PCFI .286; RMSEA .000; PCLOSE .962; Chi 4.42; df 8 and Probability of .818 than previously discussed. However, since the fit statistics were acceptable utilizing the Identity New construct and since employee identity was central to the research, it remained within the research model. Table 4 and figure 5 illustrate the significant construct relationships within the merger sample.

**Figure 4
Competing Research Model – Excludes Identity New Construct**

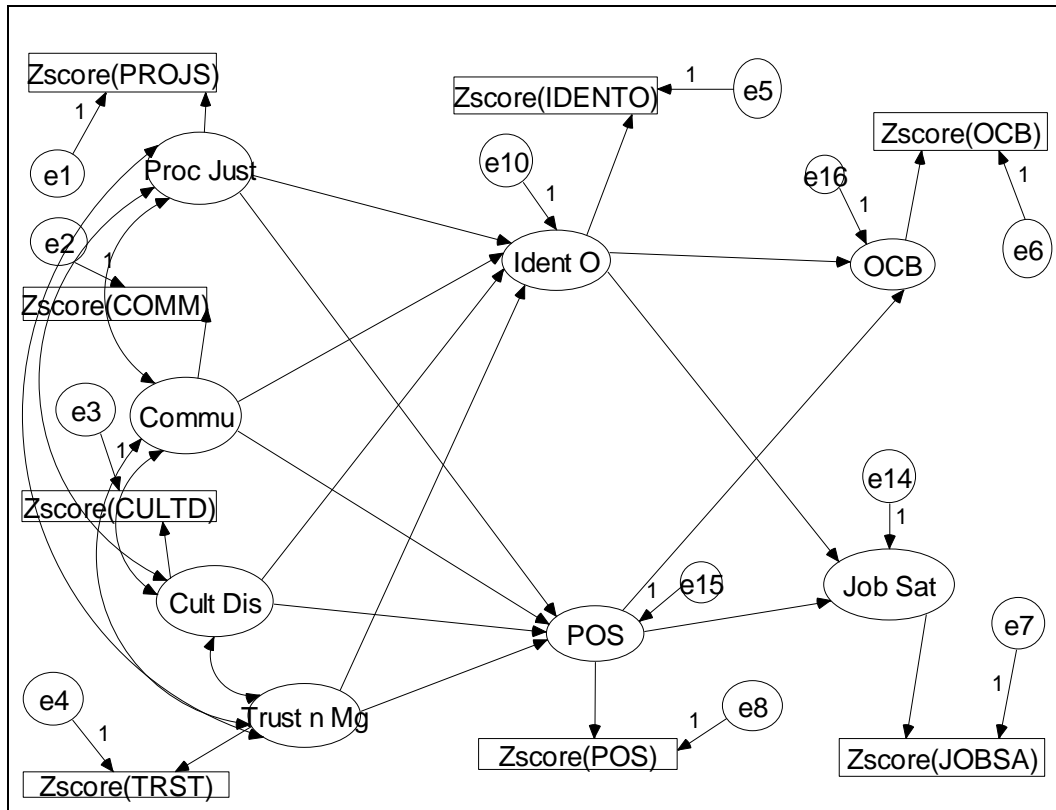
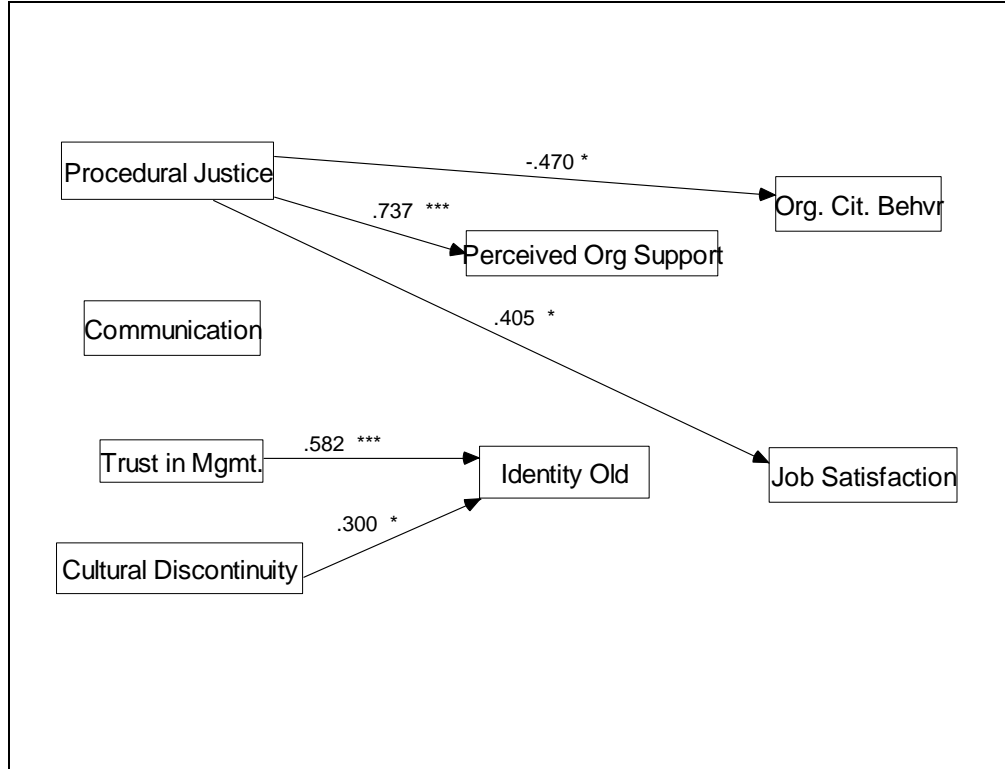


Table 4
Mediation Testing - Merger Sample – Competing Model

Model Path	Signif	DF	CMIN	P	NFI Delta1	IFI Delta2	RFI rho1	TLI rho2
PROJS-POS	***	1	24.286	.000	.141	.142	1.261	1.506
PROJS-IDENTO		1	.649	.421	.004	.004	-.018	-.021
COM-POS		1	.016	.898	.000	.000	-.052	-.062
COM-IDENTO		1	.828	.363	.005	.005	-.008	-.009
CULTD-POS		1	1.106	.293	.006	.006	.007	.009
CULTD-IDENTO	*	1	3.305	.069	.019	.019	.126	.151
TRST-POS		1	.010	.920	.000	.000	-.052	-.062
TRST-IDENTO	***	1	10.150	.001	.059	.060	.001	.001
IDENTO-OCB		1	.992	.319	.006	.006	.001	.001
IDENTO-JOB		1	1.523	.217	.009	.009	.030	.036
POS-OCB		1	1.331	.249	.008	.008	.019	.023
POS-JOB	*	1	1.572	.210	.009	.009	.032	.039

*** p < .01; ** p<.05; * p<.10

Figure 5
Competing Model – Merger Significance



*** p < .01; ** p<.05; * p<.10

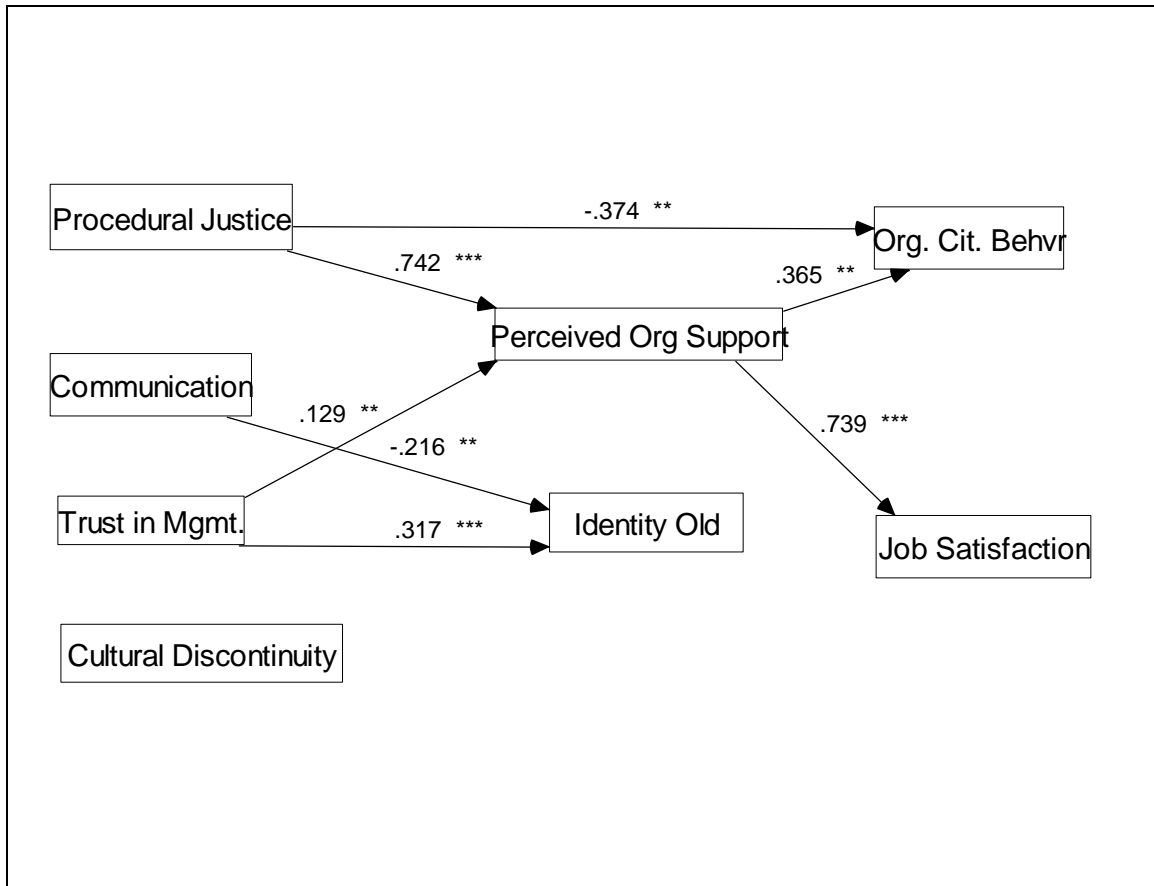
Within the merger sample group, the competing model experienced only direct relationships between procedural justice to organizational behavior as well as procedural justice to job satisfaction. From this data, our findings suggest that managers charged with executing an organizational merger should ensure processes and procedures are perceived as fair and decision outcomes equally distributed to improve extra role behaviors (OCB) and job satisfaction during acculturation activities. Further considering the competing model, Table 5 and figure 6 exhibit the significant construct relationships within the acquisition sample.

Table 5
Mediation Testing - Acquisition Sample – Competing Model

Model Path	Signif	DF	CMIN	P	NFI Delta1	IFI Delta2	RFI rho1	TLI rho2
PROJS-POS	***	1	99.982	.000	.296	.299	1.940	2.166
PROJS-IDENTO		1	1.383	.240	.004	.004	-.103	-.112
COM-POS		1	2.289	.130	.007	.007	-.084	-.092
COM-IDENTO	**	1	5.125	.024	.015	.015	-.025	-.028
CULTD-POS		1	.263	.608	.001	.001	-.126	-.138
CULTD-IDENTO		1	.764	.382	.002	.002	-.116	-.126
TRST-POS	**	1	5.601	.018	.017	.017	-.016	-.017
TRST-IDENTO	***	1	12.558	.000	.037	.038	.129	.140
IDENTO-OCB		1	2.339	.126	.007	.007	-.083	-.091
IDENTO-JOB		1	1.180	.277	.003	.004	-.107	-.117
POS-OCB	**	1	5.806	.016	.017	.017	-.011	-.012
POS-JOB	***	1	26.190	.000	.078	.078	.411	.448

*** p < .01; ** p<.05; * p<.10

Figure 6
Competing Model – Acquisition Significance



*** p < .01; ** p < .05; * p < .10

Similar to the research model employed, the competing model illustrates mediated relationships between the constructs in the acquisition sample. Based on our findings, we suggest that perceived organizational support partially mediates the relationship between procedural justice and organizational citizenship behavior while fully mediating the relationship between trust in management and OCB. Similarly, perceived organizational support fully mediates the relationship between procedural justice and job satisfaction as well as the relationship between trust in management and job satisfaction. For practitioners engaging in acquisition endeavors, the degree to which managers can convince the employee

population that the organization places value and supports their employees while undertaking such a consolidation should be rewarded with employees who engage in extra role behaviors and exhibit positive morale that generally follows job satisfaction. These attributes should help in preventing individualism or individualistic employee tendencies which can be destructive during M/A acculturation activities.