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**Organizational and individual consequences of foreign
acquisitions**

Doctoral thesis abstract

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TABLE OF CONTENTS

Chapter 1. INTRODUCTION	1
Chapter 2. MERGERS AND ACQUISITIONS. CONCEPTUAL CLARIFICATIONS	7
2.1. Conceptual delimitations	7
2.2. Mergers and acquisition classification	7
2.3. Theoretical perspectives in the study of mergers and acquisitions	9
2.4. Mergers and acquisition as a form of planned change	13
Chapter 3. THE CONSEQUENCES OF MERGERS AND ACQUISITION AT THE ORGANIZATIONAL LEVEL. THE ROLE OF ORGANIZATIONAL CULTURE.	19
3.1. Organizational culture – the origin and definition of the concept	20
3.2. Functions of the organizational culture	22
3.2.1. Internal integration	23
3.2.2. External adaptation	23
3.3. Cultural compatibility in mergers and acquisitions	24
3.3.1. Cultural compatibility and organizational performance	28
3.3.2. Cultural compatibility and managerial turnover	32
3.3.3. Cultural compatibility and cultural collisions	36
3.4. Organizational culture change	39
3.4.1. The acculturative model developed by Nahavandi & Malekzadeh (1988)	39
3.4.2. The process perspective (Haspeslagh & Jemison, 1991)	44
3.5. Conclusions	47
Chapter 4. THE IMPACT OF MERGERS AND ACQUISITIONS AT THE INDIVIDUAL LEVEL	49
4.1. Occupational stress in mergers and acquisitions	49
4.1.1. Antecedents of occupational stress	51
4.1.1.1. Occupational stress associated with job security	53
4.1.1.2. Occupational stress associated with the loss of identity and uncertainty	54
4.1.1.3. Occupational stress associated with the changes of work relations and conditions	57
4.1.1.4. Acculturative stress	58
4.1.2. Consequences of occupational stress	58
4.1.2.1. Physiologic consequences of occupational stress	59
4.1.2.2. Psychological consequences of occupational stress	61
4.1.2.3. Behavioral consequences of occupational stress	62
4.1.3. Moderating variables	62
4.1.4. Conclusions	65
4.2. Other variables relevant for the individual consequences of mergers and acquisitions	66
4.2.1. Trust in management	67
4.2.1.1. Antecedents of trust in management	70
a. Direct experience with the manager	70
b. Context	73
c. Individual traits	73
4.2.1.2. Consequences of trust in management	73
4.2.2. Attitudes towards change. Attitudes towards an acquisition	76
4.2.3. Organizational communication	78
Chapter 5. RESEARCH PURPOSE AND OBJECTIVES	81
Chapter 6. RESEARCH METHODOLOGY	86

6.1. Case study methodology	86
6.2. Quantitative methods	87
6.2.1. Organizational culture assessment instrument (Cameron & Quinn, 1999)	87
6.2.2. ASSET – A shorten stress evaluation tool (Cooper & Cartwright, 2002)	90
6.2.3. Trust in management (Mayer & Davis, 1999)	94
6.2.4. Attitudes towards the acquisition evaluation scale	94
6.3. Qualitative techniques	95
6.4. Procedure	96
Chapter 7. A QUANTITATIVE ANALYSIS OF THE ORGANIZATIONAL CULTURE PERCEPTION IN TWO INTERNATIONAL ACQUISITIONS	97
Research objectives	97
Participants	97
Instruments	98
Results	99
Chapter 8. SOURCES OF PRESSURE AND CONSEQUENCES OF STRESS ON EMPLOYEES' WELL-BEING AND ATTITUDES. THE MODERATING ROLE OF COMMITMENT.	128
Research objectives	129
Hypotheses	129
Organizational context	130
Research methodology	132
Participants	132
Instruments	132
Procedure	132
Results	133
Discussions and conclusions	149
Chapter 9. AN INTEGRATED MODEL OF THE CONSEQUENCES OF MERGERS AND ACQUISITIONS AT THE INDIVIDUAL LEVEL	153
Results	155
Discussions	164
Conclusions	167
Chapter 10. GENERAL CONCLUSIONS	168
REFERENCES	173
APENDIX 1	195
APENDIX 2	199
APENDIX 3	201
APENDIX 4	202

INTRODUCTION

The research conducted on mergers and acquisitions are is growing as these forms of development and reorganization are more and more adopted by organizations (Ashford et al., 1989; Buono et al, 1985; Cartwright & Cooper, 1989; Cartwright & Cooper, 1993). In spite of the expected success, more than half of these organizational combinations fail (Cartwright & Cooper, 1993; Haspeslagh & Jemison, 1991). Although the economic and strategic arguments that justify these types of transactions are well accepted, they proved to be inadequate for explaining a series of important negative consequences of these types of organizational events, specifically: the high rate of turnover (Walsh, 1988; Cartwright & Cooper, 1994), absenteeism (Davey et al., 1988), counterproductive work behavior (Sinetar, 1981), sabotage and theft (Altendorf, 1986) and occupational stress (Cartwright & Cooper, 1993, 1996).

In this context, a refreshed interest for the human aspects of this phenomenon and their role in determining the results of an acquisition was noticed. Cultural differences between the combining organizations were frequently cited as a source of the human resources problems and eventually of the high rate of mergers failure (Buono & Bowditch, 1989; Buono, Bowditch & Lewis, 1985; Cartwright & Cooper, 1992, 1993, 2005, Chatterjee et al., 1992, Datta, 1991, Morosini & Singh, 1994, Nahavandi & Malekzadeh, 1988, 1993; Sales & Mirvis, 1984; Weber, 1996; Weber, Shenkar & Raveh, 1996). The literature on organizational culture compatibility is quite fragmented and most of the publications only deal with those issues encountered in singular case studies (Jemison & Sitkin, 1986). Even when these integration problems were recognized, they were rarely integrated in an organizational context. Most of the theories were imported from anthropology, without a solid psychological base.

Besides the cultural differences, another explanation proposed in the literature for the high failure rate of mergers and acquisitions was the impact of these organizational events on the individual. The studies in this line of research focus especially on the level of stress generated by the merger process and its duration. International acquisitions cause the occurrence of a high level of uncertainty and they are experienced by the employees as circumstances without any precedent, of which they lack any for of control and which are inherently stressful (Cartwright & Cooper, 1993, Cartwright & Hudson, 2000, Ivancevich, Schweiger & Power, 1987, Marks & Mirvis, 2001, Schweiger & DeNisi, 1991). The emotional and behavioral expressions of stress have a high dysfunctional potential, both for the well-being of the individual as for the organizational performances (Buono et al., 1985; Walsh, 1988; Davey et al., 1988; Sinetar, 1981; Altendorf, 1986).

Although the impact of mergers and acquisitions on the employees has gained more interest in the past years, most of the studies published are written by consultants who had access to this kind of organizational events. Many of these studies do not have an academic character and do not explain in any way the facts or the results described, nor do the recommendations they offer build on sound scientific theories (Cartwright & Cooper, 1993). The lack of serious research in this area has been associated with the difficulties of negotiating access in organizations during these sensitive moments and with the restricted opportunities of conducting comparative pre and post merger measurements. In the same time, we notice the narrow focus of the psychological research; most of the existing studies only taking in account details of the problem, thus promoting a fragmented character of the literature.

Building on these observations regarding the literature, we defined the first objective of this thesis, that is: the critical analysis and the integration of the main psychological research directions on mergers and acquisitions. In order to accomplish this objective, mergers and acquisitions were conceptualized as forms of planned organizational change, and throughout this thesis we aimed the integration of the consequences of these changes at the macro level (organizational culture) with those at the micro level (individual reactions). Consequently with a large number of researches (Cartwright & Cooper, 2000, Gutknecht & Keys, 1993, Meeks, 1977, Sinetar, 1981) the success of mergers and acquisitions is significantly influenced by the emotional state of the employees, which is to a great extend determined by the perception of organizational justice (Schweiger & Very, 2003, Meyer, 2006). Tied to the concept of organizational justice is the concept of trust. Nikandrou et al. (2005) suggest that the lack of trust in the management of the acquiring company has a series of consequences at the attitudinal level

(job satisfaction, organizational commitment, turnover intention, the acceptance of changes) and at the behavioral level (job performance, communication and cooperation). Engstrom, Rosengren & Hallberg (2002) suggest that the lack of trust in management represented a significant predictor of commitment and involvement, in the case of the merger of two hospitals.

Taking in account these research results, we consider that if we restricted the current research to the cultural issues, or the occupational stress and its consequences, we would only perpetuate the fragmentation in the writings on mergers and acquisitions. The existent empirical studies approach isolated different psychological aspects associated to this process, without offering a global perspective on the complex interdependencies that often exist between them (Cartwright & Cooper, 1993).

As a response to this problem, in this thesis we intend to test an explicative model of the individual reactions to the changes determined by international acquisition and the way they are managed, a theoretical model which integrates the disparate results of previous researches.

From a methodological perspective, we noticed the same fragmentation at the research design level. Most of the studies are either retrospective, either transversal; a reduced number or organizational correlates of this process are investigated in the same study and without exploring the relationships between them. Another limit of the studies is that most of them are qualitative and conducted on a reduced sample of participants, without allowing the extraction of conclusions which could be generalized and without permitting comparisons between the studies and their results. Adding to this, the difficulties associated with studying organizations in the process of a merger or acquisition due to their secret nature, results that were obtained by studying public organizations which passed through reorganization processes were extrapolated to the situation of mergers and acquisitions in the private domain. As a response to these limits of the research literature, we established the second objective of the thesis, that is the development of a methodological procedure and the exact implementation of the steps which are mandatory for conducting a research on the psychological consequences of changes determined by mergers and acquisitions. The studies included in this thesis were run in four organizations in Romania, which were acquired by foreign investors. At the time of the research, all the four organizations were in the process of post-acquisition integration, and the total number of participants is larger than 400.

The thesis objectives are reflected in the structure of the thesis. The first chapter aims clarifying the concepts used in the thesis and the theoretical perspective which represents the base of the studies. Mergers and acquisitions are conceptualized as forms of planned organizational change, which imply the following of an established set of steps in order to accomplish the final objective, process which is usually managed by the managers of the organization (Chapter 2). Chapters 3 and 4 represent a synthesis and critical analysis of the literature that covers the two main research directions in the field of mergers and acquisitions: organizational culture, the problem of cultural compatibility and change (chapter 3) and the individual reactions to change (chapter 4). Chapters 5 and 6 describe the research objectives and methodology. Chapters 7-9 are dedicated to the studies included in the thesis. Chapter 7 presents a quantitative study on organizational culture in two Romanian organizations acquired by foreign investors, those results revealing both the organizational reality before and after the acquisition, as well as the changes triggered by this event. The analysis of the results is accomplished from the perspective of cultural compatibility and its implications for the integration process. Chapter 8 represents a diagnosis of occupational stress in the context of the changes determined by the acquisitions, identifying the specific challenges which organizations and their members have to face in the specific phase of the integration process they are in. The study also examines the consequences of these sources of pressure on the well-being and attitudes towards the organizations of the participants in the study and the moderating role of organizational commitment in the relationship between the sources of stress and the physical health of the employees. Chapter 9 presents the development and testing of two integrative models of the individual reactions to mergers and acquisitions. The variables included in the models were selected based on a detailed analysis of the research literature and on some correlational and regression analyses. Chapter 10 marks the main conclusions of the studies included in the thesis and proposes a set of recommendations for the practitioners responsible of developing and implementing organizational integration processes in the context of mergers and acquisitions.

CHAPTER 2

MERGERS AND ACQUISITIONS. CONCEPTUAL DELIMITATIONS

From a legal and economic perspective, mergers and acquisitions represent two distinct types of transactions with companies. Still in the research literature they are treated together because in reality a merger is rarely a combination between two equal parts (Cartwright & Cooper, 1994). According to the practice in the literature, throughout this thesis we will use the phrase mergers and acquisitions for referring to these types of transactions, in general. The researches presented in this thesis will restrict the discussion to few international acquisitions, consequently using the specific terminology.

Because mergers and acquisitions always involve a transition from a state of equilibrium to another, in which new structures and models of behavior are reinstated (Nadler, Shaw & Walton, 1995; Weick & Quinn, 1999), they are considered planned changes. The reference point for the planned change paradigm is Lewin's model (1951, apud Buono & Bowditch, 2003), which sustains that a successful change implies three important steps: (1) the current set of attitudes, values and behaviors owned by the organizational members need to be thawed, before the organization is able to (2) implement the changes. In the end, it is necessary to (3) refreeze the new status of the organization in order to achieve a new state of equilibrium. In the context of the inertia which characterizes organizations, an insufficient investment in preparing their members for change determines invariably the manifestation of a high level of resistance and of negative attitudes towards the new initiatives of management.

From a psychological perspective, we could consider that the moment of officially announcing the transaction marks the beginning of the integration process and to achieve a profound understanding of the dynamics involved in mergers and acquisitions one needs to systematically explore all the stages the organizations and their members go through.

Ivancevich et al. (1997) describe the process covered by organizations in the case of a merger through four stages: (a) Planning; (b) The official announcement of the transaction; (c) the Transition and (d) the Stabilization. The authors underline the importance of differentiating these stages and of understanding the sources of stress specific to each of them, in order to develop efficient and adequate intervention for the management of the integration process and of the stress associated to it.

Applebaum, Gandell, Yortis, Proper and Jobin (2000) propose a behavioral approach of the merger process, structured in three phases: the pre-merger phase, the merger and the post-merger phase. Each of these stages is discussed in terms of its consequences on organizational communication, organizational culture, the process of organizational change, the level of stress and the managerial strategy.

Buono & Bowditch (1989) identified seven distinct phases of the integration process, each of them being characterized by specific ambiguities and uncertainties. These stages reveal a large amount of the specific dynamics of mergers and acquisitions and are based on the theories of conflict development and group formation (Pondy, 1967; Tuchman, 1965, apud Buono & Bowditch, 1989), on the conceptualization of the acquisition process (Jemison & Sitkin, 1986), and on a series of descriptions of mergers and acquisitions found in the literature (Darlin & Guiles, 1984; Levinson, 1970; O'Boyle & Russell, 1984; Sales & Mirvis, 1984; Sinetar, 1981).

All of these models sustain that integration happens in time, involving several phases, each of these phases being characterized by certain traits and demands. Thus, mergers and acquisitions need to be conceptualized as changes with an impact on both: the macro (organizational) and the micro (individual) level. At the organizational level, the consequences of mergers and acquisitions are best reflected in the area of organizational culture (Cartwright & Cooper, 1997), strategy and structure (Nahavandi & Malekzadeh, 1993). At the individual level, the studies focus on the experience of loss and the uncertainties associated with mergers and acquisitions; the ways individuals deal with these conditions and manage to adapt to these changes (Bruckman & Peters, 1987; Marks & Mirvis, 2001), and on their consequences on the physical and psychological well-being of the employees. Although most of the studies published in the literature take in account only one of the two levels, in reality the cultural dynamics and their consequences on the organizations cannot be separated from the consequences of mergers

and acquisitions at the individual level. Both factors play an important role in determining the success of mergers and acquisitions.

The following two chapters of the thesis cover in detail these aspects: (a) the cultural compatibility existent between the partner organizations and the chosen mode of acculturation and (b) the impact of this change on the individual; the level of stress generated by mergers and acquisitions and its implications on other important variables for the organizational behavior.

CHAPTER 3

THE CONSEQUENCES OF MERGERS AND ACQUISITIONS AT THE ORGANIZATIONAL LEVEL. THE ROLE OF ORGANIZATIONAL CULTURE

Schein (1985) defines organizational culture as a learned set of techniques used in solving problems of external adaptation and internal integration, techniques that were proved to be successful in time, so they were kept and passed forward. International mergers and acquisitions determine simultaneously a quantitative growth of the challenges an organization faces and a qualitative growth of the problems (Macharinza et al., 2001). As a result, the culture of an organization cannot remain untouched (Bartlett & Goshal, 1989). Due to the difficulties involved by the changes at the level of behavior, fundamental values and knowledge, cultural compatibility has frequently been considered a solution for a smoother integration of mergers and acquisitions.

The problem of cultural compatibility has been a subject of debate in the literature, but the researches published on this topic are few, vague and often use ill-defined terms (Cartwright & Cooper, 1993). There are studies which suggest that in order to secure the success of the international collaboration intentions, the two companies should not differ too much in the aspects regarding organizational culture (values and fundamental assumptions), organizational structure and even their previous experience in international collaborations, but could benefit from the complementarities of the strategic issues (the production technology, the marketing strategy, the research). It is considered an advantage when each company involved in a partnership can offer something that the other lacks, regarding the strategy implementation (van Oudenhoven & de Boer, 1995).

Cartwright and McCarthy (2005), Jemison and Sitkin (1986), Marks and Mirvis (2001) and Schoenberg (2003) assert that mergers and acquisitions can lead to attaining better performance, if those with the decisional authority would pay more attention to the organizational and behavioral factors, which influence the integration success. This perspective is also sustained by a survey conducted by Schweiger & Goulet (2000) among managers from *Fortune 500* organizations, who have appreciated the ability or the competence of managing the human resources of a company as being one of the most important factors in determining the success of an acquisition. Although a series of researches (Cartwright & Cooper, 2000; Cartwright & McCarthy, 2005; Sudarsanam, 2003) proved the benefits of studying the organizational culture before the initiation of the integration process, this approach is rarely used in practice.

Although the cultural incompatibility is often mentioned as a potential factor of mergers and acquisitions failure and a source of many human capital problems (Hambrick & Cannella, 1993; Nahavandi & Malekzadah, 1988; Weber & Schweiger, 1992; Weber, 1996), the empirical studies on cultural compatibilities are rare. Additionally, the effort to define the construct of cultural compatibility and the specification of the methods used for its measurements was scarce. On the contrary, the literature on cultural compatibility presents a series of limits (Weber, 1996):

- (1) Most of the studies published are based on observations made by practitioners and consultants, their theoretical or empirical support being reduced (Barrett, 1973; Davis, 1968; Gill & Foulger, 1978; Leighton & Tod, 1969; Levinson, 1970; Pritchett, 1985; Rockwell, 1968; Searby, 1969; Sinetar, 1981).
- (2) The few studies which investigated the phenomenon of cultural collisions considered singular cases of mergers and acquisitions (Blumberg & Wiener, 1971; Buono, Bowditch & Lewis, 1985; Graves, 1981; Sales & Mirvis, 1984; Shirley, 1973, 1977).

- (3) Although mergers and acquisitions differ as to the similarity of the industry of the partners (Lubatkin, 1983; Shrivastava, 1986; Nahavandi & Malehzedah, 1988; Weber, Lubatkin & Schweiger, 1994), most of the studies consider those processes as homogeneous, without considering the impact of situational differences on efficiency.

Culture plays an important role in the interaction and integration of the two companies, influencing the degree of accomplishment of the objectives set before the merger. The works published on this subject focused especially the influence of cultural compatibility on the performance of the newly created organization (Hambrick & Cannella, 1993, Krugh & Singh, 2001) and on the cultural conflicts, organizational resistance and their consequences on the integration process (Schweiger & DeNisi, 1991; Elsass & Veiga, 1994; Nahavandi & Malekzadeh, 1988).

Cultural compatibility and organizational performance

Cultural compatibility significantly influences the extent to which acquisitions realize the objectives and synergies which represented the base of the partnership and consequently the financial performance of these.

With few exceptions, the studies synthesized in this thesis positioned themselves at the level of national culture, cultural compatibility being understood very often as cultural similarity or cultural distance (Kogut & Singh, 1988). Along with the national culture, organizational culture represents an essential input in determining the processes which follow the acquisition and the performance of the new organizational entity (Weber, Shenkar & Raveh, 1996). The differences and frictions that could intervene at the level of organizational culture influence in a negative way the success of mergers and acquisitions, through their impact on the employees. The interruptions in the work process, not focusing on the current tasks and responsibilities or even the decision to leave the organization, can set an acquisition on the risk of failure (Mayer, 2002). Because organizational culture represents a factor that confers stability, order and a feeling of cohesion to the members of an organization, it is generally problematic in mergers and acquisitions. Strong and congruent cultures are difficult to change or replaced and they usually lead to a "they" vs. "us" mentality (Marks & Mirvis, 2001).

More and more evidence lead us to the conclusion that in the context of mergers and acquisitions, the most important cultural dimensions for the results are associated to the level of autonomy allowed after the acquisition (Cartwright & Cooper, 1997; Larsson & Lubatkin, 2001). The studies which investigated the effects of reduced autonomy in mergers and acquisitions revealed negative consequences of these on the members of the acquired organization (Hambrick & Cannella, 1993; Cartwright & Cooper, 1997; Libatkin et al., 1999). The human resources of an organization represents a fundamental value of it, and in the case of knowledge based acquisitions, the loss of key personnel is unacceptable. The retention of top management was associated with a higher success of the acquisitions (Bergh, 2001).

Generally, if the managerial personnel remains in the organization after the acquisition, it can significantly contribute to the attenuation of the resistance level manifested by the employees and it reduces their tendency to leave the organization. In the following section, we will discuss these two aspects: the relationship between cultural compatibility and the retention of top management and the relationship between cultural compatibility and cultural conflicts, which lead to leaving the organization shortly after the acquisition.

Cultural compatibility and managerial turnover

Based on the previous mentioned studies, it is obvious that one of the consequences of acquisitions is a long period of instability at the managerial level, with a direct influence on the financial results of the organization and on its employees. Although there are authors who consider that changing the top management is mandatory for the acquisitions success (McCann & Gilkey, 1988), the evidences sustaining this hypothesis are inconclusive (Cannella & Hambrick, 1993; Krishnan, Miller & Judge, 1997).

The cultural differences at the top management level have the highest potential of influencing the abilities of the merging organizations to realize the desired synergies. Synergy realization is based on the efficiency of the contacts between the groups that intend to evaluate the perceived cultural compatibility and the top management has the ability to influence the results of these contacts, through the information they have regarding the integration process and its efficiency. Weber (1996) considers that the role of the managers as a primary source of information is conferred by their significant role in modeling and transmitting organizational culture. According to this perspective, one of the explanations proposed for the high rate of turnover among managers was that they chose to leave the organization, because they prefer to chose the type of culture they freely want to adhere and do not want to work in a cultural environment imposed by the acquiring company or the dominant partner of the merger (Cartwright & Cooper, 1997).

Managerial stability in the company, in the period following the acquisitions represent an important, but not the only mechanism this change influence the behavior of the employees. A series of other factors associated with the combinations of organizations produce negative reactions among them, eventually having a negative impact on the success of the acquisition and its financial performances. The negative reactions of the employees are described in the literature as cultural collisions (Buono & Bowditch, 1989; Chatterjee et al., 1992, Nahavandi & Malekzadeh, 1993; Carwright & Cooper, 1995; Brock et al., 2000; Lodoros & Boateng, 2006).

Cultural compatibility and cultural collisions

The most frequently invoked mechanism through which cultural collisions hinder the realization of integration and the diminishment of organizational commitment and of the cooperation level among the acquired company's employees (Sales & Mirvis, 1984; Buono et al., 1985) and the increase of managerial turnover (Hambrick & Cannella, 1993; Lubatkin et al., 1999). Weber (1996) & Very et al., (1997) estimate that between a quarter and a half of the failures registered among the mergers and acquisitions are determined by problems associated with the integration of the different organizational cultures and of the employees working in the merging organizations (Davy et al., 1988; Walter, 1985). Similar conclusions were extracted by Carwright and Cooper (1992) and Carey (2000) sustaining that the merger between certain cultural types can be a real disaster due to the high level of confusion, ambiguity and helplessness.

Organizational culture change

Although the success of mergers and acquisitions often involves a certain level of cultural change, it needn't be neglected that this is an evolutionary process, which requires important resources of time, finances and constitutes an emotional draining experience (Buono, Bowditch & Lewis, 1985; Sales & Mirvis, 1984).

A series of difficulties emerge, when change aims an important number of fundamental and shared assumptions, with others, less attractive and foreign. In these situations, the employees make important efforts to keep the organizational culture as it was before the merger (Berry, 1983; Nahavandi & Malekzadeh, 1988), in spite of what the management wishes to implement. These behaviors lead to the occurrence of conflicts and cultural collisions. Because of the significant difficulties cultural change involves, more and more studies focus on the acculturation process in the context of mergers and acquisitions (Nahavandi & Malekzadeh, 1988; Sales & Mirvis, 1984).

Acculturation is a term borrowed from anthropology, referring to the changes introduced in two cultural systems as a result of the contact between them and of the diffusion of cultural elements in both directions (Berry, 1980). Although the definition suggest an balanced and bidirectional process of change, in reality the members of one culture often tend to dominate the members of the other culture with which they interact. The results of this process depend on the manner change is implemented and of the way the intervening conflicts are handled.

The acculturative model developed by Nahavandi & Malekzadeh (1988)

The first work formalizing the role of socio-cultural factors in the process involved in mergers and acquisitions belongs to Nahavandi & Malekzadeh (1988). The model proposed by the authors represents an adaptation of the theories in the cross-cultural psychology and intends to explain the processes of cultural adaptation and acculturation in mergers. The central idea of the model is that the congruence between the preferred modes of acculturation by the acquired and the acquiring company will influence the success of the merger. The acculturative model chosen is determined by the cultural and strategic characteristics of the merging firms.

From the perspective of the acquired company, the extent to which its members wish to maintain their own organizational culture and the extent to which they are open towards the adoption of the acquiring company's culture represent the factors which will determine the preferred acculturation model. In the case of the acquiring company, the culture, and especially the extent to which it values multiculturalism and the diversification strategy will determine the preferred mode of acculturation.

The second variable determining the course of the acculturation process for the acquirer is the diversification strategy, regarding the merger type. If the merger is with a company activating in a related industry, the chances that the acquirer imposes its own culture are greater than in the case of some non-related business.

Based on this model, each of these organizations can choose for one out of four possible acculturative strategies: integration, assimilation, separation and deculturation.

An acculturative model for mergers implementation

The concepts presented above were integrated by Nahavandi & Malekzadeh (1988) in a general model intended to facilitate the understanding of few fundamental elements which influence the implementation of mergers. The main assertion of the model is that given that the members of the two organizations might have different preferences for the acculturation mode, the degree of congruence regarding each of the two preferences will constitute a central factor in the successful implementation of the merger. The higher the compatibility of the preferences, the lower the level of the acculturative stress will be. This results in lesser resistance and a smoother change.

The incongruence appears when two organizations do not agree a common acculturation mode, which will lead to a high level of acculturative stress, both for the individual and for the group involved. A high level of acculturative stress leads to an insufficient resolution of conflict determined by the contact between the two companies. As a result of the incongruence, the key managers and other valuable employees may leave the organization, or it may cause a high level of active resistance. On the other hand, the congruence regarding the acculturative mode is associated with a low level of acculturative stress and will facilitate the implementation of the merger (Nahavandi & Malekzadeh, 1988, 1993).

The procesual perspective on merger integration (Haspeslagh & Jemison, 1991)

A large body of knowledge regarding the mergers and acquisitions' integrations constitutes the result of the studies conducted by Haspeslagh & Jemison (1991). The researchers based their studies on the premise that the process of value creation takes place after the acquisition (Haspeslagh & Jemison, 1991), thus the quality of the integration process is essential for its success. The results of the studies realized in this context contributed to the development of a model of integration that takes in account two central characteristics of the acquisition: the relationship with the acquiring firm and the modality expected to create value. The first dimension has to do with the nature of the interdependence that needs to be established between the two organizations, in order to enable the intended transfer of capabilities. The second dimension is associated with the necessity of keeping intact the strategic capabilities of the acquired company, after the acquisition. By simultaneously considering the two dimensions, there can be identified three forms of the integration process: preservation, symbiosis or absorption.

In order to realize the intended transfer of strategic capabilities, managers need to handle the interactions between the two organizations in a way that creates the atmosphere needed for this transfer. The main problems that might intervene in this process are the inflexibility of management in the face of changing circumstances, value destruction for the employees (the loss of the job or of the job security, the loss of status or power, uncertainty, ambiguity, stress) and the absence of the leaders who are able to transmit a new vision for the organization (Haspeslagh & Jemison, 1991).

To create the expected value, the integration process needs to be seen as an evolutionary process of adaptation and not as a completely predictive action. The integration is a process in which the two organizations come together to create an atmosphere that facilitates the transfer of capabilities. Realizing this objectives depends on the managers' ability to understand the context and the specific of each organization and of dealing with the problems that might appear (Haspeslagh & Jemison, 1991).

From the analysis of the acculturation models proposed in the literature, we can extract some useful conclusions for the research at hand:

First of all, the organizational culture of the companies involved in a merger influences their preference for a certain integration strategy (Nahavandi & Malekzadeh, 1988), and the congruence between the partners regarding the chosen strategy represents one of the factors which assure the acquisition's success. Calori & Atamer (1989) observe that the history of company development has a strong impact on the development of shared assumptions and values and significantly contributes to modeling the organizational culture. Thus, a company's preference for certain acculturation mode is influenced by the mental schemes, deeply rooted in the experiences of the employees and of the organization.

Second of all, due to the fact that the acculturation strategies involve different levels of integration of the two companies, the impact of the organizational culture will be stronger in the case of the combinations which imply a high level of integration and change, than in the case of a relative independence between the organizations.

Third, the evaluation of the cultural compatibility level is not a sufficient condition for predicting the results of the integration process. The integration strategy and the changes at the level of the organizational culture influence the organizational practices, leading to different reactions from the employees affected. As a consequence, a series of dynamics may intervene along this process, dynamics that will significantly influence the results of the integration in terms of the employees' reaction (Haspeslagh & Jemison, 1991; Elssas & Veiga, 1994; Larsson & Lubatkin, 2001).

CHAPTER 4

THE IMPACT OF MERGERS AND ACQUISITIONS AT THE INDIVIDUAL LEVEL

Mergers and acquisitions represent large scale changes, often shocking, consequently they elicit a high level of uncertainty among the employees of the companies involved in the process. Mergers and acquisitions are associated with major changes at the work force level, interrupted career paths, modifications at the level of work practices and organizational culture, the loss of identity and status, lack of information and because all of these characteristics they have a threatening and destabilizing effect on the employees, its negative effects being experienced by employees from all the levels of an organization (Jick, 1979 apud Cartwright & Cooper, 1994). In addition, the negative consequences of these changes do not limit themselves to the organizational environment (Tosi & Neal, 2003; Nahavandi & Malekzadeh, 1999), but they also affect the personal life and familial relationships (Levinson, 1970; Sinetar, 1981; Schweiger & Ivancevich, 1985; Marks & Mirvis, 1985; Ivancevich et al., 1987).

OCCUPATIONAL STRESS IN MERGERS AND ACQUISITIONS

One of the most predictable and frequently encountered reactions to a merger is the experience of a high level of stress (Cartwright & Cooper, 1996; Siu, Cooper & Donald, 1997, Cartwright & Hudson, 2000; Marks & Mirvis, 1985; 1986; Mirvis & Marks, 1985; Pritchett, 1985;

1987). From a cognitive point of view, the stress level associated to a certain organizational event is influenced by the manner an employee interprets that very situation, without being very dependent of the objective reality (Marks & Mirvis, 1985). The cognitive approach of stress recognizes that the same modifications in the environment determine different reactions in different individuals, the subjective evaluations of the stimulus and available resources to cope with it having a decisive role in the occurrence of the reactions at stress.

Mergers and acquisitions are considered inherently stressful, because they simultaneously influence several categories of stressors in a more acute way than any other form of organizational reorganization process (Shaw et al., 1993; Cartwright & Hudson, 2000). According to the studies realized by Cartwright & Cooper (1994) the sources of stress associated with a merger or an acquisition are: the loss of the organizational identity; the lack of important information and an inconsistent communication; the fear of the possibility of job loss; interrupted career paths; the possibility of being transferred or relocated; the loss of personal status, power and prestige; changes of the rules and procedures; changes among the work colleagues, superiors or employees; role ambiguity; redundancy and depreciation of their skills and abilities; cultural and interpersonal conflicts; the increase of work volume.

In the context of the changes determined by mergers and acquisitions, a high level of stress was associated with a series of adverse consequences like the feeling of betrayal and duplicity, absenteeism, sabotage, theft, and other counterproductive work behaviors (Buono & Bowditch, 1986; McLeod, 1986), psychological disorders (depression, anxiety) and somatic issues (migraines, insomnia, high blood pressure) (Marks & Mirvis, 1985; Schweiger & Ivancevich, 1985).

The research conducted in the context of some major intra-organizational changes (Ashford, 1988) suggests that these are universally stressful and little moderated by the personality traits of the employees (Cartwright & Cooper, 1994). Nor do the demographic variables proved to moderate the impact of the acquisition on the attitudes towards the organization (job satisfaction and organizational commitment) following and acquisition (Newman & Krzystofiak, 1993).

Still, in spite of a well established relationship between stress and health, there are individuals who manage to maintain their well-being in spite of some extremely stressful circumstances (Terry et al., 1996). These facts drew the researchers' attention towards the role of the organizational attitudes as potential moderators of the relationship between the sources of stress and their consequences (Begley & Czajka, 1993; Leong, Furnham & Cooper, 1996; Reilly, 1994). Specifically, the researches became more interested in the role of organizational commitment in the relationship between stressors and their consequences, especially in cases of confusion and organizational turmoil. The sustained interest of the researches towards organizational commitment is fueled by its associations with many important organizational results. A high level of commitment is associated with a reduced turnover rate, absenteeism and a high level of job performance.

Most of the studies conducted on the role of commitment in the relationship between stressors and their consequences was supported by two concurrent hypotheses (Irving & Coleman, 2003): (1) The first of them (Mathieu & Zajac, 1990) asserts that the employees who manifest a high level of commitment will experience stress in a more negative way compared to the employees who are less loyal to the organization. (2) The second perspective suggests the opposite: organizational commitment protects the employees from the negative consequences of stress, because it motivates them to find a direction and significance of their work (Kobasa, 1982). Citing a work of Antonovsky (1979) Leong et al. (1996) assert that organizational commitment is a crucial resource, which help employees in facing the tensions in the organizational environment. This perspective suggests the stress leads to negative consequences in the conditions of a low level of the commitment.

The results of a study conducted by Panchal & Cartwright (2001) reveal the existence of significant differences between the employees of the acquired company and of those working in the acquiring one, both at the level of the sources and the consequences of stress. Surprisingly, these differences were not manifested in the direction expected by the researchers. To further explain the obtained results, Panchal & Cartwright (2001) used the construct of organizational commitment and the social identity theory. The acquisition represented an opportunity for social

identity development in the case of the employees in the acquired organization, while for the employees in the acquiring company the event was perceived as being in the detriment of their social identity. The significance attributed to this event had a significant influence on the organizational commitment and on the perceived sources of stress and their consequences. Similar results regarding the attitudes towards the organization were obtained by Terry et al. (1996). Besides these two studies which indirectly identified the moderating role of commitment in the relationship stressors-consequences, this relationship has not been systematically tested in the context of mergers and acquisitions. Nor has the impact of the perceived commitment of the organization towards the employee been the subject of empirical research, although several studies observed the influence of perceived organizational support and organizational justice on the reactions towards an acquisition and the success of the integration process (Davy et al., 1988; Elsass & Veiga, 1994, Larsson & Lubatkin, 2001). The clarification of these relationships is essential, because it could suggest efficient ways of intervention in order to reduce the negative and costly consequences of stress in the context of mergers and acquisitions. We expect that individuals who perceive a high level of the organization towards its members to be less affected by stress compared to those perceiving a lower level of the organization towards its employees.

TRUST IN MANAGEMENT, ORGANIZATIONAL JUSTICE AND ATTITUDES TOWARDS AN ACQUISITION

Several case studies conducted on organizations which had the experience of a merger or an acquisition (Buono & Bowditch, 2003; Cartwright & Cooper, 1997, Cartwright, 2005), and some interviews taken of managers and employees from the acquired companies (Krug & Hegarty, 2001; Napier et al., 1989; Schweiger, Ivancevich & Power, 1987) suggest that trust is a critical variable in the case of international acquisitions. The researches sustain the existence of a strong relationship between trust in top management and employees' attitudes towards change (Rousseau & Tijoriwala, 1999; Kramer, 1996), trust representing a central factor of the way employees experience different facets of the organizational change (Albrecht, 2002).

Because trust facilitates the evaluation in less negative and threatening terms of the changes associated with an acquisition, the global evaluation of an acquisition could be a positive one. Individuals are active participants in the change process, thus it is important to systematically pay attention to their cognitions and emotions, given the profound influence of attitudes on their response towards change (Rafferty & Griffin, 2008).

The conceptualization of trust as the willingness to accept the vulnerability of the relationship in conditions of interdependence and risk (Bigley & Pearce, 1998; Rousseau et al., 1998; Kramer, 1999; Mayer et al., 1995) was applied in the context of international mergers and acquisitions (Sthal & Sitkin, 2005). For the employees of the acquired organizations, one of the greatest risks has to do with the possibility of job loss. In times of uncertainty employees can only lean on what their managers communicate regarding their position and future in organization. In the context of an acquisition, the manager's competence is evaluated by considering to what extent the acquisitions' objectives were met or how the integration process was handled. Inconsistent information regarding personnel downsizing and the structure of the jobs in the organization significantly influences the perception of management's integrity. Resistance towards change characteristic to international acquisitions contributes to the fears regarding the reduced loyalty and the lack of benevolence at the managerial level.

Although there are researchers who sustain that trust could interact with variables like the quality of communication in order to reduce the level of resistance (Greenhalgh, 1983), far more studies confirm that trust is a consequence of several variables. An example is the study conducted by Robinson & Morrison (1995), which proved that distrust is a consequence of violating the psychological contract. Trust is approached as a result of integrity, defined as the perception according to which the organization's management adheres to a set of acceptable principles (Mayer et al., 1995). This approach of integrity is very similar to the perceptions regarding procedural justice, which are based on the appreciation of how correct the decisional processes are. Both integrity and justice are necessary conditions for the development of trust. Once trust is betrayed, employees are more prone to leaving the organization, because the

connection between the two of them has been broken (Robinson & Rousseau, 1994), and the feeling of correctness and integrity destroyed (Mayer et al., 1995).

Using the conceptualization proposed by Mayer et al. (1995), the study at hand proposes that trust will be directly and positively predicted by the perception of procedural justice and will negatively predict the turnover intention.

The main consequences of trust, as they are described in the literature, are: assuming risks or cooperation in conditions of risk (Deutsch, 1958; Meyer et al., 1995). Risk assuming manifests itself in the form of citizenship behavior, high job performance and the willingness to correctly transmit information. Other studies investigated intentional or attitudinal indicators of cooperation: loyalty and commitment towards the organization and turnover intention. The willingness of employees to trust in management in the context of changes with potentially negative consequences is similar to the readiness for change, understood in the terms of accepting the explanations and the promises provided by the management. Although the two constructs are not identical, both presume an implicit trust in management and employees willingness to accept project which are potentially risky. Still, while trust is more strongly tied to the intentions of management, readiness for change has more to do with the logic and the legitimacy of the changes. Readiness for change does not make any interpersonal inferences regarding the motives of the change. As it is conceptualized in this thesis, trust represents the willingness to take risks, thus it is an attitude and not a behavior. We expect employees to be ready to risk, by remaining loyal to the organization (reduce turnover intention) because of their conviction that the managers will take care of their most important interests and needs.

ATTITUDES TOWARDS CHANGE. ATTITUDES TOWARDS AN ACQUISITION

The impact of organizational change on employees' attitudes was investigated in numerous studies (ex. Schweiger & DeNisi, 1991), the results indicating that employees' attitudes are associated with the manner individuals perceive or react to change (Mossholder, Settoon, Armenakis & Harris, 2000). This conclusion is important as it suggests that positive attitudes towards a certain change have the potential of sustaining the implementation process of the change initiative, while negative attitudes constitute a form of resistance (Armenakis, Harris & Field, 1999).

Employees' attitudes towards change are strongly influenced by the expectations regarding the consequences of the process. The studies on mergers and acquisitions indicate that the expectations the employees hold before the merger remain unmet, most of the times (Goldberg, 1983, apud Buono & Bowditch, 2003). As a result, employees undergo a psychological valley, characterized by a decline at the level of job performance, a slower process of learning and dissatisfaction with the organization (Goldberg, 1983 apud Buono & Bowditch, 2003). Unmet expectations lead to the erosion of trust in management and a reduced commitment, leaving the employees disappointed with the organization. If the organizational situation before the acquisition was associated with high expectations, and the expectations regarding the future are reduced, a strong perception of injustice and inequity is created, altogether with a general feeling of alienation (Buono & Bowditch, 2003).

Based on the equity theory (Adams, 1965), the employees who perceive the results of change as being benefic will develop a strong commitment towards change, sustaining this organizational effort. The employees, who perceive the results of change as being detrimental to their interest, will react with anger and the desire for revenge (Greenberg, 1990).

Daly & Geyer (1994) sustains that individuals' perceptions regarding the way the management justifies the process of relocation of some of their colleagues are associated with the intention of remaining in the organization, this relationship being mediated by the procedural justice. Saphiro & Kirkman (1999) noticed that the anticipation of injustice is associated with resistance towards change, the intention to leave the organization and commitment. Procedural justice can contribute to the attenuation of these relations.

EXOGENOUS VARIABLES THAT PREDICT THE RESISTANCE TO CHANGE

Change is associated with a high level of uncertainty regarding the future (Schweiger & Walsh, 1990), and any kind of uncertainty is exacerbated if the first source of information is represented by informal rumors (Rentsch & Schneider, 1991) and not by competent persons in the management of the organization. The communicated messages should assure a clear and complete presentation of the motives which constitute the basis of the change (Armenakis et al., 1993), and in the same time, it should address the fears and the ambiguity of the employees with respect to the roles they will have in the new organizational context (Young & Post, 1993), developing their self-efficacy.

Although there are studies which support the existence of a direct relationship between communication and acceptance of change, others suggest that the positive effects of communication on the acceptance of change and turnover intentions are mediated by the perception of justice (Daly & Geyer, 1994). Hence, communicating correct information predicts the perception of justice and justice attenuates the level of resistance. Since procedural justice is tied to the evaluation of how correct the decisional process is, it can lead to interferences with respect to the justice of the decision makers (Daly, 1995).

Other studies consider that it is incorrect to treat open communication as a solution for all the positive results of a change process. Because the importance of communication is different for distinct groups of employees, those who are closer to the center of control usually need more information than the ones at the periphery (Hogan & Overmeyer-Day, 1994). The result of some investigations conducted on mergers go as far as sustaining the existence of a negative relation between open communication and the level of organizational integration achieved. These studies assert that in the case of a profound integration, in the context of some ample changes, the level of the anxiety and uncertainty felt by the employees is very high. In these conditions, a high level of information dissemination highlights the undesirable attitudes; instead of lessen them (Hogan & Overmeyer-Day, 1994).

These contradictions raise the question if the results are influenced by the quality of the research or they vary as a type of the studied change. The efficiency of communication could be different in the case of ample changes, compared to the small scale changes, in mergers compared to the situation of downsizing or as a function of the content of the transmitted messages. Even if we presumed that the communication systems do not alleviate the resistance towards change and do not contribute to the level of trust, the function of justice continues to be of great importance.

CHAPTER 6 RESEARCH METHODOLOGY

Case study methodology

Yin (1984) defines case study research as an empirical investigation of a contemporary event, in its real context, in circumstances that do not allow a clear distinction between the boundaries between the phenomenon and its context, and which uses multiple sources for obtaining the evidences. There are three conditions that require the usage of the case study methodology, as a substitute for the experiment (Yin, 1994):

- (a) when the researcher intends to answer questions like “how” and “why”;
- (b) to study events which allow a reduced level of control;
- (c) to focus on some events that happen in real time.

Adopting the line of argumentation proposed by Yin (1994), the research at hand has been conducted using the multiple case study methodology.

In this research we used multiple methods for data collection, combining the quantitative with the qualitative techniques. The quantitative data were collected by means of four questionnaires: the Organizational culture assessment instrument (Cameron & Quinn, 1999), the Trust in management scale (Mayer & Davis, 1999), ASSET – A Shortened Stress Evaluation Tool (Cooper & Cartwright, 2002) and an Instrument for the evaluation of the attitudes towards an acquisition. The information obtained through the questionnaires was completed with data

collected through qualitative techniques: interviews conducted with key persons from the organizations, observation and the study of the organizational documents.

Procedure

The data collection procedure was prepared over a period of several months. During this time, several meetings with the human resources managers of the organizations participant in the studies took place. Based on these discussions, we decided to involve a number of employees as large as possible, the final sample being selected by considering two criteria: (1) the employee has been in organization before the acquisition and (2) the employee is able to share accurate information regarding the changes. The questionnaires were completed by employees during work hours, in small groups of 15-20 participants.

CHAPTER 7

A QUANTITATIVE ANALYSIS OF THE ORGANIZATIONAL CULTURE IN TWO INTERNATIONAL ACQUISITIONS

The incorrect understanding of an organization's culture is the most often invoked reason for explaining the problems associated with the process of merger integration (Grossman, 1999). Ettorre (1999) stated that very often the partners involved in mergers do not address questions regarding the organizational culture type resulting from the combination. As it was underlined in chapter 3, knowing and understanding the culture of an organization before the merger represents an essential event for the correct understanding of the culture and the politics that would most probably govern the organization after the merger or acquisition.

Based on these facts, the study at hand aims at determining the differences existent in the perception of the organizational culture before and after the acquisition, in two Romanian organizations acquired by a foreign investor. The study was conducted while the two organization were still in the process of merging and the new managerial board was trying to implement a new and unitary culture and a standardized set of organizational practices.

Research objectives:

1. The identification of the perception of the organizational culture before the acquisition in the two organizations studied.
2. The identification of the perception of the organizational culture after the acquisition in the two organizations studied.
3. The identification of the changes perceived by the employees in the two organizations, at the level of the organizational culture, after the acquisition.
4. The identification of the similarities and differences appeared in the cultural profiles of the two organizations, before and after the acquisition.

Participants

The study was conducted on a sample of 162 participants of which 101 were employed in Company A, acquired with 15 months before the data collection and 61 were employed in Company B, acquired 4 months before the data collection, by the same foreign investor. Due to some missing data, 12 questionnaires were eliminated from the final set of questionnaires.

62.5% of the participants are men and 31.3% women, while 6,2% did not report their gender. The age of the participants varies between 21 and 60 years, with the following structure: 18,8% age between 21-30 years, 25% between 31 and 40 years, 23,2% between 41 and 50 years, 28,6% between 51 and 60 years and 3,6% are over 60 years old. The educational level is high, 50,7% of the participants own an university degree, 37,8% completed some post-graduated level courses, 10% finished high-school and 1,4% finished an elementary school. The participants were selected from all the occupational levels in the organizations: 12,7% are managers, 26,8% have professional occupations, 10,4% have technical occupations, 7,7% have administrative job, 23,2% have qualified occupations, 11,3% work in the sales and marketing department, 1,4% have technological occupations and 1,4% basis occupations.

Instruments

The data were collected by the Organizational culture assessment instrument, developed by Quinn and Cameron (1999).

RESULTS

To cover more efficiently all the diagnosed aspects in this study, we will first present the results obtain in the case of each organization, and in the last part of the chapter we will compare the profiles obtained in the two organizations and we will discuss the way the similarities and differences between them influence the process of cultural integration.

Study 1a. Organizational culture analysis in Company A

The results obtained in the case of Company A, are the following

- The highest mean value was obtained for the clan culture (m = 29); the means obtained for the other cultural types being similar to this one. The highest difference was observed between the clan culture (m = 29) and the hierarchical culture (m = 22). Based on these values we cannot identify a dominant cultural type in the organization, which implies a simultaneous orientation on different values, without having a strong cultural identity.
- The cultural profiles obtained for the six organizational dimensions are different, which suggest a lack of congruence in the general cultural profile of the organization. Thus, the Dominant characteristics of the organization correspond to the clan culture (m = 34,82); the Management of the organization corresponds to the market culture (m = 28,31); the Human resources management are characterized in the terms of the hierarchical culture (m = 28,83); the organizational glue is described in the terms of the clan culture (m = 33,33); the strategic values of the organization correspond to the market culture (m = 30,75) and the Success criteria are those specific to the clan culture (m = 27,92).
- After the acquisition, the highest score corresponds to the market culture (m = 27,75), followed by the clan (m = 25,50) and the autocrat culture (m = 24,88), the last two obtaining similar results. The lowest value was obtained for the hierarchical culture (m = 21,46).
- Based on these results we can assert that the differences between the two cultural profiles are not significant, but the change directions indicated by the means obtained have important implications for the process of change.
- The cultural type as perceived by the managerial personnel is significantly different by the results at the level of the non-managerial employees, reflecting a lack of communication in the company regarding the fundamental assumptions and general values which guide the organization. From the perspective of the management:
 - The cultural profile before the acquisition has the following configuration: clan (m = 33,79), adhocracy (m = 19,98), market (m = 22,50), and hierarchical (m = 23,70);
 - The cultural after the acquisition has the following structure: clan (m = 24,16), adhocracy (m = 21,25), market (m = 34,58), and hierarchical (m = 20,10);
 - The results reflect the existence of a dominant cultural type, both before and after the acquisition, that is: the clan culture, before and the market culture after.
 - After the acquisition there was noticed a reduction of the traits characteristic for the clan culture (from m = 33,79 to m = 24,16) and an emphasis of the traits specific to the market culture (from m = 22,50 to m = 34,58).
 - The mean values obtained for the adhocracy and market culture were similar both before and after the acquisition.

Study 1b Organizational culture analysis in Company B

Company B was acquired only 4 months before the collection of the data regarding the organizational culture. The employees were at the beginning of the cultural change process and of their integration in the new group of firms. In the following section we will present the results obtained for the culture in Company B:

- The highest score corresponds to the market culture (m= 28.73). The mean values for the other cultural types are very close to each other, varying between 23.12 & 24.24. The results

did not emphasize the existence of a dominant cultural type in Company B, which again, implies a concomitant orientation on different cultural values, without having a strong cultural identity.

- The cultural profiles obtained in the case of the six organizational components measured are very similar, suggesting a congruent culture. The dominant characteristics of the organization before the acquisition are described in the terms of a market culture ($m = 30,54$); the management style corresponds to an adhocracy culture ($m = 28,18$); the human resources management before the acquisition is described in the terms of a market culture ($m = 29,36$); the organizational glue ($m = 27,36$) as well as the strategic values ($m = 35,09$) are consonant with the specific of a market culture and the success criteria correspond to a hierarchical culture ($m = 29$).
- The perspectives of the management regarding the cultural profile of the organization recreate to a large extent those of the non-managerial employees, reflecting the sharing of the same set of general values that represent the fundament of the behavior in the organization and a good communication between the individuals at the different hierarchical levels.
- After the acquisition, the results obtained for both the managerial and non-managerial samples reflect the tendency of reducing the dominance of the market culture and an increase in the emphasis of the clan culture. After the acquisition, the highest score corresponds to the clan culture ($m = 32,03$), followed by the adhocracy culture ($m = 23,85$), the market culture ($m = 22,78$) and the hierarchical culture ($m = 20,91$).
- The results obtained for the managerial sample shows the existence of larger changes at the level of the organizational culture, than the results of the non-managerial employees. It was noticed a major accentuation of the traits specific to the clan culture (de la $m = 20$ la $m = 41,25$), a significant reduction of the traits specific to the hierarchical culture (de la $m = 30,41$ la $m = 15,41$) and an modest reduction of the traits characteristic to the market culture (de la $m = 28,54$ la $m = 22,70$).

Study 1.3. Comparisons

In the third part of the study on organizational culture, we intended to compare the cultural profiles of the two organizations, both before and after the acquisition, in order to identify:

- The similarities and differences existent between these, before the acquisition;
- The similarities and differences existent in the cultural changes observed;
- The implications of the similarities and differences observed for the process of cultural integration.

The statistical comparison of the means obtained for each of the four cultural types investigated reflected the following:

- The traits of the clan culture have a stronger impact on the global cultural profile in Company A, compared to Company B, before the acquisition: $t(153) = 3,02, p < .05$.
- The impact of the market culture traits have a stronger influence on the global cultural profile in Company B, compared to Company A, before the acquisition: $t(153) = -2,13, p < .05$.
- The traits of the clan culture have a stronger impact on the global cultural profile in Company B, compared to Company A, after the acquisition: $t(148) = -3,39, p < .001$
- The impact of the market culture traits have a stronger influence on the global cultural profile in Company A, compared to Company B, before the acquisition: $t(148) = 3,17, p < .05$
- There were no significant differences observed in the impact of the adhocracy and hierarchical culture profiles on the global culture type in any of the two companies, before or after the acquisition.

The analysis of the data obtained for each organizational component before the acquisition reflects the following:

- The dominant characteristics of the organization are more strongly influenced by the clan culture ($t(154) = 2.54, p < .01$) in Company A, compared to Company B.
- The dominant characteristics of the organization are more strongly influenced by the market culture ($t(154) = -2.18, p < .05$) in Company B, compared to Company A.

- The management of Company A is significantly more oriented on results than the management in Company B ($t(154) = 2,29, p < .05$).
- The human resources management strategy is significantly more oriented on promoting competition and stimulating results achievement in Company B, compared to Company A ($t(152) = -2.27, p < .05$).
- The traditions and the feeling of belongingness are more significant in the maintenance of cohesion in Company A, compared to Company B ($t(152) = 3,46, p < .001$).
- There were no significant differences observed between the two organizations regarding the success criteria and the organizational values.

The analysis of the results obtained for each organizational component investigated, after the acquisition, reflected the followings:

- The dominant characteristics of Company B are more strongly associated with a clan culture, compared to Company A: $t(149) = -4.08, p < .000$.
- The dominant characteristics of Company A are more strongly influenced by a market culture, compared to those of Company B: $t(149) = 2.20, p < .05$.
- The management in Company B is significantly more influenced by the characteristics of a clan culture, compared to the management of Company A: $t(149) = -2.68, p < .05$.
- The human resources management in Company A is significantly more close to the adhocracy culture, compared to the HR strategy in Company B: $t(148) = 2.25, p < .05$.
- The organizational glue is more specific to a market culture in Company A, compared to Company B: $t(148) = 2.32, p < .05$.
- The success criteria are more significantly defined in terms of a market culture in Company A, compared to Company B: $t(148) = 2.35, p < .05$.

The purpose of the comparisons conducted in this chapter was that of identifying the similarities and differences existent in the cultural profiles of the two organizations, before and after the acquisition and the extraction of their implications for the merger.

The contact between two organizations at such a profound level as that implied of a merger produces invariably a form of cultural shock. Altendorf (1986) suggests that the first thing the members of an organization do in the case of a merger is the evaluation of the other company's culture. Usually in evaluating the other culture, the employees take in account two criteria: (1) the extent to which they value their own culture and consider that it deserves to be kept and (2) the extent to which they consider the other culture as attractive.

The results obtained by comparing the two organizations reflect the existence of some significant differences between the dominant culture before and after the acquisition, in spite of the fact that they act in the same industry and are pretty similar considering the number of employees and the organizational structure. Before the acquisition, in Company A the characteristics of a clan culture were predominant. The accent was on cohesion, respect, cooperation, shared values and moral integrity (McDonald & Gandz, 1992). The philosophy on which this culture is based asserts that the involvement of the employees in the organizational life leads to the development of commitment towards the organization. The leaders are seen more like facilitators and mentors who handle de interpersonal relationships in the organization (Cameron & Quinn, 1999). In Company B, the market culture was the dominant one before the acquisition. The market culture highlights aggressiveness in business, perseverance and initiative (McDonald & Gandz, 1992). The founding philosophy of this culture is that according to which competitiveness encourages productivity. In this culture, leaders are extremely competitive and have the ability of energizing their own employees (Cameron & Quinn, 1999).

Cartwright & Cooper (1995) assert that an organizational culture promoting equality and offers individuals a high level of flexibility and opportunities for personal development, as clan culture is, determines in most of the situation the occurrence of a high level of resistance, when about changing the culture. In these situations, the difficulty of implementing the change becomes even higher if the new culture involves a higher degree of control, by a dominant partner. A market type culture, with employees who know very well what they have to do and follow the high level results and performances is usually satisfying for its members and often characterized by a high level of commitment. Cooper (1995) observes that the organizations with this cultural profile

can make successful partnerships with similar cultures or with the clan cultures. Although Company A differs from Company B at the level of the global profile of the organizational culture, we cannot speak of a dominant and strong culture in either of the two organizations. This fact constitutes an advantage in the context of cultural change, by assuring a higher level of flexibility and ability to adapt. The reaction at the change efforts will differ at the level of different organizational groups, due to the fact that at the managerial level, the organizational culture profile is more clearly defined. Thus, one can expect that the difficulties implied by this change to be felt to a greater extent by the managerial employees, than by those at the lower levels in the organization.

The analysis of the six components of the organizational culture reflects more clearly the differences existing in the two profiles. The only common ground between the two organizations is at the level of the organizational values, in both cases this being characterized by the traits of the market culture. The common values represent a good starting point in creating some connections between the two cultures.

The results indicate that the perception of the organizational culture also differs after the acquisition. If the employees of Company A describe it in terms of a market culture, compared to the clan culture that was dominant before the acquisition, those in Company B agree that the new organizational culture is a clan culture. The significant differences observed in the perception of the organizational culture indicate that they did not manage to create a common organizational culture for both of the organizations. On one hand, these results can be explained by the time differences between the acquisition moment and the data collection moment, in the case of the two companies. Company A was acquired 14 months before this study was conducted, thus a series of changes were already implemented. Company B was acquired only 4 months before this study, the change process being just at the beginning. At the time of data collection, the employees in Company B were involved in a series of training programs, intended to facilitate the transition. Numerous meetings with the management were taking place, along other activities intended to make the transition smoother and the integration faster. This process could distort the perception of the employees regarding the new organizational culture, emphasizing many of the traits normally characteristic to the clan culture, due to the high level of communication and employee involvement in this stage of the integration. On the other hand, the perception of different and contrasting cultures after the acquisition can represent a signal for many potential problems that might appear due to the different expectations regarding the organizational culture. The problems that could occur in the integration process refer to: the fear of being incompetent due to the large number of procedure changes, the feeling of identity loss, the lack of group belongingness, the anxiety caused by the process of assimilating new knowledge and skills or negation (Schein, 1999).

An interesting factor is represented by the fact that in both organizations, the lowest score was obtained for the hierarchical culture. The hierarchic culture accentuates order, logic, conformism and structure (McDonald & Gandz, 1992), considering that control assures efficiency. The role of the leader in a hierarchical culture is that of coordinating, monitoring and organizing employees (Cameron & Quinn, 1999). The results are interesting because the literature (Schein, 1999; Deal & Kennedy, 1982; Mintzberg, 1979) suggests that as an organization increases in dimension, it confronts with higher needs of structure and control. This does not mean that any large organization should have a hierarchical culture, but it is expected that this cultural type would play a more important role in the general profile of the organizational culture.

Chapter 8

SOURCES OF PRESSURE AND THE CONSEQUENCES OF STRESS ON EMPLOYEES HEALTH AND WORK ATTITUDES. THE MODERATING ROLE OF COMMITMENT.

The cultural changes associated with mergers and acquisitions do not limit themselves to the organizational level, but they also affect the individuals in an organization. The models of the post-acquisition integration (Buono & Bowditch, 2003) suggest that occupational stress and its consequences become more severe, as the organization progresses on the integration process. Ivancevich, Schweiger & Power (1987) indicate that negative reactions appear especially in the

situation of a negative evaluation of the changes determined by a merger or acquisition by the involved employees, these consequences not being so negative in case of the employees whose evaluation of the event is positive or even neutral. This conclusion, along with other observations about employees who did not experience the consequences of changes and stress in a negative manner, focused the attention of the researchers on the role of the moderating factors. The moderating role of organizational commitment in the relationship between stressors and consequences was not systematically tested in the context of mergers and acquisitions. Neither has the impact of perceived commitment of the organization towards the employee been the subject of an empirical research, although a series of studies observed the influence of perceived organizational support and of procedural justice on the success of integration (Davy et al., 1988; Elsass & Veiga, 1994, Larsson & Lubatkin, 2001). The clarification of these relationships is essential, because it could suggest efficient ways of intervention with the purpose of reducing the negative and costly consequences of stress in the context of mergers and acquisitions.

Research objectives

Beginning with these observations, this study has the following research objectives:

1. The investigation of the sources of pressure associated with the changes determined by mergers and acquisitions and their impact on the health and work attitudes of the employees.
2. The investigation of the differences that appear at the level of the stress consequences, as a function of the integration stage of a certain organization.

One of the unique aspects of the stress model developed by Cartwright & Cooper (2002), based on which we conducted this research, consists in defining the perception of the involvement degree on both of the direction of the relationship existing between the organization and the employee, and the recognition that this can be both an effect or a cause of the stress (Pitariu, Tureanu & Peleașă, 2008).

Based on this theoretical model and on the research data presented in the previous section, we developed a third objective of this study:

3. The investigation of the moderating role of commitment: the perceived commitment of the organization towards its members and the commitment of the employees towards the organization, in the relationship between stress and its consequences on physical and psychological health.

Research hypotheses

Based on the first research objective, we developed the following hypotheses:

H1a/b: *The occupational stress is associated with a low level of physical and psychological health.*

H2a/b: *The occupational stress is associated with a low level of commitment towards the organization/ the perceived commitment of the organization towards the employee.*

H3: *The occupational stress is associated with a high level of the turnover intention.*

Based on the second research objective, we developed the following hypotheses:

H4: *There are significant differences between the attitudes toward the organization between the members of the four studied companies, the members of the organization in the stage of profound combination manifesting more negative attitudes, compared to those of the organizations in other integration stages.*

H5: *There are significant differences at the level of physical and psychological health of the employees in the four organizations, the members in the organization found in the stage of profound combination experiencing the lowest level of health of all.*

H6: *There are significant differences in the turnover intention in the four organizations studied, the highest frequency being registered in the phase of profound combination.*

Based on the third research objective, we developed the following hypotheses:

H7a/b: *The employees' commitment towards the organization will moderate the relationship between the sources of pressure and their consequences on health.*

H8a/b: *The perceived commitment of the organization towards the employee will moderate the relationship between the organizational stressors and health.*

The organizational context

The data on which this study was constructed were collected in four Romanian companies, acquired by foreign investors between 2006 and 2008. In each of the four organizations, after the official announcement of the acquisition, several changes took place: the change of the organizational structure, changes at the level of management, changes at the level of the employees and at the level of the rewards and benefits system. The employees included in the research were hired in organization before the acquisition.

- **Company A** – the data were collected three months after the foreign investor won the auction, but before he had the opportunity to present his intention of restructuring the organization.
- **Company B** – the data were collected after 2 years from the acquisition.
- **Company C** – the data were collected after 14 months from the acquisition.
- **Company D** – the data were collected after 4 months from the acquisition. Company D was acquired by the same foreign investor as Company C.

Research methodology

Participants

This study was conducted on a sample of 415 participants from 4 Romanian organizations acquired by foreign investors in 2006 – 2008. Out of the total number of participants 38,6% are men and 61,4% are women. 21% age between 21 and 30 years, 31% between 31 and 40 years, 28,3% between 41 and 50 years, 18,8% between 51 and 60 years and 1% over 60 years. The respondents cover all the departments of the organizations: 15,5% work in the production department, 8,2% work in IT, 16,2% in the financial department, 5,5% in human resources department, 14,2% in administration, 12,5% in the sales department, 3% in employee safety, 2,7% in logistics and 6,7% in the department responsible of acquisitions. Regarding their professional level, 10,5% occupy managerial jobs, 19% have professional occupations, 7,3% technical jobs, 7,3 % administrative jobs, 21,3% qualified occupations, 24,3% sales and customer relations, 4% technological occupations and 5,8% basis occupations. All the participants in the study were hired in the organizations before the acquisitions.

Instruments

The level of the occupational stress and work attitudes were measured with the Romanian version of ASSET (A Shortened Stress Evaluation Tool, Cooper & Cartwright, 2002). The detailed description of the instrument and data collection procedure is described in Chapter 5.

RESULTS

Hypothesis 1-3 testing

The first step in the study of the sources of organizational pressure on employees' health and work attitudes and turnover intention consisted in the investigation of the correlations between these variables. The correlation coefficients between the scales measuring different sources of pressure and the level of physical health take values between $r = .17^{**}$ (Characteristics of the job) and $r = .28^{**}$ (Work overload), while the relationships with the psychological health varies between $r = .26^{**}$ (Work-family balance; Job security) and $r = .37^{**}$ (Work overload). All the values are statistically significant and positive, indicating a negative influence of the job stress on both: the physical and psychological health. The values of the correlation coefficients are constantly larger in the case of psychological well-being, suggesting a stronger impact of stress on this variable. These results supply empirical support for hypotheses 1a and 1b.

The correlation coefficients obtained between the scales measuring different sources of pressure and the perceived commitment of the organization towards the individual take values between $r = -.10^{**}$ (Wages and benefits) and $r = -.29^{**}$ (Control) and vary between $r = -.15^{**}$ (Characteristics of the job; Resources and communication) and $r = -.23^{**}$ (Control and Work overload) for the relationship with employee's organizational commitment. All the values are statistically significant and negative, indicating an inverse relationship between the perceived

level of job stressors and the two types of commitment. Thus, the higher the pressure determined by diverse organizational factors, the lower the commitment. These data empirically support hypotheses 2a and 2b. The turnover intention significantly correlates with all the measured sources of pressure, the values of the correlation coefficient varying between $r = .20^{**}$ for the Aspects of the Job scale and $r = .30^{**}$ for the Job Security scale. A high level of stress is associated with a higher frequency of the turnover intention, this result supporting hypothesis 3.

Hypotheses testing 4-6

In order to test hypotheses 4-6, we used the variance analysis method. The results obtained as a result of running this procedure are presented for each dependent variable. Tabel 1 summarizes the results obtained for the two facets of commitment measured.

Table 1. ANOVA: Commitment

		Sum of squares	df	Square mean	F	Sig.
Perceived organization's commitment	Intergroup	1648.25	3	549.41	24.220	.000
	Intragroup	9300.54	410	22.68		
	Total	10948.79	413			
Perceived commitment towards the organization	Intergroup	435.55	3	145.18	8.701	.000
	Intragroup	6824.46	409	16.68		
	Total	7260.02	412			

The examination of the results obtained following the variance analysis reflects that the level of the perceived commitment of the organization towards the employee is lower in the case of the organizations in the stage of the profound combination, post-acquisition, compared to the level of commitment perceived by the employees in the organizations found in the initial stage of the combination process ($F(3, 410) = 24.220, p < .000$). Games-Howell indicator (Games-Howell = 3.27, $p < .000$) reflects a significant difference between the level of the perceived commitment of the organization towards its employees between the two companies found in the same phase of the integration process. The two organizations differed by the type of the combination. The lower commitment observed in the case of the merger, compared to the one observed in the acquisition replicates other results published in the literature (Buono & Bowditch, 2003; Nahavandi & Malekzadeh, 1989) referring to the higher level of stress felt by the employees in the case of the merger than in that of the acquisitions. The results do not suggest a decrease in the level of commitment once the company has passed the stage of profound combination. As it regards employees' commitment towards the organization, this is lower in the case of the organizations in the profound combination stage, compared to the level measured in the organizations which were in the initial phase of the integration process ($F(3, 409) = 8.701, p < .000$). These results offer partial empirical support for the hypothesis 4 and 5.

We proceeded in a similar manner to test the hypotheses regarding the well-being of the employees and the turnover intention. The results obtained suggest the occurrence with a greater frequency of the symptoms of both physical and psychological ill-health in the case on employees working in organizations found in the profound combination stage, without evidencing significant differences between those working in companies found in the initial stage of the integration compared to those found in the more profound stages of the process ($F(3,411) = 6.56, p < .000$). The results indicate the existence of larger differences in the case of psychological well-being, without being so obvious in the case of physical health. Similar results were noticed in previous researches (Carwright & Hudson, 2000). In conclusion, the results partially support hypothesis 5.

As it regards the turnover intention, there are significant differences ($F(3, 410) = 9.33, p < .000$) regarding the frequency with which it appears in the case of the employees from the four organizations studied. Turnover intention is significantly more frequently encountered in Company B (the stage of profound combination), than in Company A (the initial phase of the integration process) (Hochberg = 52, $p < .000$) and Company C (the phase of formal combination) (Hochberg

= 50, $p < .000$). There are no significant differences between companies A and C and C and D. Thus, turnover intention appeared with a greater frequency in the case of the employees from the organizations in the profound combination phase, than in the case of the employees working in organizations found in the initial or formal phase of the post-acquisition combination. These results empirically support hypothesis 6.

Hypotheses 7-8 testing

In order to test the moderation effect of the perceived commitment of the organization towards the employee and of the employee towards the organization, in the relationship between stressors and health, we began with the premise of the moderation of the impact of each source of stress on health by the two forms of commitment. For each of the eight sources of pressure measured we calculated a product with the two forms of commitment, resulting a total of 16 products.

We conducted a regression analysis for each product. The criterion was represented by the product between the source of pressure and commitment, and the predictors were represented by the two entities multiplied. The residual values obtained as a result of the regression analysis were saved as scores and used in the subsequent testing of the model. This procedure was adopted to avoid multicollinearity. The values of the absolute fit indicators are presented in Table 2.

Table 2. Absolute indicators for the two models tested

Model tested	χ^2	df	p	RMR	RMSEA	GFI
1	159,48	1	.000	.469	.715 [.62 - .81]	.972
2	0.913	2	.633	.097	.000 [.000 - .089]	.999

The data indicates that the first model does not reproduce in an accurate manner the data: both the values of χ^2 as well as the indicators used for estimating the degree of fit of the model suggest that it does not reproduce the initial correlations matrix. Based on the statistical constraints and on the research literature we respecified the model, by eliminating all the non-significant relationships. Only two sources of pressure were left in the final model: Work overload and Wages and Benefits.

The analysis of the values obtained for the absolute indicators for the second model reflects a better fit of the data by this. Thus the value obtained for chi square ($\chi^2=0.913$, $p < .633$) in the second model is statistically significant, indicating the absence of significant differences between the original data matrix and the one obtained based on the respecified relations in the model.

The value of the RMR indicator is .09 in the case of the second model, satisfying the condition of indicating a model that explains well the evolution of the observed data. The RMSEA value is .000, with a confidence interval between [.00 - .08], and GFI = .99, value that clearly indicates a good model.

Another set of important indicators for establishing the degree of fit of a model are the comparison indicators. The values obtained for this set of indicators are presented in Table 3.

Table 3. Comparison indicators for the two models tested

Tested model	NFI	RFI	IFI	CFI
1	.975	-8.35	.975	.974
2	.997	.979	1.000	1.000

The examination of Table 3 reflects that both models have good indicators (excepting RFI in model 1) and indicates an improvement in the indicators obtained for the second model.

Based on the results obtained for the two sets of indicators, we considered the second model as explaining the impact of stress in the context of mergers and acquisitions on personal well-being. The model and the path coefficients are presented in figure 1.

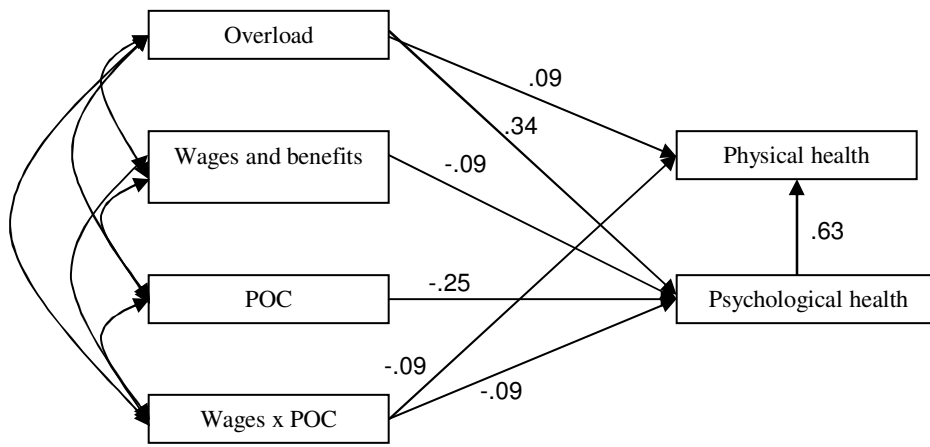


Fig. 1. The effect of the interaction stress x commitment on the individual health

In this model, psychological well-being explains best most of the variance of the physical health (63%). Of the sources of pressure measured, Work overload explains directly 34% of the psychological well-being and indirectly 22% of the physical health. The pressure determined by the wages and benefits explains directly 10% of the variance observed in the physical health and indirectly 6% of it. The psychological well-being is explained in proportion of 10% by the wages and benefits. The level of the perceived commitment of the organization towards the employees explains directly 25% of the variance of psychological health and indirectly 16% of the physical variance. The model reflected the presence of an interaction effect between the stress determined by the wages and benefits system and the commitment of employees towards the organization, suggesting that the impact of stress determined by the rewards system on physical and psychological well-being depends on the level of organizational commitment. The interaction effect explains directly 10% of the physical health variance and 9% of the psychological health variance. In the same time, the results reflect an indirect effect (6%) of the interaction on the physical health, the moderation relationship being partially mediated by the level of the psychological health of the employees.

Conclusions

The study at hand aims at investigating the main sources of pressure experienced by the employees in the context of an international acquisition, as well as the testing of the moderation effect of the commitment towards the organization, in the relationship between the sources of stress and its consequences on physical and psychological health.

The results of the study indicate a medium level of stress experienced by the employees of the acquired organizations, the strongest sources of stress being: Work overload, Control, The Rewards and Benefits System. The consequences of occupational stress are expressed in two major areas: the physical health and the work attitudes. The results indicate that the symptoms associated with a psychological well-being are more frequent than those of a physical ill-health, and in all the organizations the level of commitment is reduced.

Building on the models developed in the literature for a better understanding of the post-acquisition integration; in the study at hand we tested a series of hypotheses regarding the experience of stress, depending on the integration phase an organization is in. More specifically, we examined whether the experience of stress intensifies as the organizations progress in the combination process, affecting at a deeper level the well-being, the work attitudes and the

turnover intentions of the employees. Generally, the results reflect the existence of significant differences regarding the consequences of stress on health, commitment and turnover intention, as a function of the integration stage.

The changes that intervene as the organization involves in the merger determines the apparition of a high level of uncertainty regarding the future, fed by the job insecurity, the perception of a reduced level of control over the processes and work procedures and by the significant modifications of the rewards system in the organization. In the psychological realm, the rumors, the presumptions, the actions or the decisions (real or imaginary) which influence directly the life of the employees act in a stronger and more subtle way than the financial aspects. The loss of these important aspects, along with the loss of the promotion or development opportunities, or that of the status associated with being employed in a certain organization have a direct and negative influence on the well-being of the employees and on their commitment. Because they perceive a qualitative change in relation with the company they work in, they react by not supporting it in the process of the realization of the acquisition objectives.

The experience of stress is more accentuated in the advanced phases of the combination, because the post-acquisition reality is often very different from what was expected initially. This fact does not become obvious at the beginning, but becomes clearer as more and more information is available. Post-acquisition integration is an interactive process. In each stage, the organizational members need to learn how to work together and how to cooperate in order to attain the common objectives. The difficulties that appear in the process of the management of the acquisition are closely tied to the failure in creating an atmosphere which sustains a real change. The development of such an atmosphere is essential, because the problems associated to the integration process undermine its realization (Haspeslagh & Jemison, 1991).

Of the moderating effects tested, we obtained statistically support only for the interaction between the stress determined by an inadequate rewards system and commitment. The changes with the most negative influence on health proved to be work overload and the rewards system, the last one influencing both directly and indirectly employees' health.

The results obtained by the regression analysis and structural equation reflect a direct effect of some stressors on both the physical and psychological health. Specifically, the perception of work overload and an adequate level of the salary influence the psychological health. Work overload has also a direct effect on the physical health. Work overload represents a stress factor often encountered in the context of the organizational changes. the changes of the work procedures and the reduced number of employees contributes to an increase of the tasks an individuals has to do. This condition is often experienced as a stress factor.

The data obtained in this study also shows an interaction effect between the rewards system and employees' commitment towards the organization, indicating the protective role of the commitment for the psychological well-being in the context of an inadequate pay. According to the results, the psychological issues are more frequent in the case of those experiencing a high level of stress due to an inadequate rewards system and who are very little committed to the organization, compared to those who feel the same pressure as a result of the pay and benefits, but with a higher level of commitment. Previous researches support the importance of the perception of the rewards system in the context of acquisitions. Dent & Goldberg (1999) assert that how much a person earns and the occupational status are factors strongly associated with one's job, individuals being very sensitive to any change that might affect these characteristics of their job. Child, Faulkner & Pitkethly (2001) observed that the modifications at the level of the rewards and promotion systems are more significant in the case of the international acquisitions, than in the domestic ones. The conclusions of a study conducted on several mergers in Europe, by Very, Lubatkin & Veiga (1997) asserts that the perception of the change at the level of the objectivity of the evaluation procedure and of the rewards system are significant predictors of the stress level.

CHAPTER 9

AN INTEGRATIVE MODEL OF THE CONSEQUENCES OF MERGERS AND ACQUISITIONS AT THE INDIVIDUAL

The analysis of the literature on the psychological consequences of the changes triggered by mergers and acquisitions at the individual level accords a significant importance to the occupational stress and its consequences on the physical and psychological health, job satisfaction, organizational commitment and counterproductive work behavior. These consequences are most often investigated separately, and in the absence of some strong and integrative theoretical arguments. While the research literature provides a considerable amount of prescriptions regarding how it is best to manage various forms of organizational combinations, the impact of these changes on trust in management and on the justice with which they are implemented were very little investigated (Gill & Foulger, 1978, apud Cartwright & Cooper, 1993). Nor did the attitudes towards an acquisition receive much attention on the behalf of the researchers, in spite of the studies that indicate that the employees' attitudes towards the organizational change influence the success of the change itself (Eby *et al*, 2000, Martin, 1998, Gilmore & Barnett, 1992). The successful implementation of the organizational change is dependent on the manner the employees react to the change (Bovey & Hede, 2001; Piderit, 2000) and to the process used for its implementation (Henderson, 2002; Korsgaard, Schweiger & Sapienza, 1995). As it regards turnover, although recognized as a frequent problem in the context of these organizational changes, in spite of some studies conducted on managers (Hambrick & Cannella, 1993) and their motives for quitting, the turnover intention has not been studied in the context of international acquisitions.

This chapter aims at developing the previous researches by developing and testing an integrative model of the individual reactions to the changes determined by mergers and acquisitions. As a response to the problems raised by change implementation Armenakis & Harris (2002) proposed the concept of procedural justice, a promising perspective on the actions and strategies that should be considered by the organizational leaders responsible of this process (ex. Beugre, 1998; Folger & Skarlicki, 1999; Seo & Hill, 2005; Saphiro & Kirkman, 1999).

Whether the organizations undergo some major changes, like mergers and acquisitions, or some small scale changes, change always involves a process of resources redistribution. This redistribution creates a natural context for justice perception. A few studies preoccupied by different aspects of organizational justice, also took in account data regarding occupational stress. Eloviano *et al.* (2001) reported data which sustains that procedural justice totally mediates the relation between control and well-being and Francis (2003) observed a partial mediation effect for the same relationship. Judge and Colquitt (2004) showed that the relationship between organizational justice and well-being is mediated by the work-family conflict. Job insecurity is another variable often studied in association with organizational justice (Barling & Kelloway, 1996; Sonnentag & Frese, 2003).

Based on these research conclusions, the first hypothesis of the study regards the relationship between organizational stressors and the perception of procedural justice.

H1: *The occupational stress predicts a low level of the perception of the procedural justice, in the context of organizational change.*

A series of recent studies tried to understand the relationship between organizational justice and the change efforts (Beugre, 1998; Saunders *et al.*, 2002, Seo & Hill, 2005) and between justice and commitment towards the organizational change. Based on the equity theory (Adams, 1965), employees who perceive the results of the change as being benefic will develop a stronger commitment towards the change, sustaining the organizational in this effort. The employees who perceive the results of the change as being detrimental will react by anger and the desire for revenge (Greenberg, 1990). A fundamental premise of procedural justice is that individuals who contribute or who have a say regarding the change implementation procedures, manifest a stronger tendency regarding the change implementation procedures, are more prone to appreciate the decisions taken as being correct (Bernerth *et al.*, 2007). Consequently we expect to observe a positive association between the justice perception regarding the implementation of the changes and the attitudes towards the acquisition and a negative relation between justice and turnover intention.

H2: *The perception of procedural justice predicts the attitudes towards the acquisition and the turnover intention.*

Korsgaard, Sapienza & Schweiger (2002) noted that in the case of an organizational retechnologization, the planning process and the procedural justice interacted so as the obligations and the intentions of the employees to stay in the organization were negatively influenced only by the planning process, when the change process was perceived as just. Tyler & De Cremer (2005) affirm that if the leaders act in a correct manner procedurally speaking, they are perceived as being more legitimate and competent, thus the employees accept more easily the change initiated by them. All these conclusions support that the role of reliable leaders become more important in the context of organizational change, than in times of stability (Cobb, Folger & Wooten, 1995). As the politics and the procedures in the organization and changing, the employees become more dependent on their leaders for problems solving and fair allocation of the resources. These symbolic roles of the leaders in the context of organizational change are very important for the success of the change (Covin & Kilman, 1990).

Respecting the logic of the researches conducted on the role of trust in managers in organizations undergoing different kinds of change, we propose the following hypotheses:

H3: *A high level of the perception of procedural justice predicts a high level of trust in management that is a perception of the competence, benevolence and integrity of the manager.*

H4a: *Trust in management predicts the development of positive attitudes towards the acquisitions and a reduced turnover intention.*

H4b: *Trust in management is a better predictor of these attitudinal consequences than procedural justice.*

An important antecedent of both organizational justice and trust in management is communication. Although there are studies sustaining a direct relationship between communication and the acceptance of change, there are others which suggest that the positive effects of communication on change acceptance and turnover intention are mediated by the perception of justice (Daly & Geyer, 1994). Thus, communication of correct information positively predicts the perception of justice, which in turn attenuates resistance.

H5: *Adequate communication predicts the perception of procedural justice and trust in management.*

RESULTS

The first step in testing the proposed hypotheses in this research consists in the inspection of the correlations between the variables. The results of the correlation analysis reveals that occupational stress is significantly and negatively (-.16*) associated with the perception of procedural justice, this result empirically supporting hypothesis 1. Procedural justice significantly correlates (.37**) with the general attitudes towards an acquisition and the turnover intention (-.23**), these results empirically supporting hypothesis 2. The correlation coefficients between the scales that measure the components of trust and the perception of procedural justice are positive and statistically significant. The perception of procedural justice is positively associate with the competence (.55**), benevolence (.56**), and integrity (.49**) of the management, thus providing statistic support for hypothesis 3. The correlations between the trust components: competence (.47**), benevolence (.30**), integrity (.33**) and the general attitudes towards the acquisition are positive and statistically significant, while all the correlation coefficients between trust and turnover intention are negative and statistically significant. These results provide empirical support for hypothesis 4. Communication positively correlates with procedural justice (.54**) and with all the trust components, thus supporting hypothesis 5. Of all the subscales of trust, the strongest observed association was between communication and management benevolence (.58**).

In order to test hypothesis 4b, we ran a hierarchical regression analysis. In the first step we controlled the influence of procedural justice to examine the extent to which trust in management is a better predictor of the attitudes towards the acquisition and turnover intention than the perception of justice. The results are presented in Table 4.

Table 4. Regression analysis summary

	Attitudes towards the acquisition		Turnover intention	
	β	Semipartial correlation	β	Semipartial correlation
Procedural justice	.16	.14	.08	.07
Competence	.34**	.25	-.08	-.06
Benevolence	-.10	-.07	-.27**	-.20
Integrity	.09	.07	-.19	-.14
Trust	.11	.11	-.13	-.14
F	5.51**		8.81**	
R²	252		252	
Adjusted R²	224		224	

*The results are significant at $p < .01$.

**The results are significant at $p < .001$.

The results obtained from the regression analysis indicate a significant improvement of the predictive model after introducing the trust variable in addition to the controlled variable: procedural justice. Thus $\Delta R^2 = .12$, $p < .001$, for the attitudes towards acquisition and $\Delta R^2 = .19$, $p < .001$ for the turnover intention. The strongest predictor in the case of the attitudes towards the acquisition is manager's competence ($\beta = .34$, $p < .001$), while manager's benevolence ($\beta = .27$, $p < .001$) is the best predictor for the turnover intention.

The results reflect a total mediation effect for all the tested relationships, trust representing the mechanism by which procedural justice influences the attitudes of the employees in the context of the change. The data provides empirically support for all the hypotheses tested. These results prove and empirically support the importance of trust in management in the context of organizational change and in the shaping of employees' attitudes and their turnover intention. The development of trust in management can reduce the negative impact of different organizational decisions in the context of a profound change as that determined by an acquisition. The development and maintenance of trust can reduce the negative implications of change on commitment and can help controlling the turnover rate.

Building on the theoretical premises synthesized in this work and on the results of the regression analyses, we developed and tested two models of the individual reactions to the changes determined by the international acquisitions: a totally mediated model and a partially mediated model. The total mediation model is presented in figure 2.

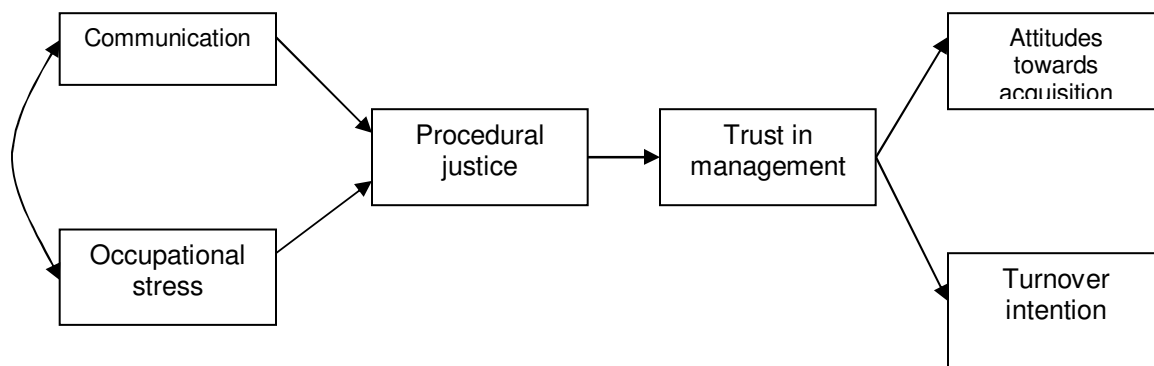


Fig. 2. A total mediated model of the development of the attitudes towards the acquisition and turnover intention

The model builds on the premise that the lack of information regarding the change will be considered by the employees as an incorrect treatment and will favor the development of mistrust and resentments regarding the change decision. In the same time, we expect a good

communication strategy to be positively associated with change acceptance and the development of trust, this relationship being mediated by the perception of procedural justice. At the level of trust we expect to observe the direct consequence of it on the general attitudes of the employees towards the acquisition and on their turnover intention.

To evaluate the fit of the theoretical model and to obtain the estimated parameters we used the structural equation method. Obtaining an acceptable fit level for the model does not offer any guarantee that this is the best model. The strongest test of a model is the identification and testing of a concurrent model (Little, Card, Bovaird, Preacher & Candall, 2007). To achieve this, we returned to the research literature to develop an alternative model. Most of the writings on the individual reactions to the changes determined by mergers and acquisitions support a direct effect of communication and occupational stress on the resistance to change and not a process oriented approach. For example, Mayer et al. (1995) sustain that credibility and content of the communicated message will determine the formation of the attitudes towards change and trust. The studies that examined only the direct effects indicated that stress determined by job insecurity predicts mistrust in management (O'quin & Lotempio, 1998). The studies conducted in organizations undergoing major changes and downsizing indicate that the stress associated with these changes significantly influence the perception of the procedures based on which these decisions are taken as being unjust (Brockner, 1990; Mishra & Spreitzer, 1998). Cohen-Carash & Spector (2001) observe that the perception of organizational resources relocation based on some unfair procedures determines the occurrence of negative attitudes towards the organization. Konovsky and Brockner (1993) affirm that the resentments which appear in the context of changes and downsizing perceived as unjust are often directed by managers. Daly and Geyer (1994) observe that individual's perceptions regarding how the management justifies the relocation process of some of the employees are associated with the turnover intention, and this relationship is mediated by the perception of procedural justice.

Considering all these results, we expect to obtain both a direct and indirect effect of stress on procedural justice, trust in management, attitudes towards the acquisition and turnover intention. Also, in accordance with these results, we proposed a partially mediated model, in which communication and stress predict the attitudes towards the acquisition and trust, both directly and indirectly, by procedural justice. Model 1 is nested in Model 2.

Model estimation

We examined the model by means of a path analysis ran in Amos 16.0. The absolute fit indices are presented in Table 5.

Table 5. The values of the absolute fit indices for the two tested models

Tested model	χ^2	df	p	RMR	RMSEA	GFI	AGFI
1. Total mediation	64,82	9	.000	3.28	.235 [.18 - .29]	.842	.631
2 Partial mediation	10,251	5	.068	.037	.097 [.00 - .18]	.972	.884

The results obtained for the original model reflects a mismatch ($\chi^2 = 64,82$, $p < .000$) between the covariance matrix of the brute data and the matrix obtained based on the relations specified in the model. The mismatch is also supported by the values of the absolute fit indices. RMR = 3.28, a value much higher than the threshold of .10, considered to indicate a good model. This result means that the model does not explain correctly the evolution of the data. The values of GFI and AGFI do not reach the minimum threshold of .85, considered desirable for a good model. Besides the absolute fit indices, we computed the comparison indices, the results being presented in Table 6.

Table 6. The values of comparison indices for the two tested models

Models tested	NFI	RFI	IFI	CFI
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1. Total mediation	.710	.517	.740	.732
2. Partial mediation	.954	.862	.976	.975

The analysis of the comparison indicators for the first model tested (NFI = .71, RFI = .51, IFI = .74, CFI = .73) do not reach the 85 or.90 threshold considered necessary for an acceptable level of fit (Sava, 2004).

The respecification of the model based on the research literature and the statistical suggestions implied the inclusion of some additional relations in the model. Thus we took in account the direct effects of communication on trust and occupational stress on the attitudes towards the acquisition and turnover intention. We re-tested the model and obtained better fit indicators. $\chi^2 = 10,251$ is much lower than the first time, indicating that the difference between the covariance matrix of the gross data and the one proposed by the model is not significant ($p < .068$). This result was also confirmed by the values of the absolute fit indicators, which support that the partially mediated model is good. The RMR = .037 value indicates that the model reproduces accurately the evolution of the data; the RMSEA value (.097) is between the limits of the 90 % confidence interval [.000 - .182]; GFI = .972 and AGFI = .884, both values being higher than the minimum value of .85 considered acceptable.

The analysis of the values obtained for the comparison indices are above .90 for three of them (NFI = .954, IFI = .976, CFI = .975), and one of them is higher than .85 (RFI = .862), indicating that the partial mediated model is good.

The comparison of the values obtained for the fit indices in the case of the total and partially mediated model reflect a notable improvement of these as a result of the model respecification. The results obtained for both categories of indices sustain that most of the direct relations between communication, stress, justice and trust are necessary components of the model. The model and the standardized path analysis coefficients are presented in figure 3.

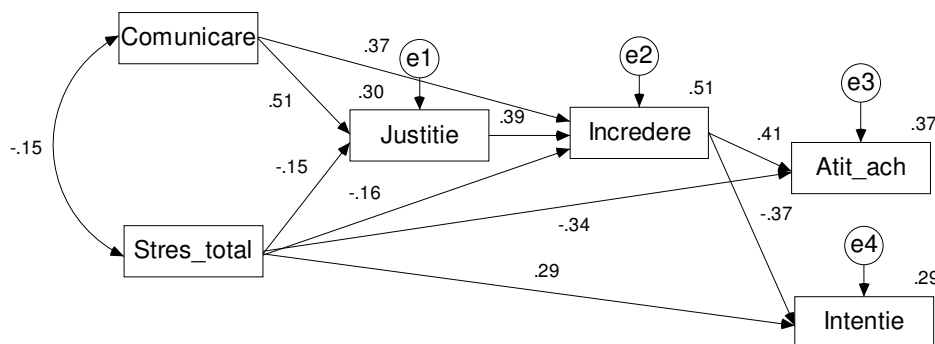


Fig 3. The partially mediated model

Parameters estimation

The results obtained support that the perception of procedural justice is predicted by the level of job pressure ($\beta = -.15^{**}$) and the adequacy of communication ($\beta = -.51^{**}$). Trust is directly predicted by occupational stress ($\beta = -.16^{**}$), communication ($\beta = .37^{**}$) and justice ($\beta = .39^{**}$) and indirectly by the occupational stress through justice ($\beta = -.05^{**}$), and by communication, mediated by justice ($\beta = .19^{**}$). The attitudes towards the acquisition are directly predicted by the level of the occupational stress ($\beta = -.34^{**}$) and indirectly by the level of trust in management ($\beta = -.08^{**}$). The direct effect of trust on the attitudes towards the acquisition is of .42**. The turnover intention is directly predicted by the level of the occupational stress ($\beta = .29^{**}$) and of trust ($\beta = -.37^{**}$) and indirectly by the mediation of trust on the occupational stress ($\beta = .08^{**}$), communication ($\beta = -.20^{**}$) and justice ($\beta = -.14^{**}$).

The model explains 30% of the variance of the procedural justice, 50% of the variance of trust, 29,1% of the variance of the turnover intention and 37,4% of the variation of the attitudes towards the acquisition.

Discussions

The result according to which communication has a direct effect on the perception of justice and trust is consistent with the studies sustaining the ability of communication to increase management's credibility (Mayer et al., 1995). In the absence of trust in management, in the competence, benevolence and integrity of the managers with decisional authority, employees form negative attitudes towards the acquisition and the changes determined by it. Trust in management proved to have a strong impact on the attitudes towards the acquisition of the company by a foreign investor, although most of the studies focused on the relationship between trust in management and job attitudes, like job satisfaction or organizational commitment (Dirks & Ferrin, 2001, 2002).

If management is willing to be transparent in his decisions and actions, the chances that employees are open to the changes and initiatives proposed are higher (Armenakis et al., 1993; Young & Post, 1993). The relationship between communication and trust is supported by previous researches indicating that favorable attitudes towards innovation and the understanding of innovation explains to a great extent the way employees react to these organizational changes (Lewis & Siebold, 1996). Once the communicated messages transmit an accepted justification for the employees and underline the improvements caused by the change (Young & Post, 1993), the employees will understand the necessity of the change and will give up the opposition that might come up out of fear or lack of the change understanding.

The theory of procedural justice (Chan Kim & Maubotgne, 1993; Folger, 1977; Konovsky, 2000; Korsgaard et al., 1995) supports that the manner of structuring and realization of the change process will influence the attitudes towards change; the relationship between the process of change and attitudes towards it being mediated by the perception of justice. The attitudinal consequences of change are associated with a wide array of behaviors reflecting the global evaluation of change. Ajzen (2001) indicates that attitudes are relatively stable in time, resistant to persuasion and they represent strong predictors of behavior. Positive attitudes towards change are associated with citizenship behavior (Organ, 1990) especially in the areas related with the implementation of change. At the organizational level, these behaviors are associated with the speed and the success of implementation (Dooley, Fryxell & Judge, 2000). In spite of the important benefits of the positive attitudes towards change, the research literature suggests that the negative ones represent the norm (Dent & Goldberg, 1999).

The negative attitudes towards change are associated with behaviors like strong expression of different points of view, ridiculing change, the process and its premises or even its sabotage. In times of organizational change, the employees reevaluate their role in organization, reexamine their psychological contract and understand the organization in relational terms (e.g. their loyalty and support for the organization). If they perceive that the psychological contract has not been respected, the employees will withdraw from the relationship they have with the organization (become mistrustful) and are not devoted to the good of the organization anymore (attitudinal resistance) (Shore & Tetrick, 1994). These attitudes are most often antecedents of the cognitions associated with detachment and withdrawal (Davy et al., 1997). According to the hypotheses, trust predicts the attitudes towards the acquisition and turnover intention. In the absence of trust in management, both the psychological and physical forms of withdrawal will be manifested (Shore & Tetrick, 1994).

Once that trust and the affective link between the individual and management was affected, the motives that determined the employees' staying in the organization until that moment decrease significantly. McEvoy and Cascio (1987) suggest that although there might be no relation between performance and fluctuation before the decision of leaving the organization, once the employees quit the organization, performance declines. The previous researches sustain that the first to leave the organization are those employees with reduced performances (McEvoy & Cascio, 1987). But if they do not leave the organization immediately (e.g. because they do not have other options), their remaining in the organization does not contribute to the rising of its performances. On the contrary, because the non-performers are generally less

content with their jobs and with the management, they are more afraid that the changes might threaten their job or might increase their responsibilities. As a consequence, they will manifest strong opposition towards the change and will be less receptive to the initiative of management (e.g. the lack of trust in management).

GENERAL CONCLUSIONS

The first part of this thesis presents a review of the studies conducted on the organizational integration processes in the context of mergers and acquisitions, from a psychological perspective, with identifying the major limits of the research literature. The objectives of the thesis were established so as to cover some of the limits of the literature. In the following section we will summarize the main theoretical, methodological and applied contributions of the thesis.

From a theoretical perspective, the thesis aimed the development and testing of an integrative model and the individual reactions determined by mergers and acquisitions, as well as their role in the development of the general attitudes towards the acquisition and turnover intention. As we have already mentioned in the previous chapters, the largest part of the literatures on mergers and acquisitions was written by practitioners and is little founded on sound psychological theory. Most of the studies follow direct and isolated effects of some variables related to the process of change on the individual. In this thesis we aimed at addressing this limit of the literature by integrating the results in an integrative and comprehensive model. Synthesizing the main publications on mergers and acquisition, we concluded that the most important psychological factors responsible for the success of an acquisition are:

- a. The degree of cultural fit existing between the partners and the acculturative mode chosen and
- b. The impact of this organizational event on the individual: the level of stress generated by the merger process and its duration. It was proved that the long term effects of stress significantly influences physical and psychological health of the employees as well as their work attitudes and professional behaviors, with direct consequences for the organizational performance (Cooper, Cooper & Eaker, 1988).

These factors do not act in isolation, but are inter-related. A reduced cultural fit, or even an incompatibility at this level leads to a high level of fragmentation, uncertainty and cultural ambiguity, consequences perceived as extremely stressful for the employees.

Thus, the first study investigates the consequences of mergers and acquisitions at the organizational level. Specifically, we examined the organizational culture in two organizations acquired by a foreign investor. The two organizations were in the process of merging at the moment of data collection. The results present the characteristics of the organizational culture before and after the acquisition, underlying the impact of the differences on the integration process.

The second study investigated the impact of these organizational events at the individual level, giving a special attention to the sources of pressure associated with these organizational events and their consequences on the individual. The main results regard the direct impact of the stressors on well-being, the most prominent stressors revealed by the study being the rewards and benefits system and work overload. In the same study we highlighted an interaction effect between the rewards system and the commitment of the employee towards the organization. In other words, in the condition of a high level of employees' commitment towards the organization, the negative consequences of the pressure determined by an inadequate pay system are attenuated, compared to the experience of the employees with a low level of commitment.

The studies published on the subject of organizational change recognize the impact of this process on a larger spectrum of variables than stress. Recent studies on the changes determined by mergers and acquisitions integrate aspects related to trust in management, procedural justice and their consequences on the attitudes towards work and organization. Because these are treated separately and the results obtained are sometimes contradictory, the

third study aimed at integrating all these in an explicative model of the attitudes towards acquisition and turnover intention. We developed and tested two alternative models to explain the development of the attitudes towards acquisition and the turnover intention: a totally mediated model and a partially mediated one. The variables included in the model were selected based on to criteria: to be theoretically significant and to have a demonstrated (in other researches) impact in the context of organizational change. Respecting these two criteria we avoided the proposal of new variables, but we built on the results already existent in the literature, as to make a step forward in the integration of the results. The results of the study reflect that trust in management is influenced by the perception of the justice of the change implementation, which, at its turn significantly influences employees' attitudes towards the acquisition.

In the same time, this thesis responds to the need of conducting this kind of studies in other areas than USA or Great Britain, contributing to the enrichment of the research data with perspectives specific to the Romanian environment.

From a methodological point of view, one of the major contributions of the paper is related to the context of the research realization. One of the main critic attributed to the publications on mergers and acquisitions is that the literature is fragmented, dominated by studies in the USA and based on hypothetical speculation. Because the integration process is strongly influenced by the cultural aspects, manifested both at the organizational and national level, we consider that the premise that the results obtained in the USA are true for European organizations has at least to be checked. The thesis contributes significantly to this need, being one of the first psychological researches conducted on the acquisition of Romanian companies by foreign investors. Another critic of the literature is that the studies published were often born accidentally, without having a clear research design (Mirvis, 1985; Vlumberg & Weiner, 1971) or in cvasi- or totally simulated conditions (Berney, 1980). The analysis of the research literature in the field shows that a large number were conducted in the context of the reorganization of a public organization, the conclusions being extrapolated at the level of the mergers in the private sector (Humpal, 1971). The studies included in this thesis respond to this limit: the research design is based on the psychological theory. The data in these studies were collected from four Romanian organizations acquired by foreign investors, on a period of two years. The organizations were selected so as to respect the same conditions at the level of the acquisition and cultural integration process. The method and the instruments used in the data collection were the same, providing results that allow valid comparisons as well as the extrapolation of the results in the private sector in Romania. The total number of participants in these studies is of 415.

From an applied perspective, because the data was collected in an ecological environment, the conclusions can constitute the basis of some recommendations and practical implications for organizations found in the post-acquisition process and their managers. The research delivers concrete data regarding the main sources of stress associated with the experience of an acquisition and their consequences on the attitudes towards the organization and the acquisition. The developed model significantly contributes to the explanation of the manner in which the perception of some traits and events related to the job influences the attitudes towards the organization and change.

The integration of the results offers some important suggestions the practitioners could include in the interventions developed for the support of the post-acquisition integration. First, because this is an organizational event and affects the profound aspects of this entity, the first step of the integration process should consist in a cultural diagnosis. This should be realized in both of the parties, and by using different group working techniques; the process should facilitate the reciprocal understanding of the organizational culture.

Second, the managers and the individuals responsible of realizing this process should understand that the involved changes represent an important source of pressure for the employees; thus frequent and open communication is necessary, as well as listening to their fears and offering answers to their questions. It is important to pay attention to these two factors, because the results obtained demonstrated their direct effect on the perception on justice with which the changes are implemented and on the trust in management. Stress has a direct effect on the general attitudes towards the acquisition and turnover intentions. Considering the theory of attitudes and action planning, these factors become extremely relevant for the change process. The positive attitudes sustain change and significantly contribute to its success, while negative

attitudes can lead to the failure of even the most promising mergers and acquisitions, from an economic point of view.

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