DEAL CHARACTERISTICS AND COLLECTIVE RUMINATION:  
HOW EMPLOYEES MAKE SENSE OF A MERGER ANNOUNCEMENT

by

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ABSTRACT

The purpose of this dissertation is to increase our understanding of how employees make sense of a merger announcement. This dissertation addresses a gap in the literature by examining the relationship between deal characteristics and employee reactions. A theoretical model incorporating the cultural, psychological and social perspectives is developed and tested. This experimental study also examines how attitudes about the merger change following peer interaction. Quantitative and qualitative methods are combined to investigate the relationship between deal characteristics and employee reactions observed in mergers. Findings indicate that deal characteristics not only significantly affect initial employee reactions, but also affect how employee attitudes evolve over time as they discuss the event with peers. The study establishes an overall detrimental effect of social interaction on employee attitudes, described as collective rumination. Finally, the study sheds new light on power in mergers by establishing the relevance of one’s position in the deal structure with respect to sensemaking and attitudes following the discussion of the event with colleagues.
RÉSUMÉ

Ce projet de thèse concerne l'aspect humain des fusions et acquisitions. Je propose et teste un modèle intégrant les perspectives culturelles, sociales et psychologiques. Cette réplication expérimentale d’une annonce de fusion comble une lacune dans la littérature, à savoir le manque de recherche liant les niveaux micro et macro dans ce domaine. J’examine notamment comment les caractéristiques de la fusion affectent les réactions des employés. Les résultats de mon étude multiméthode basée sur un modèle longitudinal ont non seulement permis d’établir l'existence d'un effet des variables contextuelles sur les attitudes des employés, mais également de démontrer à quel point l’interaction avec un groupe de collègues peut être néfaste. En effet, une analyse complémentaire des données qualitatives permet de constater la présence d’un phénomène de “rumination collective” suite à l’annonce de la fusion.
INTRODUCTION

Mergers between different organizational entities have been a widespread phenomenon during the last decades. Our newspapers abound with stories about organizations in the process of merging their activities. It is expected that approximately one in three employees will face a merger or acquisition in their working life (Hubbard, 1999). In the past decades many works, both academic and business, have been dedicated to this phenomenon and both the reasons for merging and the actual implementation have been described extensively. The issues under investigation have initially concerned the strategic, financial or operational side of mergers. However, even thoroughly planned mergers often fail to materialize (Cartwright & Cooper, 1993b) and much of the variance in the prediction of merger failure remains unexplained (Amiot, Terry, & Callan, 2007). A focus on the “human side” of mergers could therefore be valuable. Human dynamics become even more relevant with the growing trend towards related combinations (Cartwright & Cooper, 1996). Whereas previous waves of mergers and acquisitions were concerned with consolidation efforts extending into new activities, same industry combinations intend to achieve economies of scale or synergies, and therefore entail a much greater extent of people integration (Cartwright & Cooper, 1996).

It is important to note that I do not wish to distinguish between mergers and acquisitions. Although in finance and strategy lines of research this distinction may be useful, I believe that such a distinction is less relevant in this dissertation investigating how employees make sense and react to a merger announcement. In a merger a new entity is created incorporating both previous entities, whereas in the case of an acquisition, one is integrated in the other. By definition, a merger would imply equal partners going into business together. An acquisition on the other hand is the takeover (hostile or not) of control by another entity, followed by the
integration of one entity into another usually larger entity. Acquisitions by definition imply a significant power differential, but a merger does not per se. In an acquisition, power differences may be more institutionalized than in a merger, but this does not mean that in a merger there are no power differentials (Meyer, 2004). Moreover, in practice deals are often announced as mergers in order to appear less threatening to the acquired organization (Teerikangas & Very, 2006). In 2000, the UNCTAD estimated that only 3% of deals are actually mergers (Teerikangas & Very, 2006). Also, Stahl and colleagues considered 50 cases for inclusion in their case survey with the intention to exclude any “merger of equals” which would not show signs of power asymmetry (Stahl, Kremershof, & Larsson, 2004). All 50 cases reviewed did show power asymmetries. Thus, in practice all cases seem to have a winner and a loser, even if power differences are not ratified within the deal, as in the case of a merger of equals. Therefore, I argue that at the level of perception by the people involved, the difference between a merger and an acquisition may be irrelevant. Indeed, with respect to sensemaking, I believe that, the mechanisms would be similar in mergers or acquisitions. Consequently, I will use the terms merger or M&A interchangeably throughout this dissertation.

This dissertation examines the relationship between deal characteristics and employee reactions and is structured as follows. First, I review the existing body of knowledge on the human side of mergers and acquisitions. Chapter one discusses each of the three major perspectives used to study the phenomenon. I identify the need to bridge the gap between the different paradigms in order to understand how characteristics of the deal may affect employee reactions to the announcement of the merger. Chapter two outlines my theory-building effort and presents the model proposed for testing. In chapter three, I describe the study I undertook as well as the methods I used to gather my quantitative and qualitative data. Chapter four presents
my analytical strategy and results, followed by my qualitative data analysis, in which the emergent construct of collective rumination is introduced. In chapter five I discuss my findings. Finally, chapter six concludes with implications, limitations and future avenues for research.

When two companies merge and integrate their operations, new organizational structures are devised, new reporting lines put in place, new processes designed and implemented. Desks are shuffled around and people are supposed to follow. But how do employees react when confronted with such an event?

A review of the literature has indicated that the human side of mergers has been examined according to three major perspectives, which try to shed light on the people related dynamics in mergers and attempt to explain the various challenges observed in practice. The psychological explanation looks at the individual and how the merger affects stress levels, coping and commitment (Amiot et al., 2007; Schweiger & DeNisi, 1991; Schweiger & Lee, 1993; Väänänen, Pahkin, Kalimo, & Buunk, 2004). The social perspective is based on group dynamics and tackles issues associated with group membership, social comparison and status (Hambrick & Cannella, 1993; Haunschild, Moreland, & Murrell, 1994; Terry, Callan, & Sartori, 1996). The cultural perspective looks at organizations as a whole and considers culture clashes to be at the core of decreased performance in mergers (Buono, Bowditch, & Lewis, 1985; Burke & Jackson, 1991; Cartwright & Cooper, 1993b; Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Marks & Mirvis, 1986; Veiga, Lubatkin, Calori, & Very, 2000). Each of these approaches provides valuable insights in the dynamics that can be observed in M&A contexts. They can be seen as complementary paradigms to examine the same phenomenon.

However, to date these perspectives have not been integrated to provide a complete picture of what happens when employees are confronted with a merger. More specifically, it is
unclear how deal characteristics impact employee sensemaking and reactions. First, this dissertation addresses this gap and develops a theoretical model of employee reactions to a merger announcement, incorporating the cultural paradigm as well as the psychological and social perspectives. Quantitative and qualitative methods are combined to investigate the relationship between deal characteristics and employee reactions to mergers. The dissertation, thus, contributes to the theoretical advancement of the field. Second, deal characteristics (at the macro level) are related to employee sensemaking and individual attitudes (at the micro level). Therefore, this cross-level dissertation research can also provide significant implications for practice. Finally, the present dissertation also attempts to establish a deeper understanding of how attitudes about the merger change following social interaction with peers.
CHAPTER 1: THE HUMAN SIDE OF MERGERS - A CLASSIFICATION

Recent years have seen an increased interest in the human side of mergers by the academic community. A review of the growing body of literature dealing with the human side of mergers reveals that progress has been made on several fronts although empirical studies remain scarce and theorizing limited (Cartwright & Cooper, 1994). This may well be attributed to the difficulty of gaining access to data in such a sensitive setting as a merger (Veiga et al., 2000). Scholars predominantly adopt three perspectives. At the individual level, the focus has been on examining individual reactions and attitudes. These studies mostly adopt an individual level psychological approach. Other scholars have looked at mergers as a case in point to examine intergroup dynamics, thus adopting a social psychology paradigm. Finally, at the organizational level, the focus is on the differences in practices and values, drawing on research in the realm of organizational culture. In order to put each approach into perspective, I will briefly introduce its basic argument and review major findings.

The Cultural Paradigm

The cultural explanation for difficulties occurring during post-merger integration is the best known, not only among professionals but also among academics of other disciplines studying M&A. This can be attributed to its frequent appearance in popular press and practitioner oriented journals (Cartwright & Cooper, 1993b; Jaeger, 1987). It can therefore be considered as the dominant paradigm in studies of mergers (Angwin & Vaara, 2005). The argument is intuitively attractive and compelling: different organizations possess different cultures through which organizational life is experienced. When two distinct organizations with different value systems, habits and styles are combined, a clash or collision will occur and lead
to negative consequences. What exactly happens and why, goes unfortunately often unstated, remains poorly specified or vague (Angwin & Vaara, 2005). The cultural paradigm has evolved into two lines of research. The first focuses on pre-merger characteristics and on the importance of fit, examining differences between organizational and national cultures of merging organizations and the potential for culture clashes. The second, more recent, investigates the integration process and looks at how acculturation takes place.

**Culture Clashes.** One of the first efforts to empirically describe a merger as an attempt to combine different organizational cultures was made by Buono et al. (1985) who argue that organizational members are so embedded in their own culture that they do not realize its influence on their behavior. However, during a merger, a culture clash makes them aware of this influence and “the shock for organizational members created by living in a different organizational world can disrupt the entire workings of the newly formed firm” (Buono et al., 1985, p.482). Following this awareness, the concept of culture compatibility emerged (Cartwright & Cooper, 1990; Cartwright & Cooper, 1992; Cartwright & Cooper, 1993b; Cartwright & Cooper, 1996) and popular tools for cultural assessment and due-diligence were developed by consultants and diffused in practice. Cartwright and Cooper examined the role of culture compatibility in determining venture outcomes while acknowledging that “culture fit and culture compatibility are well-used but ill-defined expressions” (Cartwright & Cooper, 1993b). Their main contribution lies in a typology of cultures deemed to be compatible or not, based on a typology established by Harrison (1972) distinguishing power, role, task and support cultures. The central argument for the classification is based on perceived constraint. Indeed, according to Cartwright and Cooper “the attractiveness and acceptability of the culture of the acquirer is dependent upon the direction [along the constraint continuum] of the perceived change”
(Cartwright & Cooper, 1993b). They argue that any combination trying to impose a more “constraining” culture on one that is perceived less so, is “potentially problematic” or “disastrous”. Thus in fact, compatibility is reduced to the single dimension of constraint. Although not formally defined as such, constraint seems to be understood as whether employees perceive the culture as leaving them more or less autonomy.

Nahavandi and Malekzadeh (1988) argued that it is not necessarily the cultures that need to be compatible, but the “preferred mode of acculturation” which needs to fit. Their model (based on Berry, 1983) distinguishes four modes of acculturation (integration, assimilation, separation and deculturation) and the authors argue that if the two partners agree on the preferred mode of acculturation, less acculturation stress and resistance will result. According to the authors, which mode will be preferred will depend on how much each firm values its own culture. Very, Lubatkin and Calori (1996) formulate this using a broader scope and say that “to the extent that the buying firm’s culture better addresses the acquired firm’s normative expectations, differences between the two cultures may sometimes signify sources of acculturative attraction, not stress” (p.59). With many speculations and anecdotal evidence filling the literature, Chatterjee et al. (1992) conducted the first rigorous study that actually tested the relationship between cultural fit and performance. They surveyed the perception of cultural differences of top management and found a strong inverse relationship between perceptions of cultural differences and shareholder gains (see Weber & Menipaz, 2003 for a replication). Datta (1991) also found that differences in top management styles have a negative impact on performance in acquisitions. However, other studies have found less support for the negative culture-performance relationship. Differences, particularly complementarities could also create value (Larsson & Finkelstein, 1999), whereas in the case of cross-border mergers cultural
differences (Morosini, Shane, & Singh, 1998) appear to be beneficial. In other instances the relationship between cultural differences and performance appeared to be complex (Weber, 1996). A review and theoretical contribution by Teerikangas and Very (2006) attributes this complexity not only to the different conceptualizations of culture and performance, but also to the inherently idiosyncratic nature of M&A deals, which makes it difficult to establish effects across a number of different deals. It is argued that research on cultural differences would also need to take into account factors such as the degree of desired integration and the integration process itself (Bjorkman, Stahl, & Vaara, 2007; Teerikangas & Very, 2006).

**Acculturation.** Other scholars have looked at acculturation as a key aspect of the post-merger integration process. This interest could be attributed to Jemison and Sitkin’s (1986) argument for the adoption of a process perspective on M&A. Larsson and Lubatkin (2001), conducted a case survey on acculturation in M&A – quantitatively synthesizing patterns across case-studies (Larsson, 1993) – and found that the most significant predictor of positive outcomes was the degree of socialization aiming to create a joint culture. Similarly, Schweiger and Goulet found that cultural learning interventions could significantly affect the cultural distance between entities in a merger and facilitate integration (Schweiger & Goulet, 2005).

Although valuable work has been done within the cultural perspective, our understanding of how cultural differences affect employee reactions to mergers remains limited.

**The Psychological Perspective**

The second explanation for disappointing post-merger performance is based on the psychological effects that mergers or acquisitions have on employees involved. The high levels of uncertainty and change during mergers result in significant increases in stress levels among workers, which can lead to dysfunctional results, both for the organization and the individual.
General job-related stress has been found to have a substantial negative impact on personal well-being as well as organizational effectiveness and performance (see Cooper, Dewe, & O'Driscoll, 2001, for an extensive review of the organizational stress literature). Within the organizational context, a variety of job-specific, organizational or individual stressors or sources of strain can be at the origin of a stressful experience. Cooper et al. (2001) identify six environmental sources of work-related strain: intrinsic job characteristics (work load, working hours, hazards, technology), organizational roles (ambiguity, conflict, overload and responsibility), work relationships (social support, abrasive personalities, leadership style), career development (job insecurity, promotion), organizational factors (culture, climate, management style) and the work-home interface. Although, data actually collected in merger contexts is scarce, a merger could potentially cause workplace disruptions through a variety of sources such as those listed above, e.g., by changing job characteristics, increasing work load or working hours, or introducing new technology. Moreover, the objective of a merger is often to achieve synergies and savings. Therefore, workers can be expected to experience high job insecurity and disruption of usual promotion paths (Rohrer, 2004). Post-merger integration can, thus, involve an initial phase of high role ambiguity, which can cause overload and unclear responsibilities. Work relationships can be seriously affected when new teams are to be formed or new leadership takes over. Finally, as discussed earlier from a cultural perspective, changes in management and style can affect the climate and culture of the organization, which can also be a source of strain, or acculturation stress, for the individuals involved.

As with the cultural perspective, practitioner oriented works had taken merger stress largely for granted and mainly addressed ways to diminish the effects of stress (Cartwright & Cooper, 1996; Marks & Mirvis, 1998). In order to address the lack of empirical evidence on
stress in mergers, Schweiger and DeNisi (1991) had first to establish that mergers indeed create the uncertainty and negative outcomes that they were claimed to cause, before being able to tackle their actual research question: whether realistic merger previews – conceptually similar to realistic job previews known to reduce uncertainty, stress and negative outcomes in new recruits – would reduce uncertainty and negative outcomes. Thus, their study was influential not only because they found a potential way to reduce dysfunctions, but also because they empirically established the association between merger activity, uncertainty and dysfunctional outcomes such as stress, job dissatisfaction, low trust and commitment, and high intention to leave (see also Newman & Krzystofik, 1993; Stahl et al., 2004). Subjective stress and stress-related symptoms were also reported after a merger announcement in a study of Japanese employees (Haruyama, Muto, Ichimura, Yan, & Fukuda, 2008). The longitudinal experimental design of the Schweiger and DeNisi (1991) study, with one plant receiving a ‘realistic merger preview’ and another acting as a control group, was also effective in demonstrating that negative outcomes can be reduced through communication initiatives. Although, this helps people to cope with the uncertainty of the situation, the authors also note that the impact of the merger and integration announcement (no actual changes were implemented during the period of their study) did not diminish over time but became more serious. The beneficial effect of the realistic merger preview also became more pronounced over time. According to Schweiger and DeNisi it is uncertainty rather than the potential changes that cause the stress. Therefore, increasing communication can be effective in reducing uncertainty. The results of a recent study by Cartwright et al. (2007) also highlight the stress related to mergers and the positive role of consultation and involvement.
Another interesting study explored the effects of a merger in terms of exhaustion and functional incapacity (i.e., self-rated fitness for one’s job) on blue and white-collar workers (Väänänen et al., 2004) taking into account their perceived change in job position (improved, unaltered or declined). A decline in job position was associated with a higher risk of exhaustion among white-collars and higher functional incapacity among blue-collars. Interesting to note is the fact that, although no actual integration initiatives were implemented during this longitudinal study (as was the case in Schweiger & DeNisi, 1991), white-collars perceived more change in their jobs, compared to blue-collar workers who perceived less change. Moreover, whereas overall social support decreased perceptions of exhaustion and incapacity, the results for blue-collars indicated that strong peer support increased the effect of a negative change on the dysfunctional outcomes. Huang and Chuang (2007) also found evidence for the role of peer and supervisor influence in determining employee attitudes. Indeed, as the authors suggest, social support may increase negative emotions via rumors and gossip, which is consistent with effects of echo and contagion in a social network perspective on post-merger integration (Marmenout, 2004).

Whereas these studies looked at the effect of announcing a merger, Fairfield-Sonn et al. (2002) investigated the long-term effects of M&As in several divisions of a corporation (one division acquired through friendly acquisition 3 years earlier, a hostile acquisition 10 years earlier and a division that had always been part of the firm). Although the distinction between friendly and hostile is not defined, results demonstrate significant differences in organizational commitment and job satisfaction depending on the historical link with the firm; the employees acquired through hostile takeover were less satisfied with their jobs and less committed to the organization. According to the authors the single best predictor of employee commitment in
their study was the extent to which employees’ expectations about how they will be treated were being met. This is congruent with Mottola et al.’s study (Mottola, Bachman, Gaertner, & Dovidio, 1997) examining the influence of merger integration patterns on expectations about the merger process. The integration patterns included the absorb pattern, in which the merged organization resembled the acquiring company, the blend pattern, in which features of both companies were maintained, and the combine pattern, in which the organization resembled neither pre-merger company. The findings indicate that the relationship between integration pattern and commitment is mediated by perceived organizational support. Finally, it is worthwhile to mention that several authors (Hitt & Pisano, 2004; Nahavandi & Malekzadeh, 1988; Very et al., 1996) have talked about “acculturative stress” in the context of mergers. “Acculturative stress is the disruptive tension that is felt by members of one culture when they are required to interact with a second culture and to adopt its ways” (Very et al., 1996, p. 59). This approach can be considered as a bridge between the psychological and cultural paradigm.

The Social Perspective

Within the social perspective we find a number of works based on social interaction and social comparison. Two major lines of research can be distinguished, one within a social psychological tradition based on social identity theory, the other relying on social structural frameworks around status. However, as both are concerned with perceptions of the social context and intergroup dynamics, it is useful to consider them together. The social approach is the youngest and least known of the three perspectives. Although some studies referred to its dynamics early on (Buono et al., 1985; Marks & Mirvis, 1986) it was only recently theoretically developed.
A first attempt to investigate intergroup issues in the context of M&A was the relative standing perspective developed by Hambrick and Cannella (1993) in their study of executive turnover. Their framework was based on the idea that acquired executives would perceive a decrease in status and therefore leave the company. They identified a set of factors that were significant in determining turnover of acquired executives (pre-merger performance, relative size, friendly or hostile, removal of autonomy). Moreover, they looked at status bestowal and found that executives who received a board seat in the combined firm were less likely to leave. Referring to Tajfel and Turner’s social identity theory (1986), Hambrick and Cannella suggest that these types of bestowals would facilitate identification with the new entity.

Recently, many scholars have used a social identity lens to study mergers. Social Identity Theory (SIT) (Tajfel & Turner, 1986) is based on three principal ideas: categorization, identification and comparison. First, individuals use labels and categories to describe the environment and to facilitate understanding. Likewise, we have categories to which we assign people. As we classify people along stereotypical dimensions, our perception of the others becomes depersonalized and people are considered as group members rather than as individuals (Terry, Carey, & Callan, 2001). Second, we identify with groups to which we think we belong. This is referred to as our social identity, which is part of our self-concept just as our individual identity is. As our social identity affects our self-esteem, it will be desirable to belong to the best-perceived group. The third element of SIT is social comparison, which entails the evaluation of how the position of our own group compares to that of other groups. If the outgroup is perceived to be more attractive, and the individual cannot move to that group, a collective strategy will be adopted to favor the ingroup and derogate the outgroup, thus enhancing the relative standing of one’s group.
The *us versus them* dynamics that arise during post-merger integration can be explained using SIT. Group categorization and comparison lies at the heart of such *us versus them* issues. In a merger situation it will be quite straightforward to label people based on their firm of origin, as this categorization will be particularly salient (Amiot et al., 2007). Moreover, mergers often involve partners who are perceived to differ in status (van Oudenhoven & de Boer, 1995), e.g., a market leader versus a smaller competitor. It has been found that low status individuals perceive higher levels of threat, and demonstrate poorer adjustment to the merger, lower identification with the post-merger entity and higher in-group bias (Amiot et al., 2007; Terry & O'Brien, 2001; Terry et al., 2001; van Knippenberg, van Knippenberg, Monden, & de Lima, 2002). Thus, the social perspective has provided a theoretical backbone to many recent M&A studies.

**Integrating Psychological, Social and Cultural Dimensions: A Meso Perspective**

The above-identified approaches provide valuable insights into the dynamics that can be observed in M&A contexts, and can be seen as complementary paradigms. However, most research has exclusively focused on one of these perspectives, giving the impression that each line of research has a different explanation for difficulties occurring during mergers. With a focus on individual psychological effects, for example, the psychological approach maintains that underperformance in mergers is due to psychological dysfunctions. Although some studies control for or include social structural or organizational level variables, they do not integrate these with the purpose of theory building (for an exception see Mottola et al., 1997). Other scholars have expressed the need to establish links between different theoretical perspectives (Angwin & Vaara, 2005; Chatterjee et al., 1992). The elaboration and testing of such a model would contribute to the advancement of our theories of employee reactions to mergers and
acquisitions. I believe this could be effectively accomplished within a meso organizational behavior paradigm.

As argued by several prominent scholars in the field of organizational behavior (Cappelli & Sherer, 1991; Goodman, 2000; House, Rousseau, & Thomas-Hunt, 1995; Johns, 2001; Rousseau, 1985; Rousseau & House, 1994) keeping apart micro and macro processes may hinder us from comprehending an organizational phenomenon as a whole. Individuals are embedded into workgroups, themselves part of larger organizational structures and hierarchies. However, these are not independent, and higher levels cannot be separated from lower levels. Therefore it is argued that scholars should pay more attention to context (Johns, 2001) and “to use a cross-level design in which (in the downward influence scenario) phenomena at a higher level of analysis (i.e., context) are shown to be related to attitudes or behavior at a lower [level] of analysis.” (Johns, 2001, p. 39) Such an approach, coined “meso organizational research” by House, Rousseau and colleagues (House et al., 1995; Rousseau & House, 1994) should be considered as a third paradigm overcoming fundamental shortcomings of both micro and macro approaches. Cappelli and Sherer (1991) similarly note that due to the absence of context in current OB research, our findings related to individual-based explanations cannot be linked to OT’s environment-based explanations. Meso research, however, can create a bridge by investigating how organizational characteristics affect the responses of individuals and groups in organizations. Although recently argued for more vigorously, cross-level research is not new (see Berger & Cummings, 1979, for a review of research on relationships between organizational structure, attitudes and behaviors). However, in an increasingly interdependent environment, both micro and macro paradigms are increasingly limited by their oversimplification, hanging on to the myth of decomposability. As Rousseau and House (1994) note, this may well have been
appropriate in an era where contexts were relatively stable and persons homogeneous but is less so today.

“A meso framework involves simultaneous consideration of main and interaction effects at several levels.” (Rousseau & House, 1994, p.15) A meso approach not only allows us to increase our understanding, but also can avoid model specification problems to which single level theories may fall prey, potentially leading to distorted coefficients and erroneous conclusions. Single level theories may indeed exclude from their theoretical and empirical endeavors important variables typically considered belonging to a different level of analysis. Theoretical models are self-contained only if all relevant causes are included in the model (James, Mulaik, & Brett, 1982). Therefore, single level models may not satisfy the condition of self-containment resulting in biased estimates of parameters. The argument for a meso approach does not, however, dismiss the necessity for both micro and macro research, but as argued by House et al. (1995) “once the basic elements of such phenomena are identified the research focus needs to be shifted […] to have a full understanding of how the general processes play out in organizations.” (p.81)

Therefore, I propose a combination of the three paradigms used to study the human side of M&A into a single model according to a meso approach, which would allow us to understand how individuals react to an announced merger depending on the characteristics of the deal.
CHAPTER 2: THEORETICAL MODEL AND HYPOTHESES

Purpose and Framework

The purpose of the proposed theoretical framework is to increase our understanding of how employees make sense of a merger announcement. The model (see Figure 1) represents employees’ reactions to an announced merger as a function of the characteristics of the merger deal. The first set of variables in the model consists of deal characteristics. The second set of variables taps into employee sensemaking and the third set of variables consists of employee reactions to the merger announcement, and includes both attitudes and behavioral intentions. Finally, the effect of peer interaction - which appears to take the form of collective rumination - is considered. To date, research has not investigated the relationship between deal characteristics, employee sensemaking and merger outcomes. Therefore, this model provides a theoretical basis to further our understanding of the merger phenomenon and its effect on the individuals and organizations involved. In this section, I introduce and define each of the variables. In the next section, I proceed by explaining how I expect these variables to be related and present the hypotheses I propose to test.

Deal Characteristics

The finance literature has shown that a wide variety of deal characteristics (including relative size, completion time, hostile versus white knight, conglomerate) are related to M&A returns (e.g., Moeller, Schlingemann, & Stulz, 2004; 2005). Similarly, I posit that characteristics of the deal may affect employee reactions to the merger announcement. Three deal characteristics operating at the macro or inter-organizational level (Culture Clash Potential, Announced Degree of Integration and Position in Deal Structure) were identified as particularly
relevant with respect to their potential to determine how the deal would be received by employees and how employee sensemaking would be affected.

**Culture Clash Potential.** Culture clashes have been, both theoretically and empirically, deemed responsible for poor post-merger performance, whereas cultural compatibility has been considered essential for merger success (Buono et al., 1985; Cartwright & Cooper, 1993b; Larsson & Lubatkin, 2001; Morosini et al., 1998; Stahl & Voigt, 2008; Walter, 1985). I define Culture Clash Potential as the extent to which organizational cultures are expected to be different, as assessed and predicted by external institutional intermediaries, such as the popular press and financial analysts (Stahl & Voigt, 2008; Yu, Sengul, & Lester, 2008). This conceptualization of Culture Clash Potential can take into account the idiosyncratic nature of each deal, while avoiding the complexity of the concept of culture in M&A (Teerikangas & Very, 2006). This variable is considered to be a publicly known element of the deal.

**Announced Degree of Integration.** The Announced Degree of Integration following a merger deal is closely related to the strategic intent of the merger. Fair trade commissions rarely approve pure market power mergers. Therefore, many deals will be based on expected synergies, and hence require a certain degree of integration. The integration of two organizations involves a great deal of change for the organizations involved and their employees. I define the Announced Degree of Integration as the extent to which the two units are to be combined (or not) into a single unit following the merger and the extent to which this would affect the work of employees, both as announced by management.

**Position in Deal Structure.** By definition, a merger would imply equal partners going into business together, whereas an acquisition is the takeover of control by, and integration of an organization, into another entity. Mergers of equals are rare (Stahl et al., 2004) and most mergers
have a de facto winner and loser. I define deal structure as the inter-organizational structure between both partners. Consequently, the Position in the Deal Structure reflects who is the acquirer or acquired, and is publicly known.

**Employee Sensemaking**

Three constructs were deemed relevant to assess how employees make sense of the merger announcement and the particular characteristics of the deal: Perceived Cultural Similarity, Perceived Power and Perceived Uncertainty.

**Perceived Cultural Similarity.** Merger partners may possess differing degrees of similarity with respect to a variety of aspects such as strategy, customer base or geography (Darr & Kurtzberg, 2000). Here, I focus on the cultural dimension of similarity. I define Perceived Cultural Similarity as the extent to which organizational members perceive the two partners to be aligned with respect to values and practices.

**Perceived Power.** Power can be defined as the ability to control resources and influence outcomes without the interference of others (Galinsky, Gruenfeld, & Magee, 2003). I define Perceived Power as the perception of employees about the ability of their ingroup to control or influence the post-merger situation.

**Perceived Uncertainty.** Merger announcements typically provide very little information. I define Perceived Uncertainty as the degree to which a person perceives a lack of critical information about the environment (Milliken, 1987) and the future, and includes the extent to which the individual is worried about future employment.

**Employee Reactions**

In order to gain a comprehensive understanding of how deal characteristics affect employee reactions to a merger, it was found useful to consider variables that have been found
critical to merger success. From the 26 variables identified in the literature, I retained the following four dependent variables based on their potential impact on the organization and relevance in predicting merger outcomes: Willingness to Collaborate, Anticipated Conflict, Intention to Leave, and Satisfaction with the merger. Several authors have used the term “dysfunctional outcomes” (Cartwright & Cooper, 1994; Chatterjee et al., 1992; Schweiger & DeNisi, 1991) to refer to negative attitudes and behavioral intentions which may decrease merger performance. I will hereafter use “dysfunctional outcomes” to refer specifically to outcomes of low satisfaction and willingness to collaborate, and high anticipated conflict and intention to leave.

**Willingness to Collaborate.** Collaboration between employees of merger partners is essential at all levels of the merged organization in order to achieve post-merger success (Birkinshaw, Bresman, & Hakanson, 2000; Capron & Pistre, 2002). Willingness to Collaborate is defined as the intention of the employee to work towards common organizational goals together with employees of the merger partner.

**Anticipated Conflict.** Intergroup conflict appears to be a major source of post-merger distress and may contribute to suboptimal merger performance (Alarik & Edström, 1983; Haunschild et al., 1994; Numerof & Abrams, 2000; Vaara, 2003). I define Anticipated Conflict as the degree of disagreement between members of both parties expected to occur after the merger.

**Intention to Leave.** Retaining the best talent is critical to merger success, not only for knowledge transfer across partners but also for the continuity of the business (Hambrick & Cannella, 1993; Schweiger & DeNisi, 1991). Intention to Leave is defined as the extent to which the employee considers quitting the organization following the merger.
Satisfaction. Satisfied employees are more likely to engage in organizational citizenship behaviors (LePine, Erez, & Johnson, 2002). Such extra-role contributions may be particularly important during post-merger integration. Satisfaction is defined as the extent to which the employee anticipates feeling content or happy after the merger.

Hypothesis Development

Culture Clash Potential. According to the cultural explanation of merger failure, culture clashes are deemed responsible for poor post-merger performance. Culture Clash Potential is considered to operate at the macro, inter-organizational level, and is conceptualized as a publicly acknowledged element of the deal. Culture Clash Potential is here defined as the estimated differences in values and practices as assessed by external institutional intermediaries, such as popular press and financial analysts. These actors operate as opinion leaders (Yu et al., 2008) who convey their beliefs and make predictions about merger success based on an evaluation of cultural differences (Barrett, 1999; Burton, Tanouye, & Lipin, 1998; Hartley, 2008; Langreth, 1998; Lublin, 1995). Stakeholders (including organizational members) closely attend to the opinions of external institutional intermediaries, because they are not only expected to have superior expertise, but also believed to have access to reliable information. Particularly in ambiguous contexts, and in cases of information asymmetry such as mergers, stakeholders are likely to be influenced by the information and framing available to them through the media (Schneider & Dunbar, 1992; Yu et al., 2008). Thus, the deal characteristic of Culture Clash Potential, as evaluated by external experts, is expected to affect how individual organizational members perceive the similarity of the two merger partners. Therefore, I predict that:
Hypothesis 1: The greater the culture clash potential, the lower the perceived cultural similarity.

Perceived Cultural Similarity. Perceptions of cultural differences are relevant in the examination of post-merger outcomes. Chatterjee et al. (1992) surveyed the perception of cultural differences of top management and found a strong inverse relationship between perceptions of cultural differences and shareholder gains. Cultural compatibility has important implications for post-merger integration, with similar cultures rendering integration less painful because people share the same values (Cartwright & Cooper, 1996; Stahl & Voigt, 2006; Very et al., 1996). This argument is also in line with the similarity-attraction principle (Newcomb, 1960). Similarity may reduce uncertainty in interpersonal relationships not only at the individual level but also at the group level (van Oudenhoven & de Boer, 1995). Greater similarity would reduce the need for adaptation and thus one’s future in the organization would appear to be more predictable. On the other hand, with a more dissimilar partner a great deal of adaptation may be required, which may create subjective uncertainty. Thus, we would expect that the more the cultures of both organizations are perceived similar, the less there should be grounds for uncertainty. Therefore, I propose the following:

Hypothesis 2: The greater the perceived cultural similarity, the lower the perceived uncertainty.

Perceived Uncertainty. As organizational members try to make sense of and respond to their environment they may perceive environmental uncertainty (Milliken, 1987). For example, employees may have the impression that they need more knowledge than they currently possess regarding their working environment and their employment with the organization. It has been judged useful to distinguish the type of uncertainty one is facing, based on the type of
information lacking (Milliken, 1987). Indeed, an individual may wonder how the state of the environment will change, what effect this would have on the organization/individual, or which response would be most appropriate to address this change. In a merger context, individuals typically receive very little information. Indeed, following a merger announcement employees report uncertainty with respect to a variety of different aspects of their work and their relationship with their employer (Kramer, Dougherty, & Pierce, 2004; Marks & Mirvis, 1998; Schweiger & DeNisi, 1991). This is also often the case in restructuring efforts (Brockner, Grover, Reed, & Dewitt, 1992) and major change initiatives (DiFonzo & Bordia, 1998). Thus, it seems reasonable to assume that perceived uncertainty would involve a lack of information on all aspects. Therefore, it appears to be appropriate to examine general perceived uncertainty, rather than a specific type of perceived uncertainty.

Announced Degree of Integration. When strategic partnerships, in the form of mergers or acquisitions, have been concluded, an important question becomes to which extent both organizations will have to be integrated in order to achieve optimal outcomes for shareholders. This will be closely related to the strategic intent of the merger or acquisition. Merger deals may be intended to increase efficiency or increase market power. As fair trade commissions rarely approve pure market power mergers, most deals will include an important element of expected synergies or economies of scale. Post-combination strategic design becomes of prime importance in order to allow for synergy realization (Larsson & Finkelstein, 1999; Pablo, 1994). Strategy research has tried to understand how leaders make decisions about the desirable level of integration (Larsson & Finkelstein, 1999; Pablo, 1994). Based on management’s announcement of the strategic decision to integrate or not, employees will form expectations about what is going to change for them. With numerous mentions in the press of large scale mergers and their
ensuing lay-offs (see Schneider & Dunbar, 1992, on sensemaking from media coverage), the announced degree of integration may affect perceived uncertainty because it foreshadows the consequences that can be expected. As employees anticipate the consequences of integration and the extent of adaptation this will require from them (another boss, a higher workload, unfamiliar procedures and colleagues, or even being made redundant), they will experience a high level of uncertainty. If no integration is announced or expected on the other hand, the employee’s job could be unaffected and superiors and co-workers could largely remain the same, thus less uncertainty should be experienced. Therefore, I propose the following:

**Hypothesis 3:** The greater the announced degree of integration, the higher the perceived uncertainty.

However, pre-merger employee groups may not be equal with respect to the uncertainty perceived. Schweiger and Lee (1993) found that employees of acquiring firms experienced lower job insecurity than employees of acquired firms. Most mergers have a de facto winner and loser, an acquiring and acquired party, a powerful and a weaker player. Indeed, Rentsch and Schneider (1991) also argue that employees use available information to form expectations about relative post-combination power. Therefore, I posit that **Perceived Power** may be a useful construct to predict Perceived Uncertainty. Since Emerson’s influential conceptualization of power as a property of the social relation rather than as an attribute of a person or group (Emerson, 1962), power has predominantly been conceived as an aspect of social structure. In this sense power can be defined as the ability to control resources and influence outcomes without the interference of others (Galinsky et al., 2003). However, power also has psychological consequences for individuals (Galinsky et al., 2003), as the experience of holding power may generate particular cognitions and behaviors. Individuals possessing or primed with power show decreased
sensitivity to threats and lower levels of deliberation. Extending this to the group level, it seems reasonable to propose that if the ingroup is perceived powerful, individuals may feel they are more in control. If employees perceive that they have more power and therefore control, they would feel less uncertain about their future employment. On the other hand, the awareness of the fact that one is part of a less powerful group may result in higher perceptions of uncertainty. Therefore, the following hypothesis can be proposed:

\textit{Hypothesis 4 : The higher the perceived power, the lower the perceived uncertainty.}

The inter-organizational structure emerging from the merger deal defines a group’s \textit{Position in Deal Structure} (acquired vs. acquirer) within the new organization. Employees involved in a merger may use available information to form expectations about relative post-combination power (Rentsch & Schneider, 1991). Actors draw on structures to exercise power (Clegg, Courpasson, & Phillips, 2006). Research on subunit power in organizations has indicated that power can be derived from the subunit’s comparative financial means or reputation (Salancik & Pfeffer, 1974). Access to financial resources may affect control regarding the allocation of those resources, whereas reputation can affect perceptions of expert power. Therefore, I argue that one’s position within the new organizational structure can determine one’s perceived power. I anticipate that when belonging to the acquired firm, perceived power will be lower than if one is part of the acquiring organization.

\textit{Hypothesis 5 : Position in Deal Structure will affect Perceived Power. Perceived power will be lower for acquired employees than for acquirer employees.}
**Employee Reactions.** As revealed by the literature review, mergers seem to affect employees in a large number of ways. I posit here that the main mediating variable is Perceived Uncertainty. A negative attitude towards the merger may be due to the high levels of uncertainty and stress associated with the merger (Cartwright & Cooper, 1993a). First, the greater the uncertainty employees face, the lower their willingness to collaborate would be, as they may have a greater incentive to hoard information while trying to secure their own position within the organization. Second, under conditions of uncertainty, it is unlikely that employees will be satisfied, because individuals have an intrinsic need for safety and control. Anticipated conflict may also be higher when uncertainty increases. Uncertainty may lead to increased competitive behavior, as individuals may strive to survive the merger at the expense of others. Finally, intention to leave may be positively related to uncertainty as individuals may seek to avoid uncertainty by searching for opportunities outside of the organization. As greater Intention to Leave and Anticipated Conflict, and lower Willingness to Collaborate and Satisfaction, can be referred to as greater dysfunctional outcomes, I advance the general hypothesis that:

> **Hypothesis 6:** The higher the perceived uncertainty, the more employee reactions will reflect dysfunctional outcomes.

**Peer Interaction.** During times of uncertainty, such as after a merger announcement, individuals may find it difficult to determine the appropriate reaction to a situation or event, and may therefore turn to other’s behavior, attitudes, or group norms (Cialdini & Goldstein, 2004). Moreover, it has been established that in times of crisis or uncertainty employees need more social support (Cole, Bruch, & Vogel, 2006). In the absence of clear information and guidance from their supervisor or organization, employees will tend to seek this support from their co-workers. Under such circumstances team members may reinforce one’s concerns and feelings of
anxiety, causing the entire group’s morale to lower even further. Indeed, it has been found that strong co-workers' support (in terms of belonging, appraisal and instrumental support) increased the risk of poor subjective health among blue-collar workers who experienced a decline in job position (Väänänen et al., 2004). At the individual level, it has also been found that co-ruminating, or excessively discussing problems with friends, can increase emotional difficulties and anxiety (Rose, Carlson, & Waller, 2007). These findings are also consistent with evidence on gossip networks and the echo hypothesis (Burt, 2001), which proposes that social support can reinforce one’s attitudes (create an echo), providing an erroneous sense of certainty, and increase ingroup cohesion. Moreover, complaining to peers offers the possibility for increased bonding and displaying affinity (Weeks, 2003), potentially deteriorating intergroup relations (Labianca, Brass, & Gray, 1998) and increasing conflict between groups.

Thus it seems important to examine the impact of peer interaction on employee attitudes after the merger announcement. Specifically, it is anticipated that peer interaction leads to employee attitudes that are more dysfunctional than the initial individual reaction. Thus I hypothesize that:

*Hypothesis 7*: Employee reactions are amplified through peer interaction.
CHAPTER 3: METHODS

Experimental Design

In order to test the proposed model a study was designed based on scenarios describing a hypothetical merger situation. This technique was employed with success in previous studies (Giessner, Viki, Otten, Terry, & Tauber, 2006; Mottola et al., 1997; Rentsch & Schneider, 1991; Stahl & Chua, 2002; van Oudenhoven & de Boer, 1995). As this approach allows the manipulation of the deal characteristics, it seemed to be particularly appropriate to test the present model and to establish the effects of deal characteristics on participants’ perceptions and attitudes. Moreover, the use of carefully crafted scenarios decreases the number of confounding factors present in a field study. I have tried to increase the external validity of the experiment by focusing on experimental realism and by observing and analyzing actual behavior (Colquitt, 2008) during group discussions. As, under the experimental conditions, we may expect participants to be less aroused and emotionally involved, due to lower direct personal relevance of the situation, we could, moreover, consider the present study a conservative test of the model.

Participants

Previous research has indicated that effects are observed across different types of participants. Giessner et al. (2006) performed scenario studies investigating the influence of pre-merger status and merger patterns on participants’ support for an announced merger. Based on different samples of undergraduate students, employees and field participants, they concluded that the effects were consistently present.

In the present study, subjects received 20 Swiss Francs for their participation (roughly equivalent to CAD $ 20). Eighty-one full and part-time students enrolled at the University of
Geneva and University of Lausanne were recruited to participate in the study in groups of five. One group of four was included, as well as two groups of six, resulting in a total of 16 groups. In order to facilitate participant recruitment a bonus of 25 Swiss Francs (25 CAD $) was allocated to students enrolling as a group of five (64% of participants enrolled as a group). Analysis of variance revealed no differences in responses between groups who enrolled as individuals and those who enrolled as a group. Of the students, 36 percent were male, and the average age of the participants was 26 years. All participants had either part-time (21%) or full time (79%) work experience, with an average of 2.7 years of experience. Eighty-six percent of participants had worked for more than one organization. Seventeen percent of participants had experienced a merger first hand, and almost half of participants (48%) had a friend or family member who had experienced a merger. Analysis of variance revealed that sex, age, work experience and experience with a merger did not affect the responses of the participants.

**Design and Procedures**

A 2 (high versus low culture clash potential) x 2 (high versus low announced degree of integration) x 2 (buying versus bought) between-subjects design, resulting in 8 scenarios, was employed. Either individuals were assigned to groups according to their availability, or a convenient timing was arranged for groups. Experimental conditions were randomly assigned at the group level, and each scenario was administered to two groups. Each session was organized as follows. Participants were seated in chairs arranged in a half circle, and each received a packet including the scenario followed by a questionnaire instrument (Appendix 1). All the participants

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1 Although each scenario presents a different set of challenges, it may be useful for subsequent evaluation to identify the theoretically predicted “worst case” scenario (high culture clash potential, high announced degree of integration and bought) and the “best possible” scenario (low culture clash potential, low announced degree of integration and buying).
received instructions to consider themselves as employees in an organization, followed by a letter from the CEO announcing the merger deal, and a press article commenting on the transaction (Andersson & Bateman, 1997, also included a news brief). The introduction to the scenario was adapted from Rentsch and Schneider (1991) with an additional reference, in all conditions, to a ‘great organizational culture’ in order to avoid individual differences in pre-merger satisfaction which might lead to potential cultural attraction (Very et al., 1996). This material is very similar to material encountered in practice (it was based on actual Wall Street Journal articles, and its similarly was confirmed by two independent readers who had experienced a merger). The material explains the rationale of the deal, indicates the participant’s position in the deal structure (acquired vs. acquirer), as well as the likelihood of a culture clash between merger partners. After reading the material, the participants were requested to complete a survey instrument, which served to check the manipulations and measure the constructs. After completion of the initial part of the survey, participants were requested by the researcher leading the session to engage in a group discussion prompted by the question “What does this merger mean to us?” This 15-minute group discussion was audio taped; additionally notes were taken by the researcher. After the group discussion, participants completed the second part of the survey, including a question on whether the participants had any idea of what the study intended to find out. Six individuals mentioned the possibility of finding out about how others may influence our opinions (excluding these individuals from the analysis did not affect results). At the end of the session, participants were encouraged to ask any questions they might have about the present research and paid for their participation.
Pretests

Several pretests were conducted in order to assure that the material appropriately simulated the real-life situation of a merger announcement and to ensure instrument reliability. The materials were pretested using verbal reports (see Appendix 2 for a detailed description of procedure and results) and the instrument and procedure was pretested with 20 masters students enrolled in a Change Management class at University of Geneva. These pretests showed good scale reliability and confirmed that the different scenarios appeared to elicit different reactions on the main constructs.

Measures

Manipulations and Manipulation Checks

Position in Deal Structure was manipulated by indicating whether the participant’s company is the acquiring or acquired organization. Participants in the acquiring condition received a scenario including the statements “We have decided to acquire TC Telecom” and “We will buy all outstanding shares of TC Telecom, which will become fully owned by our company.” Participants in the acquired condition received scenarios including the statements “We have accepted TC Telecom’s bid to acquire our firm” and “TC Telecom will buy all outstanding shares of our company and thus we will become fully owned by TC Telecom.” This manipulation was checked by the question: “Is your company buying the other company, or is your company being bought?” with Buying – Bought response alternatives. This wording was intended to avoid potential confusion between the very similar terms “acquirer” and “acquired.” It also clearly reflects the deal structure and the position of one’s ingroup within the deal structure.
**Announced Degree of integration.** In the low integration or independent condition, the scenario stated “Both units will be completely independent and maintain their respective reporting structures” and “your daily work should not be affected directly.” In the high integration condition the manipulation indicated “Both units will be completely integrated into one reorganized reporting structure” and “your daily work will change significantly.” This manipulation was checked using the following question: Are the companies’ structures remaining independent or being integrated? (on a scale from 1 to 9, completely independent – completely integrated).

**Culture Clash Potential** was manipulated by indicating through the press article whether a culture clash would be likely or unlikely. Contextualizing the instrument in the sense of specifying particular cultural content was avoided (Teerikangas & Very, 2006) as this may pose a threat to the generalizability of the findings. Culture clash might then be confounded with certain values mentioned and their perceived desirability, or their perceived fit with the organization’s strategy. The limited information provided through the press article closely resembles practice, where analysts in the media may provide a judgment on this aspect of the deal in those limited terms as their estimated culture clash potential (Barrett, 1999; Hartley, 2008; Langreth, 1998; Lublin, 1995). The manipulation involved the title of the press article, which stated either “Telecom Merger Unlikely to Involve a Culture Clash” or “Telecom Merger Likely to Involve a Culture Clash.” Further, the body of the article included the following the statement “The two companies have very different corporate cultures. Therefore, a culture clash between the two companies is very likely, and is expected to be a major challenge for the consolidation” in the high culture clash potential condition. The low culture clash potential condition included the phrase “The two companies have very similar corporate cultures.
Therefore, a culture clash between the two companies is very unlikely, and is not expected to be a major challenge for the consolidation.” The following question served as a manipulation check”: “How likely is a culture clash?” Extremely unlikely – extremely likely (1-9).

**Mediating Variables**

*Perceived Cultural Similarity*\(^2\). Three items were used (\(\alpha = 0.94\)) to measure perceived cultural similarity: I expect our organizational cultures to be quite similar, I expect TC Telecom’s culture to be quite similar to our culture, I think AC Telecom and TC Telecom’s cultures have a lot in common (1 = not at all, 9 = to a large extent).

*Perceived Uncertainty*\(^3\) Measures intending to capture uncertainty in the work place often include aspects related to the experience of the employee in their immediate environment (Ashford, Lee, & Bobko, 1989; Kramer et al., 2004; Schweiger & Lee, 1993). The scale used by Schweiger and DeNisi (1991), for example, included a broad range of aspects typically affected during major corporate restructurings (pension plan, relocation, control, lay off, promotion, skills and so on, for a total of 21 items). Similarly Kramer et al. (2004) developed a 20 item measure including work schedules, relationships and financial implications for the organization. However, asking a respondent to what extent he is worried about something (e.g., whether you will be working with the same colleagues, or whether you will have control over your job) may well depend on the importance attributed to certain job aspects (Ashford et al., 1989)\(^3\). This was indeed apparent in the pretests where some subjects responded to certain items “No, I don’t care”, whereas they may have been very concerned about other items, e.g., losing

\(^2\) Constructs measured at both Time 1 and Time 2 are marked with an asterisk.

\(^3\) A similar reasoning is applied in the determination of person-organization fit (O’Reilly, Chatman, & Caldwell, 1991).
one’s job (see Appendix 2 for a discussion of the pretests). This may pose a threat to the validity and reliability of the scale. Moreover it has been argued that scale development and particularly content validity can benefit from avoiding the inclusion of extraneous elements (Hinkin, 1998). Therefore, particularly in the experimental context, and considering the fact that the macro variables were manipulated in order to test between group differences in employee reactions, a general measure of uncertainty was preferred. General measures of uncertainty have been used in the context of economic insecurity (Dominitz & Manski, 1997)\(^4\) as well as with respect to subjective health (Ferrie, Shipley, Stansfeld, & Marmot, 2002)\(^5\). Based on these examples three general items were developed (\(\alpha = 0.85\)): I am very worried about what is going to happen to me, I am very worried about my personal situation, I am uncertain about how to respond to the merger.

*Perceived power* was measured using 3 items (\(\alpha = 0.71\)) devised for the purpose of this study as no existing validated measure was available. “Our firm is in a better position to discuss changes after the merger,” “I am confident that our people can play an important role in shaping the new organization.” “To what extent do you believe your management will have their say in the running of the business after the merger?” (1 = not at all, 9 = to a large extent). This measure was supplemented with a validated general relative power measure used in negotiation studies (Wolfe & McGinn, 2005). Their single item was adapted to “How do you rate your organization’s power in negotiating how things should go after the merger?” (0 = other organization has all power, 50 = equal power, 100 = our organization has all power). The self-

\(^4\) Their measure consisted of eliciting subjective probabilities of three events (losing one’s job, losing one’s health insurance and being burglarized).

\(^5\) A single item “How secure do you feel in your current job?” was used.
devised scale and the general relative power measure were significantly correlated ($r = .70, p < .001$).

**Dependent Variables**

*Willingness to collaborate* was measured based on the following 2 items ($\alpha = 0.82$) (based on the single item proposed by Melkonian, Monin, Noorderhaven, Rouzie, & Timmers, 2006): how likely would you in the future be willing to help out colleagues from the other firm, how likely would you in the future be looking forward to work together with employees from the other company (1 = not at all, 9 = to a large extent).

*Anticipated Conflict*. The following 2 items ($\alpha = 0.68$) were adapted from Jehn’s (1997) scales: there will be a lot of tension between employees of both firms, there will be conflicts of responsibilities (1 = not at all, 9 = to a large extent).

In order to measure *Intention to Leave*, respondents were asked, based on Jones (1986), how likely it was that they would look for another job, and how likely it was that they would start preparing an updated curriculum vitae ($\alpha = 0.82$).

*Satisfaction with the merger* was measured using two items, asking how likely it was that the respondent would be happy after the merger, how likely it was that the respondent would be satisfied after the merger ($\alpha = 0.95$) (1 = not at all, 9 = to a large extent).

**Control Variables**

The survey instrument included also a number of control variables such as age, gender, years and type of professional experience, marital status and having children, as well as experience with a merger either by the respondent or by close relatives or friends.
In order to control for group dynamics, 3 items were included in order to assess group processes. *Group conflict* was assessed using two items ($\alpha = 0.74$) and *learning* from other team members was measured using the single item “To which extent did group members raise new ideas about the merger?”
CHAPTER 4: ANALYSIS AND RESULTS

Manipulation and Analysis of Variance

The manipulations were checked against the scenarios and it appeared that all participants responded correctly to the Position in Deal Structure manipulation. Thus, no individuals were dropped from the analysis for this reason. Ten participants responded using the middle of the scale (5) on either Culture Clash Potential or Announced Degree of Integration, these individuals were retained as it was consistent with the insight provided by the pretests (see Appendix 2) indicating that individuals may be skeptical about the information received. A single respondent indeed mentioned on his form next to the question regarding integration that he was not convinced. Five individuals were dropped from the analysis as they responded to either manipulation, with a response on the opposite side of the scale. This resulted in a sample size of 76 cases. Table 1 shows means, standard deviations and correlations for independent, mediating and dependent variables (Time 1).

In order to assess the effect of the manipulations on the constructs measured, univariate analysis of variance was conducted. The Position in Deal Structure manipulation was associated with significantly higher levels of Perceived Power ($M = 5.95$ versus $M = 4.28$; $F(1,79) = 67.66$, $p = .000$), but did not affect Perceived Cultural Similarity, Perceived Uncertainty or any of the dependent variables. The Announced Degree of Integration manipulation did not have a significant effect on the mediating or dependent variables at time 1, but significantly affected Willingness to Collaborate at time 2 ($M = 5.25$ versus $M = 6.17$ $F(1,74) = 5.79$, $p = .019$) with the high integration condition being associated with higher Willingness to Collaborate. The Culture Clash Potential manipulation had not only significant effects on Perceived Cultural Similarity ($M = 6.03$ versus $M = 4.59$; $F(1,79) = 17.2$, $p = .000$), but also direct effects on Satisfaction ($M = 5.88$...
versus $M = 4.84; F(1,79) = 17.58, p = .011$), and a marginal direct effect on Perceived Uncertainty ($M = 5.49$ versus $M = 6.08; F(1,79) = 2.74, p = .10$) and Willingness to Collaborate ($M = 6.62$ versus $M = 6.04; F(1,79) = 3.22, p = .077$).

Multivariate analysis of variance further revealed a significant Announced Degree of Integration x Position in Deal Structure interaction effect on Perceived Uncertainty ($p = .013$), Anticipated Conflict ($p = .055$), Intention to Leave ($p = .005$) and Satisfaction ($p = .004$). An interaction effect was also found for Culture Clash Potential and Position in Deal Structure, significantly affecting collaboration ($p = .003$). Moreover, a three way interaction on Perceived Power ($p = .041$) was found. Indeed, the “worst case” scenario (high Culture Clash Potential, high Announced Degree of Integration and Bought) resulted in the lowest mean for Perceived Power ($M = 3.9$). Whereas the “best possible” scenario (low Culture Clash Potential, low Announced Degree of Integration and Buying) resulted in the highest Perceived Power ($M = 6.7$).

Overall, analysis of variance provides support for the effectiveness of the manipulations, and indicates that the effects may be more complex than anticipated.

**Control Variables**

*Age*, but not years of experience, was significantly correlated with Perceived Cultural Similarity. Older respondents perceived lower cultural similarity than younger respondents. *Gender* did not appear to affect sensemaking, attitudes or behavioral intentions. *Years of professional experience* appeared to be related with satisfaction at Time 1. A multiple regression on satisfaction controlling for scenario revealed independent direct effects of years of experience ($\beta = .464, F(4, 74) = 7.842, p = .004$) and age ($\beta = -.281, F(4, 74) = 7.842, p = .081$) over and above the effect of perceived uncertainty ($\beta = -.403, F(4, 74) = 7.842, p < .001$).

*Marital status* and *having children* significantly related with anticipated conflict at time 1.
Single respondents expected more conflict than respondents that were married or had children. Mergers often being equaled to corporate marriages, respondents having experience with a similar transition in their personal life may anticipate less conflict. *Experience with a merger* (either directly or indirectly through friends or family) did not affect respondent sensemaking or attitudes and behavioral intentions.

**Structural Equation Modeling and Testing of Core Model (H1-H6)**

In order to test the core of the proposed model, I proceeded with structural equation modeling using Amos 6. According to the guidelines of Anderson and Gerbing (1988), it is advisable to proceed in two steps to test structural equation models. Therefore, I first fitted a confirmatory factor analytic measurement model and then proceeded with comparing a set of alternative models testing the relationships proposed in the theoretical model (Mathieu & Taylor, 2006). Maximum Likelihood (ML) was retained as the method of estimation, as it is not only the most widely used fitting function for SEM, but is also relatively robust and has the advantage to be scale free (Bollen, 1989; Diamantopoulos & Siguaw, 2000). As the data set contained only a limited number of missing values, these were replaced with scale means so that all observations remained available to estimate the covariance matrix (Bollen, 1989).

The purpose of the assessment of model fit is to evaluate the extent to which the model is consistent with the empirical data. As the chi-square test is a test of perfect fit, it is an extremely stringent test, with a highly significant $\chi^2$ indicating poor fit of the model. Indeed, there are very limited chances that any data collected would exactly fit the model proposed (Diamantopoulos & Siguaw, 2000). Therefore, other indices are utilized to assess the degree of fit the model exhibits. It is important to note that fit indices and rules of thumb proposed to evaluate the fit of SEM are often debated (Marsh, Hau, & Wen, 2004) open to interpretation (Bollen & Long,
Assessment of Hypothesized Model

The validity of the measurement model was assessed by checking that each item significantly loaded on its latent variable. This was indeed the case for all items at the $p<.05$ level, confirming the validity of the measurement model. The measurement model revealed excellent fit indices ($\chi^2 = 156.19$, $df = 128$, $p = .046$; NCP = 28.19, RMSEA = .057, CFI = .954, SRMR = .0534).

The overall fit of the hypothesized model appeared to be very good ($\chi^2 = 239.72$, $df = 161$, $p = .000$; NCP = 78.72, RMSEA = .081, CFI = .904, SRMR = .124, AIC = 337.72)(Mathieu 1993) and subject to preferences (Diamantopoulos & Siguaw, 2000; Marsh et al., 2004). The following indices will be reported: the non-centrality parameter (NCP), the Root Mean Square Error of Approximation (RMSEA) (Raykov, 1998) and the standardized root mean square residual (SRMR). Other indices, such as the comparative fit index (CFI) compare the proposed model to a baseline model such as the independence model. I will rely on the cutoff guidelines provided by Mathieu and Taylor (2006) in order to interpret and assess the fit of the structural models presented below. Therefore, models with CFI values <.90 and SRMR values >.10 will be considered deficient. CFI values between .95 and .90 and SRMR between .08 and .10 will be considered acceptable. Finally, CFI values starting from .95 and SRMR values below .08 will be considered excellent. In order to compare alternative nested models and evaluate whether they constitute a significant improvement, I will perform the chi-square difference test. The choice of the preferred alternative model will be informed by Akaike’s information criterion (AIC) which is appropriate when comparing nested and non-nested models (Diamantopoulos & Siguaw, 2000). Smaller AIC values indicate a better fit.
Nevertheless, it is useful to consider alternative theoretically plausible models in order to evaluate whether the theoretical model should be modified.

**Consideration of Alternative Models**

Based on theoretical considerations, a number of alternative models were examined. Table 2 compares the fit of the hypothesized model (H) proposing *full mediation* of employee sensemaking through uncertainty to alternative models proposing other plausible structural relationships.

In the first alternative model (1) I considered *partial mediation through uncertainty* and thus added to the hypothesized model direct paths from Perceived Cultural Similarity and Perceived Power to each of the four dependent variables. This model exhibits a significantly better fit than the hypothesized model ($\chi^2 = 39.3$, $\Delta df = 8$, $p < .001$).

In the second alternative model (2), I theorized that there would be *only direct effects* of Perceived Cultural Similarity and Perceived Power on the employee reactions. This model thus did not include any paths from Perceived Uncertainty to the employee reactions. This model revealed a significantly worse fit than the hypothesized model ($\chi^2 = 9.3$, $\Delta df = 4$, $p < .05$).

The third model (3) included *only direct effects of the deal characteristics on the employee reactions* without including any paths leading to or stemming from the employee sensemaking variables. This model reveals a significantly lower fit than both the hypothesized model ($\chi^2 = 49.1$, $\Delta df = 7$, $p < .001$) and model (1) ($\chi^2 = 88.4$, $\Delta df = 1$, $p < .001$).

Model 4 estimated *only direct effects of the deal characteristics* but this time on *Perceived Uncertainty* rather than on the outcome variables as in model 3. This model (4) also presented a significantly worse fit than both the hypothesized model ($\chi^2 = 67.2$, $\Delta df = 2$, $p < .001$) and model 1 ($\chi^2 = 106.9$, $\Delta df = 10$, $p < .001$).
Finally, I explored the possibility that the relationship between the sensemaking variables in the model would be in the *reversed order*, i.e., that the manipulations would affect the degree of Perceived Uncertainty which would then influence or ‘color’ our perceptions of similarity and power. Thus for the fifth model (5) I added direct paths from Culture Clash Potential and Position in Deal Structure to Perceived Uncertainty, while reversing the paths between Perceived Uncertainty and both Perceived Cultural Similarity and Perceived Power. I also added direct paths between both Perceived Cultural Similarity and Perceived Power and the dependent variables, so that *Perceived Cultural Similarity* and *Perceived Power* became *partial mediators*. As such, this model is not a nested model of our initial model. Therefore, the chi-square difference test cannot be applied to test the significance of model fit differences. However, we can observe from the AIC value (see Table 2) that the fit of this model appears to be worse than that of the hypothesized model and alternative model 1.

Based on the comparison of the fit indices of the alternative models, model 1 will be retained as the preferred model. This model is represented in Figure 2 (non significant paths are represented using a dotted line).

*Power Assessment*

In order to fully assess structural equation models, it is important to take into consideration statistical power. Indeed, power assessment may aid in the interpretation of overall model fit (Diamantopoulos & Siguaw, 2000; MacCallum, Browne, & Sugawara, 1996; McQuitty, 2004). The statistical power of a structural equation model allows us to differentiate between good and bad models. Therefore, it is important to assess whether statistical power is adequate. Statistical power refers to the probability of correctly rejecting the null hypothesis when it is false (Cohen, 1988). If power is low, a false model may not be rejected (type II error).
On the other hand if power is very high, we could reject a model that may be a good fit (type I error). Therefore, model evaluation has to take statistical power into consideration (Kaplan, 1995). Although the ideal level of power depends on the relative costs of making Types I and II errors, a medium level of power (0.6 - 0.8) may be recommended (McQuitty, 2004). The power of a structural equation model increases with both model complexity (degrees of freedom) and sample size. Large structural models tend to have too much power. However this is compensated in the current study by a fairly limited sample size (n=76). MacCallum et al. developed a method to estimate the power of structural equation models based on the RMSEA value, sample size and degrees of freedom (MacCallum et al., 1996). They propose that power can be calculated based on a perfect fit (H₀ : RMSEA = 0) or on a close fit (H₀ RMSEA ≤ 0.05). The values of RMSEA for the alternative hypothesis would then be specified as being .05 for the perfect fit and .08 for the close fit. Based on McQuitty’s table (2004), we can estimate that the power associated with the test of close fit for our model 1 (df=153, N=76) would be between .60 and .70. A test of exact fit would be associated with slightly lower power, but would still be close to .60. Thus our preferred structural equation model appears to have adequate power.

**Hypothesis Testing and Discussion of Preferred Alternative Model**

Hypotheses 1 through 6 were evaluated by considering the significance levels of the path coefficients obtained through maximum likelihood estimation of the preferred model (Figure 2). Support was found for hypothesis 1, the greater Culture Clash Potential, the lower the Perceived Cultural Similarity (β = -.50, p < .001). With respect to hypothesis 2, Perceived Cultural Similarity was negatively related to Perceived Uncertainty (β = -.23, p =0.054), greater Perceived Cultural Similarity was associated with lower Perceived Uncertainty. This provides
support for Hypothesis 2. The preferred alternative model also indicates the significance of
direct effects of Perceived Cultural Similarity on each of the outcome variables measured.
Hypothesis 3 was not supported. Whether the two units were announced to become integrated or
remain independent did not appear to directly affect Perceived Uncertainty. Nor did the
Announced Degree of Integration appear to affect the outcome variables directly. Hypothesis 4,
the higher the Perceived Power, the lower the Perceived Uncertainty, was not supported as this
path was not significant. However, the preferred alternative model indicates that Perceived
Power had significant direct effects on the outcome variables Satisfaction and Intention to Leave.
Higher Perceptions of Power were associated with greater Satisfaction ($\beta = .30$, $p = .009$) and
with lower Intention to Leave ($\beta = -.30$, $p = .013$). As advanced by hypothesis 5, the Position in
Deal Structure appeared indeed to determine Perceived Power, as a strong positive association
was found ($\beta = .75$, $p < .001$). Substantial support was found for hypothesis 6. Greater
Perceived Uncertainty was indeed associated with greater Anticipated Conflict ($\beta = .58$, $p <
.001$), with greater Intention to Leave ($\beta = .54$, $p < .001$) and with lower Satisfaction ($\beta = -.30$, $p
< .001$). However, Perceived Uncertainty did not appear to significantly affect Willingness to
Collaborate.

**The Effect of Peer Interaction**

In order to assess the effect of peer interaction on employee reactions (hypothesis 7), t-
tests were conducted comparing means at time 1 and time 2. Table 3 represents means, standard
deviations, t-values and significance levels of the employee reactions as well as the mediating
sensemaking variables. First, while the sensemaking variables Perceived Cultural Similarity and
Perceived Uncertainty seem not to be affected\(^6\), Perceived Power is lower across the board. With respect to the dependent variables, all means are significantly different and in the expected direction following the group discussion. In line with our expectations, Willingness to Collaborate and Satisfaction were significantly lower following Peer Interaction, while Intention to leave and Anticipated conflict were significantly higher. These results provide strong support for hypothesis 7.

Moreover, these results spurred the following complementary questions: (i) Does the effect of peer interaction depend on deal characteristics? (ii) Would deal characteristics play a role in the nature of group processes? (iii) Is the effect of peer interaction affected by group processes? These questions lead to the development of a revised theoretical model (see Figure 3) focusing on the nature and effect of peer interaction with respect to deal characteristics. Figure 3 depicts Time 1 and Time 2 mediating processes, extending the original theoretical model, such that Deal Characteristics are proposed not only to have direct effects on individual and socially influenced sensemaking, but also on group processes (ii). Two group processes were considered: the amount of group conflict experienced by the individual and the amount of learning from other group members. The revised theoretical model also indicates the possible moderating effect of Deal Characteristics on the relationship between individual sensemaking and socially influenced sensemaking, as well as on the relationship between initial employee reactions and socially influenced reactions (i). Finally, a moderating effect of group processes on the relationship between individual sensemaking and socially influenced sensemaking, and on the relationship between initial employee reactions and socially influenced reactions (iii) is

\(^6\) However, these null effects turned out to be masking crossed interactions (see Figure 4 and Figure 5).
proposed. Below, I examine each of these proposed relationships, in an attempt to shed light on
the complementary questions.

(i) Does the effect of peer interaction depend on deal characteristics?

In order to shed light on this question, I first conducted analysis of variance including the
time 1 and time 2 measurements as a within-subjects variable. Significant differences appeared
to exist between scenarios for Willingness to Collaborate (Pillai’s $F(7, 68) = 2.47, p = .025$) and
Satisfaction (Pillai’s $F(7, 68) = 3.36, p = .004$), but not for Intention to Leave (Pillai’s $F(7, 68) =
1.28, p = .273$) and Anticipated Conflict (Pillai’s $F(7, 67) = 1.48, p = .190$). Also, the employee
sensemaking variables did not show any significant differences between scenarios. Next, I
proceeded with additional multivariate tests (2x2x2x2) considering each of the deal
characteristics as between subjects variables and the sensemaking variables and employee
reactions at T1 and T2 as a within-subjects factor.

The difference between Perceived Cultural Similarity at time 1 and time 2 was
significantly affected by Position in Deal Structure (Pillai’s $F(1, 67) = .083, p = .016$). Thus the
overall null effect appeared to be masking a crossed interaction. Whereas participants in the
acquired status revealed an increase in Perceived Cultural Similarity ($M_{T1} = 4.94$ versus $M_{T2} =
5.21$), the acquirers experienced a drop in Perceived Cultural Similarity ($M_{T1} = 5.22$ versus $M_{T2}$
= 4.72) (see Figure 4). A similar but only marginally significant effect was found for Perceived
Uncertainty (Pillai’s $F(1, 67) = .049, p = .066$), with “acquired” participants witnessing a drop in
Perceived Uncertainty ($M_{T1} = 6.21$ versus $M_{T2} = 5.85$), while “acquirers” experienced a slight
increase in Perceived Uncertainty ($M_{T1} = 5.62$ versus $M_{T2} = 5.80$). However, there appeared to
be no effect of the deal characteristics on the difference between time 1 and 2 measures for
Perceived Power.
The difference between the measurements at T1 and T2 for *Anticipated Conflict*, was significantly affected by Position in Deal Structure (Pillai’s $F(1, 67) = 4.21, p = .044$) (Figure 5). Whereas both groups displayed a higher degree of Anticipated Conflict as a result of the group discussion, the effect was significantly greater for participants in the “Buying” condition ($\Delta M = .75$) than for those in the “Bought” condition ($\Delta M = .14$).

**Figure 5 - The effect of peer interaction on Anticipated Conflict depending on Position in Deal Structure**
With respect to \textit{Satisfaction}, a significant interaction was found for Position in the Deal Structure (Pillai’s $F(1, 68) = 8.62, p = .005$) as well as for Culture Clash Potential (Pillai’s $F(1, 68) = 10.41, p = .002$) (Figure 6 and Figure 7). Following Peer Interaction, Satisfaction was significantly lower for participants in the “Buying” condition ($\Delta M = .91$), whereas for those in the “Bought” condition Peer Interaction appeared to have no effect on Satisfaction ($\Delta M = 0$). Moreover, whereas initially, the “acquirers” were significantly more satisfied than the “acquired” participants ($M = 5.66$ versus $M = 4.91$), the effect of Peer Interaction resulted in overall lower Satisfaction for the “acquirers” compared to the “acquired”. With respect to Culture Clash Potential, there appeared to be no significant effect of Peer Interaction on Satisfaction for participants in the likely Culture Clash Potential condition. However, participants in the unlikely Culture Clash Potential condition experienced a significant drop in Satisfaction following the group discussion ($\Delta M = .95$).

\textbf{Figure 6 - The effect of Peer Interaction on Satisfaction depending on Position in Deal Structure}
For **Intention to Leave** a three-way interaction effect of deal characteristics was found (Pillai’s $F(1, 68) = 5.92, p = .018$). Whereas Peer Interaction overall resulted in higher Intention to Leave, the extent of the effect differed significantly depending on the characteristics of the deal. The effect would range from being insignificant to reaching $\Delta M = 1.9$ for the “acquirers” in the condition of high Announced Degree of Integration but low Culture Clash Potential. The effect of Peer Interaction on **Willingness to Collaborate** with merger partner employees appeared to be subject to a two-way interaction. Depending on one’s Position in Deal Structure and Culture Clash Potential, peer interaction would differently affect employee’s Willingness to Collaborate (Pillai’s $F(1, 68) = 7.67, p = .018$). In the “acquirer” conditions, high Culture Clash Potential would hardly affect Willingness to Collaborate, whereas low Culture Clash Potential was associated with a 1.2 point drop in Willingness to Collaborate. However, the acquired participants displayed a more significant drop in Willingness to Collaborate following peer interaction when Culture Clash Potential was high than under the low Culture Clash Potential condition ($\Delta M = .87$ versus $\Delta M = .30$).
(ii) Do deal characteristics play a role in the nature of group processes?

*Culture Clash Potential* appears to affect both group conflict and learning. Under the low Culture Clash Potential condition individuals experienced more group conflict than under the high Culture Clash Potential condition ($M=6.30$ versus $M=5.24$; $F(1,70) = 8.84, p = .004$). This may indicate that the group who received clearer information (even more negative or threatening) experiences more positive group processes. There was also a marginally significant effect of Culture Clash Potential on learning, with low Culture Clash Potential being associated with greater learning of new information from others ($M=6.09$ versus $M=5.35$; $F(1,70) = 3.13, p = .081$). Together these findings would indicate that the discussion and divergence in opinions may have been useful to obtain different perspectives.

The *Announced Degree of Integration* marginally affected group conflict experienced, with participants of the no integration scenario reporting greater levels of group conflict ($M=6.07$ versus $M=5.38$; $F(1,70) = 3.55, p = .064$). The *Position in the Deal Structure* did not appear to affect the group processes.

(iii) Is the effect of peer interaction affected by group processes?

First, the moderating effect of group processes on peer interaction was evaluated for the sensemaking variables. A significant interaction was found for learning and peer interaction for *Perceived Cultural Similarity* (Pillai’s $F(1, 69) = 0.54, p = .051$), but not for group conflict. Little learning was associated with a significant drop in Perceived Cultural Similarity whereas receiving new information was associated with stable Perceived Cultural Similarity ($\Delta M = -.55$ versus $\Delta M = .07$). No interaction effects were found for *Perceived Uncertainty* nor *Perceived Power*. 
Next, the potential moderation of group processes on the differences in employee reactions between time 1 and time 2 were evaluated. The difference between time 1 and time 2 Willingness to Collaborate was marginally significantly moderated by learning (Pillai’s $F(1, 70) = 0.41, p = .088$) but not by conflict. When no new information was obtained a greater drop in Willingness to Collaborate took place ($\Delta M = .93$ versus $\Delta M = .39$). No interaction effects between group processes and the peer interaction effect were found for Anticipated Conflict, Intention to Leave and Satisfaction.

Complementary Qualitative Data Analysis

The qualitative data gathered through the group discussions were analyzed with the objective of providing a deeper understanding of the employee reactions. Table 4 provides an overview of representative quotes illustrating how participants made sense of the deal characteristics and how each construct was discussed. Fourteen of the sixteen group discussions started with a focus on fear, uncertainty and discussion of impending layoffs (e.g., “This is very scary…they don’t say what is going to happen…they don’t say anything” and “I am very afraid for me, for my job”). All participants were actively participating in the discussions, showing a high level of interest and involvement, which could be attributed to their need to clarify the situation, which they experienced as very worrying. Moreover, there appeared to be a great deal of frustration with the limited amount of information. Indicative of this was the large number of questions emerging during the discussion: “Are we still going to have a job?”, “Will it be easy to work with these employees?” and “How can you be sure?” These questions were sometimes clearly coupled to questioning the actual information provided: “Where is the point to buy another company if you remain independent?”
Skepticism was particularly apparent in groups under the “no integration” condition and could clarify the lack of support found for hypothesis 3. Indeed, it appears that participants were quite skeptical of the announcement, particularly with respect to the mention that “your daily work should not be affected directly.” Participants indicated that they were upset because of the lack of information. This appeared to fuel “what if” speculations, apparently contributing to uncertainty and potentially accounting for the increased negativity after peer interaction.

Respondents appeared to be in disbelief of the announced status quo (“They don’t say everything”), anticipating some change anyway, either sooner or later: “They say nothing will change, but we are not sure, we have no information”, “We know from other mergers that they wipe out the other company” and “They say this, but in the long term, some jobs will always be lost”. They may therefore have been equally worried as the respondents in the integration condition. Comments such as “Well, I am skeptical, because every time when one company buys another company there are always savings to make, always a point of raising the shareholder value so at some point people will be fired” and “Everyone will get affected” clearly indicate the lack of confidence in the information received. Also, both the extent of layoffs and change were extensively discussed under the “no integration” scenario, with occasional positive comments rapidly being dismissed, e.g. the following interaction “layoffs are not mentioned – not officially – not yet.”

Indeed, although not explicitly mentioned in the scenarios, layoffs were a major recurrent theme. The limited information available was largely interpreted and elaborated on with personal experiences and anecdotes as well as well-known deals (e.g. Daimler-Chrysler), thus both the rationale for merging, the need to create synergies and the fact that there would be significant overlap was central to all of the discussions. The need for layoffs was considered as a matter of
fact: “People will get laid off, because you will have two people doing the same job”. Once this was established it was mainly a question of how (“criteria”, “good work”, “connections”) and how many (“all will be fired”). Groups in the acquiring position appear to be reassured thinking ingroup power will be important following the merger (“we are privileged a little”, “we will prevail”), whereas individuals in the acquired position, aware of their weaker position, seem to hope that their individual contribution will stand out in order to avoid personally being fired, and hope that layoffs will be based on performance rather than social networks (“politically they will choose people from their own side”, “they will not give much chance to others”, “if we are professional and good they will have no reason to lay us off”). These discussions of redundancies being mostly associated with notions of power, confirm that the macro contextual variable Position in Deal Structure indeed constitutes an important element in employee sensemaking.

Particularly in the “bought” condition, participants seem to consider the merger from two perspectives: it is good for the company (they are rescued and can survive) and may be good for them by creating more opportunities, if they manage to stay with the organization. Still, they realize they may be “powerless” and “dominated” and that relationships may be more important than their actual work in evaluating who is to stay and who to leave. Notions of loss of control were also expressed in the “bought” condition, as well as the need to make sacrifices. The “buyers” presented ideas such as “It is up to us how we integrate them”, indicating their understanding of the challenge but also the awareness of the upper hand and illustrating the Integration x Position in Deal Structure interaction revealed by the analysis of variance.

The discussions also touched upon “the others” (“People from the other company may feel unhappy” and “Imagine their position, eaten by AC”). The other party’s reaction was judged as relevant either because they could be “arrogant” (as buyers) or “resistant” and
“panicked” (when bought). Under both conditions, collaboration from the others was questioned, they could “hide information” if bought or they could “suppress the interests” of the other party if buying. It was also discussed whether the others could be trusted, and it was assumed that they would be competitive in order to keep their jobs (“I’d be scared of other employees. There will be more internal competition”). Overall, while the buyers expected resistance, participants in the bought condition were merely hoping the others would be “open” and fair, e.g. “If we are professional and good they will have no reason to lay us off”.

Although discussions revolved mainly around ideas of uncertainty and layoffs, Culture Clash Potential was also referred to in the discussions, although much less frequently. Two groups did not mention culture at all, but 8 groups mentioned culture as a central part of the challenges and difficulties of the merger, whereas the remaining 6 only mentioned the issue briefly. Arguments, appeared to be more elaborate under the “unlikely” condition, stating that clashes will be “unavoidable” in any case (“Culture clash will happen, even if it is a similar company” and “We will end up fighting because we are very different”). Under the “likely” scenario, people discussed the issue more as a matter of fact, stating that the company would be different working with different colleagues who have different habits. Although, Culture Clash Potential became a bigger issue for the “unlikely” groups, overall culture clash appeared to be a minor concern compared to the immediate threat of losing one’s job as exemplified by the quote “that some were concerned about the culture clash […] kind of dilutes the seriousness of the whole thing.”

Finally, it is worth noting that participants engaged in complex sensemaking, which can shed light on the interaction effects revealed by the multivariate analysis of variance. Quotes such as “We will have to make the most sacrifices” or conversely, “We still will have more
control...forcing them to adapt”, exemplify the interaction between Announced Degree of Integration and Position in Deal Structure. The interaction between Culture Clash Potential and Announced Degree of integration also appeared in the discussion “Simple things, like part of our culture, everything would change...Like, are we going to do it our way or their way?”

To conclude, the qualitative data gathered from the peer interaction predominantly indicate a focus on difficulties and threats. This is in line with work on the “negativity bias” (Baumeister, 2001; Rozin & Royzman, 2001). First, in the conversations, negative discourse was more predominant than positive comments, thus negativity dominated the discussion. Not only does negative information dominate, it appears also to be more complex and developed, a phenomenon known as negative differentiation (Rozin & Royzman, 2001). Overall, positive comments were rare (positive framing occurred in less than 20% of the data), not very elaborate (“Perhaps nothing will happen”, “Change is not all bad, it could be good”). Anecdotally, it is worth noting that in one instance a single quite excited group member was suspected of being a confederate. “How can anyone think this is a good thing”, voiced one group member to the researcher following the debriefing. Positive comments were also quickly dismissed, e.g., “but it says in the letter our work will not be affected... They just say all will be fine to calm people, just at beginning, not to create panic.”

With peers reinforcing each other’s concerns, reflecting a predominantly negative discourse, the group discussions appeared to take the shape of a phenomenon I characterize as collective rumination. Collective rumination can be seen as an extension of the construct of “co-rumination” which is defined as “excessively discussing personal problems within a dyadic relationship” (Rose et al., 2007). At the dyadic level, co-rumination with friends can lead to greater anxiety (Rose et al., 2007). With group members reiterating the same negative ideas,
echoing each other’s fears, the concept of collective rumination appears to accurately describe
the nature of peer interaction following the merger announcement.
CHAPTER 5: DISCUSSION

Overall, findings indicate important effects of deal characteristics on employee sensemaking and attitudes. Not only are there direct effects of deal characteristics on initial sensemaking, but there are also moderating effects determining how attitudes will evolve following peer interaction. Individuals appear not only to differentially assess the situation based on the context, but this information then subsequently also differentially impacts their attitudes and behavioral intentions after they discuss the situation with their colleagues. The study also establishes an overall detrimental effect of peer interaction on employee attitudes in mergers, which can be described as collective rumination. Below, I start with some general observations and discuss the control variables. Then, I highlight the role of each of the deal characteristics and their associated sensemaking variables. Next, I address the role of uncertainty as a mediator. Finally, I discuss the evidence for collective rumination as well as the effect of deal characteristics on collective rumination.

**General Observations and Control Variables**

First, it is particularly noteworthy that, among this fairly young pool of participants (26 years and less than 3 years of experience on average), seventeen percent of participants had already experienced a merger first hand, and almost half of participants (48.1%) had a friend or family member who had experienced a merger. This indicates the prominence and relevance of the phenomenon under study. At the same time, the lack of impact on the results of previous personal exposure to a merger may indicate that all participants are frequently exposed to and aware of the phenomenon through the other channels such as the media.
Culture Clash Potential and Perceived Cultural Similarity

Results show that culture clash potential affects employees’ expectations in terms of perceived cultural similarity. When culture clash is likely, perceived cultural similarity will be significantly lower. With perceived cultural similarity, as expected, being negatively related to uncertainty, a likely culture clash will be associated with significantly higher uncertainty. Moreover, perceived cultural similarity directly affected our outcomes of interest. Greater perceived cultural similarity predicted better outcomes, i.e., lower conflict, greater willingness to collaborate and satisfaction, and lower intention to leave. These findings are consistent with existing research and provide additional support for the cultural explanation of merger failure. Indeed, the present study clarifies the mediating role of perceived cultural similarity. However, despite these strong effects in the survey data, the qualitative data indicate a less prominent role for cultural similarity, because culture was not so frequently discussed. This could be the case because the threat of culture clash appears less severe or more distal than being made redundant, which is the initial major concern as apparent from the qualitative data. Cultural similarity may become more of a prominent discussion topic once integration is started and initial contacts confirm or disconfirm expectations of cultural similarity formed at the time of announcement. Thus the low concern for culture clash during the discussions in this study could be related to the context and particularly the “announcement” setting.

Announced Degree of Integration

The announced degree of integration displayed no direct effect on uncertainty or on any of the outcome variables at time 1. This absence of a direct effect might be explained by the fact that respondents in the low integration condition appear to be in disbelief of the announced status quo, anticipating some change anyway, either sooner or later. They may, therefore, have been
equally worried as the respondents in the integration condition. However, the two-way and three-way interactions found, indicate that employees do appear to factor in integration. The qualitative data can shed light on this interaction effect. Comments in groups in the buying and high integration condition such as “It is up to us how we make the others integrate” and “We will try to impose our process,” clearly refer to this interaction effect. Conversely, “We will have to make most sacrifices” indicates the interaction of a high integration condition with a low position in the deal structure. One direct effect of the integration manipulation was also apparent on T2 willingness to collaborate, with higher integration being associated with higher willingness to collaborate. This direct effect could be understood by considering some of the thoughts expressed during the discussion, such as “Sharing knowledge and experience will make it easier” and “I will try to do the best, working with the new people.” Overall, the effect of integration appears to be more complex than anticipated.

**Position in Deal Structure and Perceived Power**

An employee’s position in the deal structure strongly influences an individual’s perceptions of power, with individuals in the buying condition perceiving significantly higher levels of power. Perceived power appeared to have significant direct effects on employee satisfaction with the merger and on intention to leave. As expected, higher power was associated with lower intention to leave and higher satisfaction. However, there was no significant reduction in perceived uncertainty associated with higher power. Although perceived power and perceived uncertainty appeared to be significantly negatively correlated (Table 1), the path between perceived power and perceived uncertainty was not significant. Moreover, analysis of variance did not reveal any significant differences in uncertainty between “buyer” and “bought” condition participants, neither initially nor following peer interaction. Thus, contrary to our
expectations, higher power does not reduce uncertainty per se. Although, the qualitative data reveal indeed more positive comments referring to the “winner” condition, these may not be able to counteract personal uncertainty such as exemplified by the quote “They want the best… perhaps a TC guy is better.”

**The Role of Uncertainty**

Despite the important direct effects of perceived cultural similarity and perceived power on the outcome variables, perceived uncertainty proved to remain an important mediator. Higher uncertainty was associated with higher anticipated conflict, higher intention to leave and lower satisfaction with the merger. These results are consistent with previous research highlighting the crucial role of uncertainty and the potential positive effect of uncertainty reduction interventions (Schweiger & DeNisi, 1991). However, as an important additional finding of the present study, we should not assume that the individuals perceived to be in a better position in the deal structure (acquirer’s employees) would experience lower uncertainty. Although they may appear to be in a relatively more comfortable position, the merger announcement may still create a great deal of uncertainty for them as well.

**Evidence of Collective Rumination**

Overall, as posited, peer interaction about the merger announcement appears to have considerable detrimental effects on employee attitudes and behavioral intentions. Indeed, the 15-minute group discussion in the experimental setting resulted in significant differences between time 1 and time 2 measurements. Willingness to collaborate and satisfaction were significantly lower following peer interaction. Intention to leave and anticipated levels of conflict were significantly higher. Thus, the study establishes an overall detrimental effect of peer interaction on employee attitudes in mergers.
Next, investigating these social influence effects more in detail, I found evidence of collective rumination both in the qualitative and quantitative data collected. Given the negativity bias, it is thus not surprising that negative comments would be more rigorously processed and have a higher potency in affecting employee attitudes.

In addition, the group processes measured through the survey instrument provided also some preliminary evidence for collective rumination. With rumination being regarded as excessively discussing the same problems (Rose et al., 2007), we could consider the group process variable learning as a proxy for rumination. Indeed, discussing the same issues over and over (i.e., no learning) can be considered conceptually similar to “ruminating”. Thus, it was found that participants who reported that they obtained little new information during the discussion witnessed a greater drop in perceived cultural similarity and in intention to collaborate. Thus, it appears that discussing mostly negative already known issues will lead to more detrimental outcomes. These findings, thus, shed light on the mechanism behind the collective rumination phenomenon.

The Effect of Deal Characteristics on Collective Rumination

As discussed above, the deal characteristics had a significant effect on the initial employee reactions. However, the deal characteristics also appeared to influence group processes, which may have a long-term effect on the group’s functioning. Both the culture clash potential and degree of integration manipulations lead to differences in levels of conflict during the discussion. Both the low integration and low culture clash conditions were related to higher levels of conflict. Group members in the high conditions probably all agreed that they will be facing certain difficulties, whereas in low conditions group members may have voiced more diverse opinions due to the fact that some believed the announcement and others not, as
exemplified by the following interaction between two group members “Big changes will happen… [other replies] but it says in the letter our work will not be affected… They just say all will be fine to calm people, just at beginning, not to create panic.” This may indicate that when the deal characteristics are framed in ways that could elicit doubt, with employees being skeptical about the truthfulness of the “no integration” or the “we are quite similar” affirmations, less favorable group processes may result. Over time, this may lead to discordance among ingroup members and decrease satisfaction among group members. This explanation is also consistent with the fact that no effect on group processes was found for position in the deal structure. As a clearly categorical variable distinguishing “buying” from “bought,” the position in the deal structure is indeed much less ambiguous or open to interpretation.

The deal characteristics not only appeared to influence the group processes, but more importantly had several significant effects on how the employee sensemaking and reactions shifted following the discussion. First, unlikely culture clash was associated with a drop in satisfaction, whereas the satisfaction of the likely culture clash participants was not affected by the discussion. This could be attributed to the fact that when the deal is described in realistic terms (i.e., beware a culture clash is very likely), people take note of it as a fact, whereas in the low culture clash condition, skepticism may lead people to distrust management, which may be related to lower satisfaction. Also less favorable group processes with higher group conflict, could contribute to a drop in satisfaction for the unlikely culture clash scenario participants. Thus, one could argue that announcing challenges upfront, as in the high culture clash condition, may avoid speculation and rumination which is affecting satisfaction to a greater extent in the unlikely culture clash condition. Indeed, under ambiguous conditions, individuals may focus on the negative elements, elaborating more on them, according to the negativity bias, which may
intensify negative outcomes. There appeared also to be complex interaction effects on the shift in willingness to collaborate and intention to leave. This suggests that socially influenced employee reactions, such as willingness to collaborate and intention to leave, may depend on various elements of the deal context but may be difficult to predict.

However, the most important moderator of the peer interaction effect appears to be the position in the deal structure. Both the peer interaction effects of perceived cultural similarity and perceived uncertainty were moderated by the deal structure. Acquirers reported lower perceived cultural similarity but greater perceived uncertainty following peer interaction, whereas acquired employees reported the opposite. In order to explain these different reactions, we could posit that the acquired employees may have found some social support in the discussion, alleviating their initial reactions (lower uncertainty, greater similarity) whereas the acquirers experienced a typical negativity bias effect (greater uncertainty, lower similarity).

With respect to anticipated conflict and satisfaction, position in the deal structure also played a role as a moderator between pre and post discussion measurements. It might be the case that, following the discussion, acquirers expect resistance to the enforcement of their policies and therefore may see a greater increase in conflict, than just the effect of the negativity bias exhibited by the acquired employees. With respect to satisfaction, as anticipated, the acquirers were initially more satisfied but after discussion, they were less so than their counterparts. It might be the case that they feel they have more to lose. Following the discussion they may realize that having power is not everything and that the merger will still be a struggle, which may explain the greater anticipated conflict and lower satisfaction.
CHAPTER 6: CONCLUSION

This dissertation provides several important contributions to the growing literature on the human side of mergers and acquisitions. The argument is made for the integration of different streams (psychological, social and cultural). A meso OB approach is proposed with the objective of providing a more compelling explanation for the extensively documented negative employee attitudes in merger contexts. Results indicate that macro variables such as deal characteristics significantly affect employee reactions to a merger. First, deal characteristics directly influence initial sensemaking. Next, deal characteristics also affect how employee attitudes and behavioral intentions evolve over time as they discuss the event with their colleagues. The study also indicates an overall detrimental effect of peer interaction on employee attitudes in mergers, which can be described as collective rumination. Moreover, as uncertainty can be related to characteristics of the deal, the study confirms and extends previous research on uncertainty and its detrimental effect on mergers outcomes. The study also confirms and extends previous research related to the importance of cultural similarity in merger deals. Finally, the study sheds new light on the importance of power in mergers by establishing complex interaction effects of the position in the deal structure on sensemaking and employee reactions following the discussion of the event with peers.

Theoretical Implications

The theoretical model proposed and tested in this dissertation, provides a significant contribution to theory development in the area of M&A research, which has seen moderate theoretical advancement (Angwin & Vaara, 2005; Cartwright & Cooper, 1994). The inclusion of variables of different natures (deal characteristics, employee sensemaking variables, and employee attitudes and behavioral intentions) indeed provide a significant step forward to
increase our understanding of the mechanisms behind the widely observed and documented
detrimental employee reactions to mergers. The present study contributes to the dominant
paradigm, the cultural perspective. Whereas past research has established the importance of
cultural compatibility for merger outcomes, the present study sheds light on the process by which
individuals make sense of and react to the event (mediated through perceptions of cultural
similarity and perceived uncertainty). Thus, the present study not only establishes the mediation
of perceived cultural similarity, but also the complex interaction effect between one’s position in
the deal structure and the shift in perceived cultural similarity following interaction with peers.
Thus, while extending the dominant paradigm, the theory and results also find support for the
need to consider and integrate the other two paradigms. Indeed, the present findings indicate that
the psychological perspective, with perceived uncertainty at the core of its argument, is closely
related to the cultural perspective with a significant negative correlation between perceived
cultural similarity and perceived uncertainty. Next, the integration of the social perspective,
based on status differences and inter-organizational structure, can provide additional insight as
employee reactions may be directly affected by these contextual elements. Despite the non-
significant direct effect of perceived power on perceived uncertainty, the position in the deal
structure does affect employee reactions through perceived power. Moreover, position in deal
structure is associated with complex interaction effects when it comes to peer interaction. Thus,
notions of power as captured by the position in deal structure variable may need to be included in
the other perspectives as a potentially significant moderator.

Further, the theoretical implications of this dissertation are hoped to contribute also to
broader research streams and theoretical discussions. The present theoretical framework and
findings could be generalized and applied to other circumstances in which employees need to
cope with high levels of uncertainty about their future, such as organizational downsizing or restructuring.

**Practical Implications**

The results confirm previous research highlighting the crucial role of uncertainty and thus support the usefulness of uncertainty reduction interventions (Schweiger & DeNisi, 1991). However, the present study indicates that we should not assume that the individuals perceived to be in a better condition would experience lower uncertainty per se. Both a low degree of integration and a favorable position in the deal structure did not directly reduce uncertainty for the individuals involved. Moreover, skepticism with respect to the actual degree of integration may make individuals suspicious, leading to less favorable ingroup processes and potential adverse reactions to management in the form of reduced trust.

Based on the findings of this study, managers can be advised to tailor their communication to a particular group of employees according to the context of the deal and their position in the deal structure, rather than adopting a one-size-fits-all approach towards communication. As groups experience different scenarios, they will react differently. Not only will their initial reactions will be different, but also the conversations they have with their colleagues will lead to different reactions over time. In order to tailor communication appropriately, one may need to distinguish groups based on other dimensions than the acquired-acquirer distinction used in the present study, such as hierarchical level, functional specialization or subunit comparative status or reputation. Considering groupings, whose position in the deal structure may lead to differences in perceived power or perceived uncertainty (e.g., support services staff, middle management, or product development teams) may allow for more effective
communication. Communication efforts addressing the specific conditions of each of these subgroups may be more potent in reducing uncertainty.

With respect to the effect of culture clash potential, findings suggest that stressing similarities during communication efforts may reduce negative employee reactions. Indeed, framing the merger announcement more in terms of cultural similarity and downplaying the potential for culture clash, as the low culture clash scenario did, may significantly reduce uncertainty and associated negative attitudes initially. However, one should be cautious to avoid presenting the deal in vague or unrealistic terms, as this might lead to disbelief and consequently backfire following peer interaction. Both the “no integration” and “unlikely culture clash” announcement conditions were associated with less favorable group processes. This may indicate that when the deal is presented in ambiguous terms, with employees being skeptical about the truthfulness of the “your daily work will not be affected” or the “we are quite similar” affirmations, less favorable group processes may result. This may lead to discordance among ingroup members. Thus, this implication points again to the importance of crafting suitable communication strategies. These conclusions are in line with the argument for realistic merger previews (Schweiger & DeNisi, 1991), but extend the rationale by adding that not only this would reduce uncertainty, but also positively affect ingroup processes.

The study demonstrates the significant effects of sensemaking on the outcome variables under investigation. The implications of these effects are important to take into account. Within a merger context, anticipated conflict can be a self-fulfilling prophecy. As the position in the deal structure appears to influence how expectations of conflict will evolve over time, it is particularly important to keep the acquirer’s employees from ‘over-expecting’ resistance and conflict, which could be self-fulfilling. Managerial support from the top-down highlighting
cultural similarities with the other party could prevent an increase in anticipated conflict and therefore actual conflict.

The significant direct negative effect of perceived power on intention to leave, supports previous findings (Hambrick & Cannella, 1993) and indicates that giving greater importance to certain groups (improving their position in the deal structure and increasing their perceptions of ingroup power) may reduce intention to leave. This would be particularly important for mergers and acquisitions where the focus is on knowledge retention. Endowing a special status to particular groups or providing them with certain decision-making powers, may positively affect their intention to remain with the organization. Care should be taken here, however, not to significantly affect perceived power of other groups whose contribution may be equally important. Lastly, it is important to note the positive relationship of perceived power with the outcome variable satisfaction. As organizational mergers rely a great deal on extra role behavior and goodwill of the employees, it may be of particular interest to monitor and try to enhance employee satisfaction because of the relationship of satisfaction with organizational citizenship behaviors (Podsakoff, MacKenzie, Paine, & Bachrach, 2000).

Finally, it is important for managers to acknowledge the potential impact of collective rumination. Findings indicate the need to avoid a focus on negative elements of the merger in employee conversations, avoiding collective rumination over the event. Tailored and targeted communication, increasing consultation and paying attention to fair process (Limberg & Van der Heyden, 2007), more managerial support with a focus on opportunities rather than threats could potentially decrease the negative effect of peer interaction. It is also particularly important to note that the findings suggest that the acquiring party should not neglect to reassure their own employees, who may at first be less worried than their acquired counterparts but subsequently
following collective rumination may end up holding more detrimental attitudes than the acquired employees.

With a focus on reducing the opportunity for collective rumination, the findings appear to be consistent with guidelines in terms of speed of action during merger integration. Although the collective rumination effect present in the experimental context may not be avoidable in practice, it seems that going ahead fast with clear timelines and transparent communication, may limit the opportunity (in terms of time) for collective rumination. as well is its impact (in terms of extent). These findings may also generalize to other circumstances in which employees need to cope with high levels of uncertainty about their future, such as organizational downsizing or restructuring.

**Limitations**

The most prominent limitation of this dissertation is its reliance on an experimental design with student participants and based on cross-sectional self-reported data. The experimental approach can indeed limit external validity. However, the present experimental design permitted to decrease the number of confounding factors, which could be present in a field study. Moreover, the administration of different scenarios manipulating the deal characteristics, allow us to be more confident about causality. Also, the complementary qualitative data gathered provided an opportunity for triangulation and gave additional insight. Finally, as in a field study we may expect participants to be more involved than under the experimental condition, we could consider this a more conservative test of the model. Still, replicating the present study in the field would be valuable to undertake, as it may provide a more accurate estimate of the effect sizes of both the initial reactions and the peer interaction effect.
Second, the present study was conducted with a rather limited sample size. Although statistical power analysis revealed adequate power levels in order to properly evaluate the structural equation models, it has been observed that smaller samples may reduce the accuracy of parameter estimates (MacCallum et al., 1996; McQuitty, 2004). Finally, the study is a replication of the merger announcement condition. Therefore it may have limited generalizability to later stages in the merger. This would need to be examined in future research.

**Future Research**

Further research may wish to investigate the relative importance of each of the deal characteristics included in the present study. The cultural explanation of merger failure is oftentimes presented as the major source of merger failure. However, in the present study, quantitative data would suggest both power and culture appear to have important effects on outcomes. Also the qualitative data seem to indicate that power differentials are more of an immediate concern to employees than issues of culture fit. In future studies, the deal characteristics could be expanded to include complementarity of the firms, relatedness of the business, relative size and relative reputation of the merger partners, which could all affect employee sensemaking and employee reactions in different ways and to important extents. Future research could also include other mediating variables, such as the amount of anticipated change, the perceived threat to one’s identity, stress experienced and trust of leadership.

Operational integration being of crucial importance to many merger deals, future research should investigate more particularly the effect of integration. The absence of any direct effects, together with the presence of three-way interaction effects on the outcome variables, indicates that the role of integration warrants further investigation. Indeed, with both the quantitative and
qualitative data showing that integration is somehow taken into account, it would be important to establish the mechanism by which this happens.

Finally, this study opens a new path of research into the phenomenon of collective rumination in organizations. The present study provides initial support for the actual occurrence of a collective rumination phenomenon. It would be interesting to observe this phenomenon in a field setting as well as in other uncertain contexts such as restructuring, downsizing or leadership changes. Collective rumination would not only needed to be investigated in terms of its direct effects on attitudes on the individuals involved, but also because it appears to be subject to moderators such as position in the deal structure or perceived power. As different groups in different contexts could ruminate about different issues leading to different outcomes, and with social interaction with peers being at the core of organizational life, I believe research into collective rumination presents interesting opportunities to advance our knowledge about employee morale, employee satisfaction and concurrently employee commitment and extra role behavior. Furthermore, future research should investigate the role of leadership with respect to collective rumination. As the present study indicates, unrealistic and vague forms of communication can fuel collective rumination and be related to skepticism and intragroup conflict. Thus research into ways of reducing the potential impact or ways of steering peer interaction appears to be particularly useful in order to find solutions to prevent the detrimental effects of collective rumination and low employee morale in mergers. With merger activity expected to increase in the years ahead (Cimilluca & Werdigier, 2006), advancing our understanding of how this phenomenon impacts workers and organizations remains a particularly relevant endeavor.
FIGURE 1 – Proposed Theoretical Model

Deal Characteristics
- Culture Clash Potential
- Degree of Integration
- Position in Deal Structure

Employee Sensemaking
- Perceived cultural similarity
- Perceived Uncertainty
- Perceived Power

Employee Reactions
- Employee Reactions T1
  - Collaboration
  - Int. to Leave
  - Conflict
  - Satisfaction
- Employee Reactions T2
  - Collaboration
  - Int. to Leave
  - Conflict
  - Satisfaction

Collective Rumination
Peer Interaction
FIGURE 2 – Preferred Alternative Structural Model (1) with Standardized Regression Weights

*p < .05, **p < .01, ***p < .001 (two-tailed)
FIGURE 3 – Revised Theoretical Model

Deal Characteristics
- Culture Clash Potential
- Degree of Integration
- Position in Deal Structure

Time 1

Individual Sensemaking
- Cultural Similarity
- Uncertainty
- Power

Initial Employee Reactions
- Collaboration
- Int. to Leave
- Conflict
- Satisfaction

Group Process
- Group Conflict
- Learning

Peer Interaction

Time 2

Socially Influenced Sensemaking
- Cultural Similarity
- Uncertainty
- Power

Socially Influenced Employee Reactions
- Collaboration
- Int. to Leave
- Conflict
- Satisfaction

Collective Ruminated

(i)

(ii)

(iii)
Table 1 – Means, Standard Deviations and Correlations

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Based on n = 76

*** Correlation is significant at the 0.01 level (2-tailed).
** Correlation is significant at the 0.05 level (2-tailed).
* Correlation is significant at the 0.10 level (2-tailed).
Table 2 – Comparison of Model Fit

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<td>.000</td>
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<td>.836</td>
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Table 3 – Summary Statistics for t-tests comparing T1 and T2 measurements

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<td>5.91</td>
<td>6.32</td>
<td>-2.838</td>
<td>.006</td>
</tr>
<tr>
<td>Leave</td>
<td>4.61</td>
<td>5.37</td>
<td>-3.383</td>
<td>.001</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>5.33</td>
<td>4.88</td>
<td>3.333</td>
<td>.001</td>
</tr>
</tbody>
</table>
Table 4 – Representative Quotes by Construct

<table>
<thead>
<tr>
<th>Deal Characteristics</th>
<th>Culture Clash Potential</th>
<th>Degree of Integration</th>
<th>Position in Deal Structure</th>
<th>Perceived Cultural Sim.</th>
<th>Perceived Uncertainty</th>
<th>Perceived Power</th>
<th>Collaboration</th>
<th>Leave</th>
<th>Conflict</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“Even if culture clash is very unlikely, I still wonder what will happen, I will have to change and adapt to a new culture.”</td>
<td>“People will get laid off, because you will have two people doing the same job.”</td>
<td>“We are buying them, we have the upper hand.”</td>
<td>“This is scary, they don’t say what is going to happen, they don’t say anything.”</td>
<td>“I am very afraid for me for my job.”</td>
<td>“We are buying them, we have the upper hand.”</td>
<td>“I don’t know them, I don’t want to collaborate.”</td>
<td>“I’ll keep my eyes open but will not be actually looking for another job.”</td>
<td>“There will be conflicts of responsibility.”</td>
<td>“Even those who stay will not feel happy.”</td>
</tr>
<tr>
<td></td>
<td>“Culture clash will happen, even if it is a similar company.”</td>
<td>“We know from other mergers that they wipe out the other company.”</td>
<td>“We are privileged a little, we will prevail.”</td>
<td>“I am very afraid for me for my job.”</td>
<td>“They don’t say everything.”</td>
<td>“They are in the dominated position; they will have more power.”</td>
<td>“The employees of the other company can decide not to share their knowledge.”</td>
<td>“We’re not in control [...] you just have to continue and have your CV updated.”</td>
<td>“I’d be scared of other employees. There will be more internal competition.”</td>
<td>“You need to see it positively because you cannot change it, try to influence it.”</td>
</tr>
<tr>
<td></td>
<td>“I do not care about pay increase, if I have to adapt to a new culture.”</td>
<td>“They say this, but in the long term, some jobs will always be lost.”</td>
<td>“Imagine their position, eaten by AC.”</td>
<td>“Maybe I will lose my job.”</td>
<td>“What will we have from it?”</td>
<td>“Politically they will choose people from their own side.”</td>
<td>“Sharing knowledge and experience will make it easier.”</td>
<td>“The other employees can be more arrogant. There will be two categories.”</td>
<td>“The other employees can be more arrogant. There will be two categories.”</td>
<td>“People from the other company may feel unhappy.”</td>
</tr>
</tbody>
</table>
REFERENCES


Rohrer, L. H. 2004. Mergers in professional service firms: A large-scale analysis of how law firm mergers shape attorney careers and the use and retention of human capital. Unpublished Ph.D., Harvard University, Massachusetts, USA.


Terry, D. J., Callan, V. J., & Sartori, G. 1996. Employee adjustment to an organizational merger: Stress, coping and intergroup differences. Stress Medicine, 12(2): 105-122.


APPENDIX 1 – Survey Instrument

Title of Research: EMPLOYEE REACTIONS TO MERGERS

Researcher: Katty Marmenout, Ph.D. candidate, Management  Supervisor: Prof. Sandra Cha

Informed Consent for Survey Questionnaire

The purpose of this research is to learn about employee reactions to mergers. Your participation will involve answering survey questions and participating in a group discussion, while taking the perspective of an employee of the firm in question. Your study participation will take approximately one hour.

The survey is composed of two parts, asking about your feelings and attitudes towards the merger. Part I will take about 20 minutes. Part II will be completed after a 15 minute group discussion, which will be audio taped. All data and sound files will only be accessible to the researchers and will only be used in aggregate form so that you may not be identified in any way. You will receive an overview of the survey results once the data will be processed.

Your participation is strictly voluntary, you can decline to answer any question and may withdraw from the research at any time. You will receive a reward of 20 CHF for your complete participation in the study.

If you have any questions or concerns either before or after completion of the survey, please do not hesitate to contact me at katty.marmenout@mail.mcgill.ca or my academic supervisor Prof. Sandra Cha at sandra.cha@mcgill.ca.

I have read the above information and I agree to participate in this study:

________________________ (signature)
Name __________________________
email __________________________ (optional to receive results)

I agree to participate in the group discussion, which will be audio taped:

________________________ (signature)
EMPLOYEE REACTIONS TO THE ANNOUNCEMENT OF A MERGER

You have been an employee of AC Telecom for three and a half years. You have an interesting job in the client solutions department and were recently promoted to team lead. Your supervisor, the client solutions department head, is satisfied with your work. Overall you feel you have an interesting job with fair pay.

You have established many friendships with people across the firm and with clients. You and your teammates consider AC Telecom to be a great place to work. The company has a great organizational culture, which contributes to your experience of working at AC Telecom as enjoyable and worthwhile.

It is Monday morning. You have just arrived at your office. An e-mail message from the CEO is in your inbox:
Dear Employees,

The global market is as tough as ever, and we are increasingly facing competition from global operators. Our business constantly needs to adapt to the changing environment. We have been working hard to do so, and thanks to our continuous efforts, both our market share and profits have seen a slight increase over the last few quarters.

After careful evaluation of the challenges and opportunities ahead of us, we have decided to acquire TC Telecom (we have accepted TC Telecom’s bid to acquire our firm). We will buy all outstanding shares of TC Telecom, which will become fully owned by our company. (TC Telecom will buy all outstanding shares of our company and thus we will become fully owned by TC Telecom.) We believe that the merger with TC Telecom will allow us to jointly strengthen our position in the market, expand our client portfolio and keep our profits growing.

Following the merger we will of course face a period of adaptation. Both units will be completely independent and maintain their respective reporting structures (integrated into one reorganized reporting structure). Therefore, your daily work should not be affected directly (will change significantly). As additional plans develop and decisions are made, further information will be disseminated to all personnel. I have attached a copy of a press review appearing this morning in the Wall Street Journal concerning the transaction.

Finally, I would like to take this opportunity to thank everyone for their continued efforts and encourage all of you to continue your commitment towards high professional standards within the new organization.

I hope you all will be as excited as we are about this new start.

Yours Sincerely,
J.D. Matthews
The following press statement is attached to the letter:

**Telecom Merger Likely (Unlikely) to Involve a Culture Clash**

TODAY - AC and TC Telecom’s announcement of their intention to merge could mean lower prices for their 750,000 private and corporate customers and better bargaining power compared to smaller operators. The deal would create a $7.5 billion telecom powerhouse that could compete more effectively for customers and negotiate for larger market power.

David Thomas, an analyst with SC Finance, said he was optimistic for the long-term implications of the deal because of the new company’s size and bargaining power. The two companies have very different corporate cultures. Therefore, a culture clash between the two companies is very likely, and is expected to be a major challenge for the consolidation.

(The two companies have very similar corporate cultures. Therefore, a culture clash between the two companies is very unlikely, and is not expected to be a major challenge for the consolidation.)
Please answer based on the information provided (not your opinion)
You can reread the material if you wish.

1. Is your company buying the other company, or is your company being bought?

<table>
<thead>
<tr>
<th>Buying</th>
<th>Bought</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Are the companies’ structures remaining independent or being integrated?

<table>
<thead>
<tr>
<th>Completely Independent</th>
<th>Completely Integrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>

3. How likely is a culture clash?

<table>
<thead>
<tr>
<th>Extremely Unlikely</th>
<th>Extremely Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>
Please answer the following questions based on your expectations about the merger.

You can reread the material at any time if you wish.

<table>
<thead>
<tr>
<th></th>
<th>Not at All</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Our firm is in a better position to discuss changes after the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>5. I am confident that our people can play an important role in shaping the new organization</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>6. To what extent do you believe your management will have their say in the running of the business after the merger?</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>

7. How do you rate your organization’s power in negotiating how things should go after the merger?

Other organization has all power

Equal power

Our organization has all power

0-100 10-90 20-80 30-70 40-60 50-50 60-40 70-30 80-20 90-10 100-0
To which extent do you agree with the following

<table>
<thead>
<tr>
<th>Question</th>
<th>Not at All</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. I expect our organizational cultures to be quite similar</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>9. I expect TC Telecom’s culture to be quite similar to our culture</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>10. I think AC Telecom and TC Telecom’s cultures have a lot in common</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>11. I am very worried about what is going to happen to me</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>12. I am very worried about my personal situation</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>13. I am uncertain about how to respond to the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>14. I expect there will be a lot of tension between employees of both firms</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>15. I expect that there will be conflicts of responsibilities</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>

Following the announcement of this merger how likely would you in the future...

<table>
<thead>
<tr>
<th>Question</th>
<th>Not at all likely</th>
<th>Extremely likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. be willing to help out colleagues from the other firm</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>17. be looking forward to work together with employees from the other company</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>18. Look for another job</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>19. Start preparing an updated curriculum vitae</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>20. Be happy after the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>21. Be satisfied after the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>
Please provide the following information about yourself

22. Age __________________

23. Gender 1. Male 2. Female

24. Language spoken with family? ______________

25. Nationality ____________

26. Married 1. No 2. Yes 3. have children

27. Indicate your type of work experience
   1. none 2. summer/training 3. full-time (or internship 2 months or more)

28. If you worked full time, indicate years of work experience _______

29. Number of companies/organizations worked for __________

30. Did you ever experience a merger or acquisition? Yes No

31. Did any of your friends or family ever experience a merger? Yes No

32. If there is anything you wish to share about your own or other’s experience with mergers, please feel free to elaborate below…

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

END OF PART I
PART II
(to be completed after group discussion)

Following the discussion with your group

<table>
<thead>
<tr>
<th></th>
<th>Not at All</th>
<th>To a large extent</th>
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<tbody>
<tr>
<td>33. Our firm is in a better position to discuss changes after the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>34. I am confident that our people can play an important role in shaping the new organization</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>35. To what extent do you believe your management will have their say in the running of the business after the merger?</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>

36. How do you rate your organization’s power in negotiating how things should go after the merger?

Other organization
has all power

Equal power

Our organization
has all power

<p>| | | | | | | | | | | | | |</p>
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</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td>10-90</td>
<td>20-80</td>
<td>30-70</td>
<td>40-60</td>
<td>50-50</td>
<td>60-40</td>
<td>70-30</td>
<td>80-20</td>
<td>90-10</td>
<td>100-0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
To which extent do you agree with the following

<table>
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<th></th>
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<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>37.</td>
<td>I expect our organizational cultures to be quite similar</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>38.</td>
<td>I expect TC Telecom’s culture to be quite similar to our culture</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>39.</td>
<td>I think AC Telecom and TC Telecom’s cultures have a lot in common</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>40.</td>
<td>I am very worried about what is going to happen to me</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>41.</td>
<td>I am very worried about my personal situation</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>42.</td>
<td>I am uncertain about how to respond to the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>43.</td>
<td>I expect there will be a lot of tension between employees of both firms</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>44.</td>
<td>I expect that there will be conflicts of responsibilities</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>

Following the announcement of this merger how likely would you in the future...

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Not at all likely</th>
<th>Extremely likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>45.</td>
<td>be willing to help out colleagues from the other firm</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>46.</td>
<td>be looking forward to work together with employees from the other company</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>47.</td>
<td>Look for another job</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>48.</td>
<td>Start preparing an updated curriculum vitae</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>49.</td>
<td>Be happy after the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>50.</td>
<td>Be satisfied after the merger</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>
Please answer the following questions related to your group discussion

<table>
<thead>
<tr>
<th></th>
<th>Not at All</th>
<th>To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>51. To which extent did your group members disagree during the discussion about the merger?</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>52. To which extent did your group members hold different opinions about the merger?</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
<tr>
<td>53. To which extent did group members raise new ideas about the merger you did not think of yourself?</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td></td>
</tr>
</tbody>
</table>

54. Do you have any ideas about what this study intends to find out?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

END OF PART II
APPENDIX 2 – Discussion of Pretest Using Verbal Reports

Verbal data can help understand the structure of cognitive processes (Ericsson & Simon, 1992). Cognitive processes are not modified by verbal reports and can provide useful information about the stimulus (Ericsson & Simon, 1992). Particularly, verbal protocols can indicate which information is heeded and which cognitive processes are triggered by the stimulus. I conducted a pretest using concurrent verbal reports giving the respondents (8 graduate students and 2 employees) the instruction to talk aloud and think aloud while reading and responding to the material, both the letter announcing the merger as well as the survey items.

As advised by Ericsson and Simon, sentences were displayed separately with lines in between in order to make sure respondents processed each sentence rather than only vocalizing it. The instructions were given to try to express every thought while reading each sentence. The verbal report was audio taped and attended by myself, mainly to remind respondents to keep talking while reading the stimulus. Non-verbal signals (such as slowing pace or frowning) were also taken note of by myself. An incremental approach was used, adapting the instrument before administering it to the next person. This pretest confirmed that the manipulations were heeded and provided insights in the sensemaking occurring while processing the stimulus.

Despite its limited context, the scenarios seem to simulate quite well real-life situations. Immediate concerns with respect to job security (“What does that mean, am I being fired or what?”) were mentioned by all but one of the respondents. The Position in Deal Structure manipulation indicated a good understanding of the implications (“So we are lower in position”, “They have a more powerful position” and “We are buying
them”). Respondents in the integration condition moreover clearly noted a sense of an upcoming period of challenges (“life will be hell” and “a period of struggle”). The limited information provided also lead to some frustration (“that’s all?” and “very vague, no deadlines,” and “apparently they don’t know yet what exactly they are going to do?”) coupled with an important degree of skepticism and cynicism (“excited? obviously not!”, “the CEO himself does not seem excited” and “partnership … maybe it was not necessary for survival, maybe the CEO is just too ambitious and we could continue on our own” “hmm, they say so…”).

While the culture clash potential manipulation was heeded under the revised version of the instrument, assuring the correct answer with respect to the manipulation check, it did not affect perceived similarity as expected. Respondents appeared in general skeptical about the culture fit as mentioned. Several respondents reasoned out loud that it was not because management said so, that it was actually the case. Thus, in general the cognitive processing people went through seemed quite complex. The TA protocols also indicated respondents may infer relatedness or complementarity from the fact of being integrated or not, or operating in the same industry. Also it appeared that respondents may infer higher power in the non-integration condition, which would be consistent with the complementarity assumption. Thus, indeed complex sensemaking could be observed with macro variables being extensively used to evaluate the situation.
APPENDIX 3 – Research Ethics Board Approval

Research Ethics Board Office
McGill University
845 Sherbrooke Street West
James Administration Bldg., rm 419
Montreal, QC H3A 2T5

Tel: (514) 398-6831
Fax: (514) 398-4644
Ethics website: www.mcgill.ca/researchoffice/compliance/human/

Research Ethics Board I
Certificate of Ethical Acceptability of Research Involving Humans

REB File #: 175-1207

Project Title: Antecedents of outgroup derogation in organizational mergers

Principal Investigator: Katty Mammonout
Department: Management

Status: Ph.D. student
Supervisor: Prof. Sandra Cha

Funding agency and title: N/A

This project was reviewed on 7 December 2007 by

George Wenzel, Ph.D.
Acting Chair, REB I

Expedited Review

Full Review

Approval Period: December 7, 2007 to December 6, 2008

This project was reviewed and approved in accordance with the requirements of the McGill University Policy on the Ethical Conduct of Research Involving Human Subjects and with the Tri-Council Policy Statement: Ethical Conduct For Research Involving Humans

*All research involving human subjects requires review on an annual basis. A Request for Renewal form should be submitted at least one month before the above expiry date.
*If a project has been completed or terminated and ethics approval is no longer required, a Final Report form must be submitted.
*Should any modification or other unanticipated development occur before the next required review, the REB must be informed and any modification can’t be initiated until approval is received.