FACILITATING INCLUSIVE IDENTITY: HR PRACTICES, PERCEIVED FAIRNESS, AND INTERGROUP COGNITIONS IN CORPORATE MERGERS

A Dissertation

by

SHUNG JAE SHIN

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

August 2003

Major Subject: Management

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Approved as to style and content by:

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ABSTRACT

Facilitating Inclusive Identity: HR Practices, Perceived Fairness, and Intergroup Cognitions in Corporate Mergers. (August, 2003)

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Based on social identity theory, self-categorization theory, and justice theories, this study proposed a theoretical framework for studying the psychological processes that employees go through during the period of post-merger implementation. Specifically, this study investigated: (a) the effects of HR practices on employees' intergroup cognition and perceived fairness; and (b) the antecedents and consequences of intergroup cognition (e.g., "us" versus "them" cognition) during post-merger implementation. In addition, I examined the mediating role of intergroup cognition in the psychological process.

In Study One, a scenario-based experiment with MBA students, I found that more favorable HR practices after a merger led to a significantly higher level of distributive justice than less favorable post-merger HR practices. Furthermore, more favorable HR practices after a merger led to a significantly lower level of intergroup cognition than less favorable post-merger HR practices. In addition, equally favorable HR practices between the members of two groups in the merged company led to both a significantly higher level of distributive justice and a significantly lower level of

intergroup cognition than HR practices that were less or more favorable as compared to those of the other group. In Study Two, a field survey with incumbents, I found that the level of perceived fairness was negatively related to the level of intergroup cognition. In addition, the level of perceived cultural differences was positively related to the level of intergroup cognition. Also, their effects on organizational commitment, resistance to change, and turnover intention during post-merger implementation were mediated by intergroup cognition.

DEDICATION

To my family, for all the love and support they have given me. In particular, to my dad, for all his help and guidance to make this dissertation come to fruition.

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The completion of this dissertation would have been impossible without support and guidance from many people. First of all, I express my sincere gratitude to Angelo DeNisi, my advisor and mentor. Angelo has had a huge influence on my doctoral studies. Without him, I could not have accomplished this Ph.D. His wise advice always helped me develop my simple ideas into brilliant ones. This dissertation reflects the support, encouragement, and guidance I received from him during the last five years.

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CHAPTER I

INTRODUCTION

The substantial economic and emotional costs resulting from failures in mergers make it important to understand the fundamental factors that relate to both corporate merger success and failure (Bastien, 1987; Cartwright & Cooper, 1992; Jemison & Sitkin, 1986; Marks & Mirvis, 1985). An integration-related issue such as employees' attitudes and behavior during merger implementation is important because value creation from corporate mergers can occur only after the two firms come together, form a new entity, and begin to work toward the goals of the merger (Haspeslagh & Jemison, 1991; Hogan & Overmyer-Day, 1994). If a newly merged organization is faced with integration-related problems such as employees' resistance to changes, lower levels of commitment to the new organization, and higher rates of employee turnover, then the organization may not be able to achieve the goals of the merger. Furthermore, because corporate mergers often bring tremendous changes that may have a great impact on employees' work and lives (e.g., job security, emotional turmoil, uncertainty and anxiety about the future, etc.), a newly merged organization must deal with such human problems to ensure the success of the merger (Buono & Bowditch, 1989; Napier, 1989; Marks & Mirvis, 1985; Schweiger, Ivancevich, & Power, 1987). Therefore, it is important to understand and manage employees' attitudes and behavior during merger implementation. This study intends to provide a theoretical framework as well as

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empirical evidence for the psychological processes that could shape employees' attitudinal and behavioral reactions to corporate mergers.

In dealing with employees' feelings, attitudes and behavior after a merger, HR practices become critical because they directly relate to employees' perceptions of the merger and because HR practices are highly visible to employees and are perceived as being important to their well-being. For example, during post-merger implementation HR practices such as retention and re-selection, compensation, positioning, or communication may directly influence employees' perceptions of the merger events and directly relate to the motivation of the employees (Daniel & Metcalf, 2001). Thus, the success of a post-merger implementation may heavily depend on how HR practices are used. It is imperative for both academics and practitioners to understand how these HR practices can help solve the types of integration-related problems that threaten the success of corporate mergers.

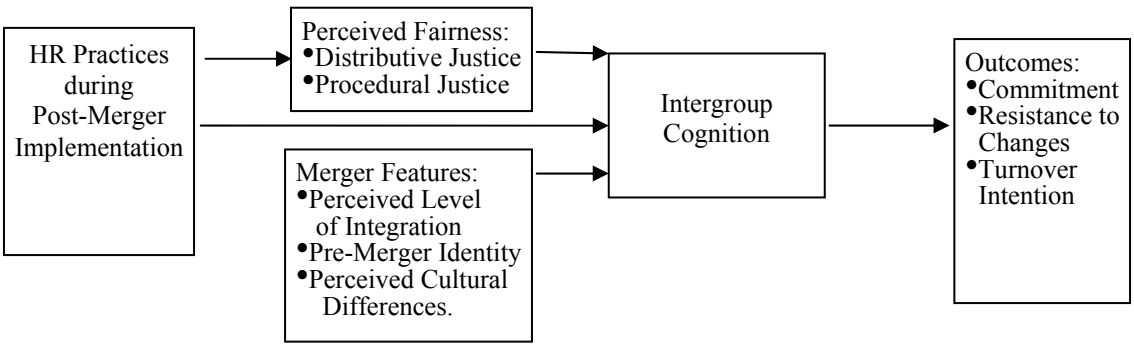
Currently, little scholarly research exists on psychological processes and HR practices in relation to post-merger implementation. In addition, previous research on post-merger implementation has been largely descriptive and non-theory driven. Thus, it is important to systematically examine the psychological processes and roles of HR practices in post-merger implementation from a theoretical perspective. This may facilitate the development of more useful models of organizational behavior in corporate mergers and acquisitions (M&As). This dissertation attempts to fill this gap in the literature.

PURPOSE

The purpose of this study is to build a foundation, both theoretical and empirical, of psychological processes during the period of post-merger implementation. This study examines (a) how intergroup cognition is related to employees' attitudinal and behavioral reactions to post-merger implementation and/or the newly merged organization; (b) how certain characteristics of a corporate merger affect employees' intergroup cognitions; (c) how perceived fairness affects intergroup cognition in corporate mergers; and (d) how HR practices influence intergroup cognition and perceived fairness in corporate mergers. The theoretical framework upon which this study was built is largely based on social identity theory (Tajfel & Turner, 1979), self-categorization theory (Turner, 1985), and perceived fairness (Adams, 1965; Thibaut & Walker, 1975; Tyler, 1989).

FIGURE 1

Intergroup Cognition Model in a Corporate Merger



First, this study proposes an explanation of how corporate mergers can be successful from an intergroup-relations perspective. In the proposed model (Figure 1),

intergroup cognition plays a central role in generating employees' attitudinal and behavioral reactions to post-merger implementation and the newly merged organization; the less intergroup cognition employees have, the more positively they react to the post-merger implementation itself. Intergroup cognition is "thoughts, motives, or other mental processes that concern groups (especially distinctions between groups)" and that negatively influence the integration of the two groups through "us versus them" cognitions (Schaller, Rosell, & Asp, 1998: 11). Given that a merger is primarily an intergroup phenomenon wherein two pre-merger organizations merge together to form a new organization, the intergroup nature of these relationships may be closely related to the success or failure of the merger. In corporate mergers, members of the merging organizations are usually expected to identify with the merged entity and to become committed to its well-being. Yet, this may occur in an overall atmosphere of distrust and with a propensity for conflict because of a high level of intergroup cognition among the employees (Gaertner, Bachman, Dovidio, & Banker, 2001). The purpose of this study is to examine how intergroup cognition influences employees' attitudinal and behavioral reactions to post-merger implementation and the merged organization. Here, possible reactions include such things as increased commitment to the merged organization, greater perception of success of the merged company, less resistance to changes during post-merger implementation, and less turnover intention.

Second, this study proposes some antecedents to intergroup cognition (i.e., merger characteristics and perceived fairness). Given the increased recognition of the importance of post-merger implementation to the ultimate success of corporate mergers,

it is imperative to examine the factors inhibiting and facilitating positive intergroup-related attitudes and behaviors (Hogan & Overmyer-Day, 1994). In other words, employees' dysfunctional reactions to M&A events may be aggravated or mitigated depending on how the intergroup-related issues are managed. In particular, this study provides some insights regarding how intergroup cognition, from which intergroup-related problems originate, can be properly managed in corporate mergers.

Characteristics of M&A events may affect the employees' intergroup cognition by signaling some possible aspects of intergroup relations. Intergroup cognition in turn influences their reactions to the proposed merger. In other words, the effects of M&A events on employees' reactions, such as less commitment and turnover, may be mediated by their intergroup cognitions. Thus, in this study, I examined whether characteristics of M&A events had an impact on the employees' intergroup cognitions and in turn their reactions to the post-merger implementation. The investigated M&A characteristics were perceived level of integration, favorability of pre-merger social identity, and perceived inter-organizational cultural differences.

In addition, individually focused issues such as employees' perceptions of fairness in post-merger implementation may also be related to employees' intergroup cognitions and attitudes toward the merged organization (e.g. Brockner, Grover, Reed, & DeWitt, 1992; Greenberg, 1990b). For instance, if the employees of the acquired firm perceive fairness, then they will also expect to be treated fairly. Consequently, they will react more favorably to the new, merged company. In other words, perceptions of fairness may lead to changes in the employees' cognitive representations of the merged

organization. For example, a high level of perceived fairness during post-merger implementation may lead the employees to have a more inclusive identity (i.e., "we are one group" rather than "we versus they") and a more favorable attitude toward the new, merged organization.

Finally, as discussed earlier, given the importance of HR practices to employees' perceptions of the nature of the newly merged organization, it is imperative to study the roles of HR practices in corporate mergers. The aim of this study is to examine how HR practices have an impact on employees' intergroup cognitions and perceived fairness in corporate mergers.

CONTRIBUTIONS OF THE STUDY

Focusing on the antecedents and consequences of employees' intergroup cognitions during post-merger implementation as well as the influence of HR practices on intergroup cognition and perceived fairness, this dissertation contributes to the literature in at least three ways. First, by proposing a theoretical framework that investigates the intergroup nature of post-merger implementation this study may facilitate the development of sound models of organizational behavior in corporate M&As. For example, previous studies have typically discussed psychological states such as uncertainty, anxiety, stress, and fear. However, these studies have not explained the possible mechanisms that produce these psychological states (Bastien, 1987; Buono & Bowditch, 1989; Marks & Mirvis, 1985, 1992, 1997, 1998). With few exceptions (e.g., Mottola, 1996; Mottola, Bachman, Gaertner, & Dovidio, 1997; Rentsch & Schneider, 1991), most previous studies do not discuss the psychological mechanisms on

the basis of which employees develop their attitudes and behavior toward their merged organization. This study may provide an explanation for how the employees develop these feelings and how they react to M&A events. Specifically, this study examines the mediating roles of intergroup cognition in the psychological process.

Second, based on justice theories and social identity theory, this study provides a theoretical linkage between perceived fairness and intergroup relations. It also offers some insights for managing employees' perceptions of justice and their intergroup cognitions in corporate mergers. Thus, while this study gives theoretical and empirical evidence that might provide a research drive for studying the relationship between perceived fairness and intergroup relations, it also suggests how to better manage employees' intergroup cognitions during the integration period in corporate mergers.

Finally, as noted earlier, this study theoretically explains and empirically tests the roles of HR practices in the success of corporate mergers. Based on the framework developed from social identity theory, self-categorization theory, and justice theories, it offers practical insights regarding how and which HR practices should be used for a merger success, thus providing practical guidelines for HR managers in M&A situations. Given the scarcity of scholarly research conducted on HR practices in the context of M&As, this study may provide significant impetus for systematically investigating the important roles of HR practices in achieving successful corporate mergers.

RESEARCH QUESTIONS

As indicated above, the objective of this study is to provide a theoretical framework and empirical evidence for explaining how human factors are related to the success of corporate mergers. Four research questions frame this study:

1. How are employees' intergroup cognitions related to their behavioral and attitudinal reactions to the newly merged organization?
2. How do certain characteristics of a corporate merger affect employees' intergroup cognitions?
3. How does perceived fairness influence employees' intergroup cognitions?
4. How do HR practices influence intergroup cognition and perceived fairness in merger contexts?

UNIT OF ANALYSIS

The proposed model employs the individual as the unit of analysis. Theoretically, the main purpose of this study is to develop a framework for explaining the psychological processes undergone by employees during post-merger implementation. That is, this study aims to examine the effects of individuals' perceptions and cognitions, such as perceived fairness and intergroup cognition, rather than group- or organization-level phenomena, such as collective actions or strategies.

Furthermore, because the aim of this study was to test the proposed factors' influence on the individual-level variables such as commitment, employees' resistance to changes during post-merger implementation, and turnover intention, these factors should be investigated at the individual level. In sum, this study investigates the relationships

between individuals' cognitions and perceptions, and their attitudinal and behavioral reactions at the individual level.

OVERVIEW OF RESEARCH METHODS

Hypotheses developed in the present study were tested in two samples. Study One, a scenario-based experiment, was conducted with a sample of MBA students, who had some experience in corporate environments, to examine the influence of HR practices on the psychological processes experienced in post-merger implementation. In this experiment, each independent variable was manipulated by letting participants read different scenarios regarding HR practices administered by the merged company. The experimental design allowed for better control over the complex phenomenon of a corporate merger, and for systematically investigating the factors related to the psychological process. In particular, this scenario-based experiment provided a good opportunity for investigating the causal effects of HR practices on employees' perceptions and cognitions. In addition, MBA students' prior experience of working for organizations might have yielded some external validity for the findings.

In Study Two I conducted a field survey with a sample of employees who were currently working for organizations that had been involved in corporate mergers during the past three years. Because the study was not a longitudinal study, the survey asked the participants to provide retrospective information about their perceptions of fairness and merger features, intergroup cognitions, and their attitudinal and behavioral reactions to the new company such as organizational commitment to the merged organization, resistance to merger implementation, and turnover intention. Given the fact that it is

extremely difficult to find and conduct this kind of research in companies that are currently merging, a retrospective research design may be the second best option. Furthermore, it would have not been valid to measure participants' attitudes or behavioral intentions toward a hypothetical organization only after asking them to read a scenario in the scenario-based experiment. By testing the hypotheses with incumbents, Study Two provided more interesting information with more external validity regarding corporate mergers.

ORGANIZATION OF THE DISSERTATION

The remainder of the dissertation is organized as follows. Chapter II provides a review of related literature. It focuses on literature in two areas: (a) social identity and intergroup cognition in merger contexts, and (b) perceived fairness in merger contexts. The chapter identifies limitations of previous research on human aspects of corporate mergers and sets the stage for the model developed in this study.

Chapter III develops hypotheses concerning antecedents and consequences of intergroup cognition in merger contexts: (a) the effects of changes in HR practices on intergroup cognition and perceived fairness (Study One); (b) merger features and perceived fairness as antecedents of intergroup cognition (Study Two); and (c) the relations between intergroup cognition *and* attitudinal and behavioral reactions to the newly merged organization merger characteristics (Study Two).

Chapter IV and V report methods, results, and a discussion. It provides a description of the research methods that were used to empirically test the hypotheses generated in Chapter III. Sample selection, measurement issues, and statistical analysis

techniques are discussed. It also provides the results from the empirical tests and a discussion of these results.

Finally, Chapter VI presents conclusions, limitations of the study, and implications for research and practice.

CHAPTER II

REVIEW OF RELEVANT LITERATURE

Life changes are usually accompanied by changes in feelings, attitudes, and behaviors. Similarly, M&As often bring tremendous changes that may have a great impact on the attitudes and behavior of organizational members. In particular, employees in merged companies may undergo great distress because of merger-related uncertainty and anxiety about their futures, stress, loss of control, loss of attachment, to name a few (Buono & Bowditch, 1989; Ivancevich, Schweiger, & Power, 1987; Marks & Mirvis, 1985; Napier, 1989; Schweiger & DeNisi, 1991; Schweiger et al., 1987). Because M&As commonly occur irrespective of employees' intentions, the issue of how to guide employees' feelings, attitudes, and behaviors during merger implementation is important for the welfare of employees in organizations.

Furthermore, from a strategic viewpoint consideration of "human factors" is inevitable in M&As because value creation in corporate mergers often requires a certain level of integration between the two companies; something that is closely related to human resource issues, such as retention of valuable employees and their commitment to the merged company (Hambrick & Cannella, 1993; Haspeslagh & Jemison, 1991; Ranft, 1997). For example, a 1995 Business Week study showed that about half the deals valued at $500 million or more decreased shareholder value, while only 17% significantly improved shareholder value (Mark & Mirvis, 1997). It is imperative to explain why so many well-planned and contractually well-organized merger efforts result in disappointing outcomes. Thus, the above notions have led researchers to

investigate the 'people problem' in an attempt to find reasons for the disappointing results of previous M&As (Jemison & Sitkin, 1986; Schweiger & Weber, 1989).

However, most prior studies of the human side of M&As have been more descriptive than theoretical. They describe the distress employees of acquired companies experience during M&As, and the results of this distress with little explanation of how the employees come to these feelings, attitudes, and behaviors towards M&A events (e.g., Ivancevich et al., 1987; Marks & Mirvis, 1985; Schweiger & DeNisi, 1991; Schweiger et al., 1987). This study intends to provide a theoretical framework for explaining the psychological process that employees may undergo in corporate mergers.

This chapter reviews literature on two related topics in corporate mergers. First, it reviews theories and empirical evidence regarding how intergroup cognition works in merger contexts, based on social identity theory and self-categorization theory. The second section reviews theories and empirical evidence regarding how perceived fairness influences employees' attitudes and behavior in corporate merger contexts. Finally, based on the literature review, I explain the motivation for this study.

INTERGROUP RELATIONS AND SOCIAL IDENTITY IN MERGER CONTEXTS

Why Social Identity Matters in Corporate Mergers

Given the fact that two organizations come together to form a new organization in a corporate merger, the nature of intergroup relations may be a critical issue to consider during the integration process in corporate M&As. A few scholars have

examined the issues related to intergroup relations in M&A contexts (e.g., Gaertner, Rust, Dovidio, Bachman, Anastasio, 1994; Haunschild, Moreland, & Murrell, 1994; Hogg & Terry, 2000; Mottola et al., 1997; Rentsch & Schneider, 1991). These studies showed the negative effects of merging two groups based on intergroup theories by borrowing concepts such as merger integration patterns (Mottola et al., 1997), pre-merger social identity (Haunschild et al., 1994), and contact hypothesis (i.e., the more appropriate contacts between the two parties, the more favorable intergroup relations) (Gaertner et al., 1994). The theoretical bases of these studies came from social identity theory (Tajfel & Turner, 1979) and self-categorization theory (Turner, 1985a).

Social identity theory (SIT) and self-categorization theory provide an explanation of how corporate merger processes influence employees' self-concept, a cognitive structure consisting of a set of concepts subjectively available to a person in attempting to define him or herself (Hogg & Abrams, 1988). SIT demonstrates that self-concept is composed of both personal and social identities (Ashforth & Mael, 1989; Tajfel & Turner, 1979; Turner, 1982). Personal identity refers to beliefs about one's characteristics such as skills, abilities, attractiveness, and so on whereas social identity (one's collective self-conception) comes from one's knowledge of membership in a social group, as well as one's emotional attachment to that membership (Tajfel, 1981). Social identities are produced through social categorization: "Social categorizations define a person by systematically including them within some, and excluding them from other related categories" (Tuner, 1982: 20).

According to SIT, individuals are motivated to increase their self-esteem by either enhancing personal identity (e.g., achieving individual accomplishments) or enhancing positive social identity (e.g., belonging to an eminent group). After categorizing themselves into certain social categories (i.e., self-categorization process), individuals engage in ingroup favoritism for self-enhancement and maintenance of a positive self-concept in comparison with relevant others (Abrams & Hogg, 1988). Tajfel refers to the social identity process as "the sequence of social categorization-social identity-social comparison-positive ingroup distinctiveness" (1979: 184). In corporate mergers where the level of conflict between the two groups is relatively high, the level of social comparison and ingroup favoritism for a positive self-concept in comparison with the other group would be problematically high.

Other than self-enhancement, there is another independent motivation for social identity processes which is uncertainty reduction (Hogg, 2000). This results from self-categorization, the social categorization of self that aligns self with ingroup prototypes (Turner, 1985b). In other words, self-categorization reduces uncertainty about oneself and others "by producing group-distinctive stereotypical and normative perceptions and actions" (Hogg & Terry, 2001: 4). Hogg and Terry argue that self-categorization reduces uncertainty by "assimilating self to a prototype that describes and prescribes perceptions, attitudes, feelings, and behaviors" (2001: 5). In particular, such an uncertainty reduction will be more attractive during times of great uncertainty such as during corporate mergers.

Self-categorization makes social identity salient and leads to "self-stereotyping and depersonalizing self-perception" (Turner, 1999: 11). As a result, the self-categorization process makes intergroup boundaries more salient. In other words, self-categorization theory argues that where social identity becomes relatively more salient than personal identity, people see themselves as prototypical representives of their ingroup category. As social identity becomes more important, individual self-perception tends to become more membership-oriented. This depersonalization may produce collective action that represents a shift from action based on differing personal identities to one based on shared social identity (Brewer & Weber, 1994; Hogg & Turner, 1987; Spears, Doosje & Ellemers, 1997; Turner, Oaks, Haslam & McGarty, 1994). When social identity becomes salient, individuals' attitudes and behavior are likely determined by their membership in their social group.

Social Identity Processes and Intergroup Cognition in Corporate Mergers

Therefore, due to self-enhancement and uncertainty reduction motives, individuals tend to pay more attention to intergroup relations. In corporate mergers where two organizations merge together, the social identity processes would be prevalent. The organization is a particularly influential source of social identity in its members' lives because it is fundamentally linked to its members' social, economic, and psychological well-being (Ashforth & Johnson, 2001). Especially in merger situations where the visibility of membership becomes high, social identity based on the pre-merger organization becomes salient to members (Ashforth & Mael, 1989; Hogg & Terry, 2000), and hence becomes an important source of social identity and self-concept.

Intergroup cognition (e.g., “us” versus “them”) can be triggered and/or aggravated by the social identity processes. That is, the distinction and comparison between two groups resulting from social identity processes leads to intergroup cognition, which is quite common even in the absence of any realistic conflict of interest between groups (Tajfel & Turner, 1979). Furthermore, intergroup cognition is likely to occur in corporate merger contexts and to lead to undesirable outcomes. For example, inaccurate attribution or judgments about outgroup members’ behaviors can result from intergroup-related information including the organization’s status in the merger (acquirer or acquiree), the actions of a few people (i.e., the executives), or an ingroup rumor (Schweiger & DeNisi, 1991). Misperceptions and negative expectations resulting from stereotypes tend to produce anxiety and tension during the integration process. Ingroup favoritism may also lead members of each organization to expect members of the other organization to favor their own. As a result, they become worried about discrimination by the other organization. Ultimately, they become more anxious about their future. Furthermore, this intergroup cognition tends to be exacerbated by possible high degrees of conflict between groups, which tends to result in feelings of hostility and anxiety. These feelings have been shown to inhibit organizational members’ commitment and cooperation (Bachman, 1993; Buono, Bowditch, & Lewis, 1985).

SIT provides two possible solutions to intergroup cognition: priming personal identity (decategorization), and priming higher order, more inclusive identity (recategorization). Due to the nature of M&A events, collective identity (i.e., social or organizational identity) is usually more salient than personal identity (Tsui, Egan, &

O'Reilly III, 1992). Here, the salience of collective (i.e., social) identity may lead individuals to uphold the collective identity as a guide for their attitudes and behavior. The salience of collective identity may make them more concerned about intergroup relations and more likely to fall into intergroup cognition. However, if managers can shift the employees' attention from collective identity to personal identity, they may succeed in reducing intergroup cognition and increasing employees' commitment (Brewer & Gardner, 1996).

Recategorization of the "us versus them" cognition into one of "we are one" may also minimize intergroup cognition in a corporate merger. While priming personal identity focuses on individuality, recategorization focuses on a bigger social identity, building up a common ingroup identity among the employees of the two merging organizations (Gaertner, Dovidio, Anastasio, Bachman, & Rust, 1993). Gaertner and his colleagues (1993) proposed the common identity theory, which argues that if members of different groups are induced to conceive of themselves as a common group rather than two separate groups, the members will have a lower level of intergroup biases. Similarly, if employees of the merged organization are more inclined to perceive the new, merged company as one rather than two, they may engage in less intergroup cognition. Between the two alternatives for minimizing intergroup cognition, recategorization may have more important effects on employees' attitudes and behavior toward the merged organization than priming personal identity because the ultimate goal of a corporate merger is to work together toward the success of the merged organization.

Importance of Organizational Contexts for Social Identity

It is also important to note that social identity processes are significantly influenced by social factors such as organizational contexts (Turner, 1999). Salancik and Pfeffer (1978) suggested that social contexts selectively direct individuals' attentions to certain information, strengthening its impact on individuals' expectations and interpretations of both their own and others' behaviors. In other words, social identity is dynamic and is responsive to immediate social contexts (Hogg & Terry, 2001). In particular, the social identity process in a corporate merger is likely to be controlled by organizational contexts such as integration processes. Thus, due to the context-dependence of social identity processes, employees' cognitive representations of the new, merged company (which is governed by social identity processes) during post-merger implementation could be managed to be positive through managing the social contexts provided by merger implementation.

If employees fail to maintain stable self-concepts because of inappropriate social identity processes (e.g., having a too high level of intergroup cognition) during post-merger implementation, then they are likely to have negative attitudes and behavior toward merger implementation such as lower levels of commitment to the newly merged organization and higher rates of turnover. Because self-concept influences individuals' subsequent perceptions and behaviors (Tajfel & Turner, 1979), certainty in self-concept provides individuals with "confidence in how to behave and what to expect from the social environment within which one finds himself" (Hogg & Terry, 2000: 124). Thus, individuals engage in social identity processes in order to develop self-concepts that

guide their behaviors in social environments, and an organization provides a social environment that is very influential to the individual who works for it. In sum, social identity processes may influence employees in building more meaningful and favorable self-concepts during the integration period. Thus, managing the organizational contexts to which social identity processes are responsive during the integration period of a corporate merger may have a positive impact on employees' self-concepts and thus their attitudes and behavior toward the new, merged organization.

Conclusion

The literature implies that (a) social categorization processes tend to occur to employees in corporate mergers, resulting in intergroup cognition that is harmful to inter-organizational integration, and that (b) social identity and thus self-concept are context-dependent. The fact that social circumstances are imposed on employees in corporate mergers would appear, initially, to promote resistance to inter-organizational integration by increasing intergroup cognition caused by self-categorization and social comparison.

From the literature review it seems important to investigate how intergroup cognition occurs and relates to employees' attitudes and behavior in corporate mergers. While previous studies have suggested the importance of intergroup relations in explaining the reasons for failures of corporate mergers, they have not systematically investigated how the intergroup-related problem (i.e., intergroup cognition) affects employees' psychological processes during post-merger implementation. To fill the gap in the literature, this study proposes a psychological model focusing on the role of

intergroup cognition. In addition, given the importance of providing an appropriate social environment for the social identity processes, this study investigates the roles of HR practices in providing adequate context for employees' maintaining stable self-concepts (i.e., minimizing intergroup cognition).

PERCEIVED FAIRNESS IN MERGER CONTEXTS

So far, in the literature review, I have focused on employees' cognitions based on their perceptions of intergroup relations in corporate merger contexts. However, it may also be important to take into consideration employees' perceptions of their own status within the new, merged company. In other words, in addition to employees' judgments of the status of their pre-merger organization related to the other merging organization, their judgments of their status within the merged organization may also relate to their attitudes and behaviors toward the merged organization. In particular, perceived fairness is closely related to their judgments of their within-organization status (Tyler & Blader, 2000). For instance, if they feel treated fairly, then they may regard their status as high in the merged company. In addition, if they evaluate their status within the merged company as high and valuable, then they may evaluate the merger more positively and show a high level of organizational commitment to the new, merged company.

Corporate mergers may involve many human resource and redistribution decisions (Citera & Rentsch, 1993), which are closely related to the employees' perceptions of fairness within the merged company. It has also been shown that perceived fairness leads to positive attitudes and behaviors such as higher commitment, job satisfaction, and job performance (e.g., Cohen-Charash & Spector, 2001; Colquitt,

Conlon, Wesson, Porter, & Ng, 2001). Therefore, perceived fairness is one of the critical issues that a merged company should deal with during the integration period. In the justice literature, equity theory (Adams, 1965) and procedural justice (Thibaut & Walker, 1975) have proved helpful in accounting for employees' reactions to companies' decisions during organizational transitions. The effects of companies' decisions during organizational transitions have been widely studied, especially the effects of work layoff on survivors (e.g. Brockner, 1988; Brockner, Davy, & Carter, 1985).

Corporate mergers are often accompanied by employee layoffs (Leana & Feldman, 1989). Leana and Feldman reviewed the literature, and interviewed and surveyed people working in a variety of jobs to learn how to better handle layoffs in corporate mergers. They suggested that company assistance programs, such as advance notification, severance pay and extended benefits, retraining programs, and outplacement activities were beneficial both to the company and the laid off employees. However, they did not address the possible positive effects of the assistance program on survivors: the administration of the assistance systems is related to survivors' perceptions of how they are being or will be fairly treated by the new, merged organization.

Brockner (1988) reviewed seven studies to find two factors that mediate survivors' reactions to the layoffs of fellow workers: perceived equity and stress. As he argued, given the potential effects of psychological states (e.g., job security, anger, relief, and positive inequity) on survivors' attitudes and behavior, survivors' perceptions

of equity concerning fair treatment in the layoff process have a great impact on their subsequent attitudes and behaviors.

Some scholars have investigated layoff survivors' reactions from a procedural perspective. Procedural justice refers to the perceived fairness of decision-making procedures (Thibaut & Walker, 1975). Because the layoff process consists of a series of events in which victims and survivors tend to evaluate the fairness of layoff procedures (Brockner & Greenberg, 1990), it is necessary to investigate the effects of their perceived fairness on their reactions to being laid off. For example, Brockner, DeWitt, Grover, and Reed (1990) examined the effects of interpersonal aspects of procedural justice on survivors' reactions, such as organizational commitment and work effort. They surveyed 597 survivors of layoffs, all of whom worked in a chain of retail stores, and found a positive relationship between procedural justice (the clarity of managers' explanations of the layoffs) and the favorability of survivors' reactions. In addition, Skarlicki, Ellard, and Kelln (1998) with 123 third-party observers examined the effects of voice (structural aspect of procedural justice) and the way of communicating layoff decisions (interpersonal aspect) on third-party observers' reactions to layoffs. They found that procedural justice predicted the observers' behavioral intentions both as a customer and potential employee.

One interesting finding of this line of research is the interactive relationship between distributive and procedural justice. For example, Brockner and his colleagues (1992) investigated the interactive effects of procedural justice and distributive justice on layoff survivors' reactions in two field studies. They found that when interpersonal

aspects of procedural justice were relatively high, perceived outcome negativity (in terms of organizational care taking extended to layoff victims and the severity of the layoff) was not related to their reactions. However, when procedural justice was relatively low perceived outcome negativity had a great impact on their reactions. Furthermore, based on results from 45 independent samples, Brockner and Wiesenfeld (1996) suggest two interaction effects of procedural and outcome fairness: (1) concern over procedural justice is important when distributive justice is negative, and (2) level of outcome fairness is more positively related to their reactions when procedural justice is relatively low.

The group value model also suggests that perceived fairness is related to perceived organizational identity (Tyler & Lind, 1992). Because fair outcomes and/or procedures communicate to employees that they are being treated with respect, their self-esteem is enhanced when they perceive fair treatment by their organization (Konovsky & Brockner, 1993; Tyler & Blader, 2000). The group-value model argues that procedural justice conveys identity-relevant information to the members: the more procedural justice they perceive, the more pride and respect they feel (Tyler, Degoey, & Smith, 1996; Tyler & Lind, 1992). When employees feel respected by the organization, they also identify more with the organization and are more motivated to work for the organization (Tyler & Blader, 2000). In corporate mergers, due to the high level of uncertainty and anxiety about their future, it is very important how employees perceive the new organization's treatment of them. If they think they are not being respected,

then they may feel less positively about the merged organization and attach less value to membership within it.

Other than the study of survivors' reactions to layoff decisions in corporate mergers, a few descriptive studies have suggested that perceived fairness is important to employees' reactions to corporate mergers. For example, Napier, Simmon, and Stratton (1989) reported that employees who had to learn a new technical system due to a merger were more frustrated than those who did not. These studies imply that changes following a merger must be perceived as fair to the employees. Otherwise, their reactions to the merger will be negative, and in turn the merger may not be successful. However, there have been few studies that have explicitly investigated the roles of perceived fairness in shaping employees' reactions to a corporate merger other than those to layoff decisions.

Conclusion

The above literature review on perceived fairness suggests important implications for human problems in corporate mergers. First, it is likely that employees' perceived fairness is closely related to their reactions to merger implementation. Because a corporate merger is usually accompanied by a redistribution of resources and consists of a series of decision-making processes (e.g., how to structure the new, merged organization, who to retain, how to layoff, how to implement, where to position, how to compensate, etc.), their perceived fairness may have a great impact on their attitudes and behavior toward the new organization. However, few previous studies have systematically examined the roles of perceived fairness in corporate mergers other than

survivors' reactions to layoffs. This study investigates how perceived fairness in post-merger implementation affects employees' attitudes and behavior toward the integration process and the new, merged organization.

Second, the literature implies that perceived fairness can convey identity-related information. Because perceived fairness may be critical to the employees' evaluation of their status within the organization (how much they are respected by the organization) (Citera & Rentsch, 1993) if they are treated fairly in merger implementation, then they may have a favorable social identity from their membership in the new, merged company. Therefore, it is likely that perceived fairness has a great impact on employees' social identity during the post-merger implementation. Until now this issue has never been studied in corporate merger contexts. In addition, perceived fairness research has generally focused on its effects on attitudinal or behavioral outcomes rather than on other mediating psychological states. This dissertation examines a psychological mechanism during post-merger implementation by combining the two perspectives, perceived fairness and intergroup relations.

SUMMARY

In this chapter I have reviewed the relevant literature in relation to employees' psychological processes during merger implementation (social identity process, intergroup relations, and perceived fairness). The literature implies (a) that self-categorization is likely to occur among employees in corporate mergers; (b) self-concept is composed of personal and social identity; (c) in corporate mergers, the importance of the context-dependent nature of social identity processes should be emphasized; (d)

perceived fairness may have a great impact on employees' attitudes and behavior during post-merger implementation; and (e) perceived fairness may have an impact on employees' perceived social identity in merger contexts.

Furthermore, there is little research on the roles of HR practices in corporate mergers. However, there is no doubt that HR practices have a great influence on employees' reactions to corporate mergers, thus it is imperative to investigate the role of HR practices in the implementation stage of a corporate merger. This study presents a theoretical framework describing how HR practices influence employees' reactions to post-merger implementation. In addition, by empirically testing the roles of HR practices on employees' reactions, this study provides direct evidence for the role of HR practices in corporate mergers.

CHAPTER III

THEORY DEVELOPMENT AND HYPOTHESES

The purpose of this chapter is to develop a theoretical model describing the psychological processes that produce employees' reactions to a corporate merger and to generate hypotheses regarding the relationships among the factors in the proposed model. The literature review in Chapter II concluded that social identity processes might play a critical role in how employees respond to corporate mergers. Even though the literature seems to recognize the importance of intergroup relations, social identity processes, and perceived fairness in corporate mergers, it seems that previous research has not provided a clear picture of the psychological processes related to the above issues in post-merger implementation. Furthermore, there have been few academic studies to investigate the role of HR practices in merger contexts.

This study, borrowing the concepts of intergroup theories and justice theories, examines an underlying psychological mechanism by which HR practices and other merger-related events have impact on employees' attitudes and behavior in corporate merger implementation. In this chapter, by focusing on how to manage intergroup cognition, I develop the propositions to be tested in two studies: (1) how HR practices during the post-merger implementation influence employees' perceptions of fairness and intergroup cognitions (Study One); (2) how perceived fairness affects intergroup cognition (Study Two); (3) how intergroup cognition relates to merger features (Study Two); and (4) why managing intergroup cognition is important to the success of a

corporate merger (Study Two). In the next section, I present an overview of the theoretical model for Study One and Study Two.

OVERVIEW OF THE THEORETICAL FRAMEWORK

As an important source for social identity, organizational membership is often critical to employees' definition of their selves. Because corporate mergers usually bring a great deal of change to employees' perceptions about their membership, it is important to know exactly how to deal with the transitions of social identity caused by merger contexts in corporate mergers. By helping employees to maintain their stable and constructive social identity, and ultimately their self-concepts, the merged company can keep them motivated and committed to performing their roles. Thus, I argue that managing employees' social identities during post-merger implementation is critical to the success of corporate mergers. Furthermore, I suggest that social identity is closely related to intergroup cognition via social identity processes, which are very likely to occur in corporate merger contexts where two organizations merge and the members feel uncertain about themselves.

Intergroup cognition is a mental process that concerns distinctions between groups and negatively affects integration of the groups. When two different organizations merge, the newly merged organization may face awkward intergroup relations between the two separate entities that existed before a merger (Hogg & Terry, 2000). Thus, intergroup cognition is likely to occur in corporate mergers and to affect negatively the integration of the two pre-merger organizations. If employees engage in intergroup cognition, they may have difficulty in developing a stable social identity from

the new, merged organization because of (a) the salience of dual pre-merger identities (Hogg & Terry, 2000); (b) the increased level of anxiety about intergroup relations; and/or (c) the threat to their existing social identity. In turn, employees may lose the stability of their self-concept and begin to commit to dysfunctional attitudes and behaviors (such as lowered organizational commitment, reduced identification, and higher turnover). Therefore, in this dissertation I argue that managing employees' social identity processes is important during post-merger implementation and that managers should pay attention to employees' intergroup cognitions resulting from the social identity process.

In Study One, given the arguments that social identity is context-dependent and that HR practices have a great influence on employees' perceptions and cognitions, I examine how HR practices affect intergroup cognition. By influencing social identity processes through social comparison for self-enhancement, changes in HR practices from pre- to post-merger and comparisons of HR practices between the two merging companies may increase or decrease the levels of intergroup cognition in which employees may engage during post-merger implementation.

In addition, I investigate how HR practices affect employees' perceived fairness of the outcome in post-merger implementation. Because perceived fairness is highly related to HR-related decision making and outcomes in corporate merger contexts and has a significant effect on employees' attitudes and behaviors, it is necessary to understand how HR practices administrated in post-merger implementation affect their perceived fairness. Thus, in Study One I examine how the changes and the differences

in HR practices affect intergroup cognition and perceived fairness during post-merger implementation.

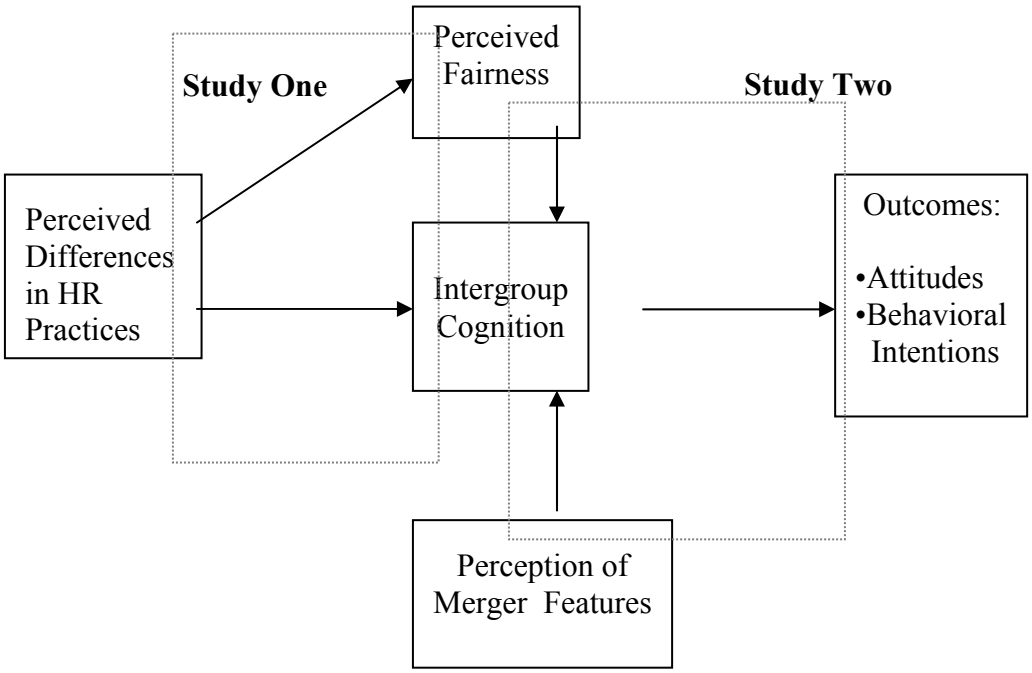
In Study Two, I investigate other antecedents and consequences of intergroup cognition. First, employees' levels of intergroup cognition may be influenced by their perceptions of fairness during post-merger implementation. Perceived fairness refers to the extent to which employees perceive fairness in the merger implementation. This develops through a sense of distributive justice (the fairness of decision outcomes) and procedural justice (the fairness of the decision-making process) (Greenberg, 1987). Tyler and Blader (2000) suggest that identification with an organization is strongly associated with judgments of pride (i.e., judgments about the status of an organization, the attributes of the category) and respect (i.e., judgments about within-organization status, the attributes of the individual). While intergroup cognitions have an impact on categorical (pride-based) social identity, perceived justice has an influence on reputational (respect-based) social identity (Tyler & Smith, 1999). Thus, I argue that perceived fairness has a great impact on employees' social identity processes during merger implementation, and thus on intergroup cognition.

In addition, merger-related characteristics such as perceived level of integration, favorability of pre-merger social identity, and perceived inter-organizational cultural differences have influence on intergroup cognition by affecting the social identity process in which employees may engage during the integration period. Finally, in Study Two I investigate the consequences of intergroup cognition on employees' attitudinal

and behavioral outcomes such as organizational commitment, perception of success, resistance to change, and turnover intention. Figure 2 summarizes this overall model.

Figure 2

Intergroup Cognition Model: Summary of the Two Studies



STUDY ONE: HR PRACTICES, DISTRIBUTIVE JUSTICE, AND INTERGROUP COGNITION IN CORPORATE MERGERS

The M&A literature suggests that M&As may lead to changes in major HR policies and practices such as HR planning, selection, training and development, performance appraisal, and compensation (Napier, 1989; Pritchett, 1985). While the literature implies that M&As have a significant impact on HR management (Robino & DeMeuse, 1985) and that the management of human resources plays a key role in the

success of corporate mergers, there has in fact been little if any scholarly research conducted on HRM's function within M&As.

Due to differences in HR practices between the two pre-merger companies the newly merged company should develop a system of HR practices depending on the purpose of the merger and the level of integration (Napier, 1989). Given the facts that HR practices play major roles in controlling and motivating employees in organizations and that HR policies are very visible to employees, HR practices during merger implementation may have a significant effect on employees' attitudes and behaviors toward the merger implementation and the new, merged organization. In addition, organizations need to impress desired images on their employees through managerial action (Scott & Lane, 2000), and HR practices are one of the most influential ways of affecting employees' cognitive images of the organization.

In this section I propose how HR practices are related to employees' perceived fairness and intergroup cognition during the period of merger implementation. In particular, I argue that changes in HR practices between pre- and post-merger (Before/After-Merger HR practice differences), and/or post-merger differences in HR practices between the two merging companies (Between-Group HR practice differences) have effects on employees' cognitive recognition of the merged organization such as perceived fairness and intergroup cognition.

Before/After-Merger HR Practice Differences

Citera and Rentsch (1993) reviewed the literature and provided examples for decisions in corporate mergers related to perceived justice. For example, changes in

staffing and compensation often follow a merger. Layoffs, job relocation among the survivors, pay cuts, and changes in performance appraisals usually are forced on the employees of the acquired company (Bohl, 1989). In cultural aspects, employees from the acquired organization usually see that "their cultural symbols and values are changed or eliminated (Citera & Rentsch, 1993: 214)." Like these examples, it is likely for employees to experience changes, to make comparisons, and to perceive inequality in merger implementation processes.

Employees' perceptions of changes in HR practices are important because the perception of changes in HR practices is closely related to employees' perceptions of fairness during the period of merger implementation. In a corporate merger, many decisions related to human resource reallocations (such as staffing, compensation, and relocation) follow the merger announcement. Sometimes, HR practices become more favorable to employees after a corporate merger; for example, employees may receive more favorable compensation packages and more opportunities for promotion. In addition, performance appraisal systems can sometimes become more favorable after a merger given their knowledge, abilities, and skills. Based on their comparisons of HR practices before and after the merger, employees may perceive the merger as either fair or unfair. For instance according to distributive justice research, if employees face reduced compensation while being expected to maintain or even to increase their inputs, they will perceive the merger implementation as unfair. As employees perceive the result of a merger is unfavorable, they will perceive merger implementation as unfair. In

other words, the more unfavorable the changes in HR practices, the less perceived fairness in the merger implementation.

Hypothesis 1: When HR practices of the merged company are more favorable as compared to those of the pre-merger company, employees perceive a higher level of distributive justice in the merger implementation than when HR practices of the merged company become less favorable.

Merger contexts provide a very clear situational cue for the social categorization of ingroups and outgroups (i.e., self-categorization). Ashforth and Mael (1989), borrowing from SIT, proposed that distinctiveness of a group's values and practices, the prestige of the group, and salience of the out-group(s) are likely to be related to forming a social identify. A corporate merger may alter the psychological process of forming this social identity by making the members' pre-merger original company more distinctive and the other company more prominent as an outgroup. Thus, because of the apparent boundary of the in- and out-groups provided by merger contexts, the employees tend to identify themselves based on their group membership (e.g., acquiree and acquirer). In other words, merger contexts bring distinctive social category memberships and these "psychological groups" are constructed through self-categorization (Tsui et al., 1992).

As a result of social categorization and the two motivations, self-enhancement and uncertainty reduction, members of the merging organizations are likely to engage in intergroup cognition. They may pay more attention to intergroup-related thoughts and information because the existence of intergroup relations becomes very apparent, and

also because they think that their fates now depend more on the nature of intergroup relations than before the merger. For example, employees of the acquiring company may feel threatened if they expect that the employees of the acquired company have mobility for their positions. On the other hand, the employees of the acquired company may fear losing their jobs if they expect the other party (the acquirer) to have control over them. Therefore, the members of the two pre-merger organizations may indulge in intergroup cognition given the salience of categorizing ingroups and outgroups, and because of the increased level of anxiety about the other group's influence on their future.

Given the nature of merger contexts, changes in HR practices in a corporate merger can affect employees' social identity processes and their levels of intergroup cognition**.** Receiving more favorable compensation and promotions may increase the prestige of membership in the organization. Because of the self-enhancement motivation in the social identity process, employees may want to belong to a social group that can increase their self-esteem. According to SIT, belonging to an organization providing prestige enhances the positiveness of individuals' social identities. Enhanced social identity, in turn, increases their self-esteem.

Thus in post-merger implementation, if employees receive more unfavorable HR practices after a merger, belonging to the merged company reduces the positiveness of employees' social identities. In other words, the negative changes in HR practice may decrease an employee's self-esteem. Furthermore, employees may attribute the reduced positiveness of their social identity to the other group; they may think, "this is because of

the merger." Then, they engage in more intergroup cognition. That is, because they want to preserve their positive social identity (i.e., the self-enhancement motive in the social identity process), they are less likely to categorize themselves as members of the merged company and more likely to engage in intergroup cognition (i.e., "us" versus "them) so that they can maintain their pre-merger social identity which gave them more positive social identity. On the other hand, if HR practices become more favorable to employees, they are more likely to accept membership of the newly merged company, and less likely to engage in intergroup cognition.

Hypothesis 2: When HR practices of the merged company are more favorable as compared to those of the pre-merger company, employees engage in a lower level of intergroup cognition during the period of merger implementation than when HR practices of the merged company become less favorable.

Between-Group HR Practice Differences

During the implementation phase, the prominence of the intergroup boundary may lead to cross-firm comparisons of HR issues among employees (Buono & Bowditch, 1989). In making comparisons, employees tend to be concerned about equalities in compensation, positioning, and career development between the two merging organizations. Particularly in times of change, allocations based on equity (equity criterion) may be very difficult to perceive as fair (Folger, Konovsky, & Cropanzano, 1992) due to the "transformational" characteristics of merging companies, such as ambiguity, confusion, and disagreements about the priority of objectives, or changing roles (Cobb, Wooten, & Folger, 1995). In their review of the literature, Cobb

and his colleagues argue that the equality criterion may play an important role in the fairness perceived in the allocation of loss and reward because the equality criterion is broad and more visible during a period of intense organizational change. For example if in a corporate merger, losses such as layoffs are more often allocated to the members of one organization than to the other, the losses are more likely to be perceived as unfair. Therefore in merger implementation, it is important to provide equal opportunities for compensation, promotion, and career development between the acquiring and acquired employees because employees will tend to expect equality between the two groups during the time of change. In other words, perceived differences in HR practices between the merging companies may lead to perceived unfairness.

Hypothesis 3: When employees perceive differences in favorability of HR practices between the two merging companies, they perceive a lower level of distributive justice in the merger implementation than when they perceive equality in HR practices between the two merging companies.

In addition, HR practices may have a great influence on employees' levels of intergroup cognition by providing salient cues regarding intergroup relations such as how differently the members of the two merging companies are treated by the merged company. Therefore, it is important to understand how to minimize intergroup cognition resulting from employees' comparisons of HR practices between the two merging companies.

Equal status in terms of HR practices may influence cognitive representations of the merged company in a positive way; the more perceived equal status, the less

intergroup bias (the Contact Hypothesis, Cook, 1985; the Common Ingroup Identity Model, Gaertner, et al., 1993). The Contact Hypothesis argues that equal status between the groups (internal or external to the contact situation) promotes harmonious intergroup perceptions because equal status contacts increase the perceived similarities between individuals from the two different groups. HR practices can be an influential factor for signaling the status of employees within the contact setting (i.e., in the merger). Equal status can decrease intergroup anxiety (Stephan & Stephan, 1985), and help the members to have more common ingroup identity (Gaertner et al., 1993).

Furthermore, the perceived inequality is likely to make the inter-organizational boundaries more apparent, promote category-based cognitions, and trigger more social identity processes such as intergroup social comparison for self-enhancement. According to self-categorization theory, during the integration period, employees are likely to engage in social identity processes. That is, they categorize themselves into two groups based on their pre-merger membership and engage in social comparison. Through social comparison, employees want to enhance their self-esteem by making membership in their group sound more prestigious than that in the other group. Thus, if HR practices are more favorable to their group as compared to those of the other company (high-status group condition), employees may engage in intergroup cognition because they want to differentiate their membership from that of the other group, which is less prestigious. To maintain the positiveness of their social identity and self-concept, members of high-status group are likely to maintain the existence of the social category, “us” versus “them” (Ellemers, Doosje, van Knippenberg, & Wilke, 1992; Sachdev &

Bourhis, 1985). On the other hand, members of the other group (low-status condition) who receive less favorable HR practices may also engage in intergroup cognition because they want to protect their self-esteem by preserving their pre-merger organizational identity rather than accepting the downgraded identity that was caused by social comparisons with the other party (high-status group) in the merged company. In particular, when status differences (described by HR practices) are unstable during the period of merger implementation (Terry & O'Brien, 2001), members of low-status group are likely to engage in more intergroup cognition, such as ingroup favoritism, to restore their damaged self-esteem.

Hypothesis 4: When employees perceive differences in favorability of HR practices between two merging companies, they are more likely to engage in intergroup cognition during the integration period, than when they perceive equality in HR practices between the two merging companies.

STUDY TWO: ANTECEDENTS AND CONSEQUENCES OF INTERGROUP COGNITION IN CORPORATE MERGERS

When two different organizations merge, the newly merged organization may face intergroup relations, and intergroup cognition is likely to occur in corporate mergers, and negatively affect the integration of the pre-merger organizations (Hogg & Terry, 2000). Therefore, it is imperative to identify the factors that closely relate to intergroup cognition in corporate mergers. In this section I first propose antecedents of intergroup cognition in corporate mergers, perceived fairness and merger features. After explaining how these relate to intergroup cognition, I propose how intergroup cognition

negatively affects employees' attitudinal and behavioral reactions toward merger implementation and the merged company by emphasizing the mediating roles of intergroup cognition between the antecedents and the consequences.

Intergroup Cognition and Perceived Fairness

Employees' self-concepts (in particular, their social identities) may be influenced by their perceptions of fairness during merger implementation. Perceived fairness refers to the extent to which employees perceive fairness in the merger implementation: distributive justice (the fairness of decision outcomes) and procedural justice (the fairness of the decision-making process) (Greenberg, 1987). As reviewed in Chapter II, perceived fairness may be critical to employees' evaluations of their status within the organization (how much they are respected by the organization) in corporate mergers (Citera & Rentsch, 1993). Tyler and Blader (2000) suggest that identification with an organization is strongly associated not only with judgments of pride (i.e., judgments about the status of an organization, or the attributes of the category), but also with judgments of respect (i.e., judgments about within-organization status, or the attributes of the individual). In other words, perceived fairness has an influence on reputational (respect-based) social identity (Tyler & Smith, 1999). Thus, I argue that perceived justice has a great impact on employees' social identity processes during merger implementation.

By recognizing how perceived fairness affects social identity processes during the period of merger implementation, we may be able to better manage self-concepts and thus attitudes and behavior toward the merged organization. When employees are

treated fairly, they are more likely to think that they are respected and valued by the organization. Therefore, if employees feel respected, they are less likely to engage in intergroup cognition because they are more willing to develop a superordinate ingroup identity with the merged company (i.e., recategorization); if group members can recategorize themselves as belonging to a superordinate group (i.e., the merged company), then their attitudes toward members of the former outgroup (i.e., the other company in the merger) should become more positive (Gaertner et al., 1989). Here, recategorization means if members of two different groups focus on the superordinate-entity level rather than the two-subgroup level, they are less likely to engage in intergroup cognition (Gaertner et al., 1993). In this section, I propose how perceived fairness relates to intergroup cognition in corporate mergers based on the common ingroup identity model.

Distributive justice and intergroup cognition. As argued earlier, because many personnel decisions and reallocations (e.g., staffing, compensation, and relocation) usually follow a corporate merger, distributive justice based on those outcomes may have significant influence on the employees' evaluation of their status within the organization. If employees perceive outcome fairness in merger implementation, they feel fairly treated by the new, merging organization. In other words, if they perceive distributive fairness in the outcome of the merger implementation, then they are likely to make favorable evaluations of their status within the organization (Tyler, 2001), and identify more with the organization (Tyler & Blader, 2000).

The favorable judgment of their status within the merged organization may increase employees' self-esteem. Therefore, given the self-enhancement motivation in social identity processes, employees are likely to seek membership in the merged company, regard the merged company as a superordinate ingroup, and to engage in little intergroup cognition. Recategorization occurs. So, if members of two different groups regard themselves as a common group or as two sub-groups belonging to a superordinate group rather than two separate groups, they are less likely to fall into intergroup cognition. In sum, because belonging to the merged organization provides a positive social identity to the employees, they are more likely to identify with the merged company. In turn, they will perceive the merged organization as a superordinate entity and engage in less intergroup cognition ("us" versus "them").

Hypothesis 5a: The level of distributive justice in merger implementation is negatively associated with the level of intergroup cognition during post-merger integration.

Procedural justice and intergroup cognition. Procedural justice (Lind & Tyler, 1988; Thibaut & Walker, 1975) provides a potent framework for explaining employees' reactions to the merger because the merging process consists of a series of decision-making processes. Particularly, the group-value model of procedural justice argues that fair procedures signal to group members that they are being treated in a respectful way (Lind & Tyler, 1988). Based on how they are treated by the decision makers, individuals judge their status and membership in a group (Tyler, 1999; Tyler & Lind, 1992). Given the fact that employees are highly concerned about the decisions

made in the merger implementation, procedural justice should have a great influence on their judgments of the quality of treatment they receive from the combined company.

In addition, fair treatment and procedures can communicate identity-relevant information to members because authorities of the organization act as 'prototypical representatives' of their group, and in turn employees may feel proud of their group membership (Lind & Earley, 1992; Tyler et al., 1996; Tyler & Lind, 1992). Therefore, if employees perceive procedural justice during merger implementation, then they feel more respect and higher self-esteem in the membership of the merged company, and thus develop a positive social identity. So, if employees feel they are being treated fairly, they will regard their belonging to the merged organization as an enhancement of their social identity. Thus, if employees perceive more procedural justice, they are more likely to cognitively represent the merged organization as their superordinate ingroup, and to engage in less intergroup cognition.

Greenberg (1990b) suggests that there are two elements of procedural justice in organizations, structural and interpersonal aspects. The structural aspect of procedural justice is related to the policies and procedures used by the organization to make decisions. The interpersonal aspect of procedural justice refers to interpersonal treatment received throughout the implementation process, which shows how much the company is taking care of them. In a similar vein, Tyler and Blader (2000) propose a two-component model of procedural justice, quality of decision making process and quality of treatment (e.g., Greenberg, 1990a; Konovsky & Cropanzano, 1991). Quality of decision-making process "refers to those aspects of the group's rules that improve the

nature, quality, and fairness of the decisions that are made in groups" (Tyler & Blader 2000: 112-113). Quality of treatment relates to the aspects of treatment; "whether the treatment is consistent with formal rules about how people should be treated, reflects interpersonal sensitivity, provides a justification for the decisions authorities have made, is timely, and demonstrates honesty and straightforwardness on the part of the authorities" (Tyler & Blader 2000: 110-111).

Control of decision-making process and neutrality (the extent to which individuals feel decisions are made in an unbiased manner) closely relates to the quality of the decision-making process (Tyler & Blader, 2000). For example, Davy, Kinicki, Scheck, and Sutton (1988) found voice in setting procedures involving pay, company procedure, and organizational change had a positive effect on the employees' perceptions of the fairness of the layoff decision-making process. Spencer (1986) showed that high numbers of mechanisms for employee voice were associated with high retention rates. In a similar vein, to enhance the neutrality of the decision-making process, it is important to administer an objective and clear decision-making procedure. Employees are more likely to respond positively to change if they consider they will be provided opportunities to participate in that change and/or if they consider the decision making process unbiased. In sum, if employees perceive high quality in the decision-making process, they will regard the merged company as a positive influence on their social identity and represent it as a superordinate ingroup, and thus they are less likely to engage in intergroup cognition.

Hypothesis 5b.1: Quality of decision-making process in merger implementation is negatively associated with the level of intergroup cognition during post-merger integration.

Status recognition and trustworthiness are related to the quality of treatment (Tyler 1989; Tyler & Blader, 2000). Status recognition refers to group members' perceptions of whether they are treated politely, with dignity and respectfully. Trustworthiness refers to group members' perceptions of whether they are being considered and taken care of by the authorities. For example, the adequacy with which the lay-off decisions are explained, organizational support and consideration, levels of information, and respect and dignity when informing the individuals who are laid off show the employees how the company is taking care of them (Brockner et al., 1990; Brockner & Greenberg, 1990; Schweiger et al., 1987). In other words, showing dignity, respect, and support is a powerful way of showing the employees what kind of company they are now working for. Therefore, when implementing changes in HR practices caused by a corporate merger, merger managers should make those changes from the standpoint of the employees involved in the changes. If employees feel more respect in the quality of treatment, then they are more willing to regard the merged company as a superordinate ingroup and thus are less likely to engage in intergroup cognition.

Hypothesis 5b.2: Quality of treatment in merger implementation is negatively associated with the level of intergroup cognition during post-merger integration.

Interaction effects of distributive and procedural justice. In corporate mergers, it may be difficult to use the same set of HR practices to cater to the employees

of the two merging organizations in terms of positioning, performance appraisal, compensation, and career development. For example, usually the employees of the acquired company receive more unfair outcomes in the merger. Furthermore, sometimes it may not be feasible to provide equal opportunities to employees originating from the two companies. In other words, perceived inequality of merger outcomes can sometimes be inevitable in merger implementation. However, if employees perceive procedural justice during the decision-making processes, then they may still perceive the situation to be fair in spite of the inequitable outcome (Brockner et al., 1992). Therefore, it is imperative to examine how procedural justice interacts with the fairness of outcome in order to affect employees' attitudes in corporate mergers.

As reviewed in the perceived justice literature, employees may react more negatively to unfavorable outcomes during the period of merger implementation when procedural justice is relatively low (Brockner & Wiesenfeld, 1996). Recently, system-justification theory argued that SIT's assumption of ingroup favoritism does not apply well to the members of low-status groups; the members of devalued groups often exhibit outgroup favoritism (Jost & Burgess, 2000). System justification theory suggests that "members of both high- and low-status groups engage in thoughts, feelings, and behaviors that reinforce and legitimate existing social systems" (Jost & Elsbach, 2001: 185). Outgroup favoritism is much more likely when status differences are perceived as highly legitimate and stable (Ellemers, Wilke, & van Knippenberg, 1993). This is because the members of the low-status group cannot help but admit the superiority of the

high-status group and because they tend to admire the high-status group and show outgroup favoritism.

This assumption can be applied to merger contexts. For example, Taylor, Moghaddam, Gamble, and Zellerer (1987) suggest that low-status group members sensing a high level of procedural justice are more likely to accept the merger situation than those with a low level of procedural justice. Thus, employees of the devalued group (e.g., the acquired company or those who receive less favorable compensation) in a corporate merger are more likely to show strong ingroup identification rather than to justify the merger when they perceive the outcomes as illegitimate or resulting from an unfair procedure. They will engage in a high level of intergroup cognition to cognitively change the unfavorable group identity.

In addition, Brockner and Wiesenfeld (1996) suggested that procedural justice becomes less important for individuals' reactions when outcome fairness is relatively high. If employees perceive a high level of outcome fairness in the merger process, then they are less likely to engage in intergroup cognition even when the level of procedural justice is relatively low.

Hypothesis 5c.1: The relationship between distributive justice and intergroup cognition is stronger when the level of procedural justice is low.

Hypothesis 5c.2: The relationship between procedural justice and intergroup cognition is stronger when the level of distributive justice is low.

Intergroup Cognition and Characteristics of Corporate Mergers

Characteristics of M&A events, by possibly signaling the nature of the intergroup relations, may affect employees' intergroup cognitions, which in turn influences their reactions to the proposed merger. In other words, the effects of M&A events on employees' reactions, such as less commitment and turnover, is mediated by their evaluations of intergroup relations (intergroup cognition) in the merger context. In this section, I argue that some characteristics of M&A, such as expected level of integration, favorability of pre-merger organizational identity, and perceived inter-organizational differences have an impact on employees' intergroup cognitions.

Perceived level of integration. Among the unique characteristics of M&As, expected level of integration may have an influence on employees' intergroup cognitions (Napier, 1989). Here, integration means operational integration during the post-merger implementation that affects the human resources of the two merging companies. For example, a horizontal merger whose underlying motive is to highly integrate the operations may incur more intergroup cognition than a conglomerate merger whose underlying motive is not to integrate but to buy. In the former case, employees tend to expect a high level of integration and interactions between the two organizations and to pay attention to the intergroup relations because their fates become more dependent on the other organization.

Mottola and his colleagues (1997) examined the effects of merger integration patterns on anticipated organizational commitment to the merged organization. With undergraduates role-playing the employees of a merging organization, they found that

the role-playing employees of the acquired company showed the least commitment to the merged company in the absorb pattern (where the combined company closely followed the acquiring company). Even though they did not include intergroup cognition in their model, their results imply the importance of the perception of intergroup relations. I argue that if employees expect a high level of integration, then the employees may have heightened intergroup cognition because they become more concerned about intergroup relations. Based on these arguments, I propose that expected high-level inter-organizational integration heightens the level of intergroup cognition.

Hypothesis 6a: Perceived level of integration is positively related to the level of intergroup cognition in which employees engage during the period of merger implementation.

Favorability of pre-merger social identity. An unfavorable event is regarded as threatening only when it is highly relevant to oneself. In a similar vein, the effects of an unfavorable event depend on the perceived relevance of the event to one's important identities (Ashforth & Humphrey, 1993). Therefore, in the social identity processes in merger contexts, it is important to recognize whether employees' pre-merger membership is worth keeping.

Haunschild and her colleagues (1994) showed that pre-merger group identity mattered to the participants' reactions to merging with one another. They suggest that if one is indifferent to, or even dislikes their pre-merger membership, then the merger little threatens one's pre-merger social identity, and will have little impact on employees' attitudes toward the merged company.

Similarly, relative status between the two merging companies may affect employees' intergroup cognitions. For example, the evaluation of one's own group is determined by social comparison with other groups in terms of "value-laden" characteristics such as pre-merger social status or performance (Hunschild et al., 1994). When social identity is unsatisfactory, individuals will try to leave their existing group and join a more attractive group (Tajfel & Turner, 1979). In a corporate merger, if the new imposed organizational membership is superior to that of their pre-merger membership, then employees will be more willing to accept the new one without engaging in intergroup cognition. Therefore, if the pre-merger membership provides a higher level of self-esteem than that given by the merger, then the employees are more likely to be reluctant to discard their previous membership, to want to maintain their pre-merger organizational identity, and to engage in more intergroup cognition. On the other hand, if employees think their social identity is positively heightened by membership in the merged organization, then they may engage in less intergroup cognition by accepting membership in the merged company.

Hypothesis 6b: The level of favorability of pre-merger social identity is positively related to the level of intergroup cognition during post-merger integration.

Perceived inter-organizational cultural difference. Dissimilarity between the merging companies, in terms of perceived organizational culture and corporate image, is also related to intergroup cognition. For example, if the employees of the acquired company perceive the acquiring company to be similar to theirs, they may engage in less "us versus them" cognition and evaluate intergroup relations as less threatening because

the boundaries between the two merging companies become less obvious and because they think they will not have to change. Chatterjee, Lubatkin, Schweiger, and Weber (1992) provided indirect evidence of the damaging effects of inter-organizational differences on integration by showing that the perceptions of cultural differences of top management teams of acquired firms had a negative relationship with shareholders' gain due to the adverse effects of cultural collisions.

In addition, if employees perceive a high level of similarity between the two companies, then they may have a sense of continuity (van Knippenberg & van Leeuwen, 2001). Thus, they are less likely to fall into intergroup cognition during merger implementation because the merger is less threatening to their existing ways of doing things, and they are less concerned about the existence of the other group in the merged company.

Hypothesis 6c: Perceived inter-organizational cultural differences are positively related to the level of intergroup cognition in which employees engage during the period of merger implementation.

Intergroup Cognition and Attitudinal and Behavioral Outcomes in Corporate Mergers

As discussed in Chapter II, based on the two motivations, self-esteem and uncertainty reduction, individuals engage in social identity processes to develop a positive self-concept. As well, individuals engage in social identity processes in order to develop self-concepts that in turn guide their behaviors in a social environment. The

organization is a particularly influential source of social identity and provides a social environment that is very influential for the social identity process.

Perceived organizational identity is defined as a set of a member's beliefs about his/her organization (Dutton, Dukerich, & Harquail, 1994). Because organizational identity is one of the major parts of self-concept, loss of organizational identity is like an anchor being taken away (Schweiger et al., 1987). Loss of organizational identity is also one of the most common merger stressors (Nahavandi & Malekzadeh, 1993). Mael (1988) suggests that loss of identity is associated with loss of a mentor, decreased job involvement and satisfaction, and increased turnover. In addition, giving up their pre-merger identity may be experienced as "surrendering" to the acquirer. Thus the members often resist developing a new identity in order to preserve their pre-merger identity (Nahavandi & Malekzadeh, 1993). Mottola (1996) examined the effects of relative group status with alumni in a scenario-based field experiment. He found that the equal-status condition, where equality of status is based on each group's superiority in different dimensions, resulted in the participants' highest identification with the merged organization. These studies suggest that threat and/or loss of organizational identity in a corporate merger may cause employees to develop a unfavorable attitudes toward the merged organization. Accordingly, the merged company needs to manage the level of threat to their organizational identity in order to keep employees' self-concepts unwavering to ensure their commitment to the merged organization. Because self-concept is "an interpretive structure that mediates how people behave and feel in a social context" (Dutton et al., 1994: 242), the instability in employees' self-concepts may lead

to confusion and frustration in their social lives and work. Ultimately, this may result in dysfunctional attitudes and behaviors toward their organization.

Intergroup cognition may threaten the loss of organizational identities: (1) because a label causes individuals to lose their individuality to take the affective tone of the category (Ashforth & Humphrey, 1997); (2) because they tend to continue to define themselves in terms of membership of the pre-merger organization due to the inertial cognitive process (Tsui et al., 1992); (3) because they become worried about intergroup relations; and (4) because it takes time to build an identity with the new organization. As discussed before, the threat and/or loss of organizational identity may cause self-concept to be unstable during the merger implementation. Therefore, intergroup cognition is likely to lead the employees to have unfavorable attitudes toward the merged organization such as less commitment and more turnover intention. It is beneficial to both the organization and the employees to minimize threat of loss of organizational identity aggravated by intergroup cognition in corporate mergers.

Intergroup cognition may promote resistance to the changes resulting from inter-organizational integration by making employees more attached to their pre-merger organization. For instance, social identity processes may lead the group members to believe that the methods and systems of their original organization are the more appropriate for the newly merged organization and in turn to be more resistant to the changes resulting from a merger (Bachman, 1993).

In sum, if employees engage in intergroup cognitions, they may have difficulty in developing a favorable identity in the merged organization because of (a) the salience of

dual pre-merger identities (Hogg & Terry, 2000); (b) the increased level of anxiety about intergroup relations; and (c) the threat to their existing organizational identity. In turn, employees may lose stability in their self-concept and begin to commit to dysfunctional attitudes and behaviors such as less commitment to the new, merged organization, more turnover intention, and more resistance to the changes resulting from the merger.

Hypothesis 7a: The level of intergroup cognition is negatively related to organizational commitment to the merged organization.

Hypothesis 7b: The level of intergroup cognition is positively related to resistance to change resulting from the merger.

Hypothesis 7c: The level of intergroup cognition is positively related to turnover intention after the merger.

Mediating Roles of Intergroup Cognition

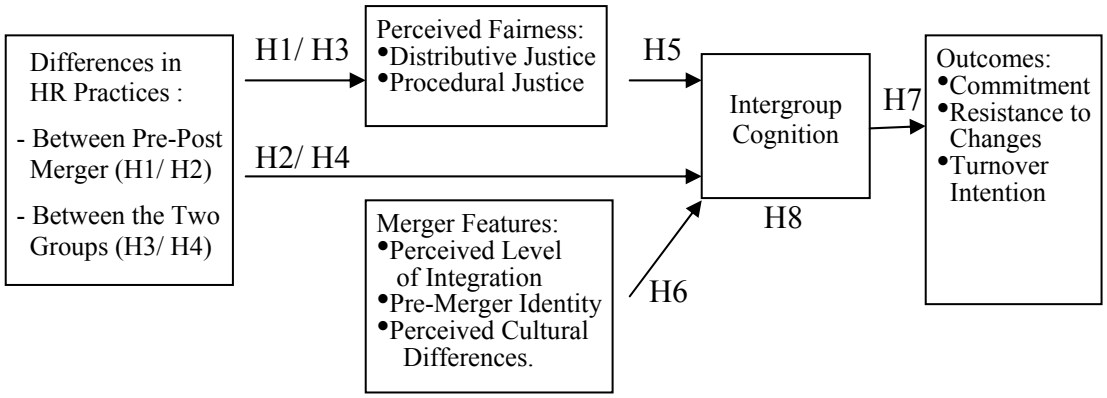
As proposed in the earlier sections, perceived fairness and merger features may have a significant influence on intergroup cognition. At the same time, as discussed earlier, the previous studies suggest that perceived fairness and merger features have effects on attitudinal and behavioral outcomes (Brockner, 1988; Brockner et al., 1990; Chatterjee et al., 1992; Haunschild et al., 1994; Mottola et al., 1997). However, these studies did not examine how this happens. In this study, I examine what roles intergroup cognition plays in the psychological processes during the post-merger integration period. I propose that intergroup cognition plays a central role and mediates the effects on attitudes and behaviors.

Hypothesis 8: Intergroup cognition mediates the effects of perceived fairness and merger features on employees' organizational commitment, resistance to change, and turnover intention during post-merger implementation.

Thus, I argue that intergroup cognition should be dealt with in corporate mergers because the nature of merger contexts easily invokes such cognitions and may ultimately have a great impact on the success of merger implementation. Changing the cognitive representation from two groups to one group (or, two groups with a superordinate identity) should increase cooperation between the two merging groups by producing more favorable attitudes or feelings toward former outgroup members (Gaertner et al., 1994). By inducing employees to have more inclusive ingroup identity in a merger, the merged organization can achieve its purpose of merger, (i.e., value creation). Figure 3 depicts all these hypotheses with the proposed intergroup cognition model.

Figure 3

Intergroup Cognition Model in Corporate Mergers



CHAPTER IV

METHODOLOGY AND RESULTS, STUDY ONE

This chapter and the next chapter provide a description of the methodology used to test the hypotheses generated in Chapter III. I tested the hypotheses in two studies (a scenario-based experiment and a retrospective field survey), considering the value addition of one study over the other. In Study One, the scenario-based experiment, I tested hypotheses related to the effects of changes in HR practices on employees' distributive justice (Hypothesis 1 and 3) and intergroup cognitions (Hypothesis 2 and 4). The scenario-based experimental design allowed me to investigate the impact of changes in HR practices caused by merger implementation on cognitive representations at the individual level without a longitudinal design. Compared to a cross-sectional field survey, this design provides better control and internal validity for the proposed relationship between HR practices and individuals' cognitions. In other words, a scenario-based experimental design provides an opportunity to systematically examine the effects of HR practice changes on employees' cognitions in corporate mergers where quantitative research is difficult to acquire due to the high degree of complexity, rapidity, multiplicity, and secrecy surrounding combinations (e.g., Frank & Ekman, 1997; Mottola, 1996; Mottola et al., 1997; Rentsch & Schneider, 1991). In addition, there is evidence that when given information about a "hypothetical situation" (e.g., reading a scenario) people properly anticipate the situation that is similar to what actual participants would do (Wyer, 1976; Wyer & Carlson, 1979). Furthermore, it would have

been difficult to find companies functioning in each condition of the hypothesized HR practices during an integration period proposed in the hypotheses.

In Study Two, a field survey, I tested hypotheses related to antecedents and consequences of intergroup cognitions and the mediating role of intergroup cognition in the relationship between the antecedents and the consequences. It would not have been valid to test the relationship between the independent variables (perceptions and cognitions) and the outcome variables (attitudes and behavioral intentions toward a merged company) with a scenario-based experiment because it would have been difficult for participants in a scenario-based experiment to indicate their attitudes and/or behavioral intentions toward the hypothesized merged company simply after reading a scenario. Study Two tested the hypotheses with employees who had recently experienced a merger implementation process, which allowed me to test the hypotheses with a higher level of external validity. In addition, a field survey allowed me to test more relationships without very much increasing complexity as compared to a scenario-based experiment.

This chapter includes the samples, procedures, measurements, and the statistical methods used to test the hypotheses in Study One. In addition, I provide the results and discussion for Study One.

SAMPLE AND PROCEDURE

169 MBA students in 5 U.S. universities participated in the experiment. The response rate was 38% (169 out of 448). All of the participants were currently working, or had work experience before they began their MBA programs. The instructors of the

MBA courses sent an e-mail to their students with a linkage to the experiment's web page of the experiment. If they agreed to participate in the experiment after reading a consent form, they were randomly assigned to read one of several different scenarios (a balanced design). In reading the scenarios, they received information about a hypothetical situation and were asked to imagine themselves as employees in the situation. After providing their basic information such as age, tenure, job level, and previous M&A experience in their company, they read a scenario about a hypothetical merger between their current company (or, if they were not currently working, the last company for which they worked) and a fictitious company. Then, they were asked to complete a questionnaire that asked them about their perceptions and cognitions based on the information they had received in the merger description.

Each scenario includes: (a) the standard introduction, (b) a description of HR practices before and after a merger, and (c) a description of the HR practices of the two merging companies (see Appendix A). The scenarios were used to manipulate two comparison dimensions for HR practices; (1) the differences in HR practices before and after a merger, and (2) the differences in HR practices between the two groups (i.e., the two merging companies) within the merged company. There were three different manipulations (i.e., scenarios) in each dimension: "More Favorable" "About the Same," and "Less Favorable." Therefore, the experiment was a 3 X 3 factorial design. The full experiment design is depicted in Table 1 (p. 67).

Each scenario manipulation was given a manipulation check to ensure that the participants accurately acquired the information about the HR practices. After excluding

responses that were incomplete (4) or incorrect on the manipulation check (12), the sample size decreased to 153 from 169. Ninety participants (59%) in the sample were male, 58 (38%) were female, and 5 (3%) did not indicate their gender. The average age of the participants was 30 years old. The average tenure with the employing organization was 4.5 years. Ninety one participants (59%) classified themselves as employees, 52 (34%) as middle-level managers, 4 (3%) as senior managers, 2 (1%) as executives, and 4 (3%) did not indicate their level in the organization.

A MANOVA was performed to check whether previous merger experience made any differences in their distributive justice and intergroup cognition. No significant multivariate level main effect for previous merger experience was found. Thus, I did not include it as a control variable in the tested models.

SCENARIOS

Before/After-Merger HR Practice Differences

Differences in HR practices before and after a merger were manipulated by a scenario that described how a set of HR practices had been changed after a merger in terms of favorability: (1) more favorably, (2) about the same, and (3) less favorably. Under the condition of "More Favorable," the scenario described that (1) the merged company was providing a better compensation package (pay level and benefit packages were more favorable to the employees as compared to those of the pre-merger company), (2) employees could find better opportunities for career advancement in the merged company after the merger, and (3) the performance appraisal system became more favorable given the employees' knowledge, skills, and abilities after the merger.

Under the condition of "About the Same," the scenario said that there was not much difference in a compensation package, opportunities for career advancement, and the performance appraisal system. Finally, under the condition of "Less Favorable," the scenario described a situation opposite to that of the "More Favorable" condition.

Between-Group HR Practice Differences

Differences in HR practice provided by the merged company to the two merging companies were manipulated by a scenario that described how differently the merged company administrated HR practices to the members of the two groups in terms of favorability: (1) more favorably, (2) about the same, and (3) less favorably. Under the condition of "More Favorable," the scenario indicated that HR practices, including pay level and benefit packages, advancement opportunities, and performance appraisals, looked more favorable to the members of the participant's pre-merger original company than to those from the other company in the merger. Under the condition of "About the Same," the merged company provided essentially equal compensation, opportunities for promotion, and performance appraisals to both groups. Finally, under the condition of "Less Favorable", the scenario described a situation opposite to that of the "More Favorable" condition.

MEASURES

Distributive Justice

Distributive justice refers to the extent to which individuals feel fair about the outcomes that they receive from an organization. Distributive justice was measured by 3 items derived from Tyler and Blader (2000) and Tyler et al. (1996) for the particular

contexts of the study. The items include "The new pay and benefits I receive in the merged company are fair"; "The merged organization makes fair decisions"; and "Overall, I am satisfied with the outcomes that I receive from the merged company." Participants were asked to respond to these items on a 7-point scale (1- "strongly disagree" to 7- "strongly agree"). I averaged responses to the 3 items to create a measure of perceived outcome fairness (Cronbach's alpha = .77).

Intergroup Cognition

Intergroup cognition is defined as thoughts, motives, or other mental processes that distinguishes between groups (e.g., "us versus them" cognitions). To measure this construct in Study I, I adapted the scale developed by Gaertner, Mann, Murrell, and Dovidio (1989) to measure participants' cognitive representations (i.e., us versus them orientations) of the hypothesized merged company. Participants were asked to indicate how they characterize the two merging companies within the merged organization on each of the following 2 items: (1) as one whole group- "we all belong to the merged company" (reverse coded); and (2) as two separate groups- "we belong to different organizations". The degree to which these representations apply to the merged organization was assessed on a 7-point scale (1- "not at all" to 7- "very much"). In addition, I adapted 3 items from Gaertner et al. (1993, 1999) to measure intergroup cognition. The items include "It feels as though both pre-merger companies will cooperate with each other" (reverse coded); "I expect the merged organization will feel like one group" (reverse coded); and "In the merged organization, it will feel like the employees of the two companies in the merger are all playing on the same team"

(reverse coded). Participants were asked to respond to these items on a 7-point scale (1- "strongly disagree" to 7- "strongly agree"). I averaged the 5 items to create a measure of intergroup cognition (Cronbach's alpha = .83). A high score indicates a high level of intergroup cognition.

Control Variable

Before providing a scenario of a hypothetical merger, I asked participants to report their organizational identification with their pre-merger original company. This might have effects on their perceptions of the merger (Haunschild et al., 1994). To measure this, six items were adapted from the organizational identification scale developed by Mael (1988). The items include "When someone criticized my company, it felt like a personal insult"; "I was very interested in what others thought about my company"; "When I talked about my company, I usually said 'we' rather than 'they'"; "My company's successes were my successes"; "When someone praised my company, it felt like a personal compliment"; and "If a story had appeared in the media criticizing my company, I would have felt embarrassed." Participants were asked to respond to these items on a 7-point scale (1- "strongly disagree" to 7- "strongly agree"). I averaged the 6 items to create a measure of pre-merger organizational identification (Cronbach alpha = .87).

ANALYSES

To check the manipulation of changes in HR practices, I included this item: "The HR practices of the merged company are more favorable, about the same, or less favorable (choose one of these) than those of the pre-merger company." To check the

manipulation of differences in HR practices between the two merging companies, I included this item: "The members of my pre-merger organization get more favorable, equally, or less favorable (choose one of these) treatment by the HR practices of the merged company than those of the other company in the merger." Whenever responses to these items were not congruent with the scenarios, I dropped the participants from further analyses (as described in the Procedure section). As a result, the percentages of participants in each condition for Before/After-Merger HR practice differences were 32% in "More Favorable," 33% in "About the Same," and 35% in "Less Favorable." Those for comparison between two merging companies were 23% in "More Favorable," 47% in "About the Same," and 30% in "Less Favorable."

To ensure that the participants in the experimental conditions did not differ on any demographic variables, a 3 (Before/After-Merger HR practice differences: more favorable, about the same, less favorable) by 3 (Between-Group HR practice differences: more favorable, about the same, less favorable) MANOVA was conducted on the participants' ages, tenure, job levels, previous merger experiences, and the extent to which they identified with their pre-merger original companies. No significant multivariate level main effect was found, nor were there any significant univariate effects. In addition, I conducted Levene's test of equality of error variance to ensure that the error variance of the dependent variables was equal across the groups. The results showed that there were no significant differences across groups ($p > .05$).

Given the high intercorrelation (.614) between perceived outcome fairness and intergroup cognition, to test the hypotheses more robustly I conducted a 3 X 3

MANCOVA with pre-merger organizational identification as a covariate. After testing the overall model, I tested each hypothesis by ANCOVAs with pre-merger organizational identification as a covariate. The statistical test had adequate power given the large enough sample size (Cohen, 1977).

RESULTS

From the MANCOVA, with pre-merger organizational identification as a covariate, Wilks' Lambda test was significant for Before/After-Merger HR practice differences (F = 22.36, eta^2 = .239), and Between-Group HR practice differences (F = 23.53, eta^2 = .249) all at $p < .001$. Then, I conducted two 3 X 3 ANCOVAs to test each hypothesis. Table 1 shows the means and standard deviations of perceived outcome fairness and intergroup cognition in each condition.

Hypothesis Testing

Hypothesis 1 suggests that if employees receive more favorable HR practices after a merger as compared to before a merger, they will have more perceived outcome fairness during merger implementation. Results of a 3 X 3 ANCOVA indicated that there were significant differences in the mean distributive justice across the three HR practice conditions, F (2, 151) = 51.21, $p < .001$, eta^2 = .417. In addition, to know which difference contributed to the significance, I conducted a *post hoc* Scheffe test. Results from the Scheffe test, shown in Table 1, revealed that the participants in the "less favorable" condition had the lowest distributive justice and the mean was significantly different from the other conditions ($p < .001$). However, there was no significant mean difference between "more favorable" and "about the same" (p = .66). The results

supported Hypothesis 1. When HR practices became less favorable after a merger, employees reported lower levels of distributive justice than when HR practices became more favorable or remained about the same.

Hypothesis 2 suggests that if employees receive more favorable HR practices after a merger as compared to before a merger, they will engage in lower levels of intergroup cognition during merger implementation. The ANCOVA results showed that there were significant differences in the mean intergroup cognition across the conditions, F (2, 151) = 11.03, $p < .001$, $\text{eta}^2 = .134$. The post hoc test results, shown in Table 1, indicated that the participants in the "Less favorable" condition showed significantly higher levels of intergroup cognition than those in the other conditions ($p < .001$). However, there were no significant mean differences between "More Favorable" and "About the Same" ($p = .93$). Thus, Hypothesis 2 was strongly supported. When HR practices became less favorable after a merger, employees seemed to engage in more intergroup cognition. Table 2 summarizes the ANCOVA results.

Hypothesis 3 suggests that if employees perceive inequality in HR practices between the two groups within the merged company, they will have lower levels of distributive justice during merger implementation. Results of the 3 X 3 ANCOVA showed that there were significant differences across the conditions, F (2, 151) = 17.22, $p < .001$, $\text{eta}^2 = .194$. Results from a Scheffe test, shown in Table 1, revealed that the participants in the "About the Same" condition reported the highest level of distributive

TABLE 1

Effects of HR Practices on Distributive Justice and Intergroup Cognition

Variable	Between-Group differences	Before/After-Merger differences			
		More favorable	About the same	Less favorable	M
Distributive justice	More favorable	5.19 (0.52)	4.72 (0.78)	2.45 (0.92)	4.17_b (1.40)
	About the same	5.39 (0.80)	4.86 (0.89)	3.37 (0.99)	4.69_a (1.17)
	Less favorable	3.54 (1.12)	3.81 (1.34)	2.96 (0.97)	3.25_b (1.10)
	M	4.85_c (1.15)	4.68_c (0.99)	2.99_d (1.01)	4.14 (1.35)
Intergroup cognition	More favorable	4.37 (0.86)	4.78 (0.65)	5.67 (0.44)	4.92_e (0.86)
	About the same	3.23 (0.63)	3.56 (1.05)	4.06 (1.11)	3.57_f (0.98)
	Less favorable	5.00 (0.89)	4.89 (3.96)	5.32 (0.83)	5.16_e (0.84)
	M	3.98_g (1.08)	4.04_g (1.11)	4.99_h (1.08)	4.36 (1.18)

Note. Standard deviations for each cell are listed in parentheses below their respective means. The subscripts indicate means that significantly differed ($p < .001$) from each other based on Scheffe tests: a – b, c – d, e – f, and h – g.

TABLE 2

ANCOVA Results

	Before/After-Merger HR Practice Differences			Between-Group HR Practice Differences		
	df	Mean Square	*F*	*df*	Mean Square	*F*
Distributive Justice	2	41.49	51.21	2	13.95	17.22
Intergroup Cognition	2	7.98	11.03	2	33.13	45.80

justice, and the mean was significantly different from the "More Favorable" condition and the "Less Favorable" condition ($p < .05$, $p < .001$). The results supported Hypothesis 3. When HR practices were not equally favorable to both the groups within the merged company, employees showed lower levels of distributive justice than when HR practices were equally favorable to both the groups within the merged company. As an additional finding, when employees received more favorable HR practices than those in the other group, they showed higher levels of perceived fairness than when they received less favorable HR practices than those in the other group ($p < .05$).

Hypothesis 4 suggests that if employees perceive inequality of HR practices between the two groups within the merged company, they will engage in higher levels of intergroup cognition during merger implementation. Results of the 3 X 3 ANCOVA showed that there were significant differences across the conditions, F (2, 151) = 45.98, $p < .001$, $\text{eta}^2 = .390$. Results from the Scheffe test revealed that the participants in the "About the Same" condition engaged in the lowest intergroup cognition and the mean was significantly different from the other conditions ($p < .001$). However, there was no

significant mean difference between "More Favorable" and "Less favorable" ($p = .05$). The results strongly supported Hypothesis 4. When HR practices were not equal for both of the two groups within the merged company, employees showed higher levels of intergroup cognition than when HR practices were equally favorable to both the groups within the merged company.

Post Hoc Analysis of Interaction

Although an interaction between "Before/After-Merger differences" and "Between-Group differences" was not hypothesized, the MANOVA revealed that there were significant interaction effects between the two dimensions ($F = 3.02$, $p < .01$, $eta^2 = .078$). The following ANCOVA results indicate that there were significant interaction effects on distributive justice ($F = 6.23$, $p < .001$, $eta^2 = .148$), but not on intergroup cognition ($F = 1.26$, $p = .29$, $eta^2 = .034$). Thus, to more closely examine the interaction effects on distributive justice, I computed the simple main effect of "Before/After-Merger differences" and "Between-Group differences" on perceived fairness. Each simple main effect was tested by computing a one-way ANOVA for each dimension at each level of the other dimension in the interaction. For example, to test the simple main effect of "Before/After-Merger differences" on distributive justice, three one-way ANOVAs were computed, one for each condition of "Between-Groups differences." The results are shown in Table 3 and Table 4.

Before/After-Merger HR practice differences had a significant effect on distributive justice only when between-group HR practice differences were "More Favorable" ($F = 42.92$, $p < .001$, $eta^2 = .728$) or "About the Same" ($F = 26.66$, $p < .001$,

eta^2 = .436). Under these two conditions, the post hoc analyses of means indicated that the participants under the conditions of "More favorable" and "About the Same" Before/After-Merger HR practice differences reported higher levels of perceived fairness than those under the condition of "Less Favorable". However, under the condition of "Less Favorable" Between-Group HR practice differences, participants did not respond significantly differently to the different conditions of Before/After-Merger HR practice differences ($F = 2.36$, $p = .11$, eta^2 = .099).

Between-Group HR practice differences had a significant effect on distributive justice only when Before/After-Merger HR practice differences were "More Favorable" ($F = 21.56$, $p < .001$, eta^2 = .484) or "About the Same" ($F = 3.59$, $p < .05$, eta^2 = .133). Under these conditions, the post hoc analyses of means indicated that the participants under the conditions of "More Favorable" and "About the Same" Between-Group HR practice differences reported higher levels of distributive justice than those under the condition of "Less Favorable." However, under the condition of "Less Favorable" Before/After-Merger HR practice differences, there were no significant mean differences between the conditions of Between-Group HR practices ($F = 3.02$, $p = .06$, eta^2 = .106). Figure 4 depicts the interaction.

In sum, when the participants were both under the condition of "More Favorable" in the dimension of Before/After-Merger HR practice differences and under the condition of "More Favorable" or "About the Same" in the dimension of Between-Group HR practice differences, they reported the highest level of distributive justice. However, those who received less favorable Before/After-Merger HR practices did not

indicate any significant differences between the conditions of Between-Group HR practice differences. Similarly, those who received less favorable Between-Group HR practices did not indicate any significant differences between the conditions of Before/After-Merger HR practice differences.

TABLE 3

Results of Scheffe Tests for Differences Between Means for Before/After-Merger HR Practice Differences on Distributive Justice

Variable	Condition		Differences in means		
	Between-Group HR practice differences	Before/After-Merger HR practice differences	Mean	About the same	Less favorable
Perceived outcome fairness	More favorable	More favorable	5.19	.47	2.74***
		About the same	4.72		2.27***
		Less favorable	2.45		
	About the same	More favorable	5.39	.53	2.02***
		About the same	4.86		1.49***
		Less favorable	3.37		
	Less favorable	More favorable	3.54	-.27	.58
		About the same	3.81		.85
		Less favorable	2.96		

Note. Data in the columns labeled “About the same” and “Less favorable” are simply differences in means between “More favorable” *and* “About the same” and “Less Favorable,” and between “About the same” and “Less Favorable.”

***$p < .001$

TABLE 4

Results of Scheffe Tests for Differences Between Means for Between-Group HR Practice Differences on Distributive Justice

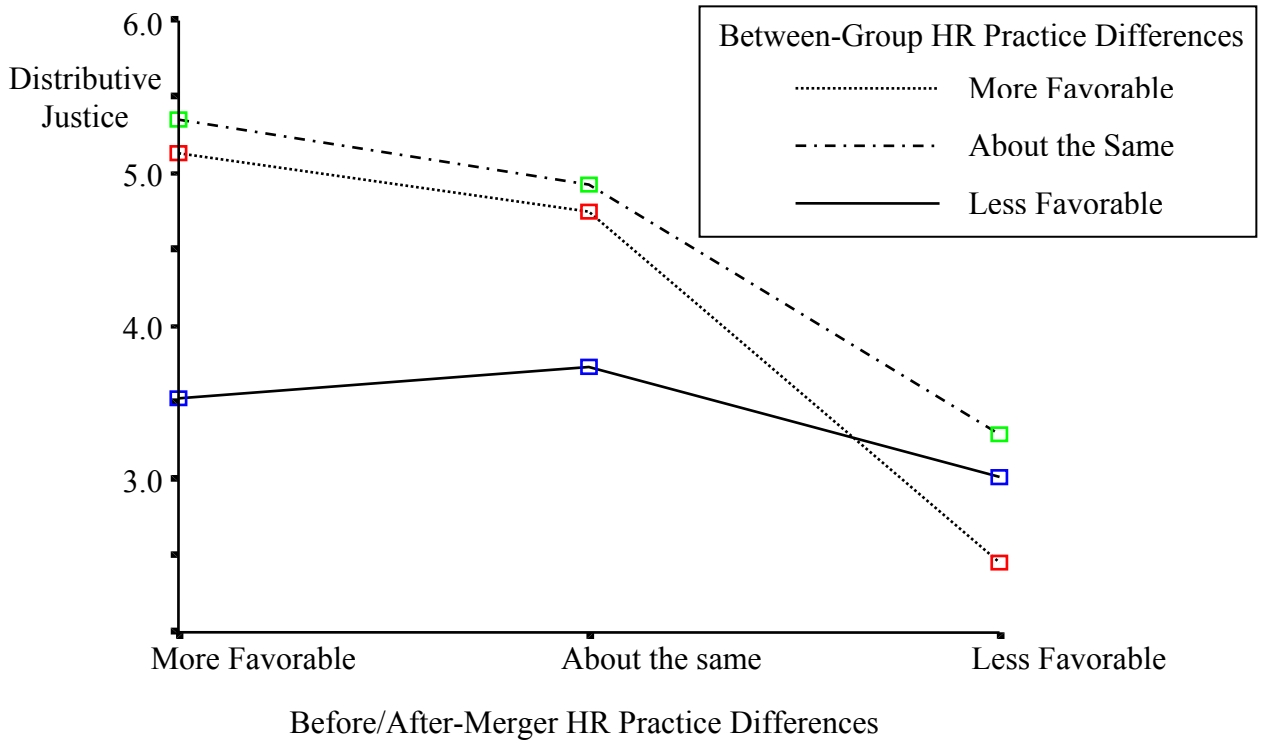
Variable	Condition		Differences in means		
	Before/After-Merger HR practice differences	Between-Group HR practice differences	Mean	About the same	Less favorable
Perceived outcome fairness	More favorable	More favorable	5.19	-.19	1.66***
		About the same	5.39		1.85***
		Less favorable	3.54		
	About the same	More favorable	4.72	-.14	.91*
		About the same	4.86		1.05*
		Less favorable	3.81		
	Less favorable	More favorable	2.45	-.92	-.51
		About the same	3.37		.41
		Less favorable	2.96		

Data in the columns labeled “About the same” and “Less favorable” are simply differences in means between “More favorable” *and* “About the same” and “Less Favorable,” and between “About the same” and “Less Favorable.”

***$p < .001$, * $p < .05$.

FIGURE 4

Interaction Effects of Before/After-Merger and Between-Group HR practice Differences on Distributive Justice



DISCUSSION

The purpose of Study One was to demonstrate the significant effects of HR practices on employees' perceptions and cognitions in merger contexts. The results from this study confirmed the predictions regarding the effects of HR practice differences on perceived outcome fairness and intergroup cognition. Favorable changes in HR practices after a merger positively influenced distributive justice and were negatively associated with the levels of intergroup cognition. When HR practices were equally favorable to both the groups within the merged company, participants indicated higher levels of distributive justice and lower levels of intergroup cognition than when HR practices were not equal between the groups.

These findings were consistent with SIT in corporate merger contexts. SIT would suggest that individuals want to enhance their social identities by belonging to more prestigious groups or organizations. Providing more favorable HR practices may increase the positivness of the membership in the merged company, causing the members to be more motivated to accept their membership of the new, merged company therein. The results are comparable to those of Haunschild and her colleagues (1994). In a laboratory experiment with undergraduate students, they found that the threat to individuals' social identities caused by a merger resulted in more intergroup bias. However, their settings were not in an organization or a corporate merger.

The results supported the importance of equality criterion in times of change (Cobb et al., 1995). Due to the ambiguity and confusion during the time of change, employees may pay more attention to equality during post-merger implementation. This

study empirically supported this argument by showing that participants reported higher levels of distributive justice when they perceived equality of favorability to both the groups than when they did not. In addition, those who received more favorable HR practices indicated higher levels of distributive justice than those who received less favorable HR practices. This finding reflects the usual phenomenon that individuals want to be treated better than those in the other group.

The *post hoc* analyses for the interaction between the two dimensions (i.e., Before/After-Merger and Between-Group HR practice differences) indicated that employees might be sensitized to Between-Group HR practice differences (or Before/After-Merger HR practice differences) only when they received more favorable HR practices after a merger (or when they received more favorable HR practices than those of the other group). This finding implies that employees might be too sensitized to the changes in HR practices caused by a merger to care about the comparison with members of the other group, or vice versa. In other words, the perceived unfairness in one dimension may overwhelm the perception of fairness in the other dimension. Even though this finding was not hypothesized, it seems interesting enough to further investigate in corporate merger contexts.

Finally, self-categorization theory suggests that during post-merger implementation employees are likely to engage in social identity processes. That is, they may categorize themselves into two groups based on their pre-merger membership and engage in social comparison. In this study, the participants, who perceived inequality in HR practices, reported higher levels of intergroup cognition probably because they

wanted to protect the positiveness of their social identity by differentiating between their more prestigious memberships and the less prestigious one, or probably because they perceived a higher level of intergroup boundary (the Contact Hypothesis). They seemed to differentiate their memberships from the other in order to increase or maintain the positiveness of their social identity in the social comparison, which resulted in more intergroup cognition.

In sum, the results of Study One indicated that HR practices have significant effects on employees' distributive justice and intergroup cognition during post-merger implementation. In addition, the results imply that SIT and self-categorization theory might be relevant for understanding some human problems that may occur during post-merger implementation.

Although these results provide evidence for unique effects of HR practices and for the importance of intergroup cognition during post-merger implementation, Study One did not show how intergroup cognition plays a role in the psychological processes during post-merger implementation, what are other important antecedents of intergroup cognition, or what is the influence of intergroup cognition on employees' attitudes and behaviors. For this reason, I conducted a second study, Study Two, to provide more evidence for how intergroup cognition plays a critical role for the success of a corporate merger in real corporate merger contexts.

CHAPTER V

METHODOLOGY AND RESULTS, STUDY TWO

SAMPLE AND PROCEDURE

Four hundred eighty-four employees of 10 South Korean companies operating in the banking (389), whole-sale (28), automobile (36), and electronics (31) industries participated in the present study. The companies had been involved in major corporate mergers during the previous three years. Two research assistants in Korea visited each company and distributed the survey during regular work hours. The response rate was 65%. The participants were asked about their experiences during the merger implementation. The participants were instructed to return the completed questionnaire in a sealed envelope. During the next visit, the sealed envelopes were collected. The whole questionnaire is provided in Appendix C.

The survey asked the participants to provide retrospective information about their experiences in their last corporate merger. To help participants clearly understand the point of time of interest, the questionnaire was composed of three sections, "Before the merger," "When the merger was announced," and "During post-merger implementation." Because it is extremely difficult to conduct this kind of research in companies that are currently merging, a retrospective research design must be used (e.g., organizational justice research). In addition, it has been reported that common method variance, which is the main problem of a retrospective study, does not significantly affect the results (Crampton & Wagner, 1994).

I excluded responses from employees who did not experience, or who were hired after the merger. After excluding responses that were incomplete or inappropriate, the sample size decreased to 449 participants. One hundred and thirty nine participants (31%) were employees of the acquiring company, 123 (28%) were those of the acquired company, 163 (36%) were of equal-status within the merger, and 24 (5%) did not responded to the question. The average age of the participants was 34 years old. The average tenure with the employing organization was 7 years. Two hundred and thirty participants (51%) classified themselves as employees, 185 (41%) as middle-level managers, 20 (5%) as senior managers, one (0.2%) as an executive, and 13 (3%) did not indicate their level in the organization. Two hundred and sixty two participants (59%) in the sample were male, 176 (39%) were female, and 11 (2%) did not indicate their gender.

MANOVAs were performed to determine whether the demographic variables had effects on dependent variables. No significant multivariate level main effect for job level and tenure was found ($F = 1.46$, $p = .13$; $F = 1.17$, $p = .28$). However, relative status in the merger (e.g., acquirer, acquiree, or partner) ($F = 3.62$, $p < .001$) and gender ($F = 3.89$, $p < .01$) had significant effects on the dependent variables. Thus, I created dummy variables for these and included them as controls in the tested models.

MEASURES

With three doctoral students who were fluent in both Korean and English, I created Korean versions of all measures by following the translation-back translation procedure (Brislin, 1980).

Perceived Level of Integration

Perceived level of integration refers to the level of post-merger operational integration that employees perceive in a merger. Perceived level of integration was measured along manufacturing and marketing activities by 9 items from Datta (1991): manufacturing process, purchasing, warehousing and distribution channels, maintenance, research and development, product market served, promotion and advertising, customer service, and overall. The participants were asked to indicate the extent of post-merger integration of operation that they perceived right after the merger announcement along a 7-point scale (1- very low integration to 7- very high integration). I averaged the 9 items to create a measure of perceived level of integration (Cronbach alpha= .92).

Favorability of Pre-Merger Social Identity

Favorability of pre-merger social identity was measured by organizational identification with pre-merger organization. Organizational identification with pre-merger organization refers to the extent to which employees psychologically attach themselves to their pre-merger organization. To measure this, six items were adapted from the organizational identification scale developed by Mael (1988) for the particular contexts of the study. The items include "When someone criticized my company, it felt like a personal insult"; "I was very interested in what others thought about my company"; "When I talked about my company, I usually said 'we' rather than 'they'"; "My company's successes were my successes"; "When someone praised my company, it felt like a personal compliment"; and "If a story had appeared in the media criticizing my company, I would have felt embarrassed." After reading "Please answer the

following questions, remembering when you were working for your company before the merger," participants are asked to respond to each item on a 7-point scale (1- "strongly disagree" to 7- "strongly agree"). I averaged the 6 items to create a measure of favorability of pre-merger social identity (Cronbach alpha= .84).

Perceived Inter-organizational Cultural Differences

Perceived inter-organizational cultural differences refer to how different employees perceive the organizational culture between the two merging companies. To measure this, I adapted the measure for symbolic threat. Symbolic threat assesses threats posed by perceived differences in values and beliefs between the two groups (Stephan, Ybarra, & Bachman, 1999). I adapted 2 items from Stephan et al. (1999): "I thought members of Organization B would damage my original company's culture"; and "I expected that the values and beliefs of Organization B would damage my original company's organizational culture." The items were rated on a 7-point scale (1- "strongly disagree" to 7- "strongly agree"). I averaged the two items to create a measure of perceived cultural differences (Cronbach alpha= .86).

Distributive Justice

Distributive justice was measured by 5 items from Tyler and Blader (2000) and Tyler et al. (1996) for the particular contexts of the studies: "In general, how fair were the outcomes that you received from the merged company during the integration period?"; "Did you think that the pay and benefits you received during the integration period were fair?"; "How fair were the outcomes that you received from the merged company during the integration period compared to the outcomes you had received in

the past (before the merger)?"; "To what extent were you fairly rewarded for work that you did well during the integration period?"; and "Overall, how satisfied were you with the outcome that you received from the merged company during the integration period?" Participants were asked to respond to these items on a 7-point scale (1- "not at all" to 7- "very much") (Cronbach alpha= .87).

Procedural Justice

I measured procedural justice based on the two-component model of procedural justice (Tyler & Blader, 2000). Quality of decision process and quality of treatment are composed of two sub-dimensions relatively: control and neutrality, and status recognition and trustworthiness (Tyler, 1989). For the scale, 14 items were adapted from Tyler et al. (1996) and Tyler and Blader (2000): "How much of an opportunity were you given to describe your problem before any decisions were made about how to handle it?" (Control); "I was able to influence the decisions made in my organization" (Control); "I was given an opportunity to express my views before decisions were made" (Control); "How hard did the management of the merged company try to bring the issues into the open so that they could be resolved?" (Neutrality); "Decisions were made based on facts, not personal biases and opinions" (Neutrality); "The rules and procedures applied consistently across people and situations" (Neutrality); "My rights were respected when decisions were made" (Status recognition); "I was treated with dignity by the merged organization" (Status recognition); "I was treated politely by the merged organization" (Status recognition); "How fairly the authority treated you when he or she was making decision?" (Status recognition); "How hard did the authority try to explain

why he or she made the decisions they made?" (Trustworthiness); "I was usually given an honest explanation for decisions made" (Trustworthiness); "How much consideration was given to your views when decisions were made about how to handle the conflict?" (Trustworthiness); and "Did the organization follow through the decisions and promises it makes?" (Trustworthiness). The items were rated on 7-point scales, 1- "not at all" to 7- "very much" or 1- "strongly disagree" to 7- "strongly agree" depending on the type of question. The Cronbach alphas were .80, and .89 for the measure of quality of decision process and quality of treatment respectively.

To check the discriminant validity of the measurements, I conducted a confirmatory factor analysis (CFA). The significant improvement in fit of the less constrained (the hypothesized two-factor model: quality of decision process and quality of treatment) over the more constrained (or parsimonious) model (one factor model constraining the interfactor correlation to 1) offers support for discriminant validity (Kelloway, 1998; Netemeyer, Johnston, & Burton, 1990). I used a chi square difference test which is a statistically robust test (Bollen, 1989; Kelloway, 1998). The CFAs revealed that the two-factor solution provided the better fit as compared to the other alternative model (i.e., one-factor structure of procedural justice). The null hypotheses of one common factor were rejected in a chi-square difference test: $\chi^2_{\text{diff}} = 28.53$, $df = 1$, $p < .001$. Thus, in the following analyses, I treated the two measures of perceived fairness distinctively.

Intergroup Cognition

Intergroup cognition was measured by the same items as in Study One. The Cronbach alpha was .78.

Organizational Commitment

Organizational commitment is defined as the level of commitment to the new, merged organization. This scale measured how much employees committed themselves to their organization on a 7-point scale (1-"strongly disagree" to 7- "strongly agree"). The scale consisted of 8 items adapted from Meyer, Allen and Smith (1993) for the particular contexts of the study.

Given the empirical evidence of content overlapping between retention-related items of the Organizational Commitment Scale and turnover intention measures (Bozeman & Perrewé, 2001), I included only affective and normative commitment items including "During that time, I felt that I would be very happy to spend the rest of my career with this organization"; "During that time, I felt a strong sense of belonging to my organization"; "During that time, I felt emotionally attached to this organization"; "During that time, I felt like 'part of the family' at my organization"; "During that time, I did not feel any obligation to remain with my current employer" (reverse coded); "During that time, I would have felt guilty if I had left this organization"; "During that time, I felt this organization deserved my loyalty"; and "During that time, I felt I owed a great deal to my organization" (Cronbach alpha= .87).

Resistance to Changes

Resistance to changes refers to employees' willingness to accept the changes during merger implementation. The scale for resistance to changes measured the level of behavioral intentions toward change on a 7-point response format, (1- "strongly disagree" to 7 "strongly agree"). The items were adapted from Valley and Thompson (1998). The sample items include "During that time, I was willing to accept the changes resulting from the merger" (reverse coded); "During that time, I thought the changes would result in a much better company" (reverse coded); and "During that time, I thought the changes would result in a much better working environment" (reverse coded) (Cronbach's alpha= .83). A high score indicated a high level of resistance to change.

Turnover Intentions

The scale of turnover intentions indicated the degree of thoughts of quitting, search intentions, turnover or quit intention (Sager, Griffeth, & Hom, 1998) on a 7-point scale (1-"strongly disagree" to 7- "strongly agree"). The 5 items of this scale were adapted from Bozeman and Perrewé (2001) originally based on Mowday, Koberg, and MacArthur (1984) and Mobley, Horner, and Hollingsworth (1978). The items include "All things considered, I felt inclined to find a comparable job in a different organization during the integration period"; "I looked for a new job after the merger"; "I did reconsider continuing my job in the organization"; "It was likely that I would actively look for a different organization to work for in one year after the merger"; and "Quitting

my job never came into my mind during the integration period" (reverse coded) (Cronbach's alpha= .77).

Control Variables

As Citera and Rentsch (1993) reviewed the literature of mergers and acquisitions, most changes (e.g., layoffs, job relocation, pay cuts, etc) are usually forced on the employees of the acquired company. Thus, it is likely that these employees would experience more stress, a higher level of intergroup cognition, and in turn less favorable attitudes toward the new, merged company. I included the relative status in a merger (i.e., acquirer, acquiree, or partner) as a control variable. I created two dummy variables (acquirer and acquiree) for the three-category measure as recommended by Cohen and Cohen (1983).

Second, employment-related variables such as job security and benefits become uncertain and insecure because of a merger. Employees may fear job loss, or loss of benefits because of resource reallocations. These kinds of threats may lead employees to undergo a great deal of stress, and their attitudes and behavior toward the merged organization will become worse (Bachman, 1993; Schweiger et al., 1987). Two items were adapted from Bachman (1993) to measure this construct: (1) I was concerned that I would lose important medical and financial benefits; and (2) I was worried that I would lose my job (Cronbach alpha= .75).

Finally, given the empirical evidence that gender had a significant effect on the dependent variables, I included gender as a control (1 = male, 2 = female). Possibly, one gender reacted more negatively to the post-merger implementation process than the

other. Female respondents reported significantly higher levels of intergroup cognition, resistance to change, and turnover intention, and significantly lower levels of organizational commitment than the male participants.

Assessment of Common Method Variance

The subjective measures used in this study were gathered from the same source in the same questionnaire. To minimize the common method variance, I reordered the items on the questionnaire so that the dependent variables followed the independent variables (Salancik & Pfeffer, 1977) and scrambled the items within each section of questions. In addition, to address empirically common method variance, I conducted Harman's one-factor test (e.g., Schriesheim, 1979; Scott & Bruce, 1994). If common method variance is serious, a single factor emerges from a factor analysis, or one general factor accounts for most of the covariance in the independent and dependent variables (Podsakoff & Organ, 1986). I conducted a principle components factor analysis on the items of the four dependent measures (intergroup cognition, organizational commitment, resistance to change and turnover intention), the five independent variable measures (pre-merger organizational identification, perceived level of integration, perceived inter-organizational cultural differences, distributive justice, and procedural justice), and one control variable measure (perceived threat). The un-rotated factor solution extracted 10 factors, with factor one accounting for only 28% of the variance. In addition, each factor had highly (> .40) loaded items. The factors mostly lined up with the measures. These results suggest there was no apparent general factor in the factor structure.

RESULTS

Initial Analyses

Table 5 shows the means, standard deviations, correlations, and reliabilities for all variables. The correlations among the four dependent variables, and those among the five perceived fairness variables were significantly high. Given the high levels of correlation among the independent variables, I performed multiple regressions incorporating collinearity diagnostics with all the dependent variables and with each dependent variable in order to check whether there would be any multicollinearity problem. I found two apparent indications of multicollinearity problems. First, the sign of distributive justice coefficient changed and became insignificant when I added the procedural justice variable (Neter, Kutner, Nachtsheim, & Wasserman, 1996). Second, a conditioning index was larger than .30 coupled with two variance portions (distributive justice and procedural justice) > .50 (Belsely, Kuh, & Welsch, 1980). Therefore, in the following hypothesis tests, I included only one of the two perceived fairness variables in a tested model. In addition, the interaction effect between distributive justice and procedural justice did not have any significant effects on any of the dependent variables. Thus, I did not include the interaction term in the tested models.

Discriminant Validity of Constructs

The hypothesized relations are assumed to represent structural relationships between distinct constructs. Thus, the validity of hypothesis tests depends on the assumption of discriminant validity among the constructs. In particular, perceived fairness, intergroup cognition, and the other three dependent variables were highly

TABLE 5

Means, Standard Deviations, Correlations, and Reliabilities[a]

Variables	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Intergroup Cognition	3.88	1.14	.78													
2. Organizational Commitment	3.97	1.18	-.68**	.89												
3. Resistance to Change	3.24	1.20	.63**	-.73**	.83											
4. Turnover Intention	3.42	1.30	.41**	-.54**	.42**	.77										
5. Level of Integration	5.16	1.04	-.29**	.24**	-.33**	-.15**	.92									
6. Pre-merger Social Identity	5.00	1.12	-.02	-.00	-.11**	-.00	.21*	.84								
7. Cultural Differences	4.20	1.52	.47**	-.43**	.37**	.42**	-.06	.18**	.86							
8. Distributive Justice	3.83	1.06	-.50**	.62**	-.54**	-.36**	.29**	.08	-.28**	.87						
9. Quality of Desision Process	3.31	1.09	-.62**	.67**	-.53**	-.33**	.26**	-.02	-.26**	.70**	.80					
10. Quality of Treatement	3.94	1.04	-.63**	.68**	-.57**	-.37**	.30**	.06	-.25**	.78**	.83*	.89				
11. Aquirer	0.31	0.46	.07	-.09*	.11**	.02	-.13**	-.12**	-.02	-.11**	-.06	-.07	-			
12. Aquiree	0.27	0.45	.09*	-.14**	.10*	.20**	.05	.03	.06	-.03	-.09*	-.07	-.41**	-		
13. Threat	3.59	1.71	.27**	-.30**	.24**	.50**	-.25**	.11**	.38**	-.24**	-.22**	-.22**	-.08*	.09*	.75	
14. Gender	-	-	.09*	-.18**	.13**	.02	-.13**	.04*	.01	-.22**	-.21**	-.19**	.09*	-.10*	.04	-

[a] $n = 449$. Reliabilities are on the diagonal.

** $p < .01$, * $p < .05$

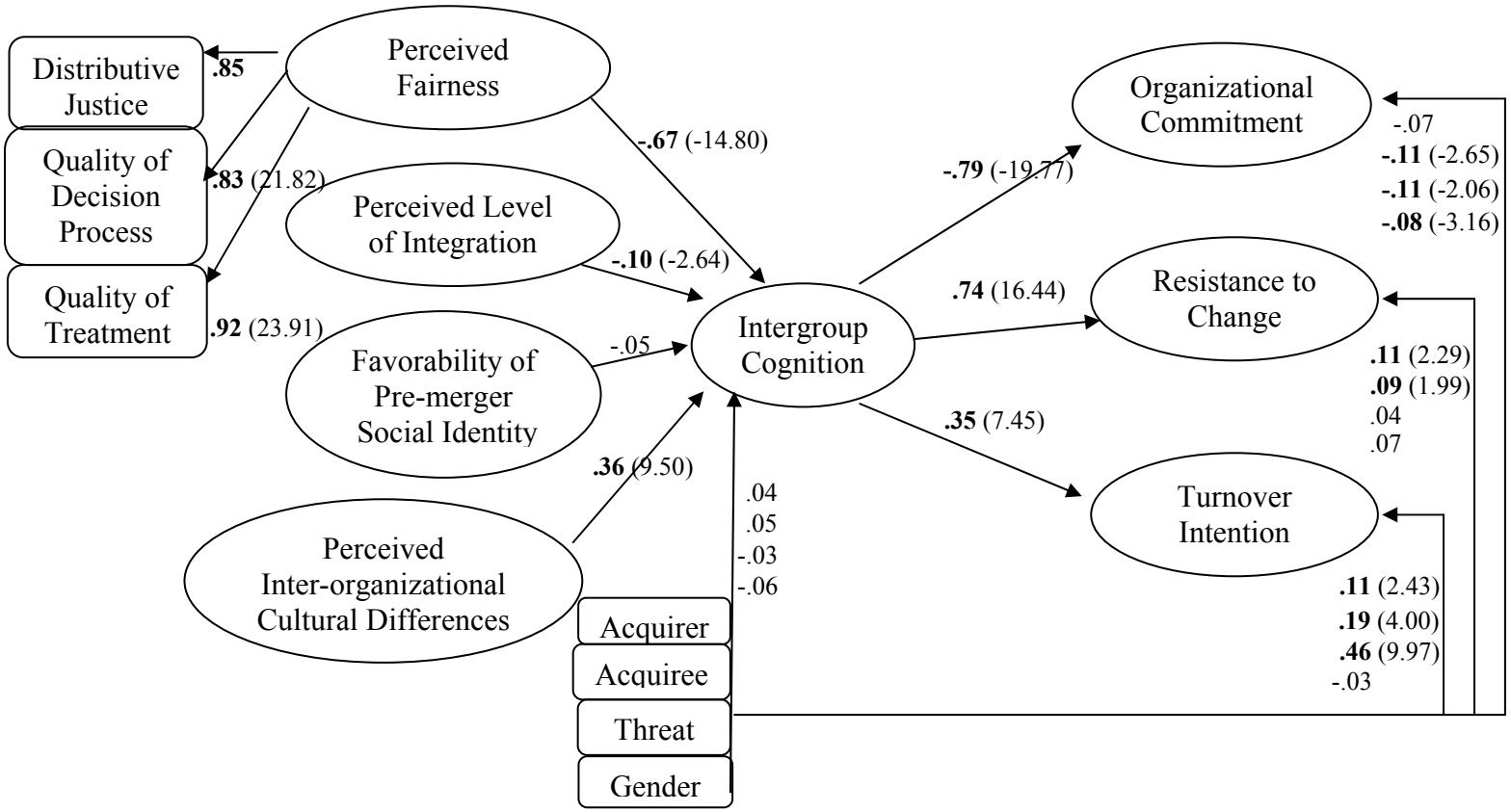
correlated (Table 5). If the relationships between the mediator and the ultimate dependent variables are indistinguishable because of common method variance, for example, it is useless to test the causal attribution hypothesized in Study Two. Consequently, I investigated the discriminant validity of the hypothesized constructs by comparing the hypothesized measurement model to several more parsimonious measurement models in CFAs (e.g., Netemeyer, Johnston, & Burton, 1990; Smidts, Pruyn, & Van Riel, 2001). In the measurement models, I included the items for quality of treatment that most highly correlated with the dependent variables. I compared the hypothesized five-factor measurement structure (eight items from quality of treatment, five items from intergroup cognition, eight items from organizational commitment, three items from resistance to change, and five items from turnover intention) with those of alternative models. The hypothesized measurement model (five-factor model) provided a significantly better fit than a single-factor model ($\chi^2_{diff} = 843.26$, $df = 10$, $p < .001$), or a two-factor model (a combining the three dependent variable measures and the mediator measures) ($\chi^2_{diff} = 797.98$, $df = 9$, $p < .001$), or a three-factor model (combining only the three dependent variable measures) ($\chi^2_{diff} = 244.61$, $df = 7$, $p < .001$). All items significantly loaded on their underlying common factors, as found in the literature. In addition, the two-factor model provided a significantly better fit than the single-factor model ($\chi^2_{diff} = 45.28$, $df = 1$, $p < .001$), and the three-factor provided a significantly better fit than the two-factor model ($\chi^2_{diff} = 553.37$, $df = 2$, $p < .001$). Overall, this evidence suggests that the variables were empirically distinctive.

Analysis Strategy

Structural equation modeling was performed to test the model (i.e., to estimate the hypothesized direct and indirect effects). The covariance matrix was taken as the input for the LISREL analysis. Because maximum likelihood parameter estimates are sensitive to the assumption of normality, I tested the normality of the variables in the model by examining the variables' histogram, skewness and kurtosis. There are a couple of main advantages of structural equation modeling over multiple regression analysis. First, we can test several dependent variables (usually correlated to each other) in one model. More importantly, we can incorporate random measurement errors that can make estimates of causal paths incorrect (Netemeyer, et al. 1990; Williams & Hazer, 1986). I used a single-indicator variables model, incorporating random measurement errors where each latent construct was indicated by only one manifest variable (either a single variable or a composite measure). The loading from indicator to construct (latent variable) was fixed to the square root of the coefficient alpha internal consistency estimate for each construct, and their respective error terms were fixed to one minus alpha (e.g., Netemeyer, et al. 1990; Scott and Bruce, 1994). Netemeyer and his colleagues showed that "path estimates generated from a single-indicator model incorporating random measurement error were virtually identical to those of the latent variable model in terms of direction, significance, and strength" (1990:155). The reliability of dummy variables (acquirer, acquiree, and gender) was set to .90 as suggested by the literature (Anderson & Gerbing, 1988).

FIGURE 5

Hypothesized Model Predicting Organizational Commitment, Resistance to Change, and Turnover Intention[a]



[a] Path coefficients are standardized, maximum-likelihood estimates, with *t*'s in parentheses.

Bold path coefficients indicate significant relationships.

Test of the Model

I tested each of the direct effect hypotheses specified using the structural equation model depicted in Figure 3. In addition, to test the mediation effects, I used less constrained models (freeing the direct paths from the hypothesized independent variables to the three ultimate dependent variables). Both the mediator (intergroup cognition) and the ultimate dependent variables were regressed on the control variables. To save space, I used the hypothesized model with perceived fairness as a general factor for distributive justice and procedural justice to report the estimates. In Figure 5, standardized path coefficients are presented, with *t* values in brackets. The hypothesized model provided a good fit to the data ($\chi^2 = 195.87$, $df = 53$, $p < .001$, RMSR = .06, CFI = .95, NFI = .93, GFI = .94). Tables 5 (with distributive justice), 6 (with quality of decision process), and 7 (with quality of treatment) provide standardized path coefficients, direct and indirect effects estimated in the model that freed all paths from the independent variables to the dependent variables while including only one of the three sub-dimensions of perceived fairness in each model. In reporting the effects of each dimensions of perceived fairness, I used the standardized coefficient of these models. To see the relative effect size of perceived fairness as compared to the other independent variables, please refer to Figure 5.

Test of Direct Effects

Hypothesis 5a suggests that employees' distributive justice in merger implementation is negatively associated with their levels of intergroup cognition. The results strongly support this hypothesis: $\beta = -.52$, $p < .001$. Consistent with Hypothesis

5b1 and 5b2, the sub-dimensions of procedural justice (quality of decision process and quality of treatment) were negatively related to the levels of intergroup cognition: $\beta = -.70$ and -.68 respectively, $p < .001$. However, as reported earlier in the initial analysis section, the interaction effect of distributive justice and procedural justice was not significant. Thus, Hypothesis 5c was not supported.

Hypothesis 6a suggests that perceived level of integration is positively related to the level of intergroup cognition during post-merger implementation. However, the results showed the opposite sign of the relationship: $\beta = -.10$, $p < .05$. Thus, Hypothesis 6a was not supported. In addition, Hypothesis 6b, suggesting the positive relationship between favorability of pre-merger social identity and intergroup cognition, was not supported: $\beta = -.05$, $p > .05$. Hypothesis 6c suggests that perceived cultural differences between two merging companies are positively related to the level of intergroup cognition. The results strongly supported the hypothesis: $\beta = .36$, $p < .001$.

Finally, Hypothesis 7a argues that the level of organizational commitment is negatively related to the level of intergroup cognition. The results provided strong supports for this hypothesis: $\beta = -.79$, $p < .001$. Consistent with Hypothesis 7b and 7c, the level of intergroup cognition positively predicted the level of resistance to change and turnover intention: $\beta = .74, .35$, $p < .001$ respectively.

Test of Mediation Effects

Hypothesis 8 suggests that intergroup cognition mediates the effects of perceived fairness and merger features on employees' organizational commitment, resistance to change, and turnover intention. Tables 6 (with distributive justice), Table 7 (with quality

of decision process), and Table 8 (with quality of treatment) provide standardized path coefficients, direct and indirect effects estimated in the models that freed all paths from the independent variables to the dependent variables while including only one of the sub-dimensions of perceived fairness in each model. These tables provide direct and indirect components of the total effects of the independent variables on the dependent variables (Tabachnick & Fidell, 1996).

The hypothesized mediation effects were assessed in accordance with standards outlined by Baron and Kenny (1986). They specified three conditions that must be satisfied in order to infer mediation: (1) the independent variable must be related to the dependent variable, (2) the independent variable must be related to the mediator, and (3) when the independent variable and the mediator are considered simultaneously, the direct relationship between the independent variable and dependent variable should either decrease significantly (for partial mediation) or become insignificant (for complete mediation) while the effect of mediator on the dependent variables is still significant. In the decomposition-of-effects analyses (see Table 6, 7, and 8), a significant indirect effect indicates that the mediator (i.e., intergroup cognition) significantly mediated the effects of the independent variables on the dependent variables.

As reported in Tables 6 to 8, the effects of distributive justice, quality of decision process, and quality of treatment on the organizational commitment/ resistance to change were partially mediated by intergroup cognition; the indirect effects were significant and substantial. However, the mediation effect of intergroup cognition in the relationship

between the sub-dimensions of perceived fairness (distributive justice, quality of decision process, and quality of treatment) and turnover intention were barely significant, or not significant.

In addition, the effects of perceived inter-organizational cultural differences on organizational commitment and resistance to change were fully or partially mediated by intergroup cognition. However, its effects on turnover intention were barely or not significantly mediated by intergroup cognition. However, the total effects (therefore the indirect effects) of the perceived level of integration and favorability of pre-merger social identity on organizational commitment and turnover intention were not significant. The effects of perceived level of integration on resistance to change were partially mediated by intergroup cognition, while the effects of pre-merger social identity were not significantly mediated by intergroup cognition. In sum, the results generally support Hypothesis 8.

TABLE 6

Standardized Path Estimates (Distributive Justice) [a]

Dependent Variable	Intergroup Cognition to DVs	Independent Variable	IVs to Intergroup Cognition	Direct Effects of IVs to DVs	Indirect Effects of IVs on DVs
Organizational Commitment	-.54***	Distributive justice	-.41***	.33***	.22***
		Perceived level of integration	-.18**		
		Favorability of pre-merger social identity	-.03		
		Perceived Inter-organizational cultural differences	.41***	-.05	-.22***
Resistance to Change	.51***	Distributive justice		-.24***	-.21***
		Perceived level of integration		-.09	-.10**
		Favorability of pre-merger social identity		-.11*	-.02
		Perceived Inter-organizational cultural differences		.08	.21***
Turnover Intention	.17*	Distributive justice		-.16**	-.07*
		Perceived level of integration			
		Favorability of pre-merger social identity			
		Perceived Inter-organizational cultural differences		.17**	.07*

[a] The standardized coefficients were estimated in the model that freed all paths from the independent variables to the dependent variables. Direct and indirect effects were reported only when total effects were significant.

*** $p < .001$, ** $p < .01$, *$p < .05$.

TABLE 7

Standardized Path Estimates (Quality of Decision Process) [a]

Dependent Variable	Intergroup Cognition to DVs	Independent Variable	IVs to Intergroup Cognition	Direct Effects of IVs to DVs	Indirect Effects of IVs on DVs
Organizational Commitment	-.32***	Quality of Decision Process	-.64***	.48***	.21**
		Perceived level of integration	-.11*		
		Favorability of pre-merger social identity	-.08		
		Perceived Inter-organizational cultural differences	.36***	-.13*	-.12**
Resistance to Change	.46***	Quality of Decision Process		-.20*	-.30***
		Perceived level of integration		-.10*	-.05*
		Favorability of pre-merger social identity		-.12**	-.04
		Perceived Inter-organizational cultural differences		.12*	.17***
Turnover Intention	.16	Quality of Decision Process		-.11	-.10
		Perceived level of integration			
		Favorability of pre-merger social identity		-.10*	-.01
		Perceived Inter-organizational cultural differences		.19**	.06

[a] The standardized coefficients were estimated in the model that freed all paths from the independent variables to the dependent variables. Direct and indirect effects were reported only when total effects were significant.

*** $p < .001$, ** $p < .01$, *$p < .05$.

TABLE 8

Standardized Path Estimates (Quality of Treatment) [a]

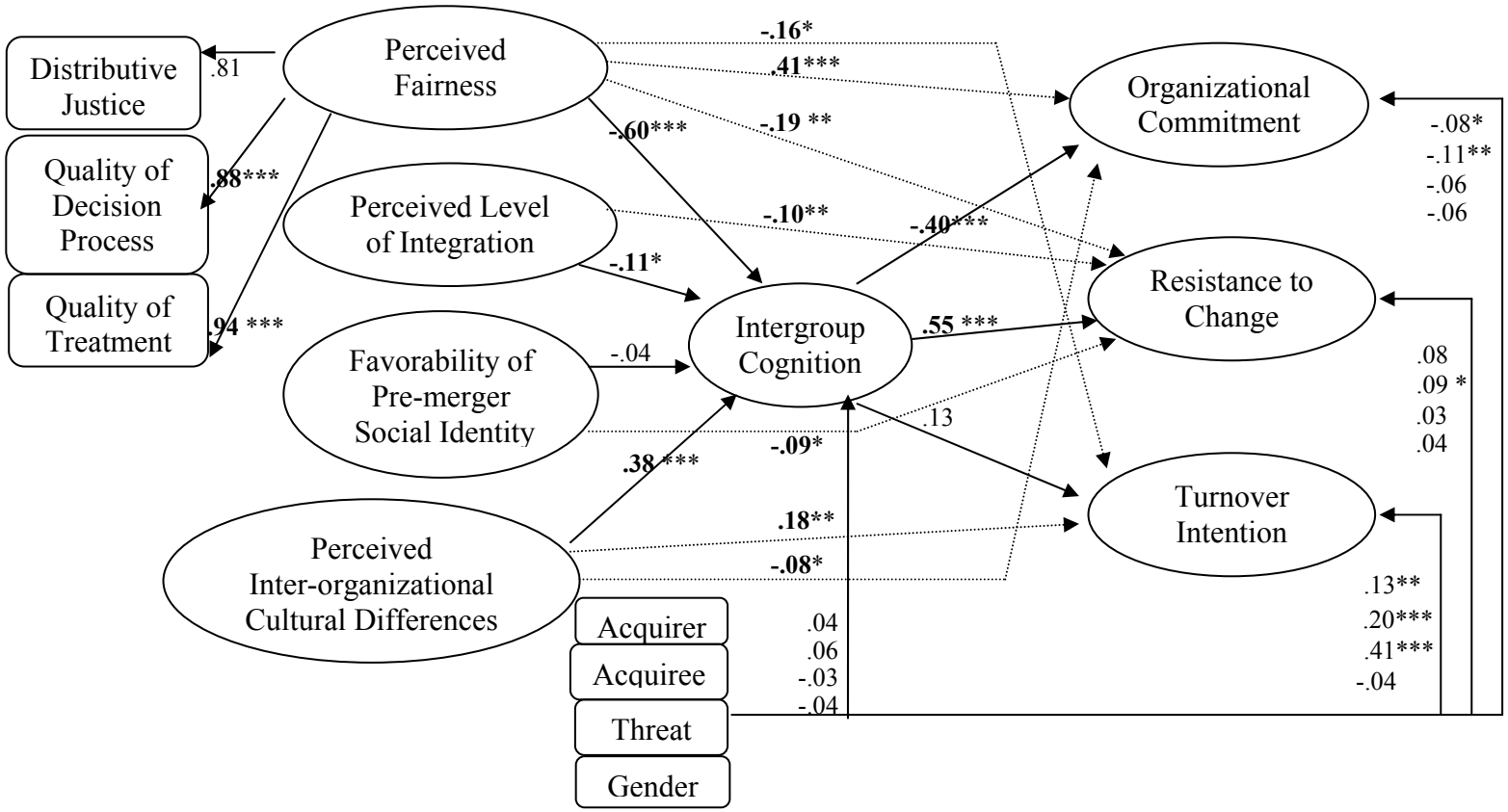
Dependent Variable	Intergroup Cognition to DVs	Independent Variable	IVs to Mediator	Direct Effects of IVs to DVs	Indirect Effects of IVs on DVs
Organizational Commitment	-.36***	Quality of Treatment	-.62***	.43***	.23***
		Perceived level of integration	-.11*		
		Favorability of pre-merger social identity	-.04		
		Perceived Inter-organizational cultural differences	.37***	-.12**	-.14***
Resistance to Change	.44***	Quality of Treatment		-.24**	-.27***
		Perceived level of integration		-.09*	-.05*
		Favorability of pre-merger social identity		-.11*	-.02
		Perceived Inter-organizational cultural differences		.13*	.16***
Turnover Intention	.10	Quality of Treatment		-.20*	-.06
		Perceived level of integration			
		Favorability of pre-merger social identity		-.09	.00
		Perceived Inter-organizational cultural differences		.21**	.04

[a] The standardized coefficients were estimated in the model that freed all paths from the independent variables to the dependent variables. Direct and indirect effects were reported only when total effects were significant.

*** $p < .001$, ** $p < .01$, *$p < .05$.

FIGURE 6

Final Model of Significant Pathways for Antecedents and Consequences of Intergroup Cognition[a]



[a] Path coefficients are standardized, maximum-likelihood estimates. *** $p < .001$, ** $p < .01$, * $p < .05$.

DISCUSSION

Figure 6 shows the final model of significant pathways for the antecedents and consequences of intergroup cognition. Addition to the hypothesized model, the revised model has (a) the direct effect of perceived fairness on organizational commitment, resistance to change, and turnover intention; (2) the direct effect of perceived level of integration and favorability of pre-merger social identity on resistance to change; and (3) the direct effect of perceived inter-organizational cultural difference on organizational commitment and turnover intention. This revised model provided a significantly better fit to the data than the hypothesized model ($\chi^2_{diff} = 74.14$, $df = 7$, $p < .001$, RMSR = .05, CFI = .97, NFI = .96, GFI = .96).

The purpose of Study Two was to examine the antecedents and consequences of intergroup cognition during post-merger implementation, and the mediation effects of intergorup cognition in the psychological process. The results mostly supported the hypothesized model. In particular, the levels of distributive and procedural justice were negatively related to the level of intergroup cognition, and their effects on outcome variables were partially mediated by intergroup cognition. The level of perceived inter-organizational cultural differences was positively related to the level of intergroup cognition, and its effects on outcome variables were mediated by intergroup cognition.

The findings supported the arguments of the group-value model of perceived fairness and common ingroup identity theory. According to these theories, if employees feel proud and respected in the membership of the merged organization, they are more willing to accept (or develop) a superordinate ingroup identity of the merged company

(Gaertner et al., 1989; Tyler & Blader, 2000). Thus, when recategorization occurs, their attitude toward the merged company would be more positive even though it includes the former outgroup members (Gaertner et al., 1993). The significant and substantial mediation effects of intergroup cognition strongly support this psychological process in the context of corporate mergers.

The significant effects of perceived cultural differences between two merging companies on intergroup cognition and organizational commitment are consistent with the argument of "a sense of continuity" (van Knippenberg & van Leeuwen, 2001). Even though van Knippenberg and van Leeuwen did not measure the sense of continuity, they implied that perceived differences were negatively related to post-merger identification with the merged organization because people experienced a greater discontinuity with more perceived differences. In other words, the more perceived inter-organizational differences, the more discontinuity, the more threat to existing identity, and the lower identification with (or commitment to) the merged organization. The results of Study Two not only strongly supported this argument, they also showed empirical evidence for the important role of intergroup cognition in the relationship between perceived difference and attitudinal outcomes.

The weaker (or non-significant) mediation effects in the relationships between the two independent variables (i.e., perceived fairness and the level of perceived cultural differences) and turnover intention, as compared to those in the relationships between the two independent variables, and organizational commitment and resistance to change, seemed reasonable. Statistically, the weaker (or non-significant) mediation effects

resulted from the fact that the level of intergroup cognition was less strongly (or non-significantly) related to turnover intention than to the other two attitudinal outcomes. In addition, this could happen because turnover intention might be a more dismal outcome than organizational commitment and resistance to change.

The unexpected findings of the negative relationship between perceived level of integration, and intergroup cognition and resistance to change can be explained in different ways. First, in the survey, priming points of time might have not been strong enough to make the participants clearly differentiate between "when the merger was announced" and "during the integration period." If the merged organization had pursued a high level of integration, the participants might have experienced more contacts with the members of the other group and thus have had lower levels of intergroup cognition (e.g., the Contact Hypothesis). In addition, a high level of integration might result in enhancing employees' self-esteem because a high level of integration might lead to the increase of the prestige of their pre-merger company (e.g., because of synergy effects or better prestige), or provide opportunities for future advance (Ellemers, van Knippenberg, de Vires, & Wilke, 1988). In Study Two, I could not control appropriately these probable confounding effects.

Similarly, the non-significant effects of favorability of pre-merger social identity might result from missing a relevant construct in the model. If I had measured relative prestige between the two merging companies rather than just favorability of pre-merger social identity, the relationships may have been much clearer. If the acquiring or acquired company was more prestigious than the employees' original company, they

would be more committed to the merged company, more willing to accept any change, and less willing to leave the organization. System-justification theory (Jost & Burgess, 2000) argues that the members of devalued groups often exhibit outgroup favoritism. The members of the low-status group tend to admit the superiority of the high-status group and to be willing to accept membership in the merged group that provides them a more prestigious social identity.

In sum, the results generally supported the hypothesized model in that they showed strong and significant relationships between the two antecedents (i.e., perceived fairness and perceived cultural differences) and intergroup cognition, and between intergroup cognition and the attitudinal outcome measures. In addition, the substantial and significant mediation effects of intergroup cognition suggested that it played a critical role in the employees' psychological processes during the post-merger integration period. However, because of the high degree of complexity and multiplicity of corporate mergers, Study Two could not get as clear results as desired at the individual level of analysis.

CHAPTER VI

CONCLUSION

SUMMARY

Based on social identity theory, self-categorization theory, and justice theories, I developed a post-merger intergroup cognition model. Study One provided empirical evidence of the possible effects of HR practices on employees' perceptions and cognitions. In particular, the more favorable the post-merger HR practices, the higher level of distributive justice and the lower level of intergroup cognition the participants reported. In addition, when they received equally favorable HR practices between the two groups in the merged company, they reported a higher level of distributive justice and a lower level of intergroup cognition than when they received the less or the more favorable HR practices than the other group. With an experimental design, it was possible to examine the effects of HR practices on employees' distributive justice and intergroup cognition while controlling the complexity of corporate merger situations.

To generalize the theoretical explanations of theories of intergroup relations to corporate mergers and acquisitions, and to investigate the psychological process during post-merger implementation, I conducted a field survey (Study Two). In Study Two, I examined the antecedents and consequences of intergroup cognition and found its critical role in employees' psychological process during a post-merger integration period. In particular, perceived fairness was negatively related to the level of intergroup cognition and the level of perceived cultural differences was positively related to the level of intergroup cognition. Also, their effects on organizational commitment and

resistance to change during post-merger implementation were significantly mediated by intergroup cognition.

LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDIES

First, in Study Two, the cross-sectional design could not provide a direct test of causality of the relationships. Even though structural equation modeling was used, it did not guarantee the causal relationships. In particular, in the literature the relationship between intergroup cognition, and perceived fairness and other attitudes have not been tested rigorously enough to guarantee the causal directions. For instance, if employees engage in lower levels of intergroup cognition (or, develop common ingroup identity in the merged organization), they may perceive more fairness in the decision making and decision processes in the post-merger implementation. In a future study, we need to do a field experiment or a longitudinal study (e.g., Schweiger & DeNisi, 1991) to provide better internal and external validity in testing the role of HR practices and intergroup cognition.

In addition, the significant relationships among the measures of perceived fairness, intergroup cognition, and attitudinal outcomes could be the result of common source bias because the employees provided retrospective information. Even though I provided theoretical and empirical evidence of the discriminant validity of the measures, still the relationship might have been inflated by common method variance. To avoid the same source of information, future studies need to include objective performance measures such as absenteeism, turnover rates, and supervisor evaluations. Alternatively, in assessing the determinants of intergroup cognition, we should be able to use different

sources of data such as archival data and HR personnel's responses. In this case, furthermore, it would be possible to test the whole hypothesized model including the effects of HR practices on the variables in one study.

Third, there might have been a survival bias, because I surveyed only current employees of the merged company. For instance, the participants might have expressed more positive cognitions or attitudes toward the merged company than those who had been laid off would have reported. However, given the relatively wide range of responses, this problem might not be serious in interpreting the results.

Fourth, there can be some issues about the possible effects of construct not included in this study. As discussed earlier, the unexpected findings regarding the effects of level of integration and favorability of pre-merger social identity would have been more clearly explained if I had included the type of merger (e.g., a hostile or friendly merger) or merger intention (e.g., absorption for growth or integration for synergy). In addition, personal characteristics may need to be considered. For instance, in Study Two, gender had some significant effects on some of the dependent variables. Future research on the human side of mergers and acquisitions might benefit from including more plausible moderators.

Similarly, the fifth caveat concerns the generalizability of these findings to other types of merger. Most of the respondents were working for banks that were merged in friendly circumstances following recommendations by the Korean government. The banks merged primarily because they needed to be bigger to survive during the reconstruction of the Korean banking industry in late 1990's and early 2000's. Although

most of the hypothesized relationships were supported in Study Two, the test of the overall model should be replicated in different merger settings.

In addition, with Study One, I could not investigate the effects of specific HR practices on intergroup cognition or attitudes toward the merged organization. For instance, training programs that emphasize a common fate, guaranteeing mobility between the two merging companies, and performance appraisals and reward systems that emphasize cooperation between the two merging companies might reduce the level of intergroup cognition experienced by employees during the integration period. To test the specific effects of certain HR practices (or systems) on the outcome variables (e.g., turnover rates, firm performance), we need organization-level data. This Strategic Human Resource approach may provide insights that are more interesting to merger managers.

Furthermore, future research on the psychological processes during post-merger implementation should explore other variables. For instance, social cues or communication by the merged company may have effects on employees' intergroup cognition and attitudes by affecting their social identity processes. Specifically, two-way communications, presenting realistic and accurate information, and designed to change perceptions and attitudes, may be the key to effective M&As. Realistic information can reduce uncertainty in its own right, which should reduce stress and turnover. This reduced uncertainty should also have the effect of reducing social categorization and negative intergroup cognitions, since these processes tend to flourish in an atmosphere of uncertainty. Furthermore, communications could also emphasize

what could be accomplished when everyone works together, and should be careful to use inclusive language, down to the level of inclusive pronouns as part of the communications. Priming this new merger identity should reduce feelings of "us vs. them" and replace them with feelings of "we are one". Thus, other than HR practices, we need to consider other factors such as communications to better deal with people problems during the post-merger integration period.

IMPLICATIONS

This study proposed and tested a theoretical framework for studying human issues during the post-merger integration period. There have been very few theoretical models that examined the psychological processes of employees during post-merger implementation that may be critical for the success of a corporate merger. By providing a theoretically solid framework for the psychological process employees may go through during the post-merger integration period, this study may facilitate the development of sound models of organizational behavior in corporate mergers. In particular, this study raised attention to the mediating roles of intergroup cognition in the psychological process, which has not been systematically studied.

Specifically, in a corporate merger where two pre-merger groups merge, attention should be paid to intergroup relations. This study suggests what the role of intergroup cognition is in the psychological process, and how it should be managed. Even though this study could not directly test the practicability of the social identity process, the results suggested that the social identity process is an important

psychological process of employees during post-merger implementation, and that SIT and self-categorization theory provided a good explanation for this.

Second, this study suggests the important role of perceived fairness for the success of corporate mergers. Previously, perceived fairness has been studied for the survivors of layoffs. This study provides insights for how perceived fairness affects employees' attitude toward the merged company and how it should be managed. By providing evidence of the critical role of perceived fairness in the psychological process, this study has implications for the importance of justice theories in studying the human side of corporate mergers.

Third, this study provides theoretical and empirical evidence of the relationship between perceived fairness and intergroup cognition in corporate merger contexts. Perceived fairness and intergroup cognition may be the most relevant psychological states during post-merger integration. By identifying the relationship, this study may contribute to the M&A literature in that it provides a critical insight for disentangling the people problems in corporate mergers. Also, theoretically, it may be intriguing to examine the relationship between perceived fairness and intergroup relations. This study is an initial step forward integrating the two theories in that it provides empirical evidence of the close relationship between the two constructs in corporate merger contexts.

In addition, there are several implications of this research for merging organizations. First, this study calls the attention of merger managers to the importance of HR practices in employees' cognitions and possible attitudes during post-merger

implementation. By investigating the roles of HR practices in changing the levels of perceived fairness and intergroup cognition, this study suggests that merging organizations should use HR practices appropriately to reduce the people problems during the integration period.

Also, the results of this study suggest that merging organizations should pay a lot of attention to minimize the level of intergroup cognition during post-merger implementation. The results indicated that intergroup cognition was strongly related to organizational commitment and resistance to change. If merging organizations cannot deal with employees' intergroup cognition properly, the employees may show low levels of commitment and highly resist any forced change, which in turn results in a failure of the merger. Merging organizations need to actively manage their employees' intergroup cognition through appropriated HR practices and communications.

In addition, the results suggest that merging organizations should be more careful about intergroup cognition when employees perceive inter-organizational cultural differences. When the employees perceived a high level of cultural differences between two merging companies, they reported a high level of intergroup cognition and turnover intention. To prevent this, merging organizations should actively engage in measures that turn employees' attention to a superordinate identity of the merged organization.

Finally, merging organizations should ensure that they treat their employees fairly. The results suggest that if employees perceive unfairness in terms of outcomes, procedure, and treatment, then they engage in a higher level of intergroup cognition and resistance to change and show a lower level of organizational commitment. Merging

organizations should use appropriate HR practices, communications, interpersonal interaction, etc. to ensure that their employees feel treated fairly during post-merger implementation.

This dissertation provides a model of the human side of corporate mergers. I attempted to integrate two different perspectives (i.e., theories of intergroup relations and theories of perceived fairness) into a cohesive model, and to test the relationships in the model. The study thus provides some understanding of the complex relationships in the psychological processes that employees may undergo during post-merger implementation. It highlights the central role of intergroup cognition and perceived fairness as a psychological mechanism that mediates the relationship between merger features including HR practices and attitudinal outcomes. Although the findings provide some theoretical and practical insights, they also pose a number of questions to be answered in future studies. Therefore, the findings are best viewed as an initial step forward understanding the human side of corporate mergers for the success of well-planned corporate mergers.

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APPENDIX A

A. General Introduction

Last month, it was announced that your original company (**Organization A**) would merge with **Organization B** immediately. This month, **Organization A** and **Organization B** have been joining operations under a new company name, **Organization M**. Organization B was in the same industry as your original company (Organization A) and had roughly the same number of employees. As a result of the merger, roughly ten percent of Organization M's personnel have been laid off. However, all laid-off employees received suitable severance compensation. After the merger, Organization M has developed its HR practices.

B. The three conditions in terms of comparison between before and after the merger

a. More Favorable than before

Compared to your pre-merger company, the merged company provides a better compensation package. Wage and salary policies and benefit packages are more favorable compared to those of your original company. In other words, compensation systems, pensions, medical coverage, and other incentives have improved following the merger. In addition, employees of Organization A can find better positions and have more promotion opportunities in the merged company than in the pre-merger company. The merged company has created new and meaningful positions. Furthermore,

following the merger the performance appraisal system has improved in terms of objectivity and accuracy.

b. About the same

Compared to your pre-merger company, the merged company has adopted HR practices that are similar to those of your original company. For example, the compensation package, including pay level and employee benefits, has not changed since the merger. Furthermore, the merged company has not created any new positions or promotion opportunities. In other words, opportunities for career advancement in the merged company are about the same as before the merger. In addition, the performance appraisal system has changed little since the merger

c. Less Favorable than before

Compared to your pre-merger company, the merged company is now providing a less favorable compensation package. Wage and salary policies and benefit packages are less favorable than those of your original company. For example, compensation systems, pensions, medical coverage, and other incentives have been reduced following the merger. In addition, there are now have fewer good positions available and fewer promotion opportunities in the merged company than in the original company. The merged company has eliminated some previously meaningful positions. Furthermore, following the merger, the performance appraisal system has become less objective and less accurate.

C. The three conditions in terms of comparison between the two merging companies

a. More favorable than the member of the other company in the merger

Compared to the employees of the other company in the merger, the pay level and the benefit package seem more favorable to the members of your original company (Organization A) than to those of the other company in the merger (Organization B). In other words, the merged company applies different systems for merit pay, bonuses and incentives, and employee benefits and services to the employees of the two merging companies in a way that is more favorable to the members of **Organization A**. In addition, the members of **Organization A** seem to have better opportunities to obtain good positions and promotions in the merged company than those of Organization B. The merged company provides more new positions and promotions to the members of **Organization A** than to those of Organization B. Furthermore, performance evaluation systems, in particular the criteria, seem more favorable to the members of your original company than to those of Organization B. For example, given their past experience and training, the members of Organization A can meet the criteria more easily than those of Organization B. In general, the merged company seems to provide more favorable compensation and promotion opportunities to the members of your original company than to those of the other company in the merger.

b. About the same

Compared to the employees of the other company in the merger, the pay level and the benefit package seem equally favorable to the members of your original company

(Organization A) and to the members of the other company in the merger (Organization B). In other words, the systems for merit pay, bonuses and incentives, and employee benefits and services are applied to the members of both the two merging companies. In addition, the merged company provides equal opportunities for new positions and promotions to the members of both Organization A and Organization B. Furthermore, performance evaluation systems are pretty much the same in the merged company in a way that employee evaluations show no favoritism for member of any particular former organization. In general, employees from both organizations are treated equally by the merged company in terms of compensation and promotion opportunities.

c. Less favorable than the member of the other company in the merger

Compared to the employees of the other company in the merger, the pay level and the benefit package seem more favorable to the members of the other company in the merger (Organization B) than do those of your original company (Organization A). In other words, the merged company applies different systems for merit pay, bonuses and incentives, and employee benefits and services between the two merging companies in a way that is more favorable to the members of **Organization B**. In addition, the members of **Organization B** seem to have better opportunities to obtain good positions and promotions in the merged company than those of your original company. The merged company provides more new positions and promotions to the members of **Organization B** than it does to those of Organization A. Furthermore, performance evaluation systems, in particular the criteria, seem more favorable to the members of **Organization B** than to those of your original company. For example, given their past

experience and training, the members of **Organization B** can meet the criteria more easily than those of Organization A. In general, the merged company seems to provide more favorable compensation and promotion opportunities to the members of the other company in the merger than to those of your original company.

APPENDIX B

The following questions are about your current job (or the latest job if you are not currently working). All of your answers are <u>strictly confidential</u>.

1. Has your company been involved in corporate mergers and acquisitions?

Yes ___ No ___ (Please go to 3)

2. If so, were you an employee of the acquiring or the acquired company?

1) The acquiring company ____
2) The acquired company ____
3) The merger was between two equally important companies ____

3. Experience in the present (or the latest if not currently working) organization:

____ years

4. Position at Work (Please check one):

1) Employee ___ 2) Manager Level ___
3) Upper Manager Level ___ 4) Executive Level ___

5. Which industrial classification best describes your current (or previous if not currently working) company? (Please check one)

1) Construction ___ 2) Mining ___
3) Manufacturing ___ 4) Public Administration ___ 5) Services ___ 6) High-technology ___
7) Wholesale Trade ___ 8) Retail Trade ___
9) Transportation ___ 10) Communications, Electric, Gas, And Sanitary Services ___
Others (Please specify): _____

6. Your Gender:

Male ___ Female ___

7. Your Age: ____ years

The following statements are used to evaluate the attitudes and feelings that you have (or had if you are currently working) towards your organization. Please indicate the degree of your agreement or disagreement with each statement by placing a number to the left of each item using the scale provided below.

1	2	3	4	5	6	7
Strongly Disagree			Neither Agree nor Disagree			Strongly Agree

___8. If someone were to criticize my company, it would feel like a personal insult.

___9. I am very interested in what others think about my company.

___10. When I talk about my company, I usually say 'we' rather than 'they'.

___11. My company's successes are my successes.

___12. When someone were to praise my company, it would feel like a personal compliment.

___13. If a story appeared in the media criticizing my company, I would feel embarrassed.

Scenario-based Survey: **Please read the following information carefully.**

We are interested in studying people's reactions to changes in HR practices during post-merger implementation. Please read the scenario below that describes a hypothetical merger between your company (if you are not currently working, your previous company) and Organization B (a fictitious organization).

After reading the passage carefully, please try to imagine yourself as an employee of the imaginary company (Organization M) in the scenario and then answer the questions that follow - as if you were actually involved in the merger that we describe.

For purpose of clarity and brevity, we will refer to the organizations using the following designations:

Organization A: The organization to which **YOU** originally belonged

Organization B: The "**OTHER**" organization involved in the merger

Organization M: The "**NEW**," merged organization

The Merger Description: (Appendix A)

Please answer the following questions based on the information you received in the merger description.

1. Are the HR practices of the merged company more favorable, about the same, or less favorable than those of your original company (Organization A)? (Please choose one.)

1) More favorable ___ 2) About the same ___ 3) Less favorable ___

2. Do the members of your original organization (Organization A) get more favorable, about the same, or less favorable HR practices in the merged company than those of the other company in the merger (Organization B)? (Please choose one.)

1) More favorable ___ 2) About the same ___ 3) Less favorable ___

Given the circumstances portrayed in the merger description, try to anticipate how you would feel during the first few months of the merger as you answer the following questions. Please indicate the degree of your agreement or disagreement with each statement by placing a number to the left of each item using the scale provided below.

1	2	3	4	5	6	7
Strongly Disagree			Neither Agree nor Disagree			Strongly Agree

___3. The new pay and benefits I receive in the merged company are fair.

___4. The members of both Organization A and Organization B will cooperate with each other in the merger.

___5. The merged organization (Organization M) makes fair decisions.

___6. Any profits my original company (Organization A) gains from the business after the merger should be shared with Organization B.

___7. In general, the outcomes that I receive from the new, merged company (Organization M) are fair.

___8. The merged organization will become more successful than either of the original companies could have become on their own.

___9. In the merged organization, it feel like the members of the two companies in the merger will be all playing on the same team.

___10. Overall, I am satisfied with the outcomes that I receive from the merged company.

___11. The merged organization will be successful.

___12. The merged organization will become one of the leaders in its field.

___13. I expect the merged organization will feel like one group.

Please indicate how you characterize Organization A and Organization B within Organization M using the scale provided below.

1	2	3	4	5	6	7
Strongly Disagree			Neither Agree nor Disagree			Strongly Agree

___14. As one large group- We all belong to Organization M

___15. As two sub-groups (Organization A and B) within the larger group (Organization M)

___16. As two separate groups- Belonging to two different organizations (Organization A and B)

APPENDIX C

This survey is about your experience **in the most recent corporate merger** in which your company was involved. For the purpose of clarity and brevity, we will often indicate the organizations by using the following abbreviations:

Organization A:	The organization to which **YOU** originally belonged
Organization B:	The "**OTHER**" organization involved in the merger
Organization M:	the "**NEW,**" merged organization

In particular, because this survey asks about **three different points of time** ("before the merger," "when the merger was announced," and "during the integration period"), please consider the point of time while responding to questions or statements.

Before the Merger

The following statements are used to evaluate the attitudes & feelings that you had **towards Organization A** (your original organization) **before the merge took place**. Please indicate the degree to which you agree or disagree with each statement by placing a number to the left of each item using the scale provided below.

1	2	3	4	5	6	7
Strongly Disagree						**Strongly Agree**

___ 1. When someone criticized my company, it felt like a personal insult.

___ 2. I was very interested in what others thought about my company.

___ 3. When I talked about my company, I usually said 'we' rather than 'they'.

___ 4. My company's successes were my successes.

___ 5. When someone praised my company, it felt like a personal compliment.

___ 6. If a story had appeared in the media criticizing my company, I would have felt embarrassed.

At the Time that the Merger Took Place

Remembering **the time that the merger was announced,** please indicate the degree to which you agree or disagree with each statement by placing a number to the left of each item using the scale provided below.

1	2	3	4	5	6	7
Strongly Disagree						**Strongly Agree**

___ 7. My original company (Organization A) had been more prestigious than the other company (Organization B) before the two companies merged.

___ 8. I thought Organization B's culture was compatible with that of my original company.

___ 9. I expected our way of working to be modified by the merger with organization B.

___ 10. My original company had been performing better than the other company when the two companies merged.

___ 11. I thought members of Organization B would damage my original company's culture.

___ 12. I expected that the values and beliefs of Organization B would damage my original company's organizational culture.

___13. In the merger, my pre-merger company merged with a more prestigious ompany.

14. Please indicate the extent of integration of operation that you expected to result from the merger **when the merger was announced** by placing a number to the left of each item using the scale provided below.

1	**2**	**3**	**4**	**5**	**6**	**7**
No Integration			**Medium-level Integration**			**High-level Integration**

___ Overall

___ research and development

___ promotion and advertising

___ manufacturing process

___ warehousing

___ maintenance

___ product market served

___ customer service

___ purchasing

___ distribution channels

During the Post-merger Integration Period

The following questions ask about your feeling and perceptions **during the post-merger integration period**. Please answer the following questions by placing a number to the left of each item using the scale provided below.

1	2	3	4	5	6	7
Not at all			**Medium**			**Very much**

___ 15. How much of an opportunity were you given to describe your problems before decisions were made about how to handle them?

___ 16. Did you think that the pay and benefit you received during the integration period were fair?

___ 17. Were you fairly recognized for work that you did during the integration period?

___ 18. How fair were the outcomes that you received from the merged company during the integration period compared to the outcomes you had received in the past (before the merger)?

___ 19. Did the management of the merged company attempt to bring issues into the open so that they could be resolved?

___ 20. Did the management treat you fairly when making decisions?

___ 21. Did the organization follow through the decisions and promises it made?

___ 22. How well did those in authority explain why decisions were made?

___ 23. How much consideration was given to your views when decisions were made?

___ 24. In general, how fair were the outcomes that you received from the merged company during the integration period?

___ 25. Overall, how satisfied were you with the outcome that you received from the merged company during the integration period?

The following statements ask your feeling and perceptions **during the post-merger integration period.** Please answer the following questions by placing a number to the left of each item using the scale provided below.

1	2	3	4	5	6	7
Strongly Disagree			**Neutral**			**Strongly Agree**

___ 26. *Compared to my original company*, the merged company provided more favorable compensation.

___ 27. *Compared to my original company, the merged company guaranteed a better*

future in my career (e.g., more promotion opportunities).

___ 28. *Compared to my original company*, the merged company used better performance appraisal system and provided more favorable feedback.

___ 29. *Compared to the members of Organization B*, those of my original company received better compensation.

___ 30. *Compared to the members of Organization B*, the merged company provided those of my original company with more promotion opportunities.

___ 31. *Compared to the members of Organization B*, the performance appraisal system was more favorable for those of my original company.

___ 32. I was able to influence the decisions made in the new, merged organization to some degree.

___ 33. It felt as though both companies cooperated with each other in the merger.

___ 34. I was treated courteously by the merged organization.

___ 35. I was given an opportunity to express my views before decisions were made.

___ 36. In the merged organization, it felt like the employees of the two companies in the merger were all playing on the same team.

___ 37. I was usually given an honest explanation for decisions made.

___ 38. The rules and procedures were applied consistently to all people in all situations.

___ 39. I was treated with dignity by the merged organization.

___ 40. I expected the merged organization would feel like one group.

___ 41. Decisions were made based on facts, not personal biases and opinions.

___ 42. My rights were respected when decisions were made.

___ 43. Any profits my original company gained from the business after the merger should have been shared with Organization B.

___ 44. I was concerned that I would lose important medical and financial benefits.

___ 45. I was worried that I would lose my job.

46. Which of the 5 patterns below best describes the kind of integration that resulted from the merger of Organization A (your original organization) and Organization B (the other organization in the merger). Please check the appropriate one.

___ A + B = A Organization A was dominant.
___ A + B = B Organization B was dominant.
___ A + B = A/B Some qualities of Both A and B were retained and blended.
___ A + B = M A totally new and different organization was formed.
___ A + B = B + A No integration occurred between the two organizations.

47. Please indicate how you characterized the people of Organization A and Organization B within Organization M (the merged organization) using the scale provided below (all the 3 items).

1	2	3	4	5	6	7
Not at all			**Medium**			**Very much**

___ As One Whole Group- "All belonged to the merged company (Organization M)."
___ Two Sub-groups within One Group
___ As two Separate Groups- "Belonging to two different organizations".

The following statements ask your feeling and perceptions regarding **Organization M (the merged organization) during the post-merger integration period.** Please indicate the degree to which you agree or disagree with each statement by placing a number to the left of each item using the scale provided below.

1	2	3	4	5	6	7
Strongly Disagree			**Neutral**			**Strongly Agree**

___ 48. I felt that I would be very happy to spend the rest of my career with this organization.

___ 49. I was willing to accept the changes resulting from the merger.

___ 50. It was likely that I would actively look for a different organization to work for within one year after the merger.

___ 51. I felt like 'part of the family' at the merged organization.

___ 52. I would have felt guilty if I had left this organization at that time.

___ 53. I felt this organization deserved my loyalty.

___ 54. I never considered quitting my job during the integration period.

___ 55. I reconsidered continuing my job in the organization.

___ 56. I thought the changes caused by the merger would result in a much better company.

___ 57. I thought the changes would result in a much better working environment.

___ 58. All things considered, I felt inclined to find a comparable job in a different organization during the integration period.

___ 59. I felt emotionally attached to the new, merged organization.

___ 60. I felt strong sense of belonging to my new organization.

___ 61. I felt I owed a great deal to my organization.

___ 62. I looked for a new job after the merger.

___ 63. I did not feel any obligation to remain with the employer.

About Yourself

64. What is the name of your company? _____

65. At the time the merger took place, were you an employee of the acquiring or the acquired company (Please check one)?

___ The acquiring company
___ The acquired company
___ The merger involved two equally important companies.
___ I was not working for either of the companies at that time.

66. Experience in your original company until it merged with Organization B:

_____ years

67. At the time the merger took place, your position at work (Please check one):

___ Lower than Manager Level
___ Manager Level
___ Senior Manager Level
___ Executive Level

68. Which industrial classification best describes your company? (Please check one)

___ Construction
___ Mining
___ Manufacturing
___ Transportation
___ Communications, Electric, Gas, And Sanitary Services
___ High-technology
___ Wholesale Trade
___ Services
___ Public Administration
___ Others (Please print) _____

69. Your Gender: ___ Male / ___ Female

70. Your Age: _____ years

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