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*Full Length Research Paper*

# Factors that influence employees' organizational identity after M & A: The acquirer and acquired perspective

**Ching-Chi Lee[1]*, Cou-Chen Wu[1] and Hsiang-Ming Lee[2]**

[1]Department of Business Administration, National Taiwan University of Science and Technology, Taipei City, Taiwan. [2]Department of Business Administration and Institute of Business and Management, Ching Yun University, Taoyuan County 320, Taiwan (ROC).

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**The purpose of this study is to examine the factors that influence employees' organizational identification after M & A from the acquirer and acquired employees' perspective. A meta-analysis was conducted to determine the factors that influence employees' organizational identification. A total of 261 questionnaires were collected through convenience sampling from four acquirer and acquired bank employees in Taiwan (135 acquirer respondents, and 126 acquired respondents). Results from the multi-regression show that pre-merger organization identification, trust in the merger, and procedural justice all have a positive influence on post-merger organizational identification. Trust in the merger had the most significant influence for both acquiring and acquired employees. Only the expected utility in merger failed to have a significant influence on post-merger identification for both groups.**

**Key words:** M & A (mergers and acquisitions), pre-merger organizational identification, trust in merger, procedure justice, expected utility in merger, post-merger organizational identification.

## INTRODUCTION

Mergers and acquisitions (M & As) is a very important strategy for companies which want to expand their market share or size (Fairfield and Ogilvie, 2002). Mergers and acquisitions can enable the acquiring companies to obtain technologies, products, distribution channels and desirable market positions (Schweizer, 2005). According to Thomson Financial (2003), the volume of worldwide M & A activities reached approximately 1.3 trillion US dollars in 2003 (Thomson Financial, 2003; Lin and Wei, 2006). The primary reason for corporations to conduct M & A activities is for achieving synergy by combining two companies to increase their competitive advantage (Porter, 1985).

Unfortunately many M & A activities do not fulfill expectations (Yaakov, 1996), and their failure rate is between 60 and 80% (Marks and Mirvis, 2001). M & A problems can often be attributed to human factor (Bartels, Douwes, de Jong and Ad Pruyn, 2006). It may occur because employees from the acquired company feel uncertain about how the M & A will affect their jobs (Marks and Cutcliffe, 1988); there may be a cultural misfit (Weber, 1996), loss of X security (Saunders and Thronhill, 2003), and a lack of trust (Searle and Ball, 2004). These factors cause employees to feel threatened by, and hostile towards M & As. Another result of M & As is that many employees no longer identify with the organization (Bartels et al., 2006). Eventually, this emotion may lead to lower job satisfaction and higher turnover intention (Van Dick, Wagner and Lemmer, 2004).

Ashforth and Mael (1989) proposed that "organizational identification is the perception of oneness with or belongingness to an organization, where the individual defines him or herself in terms of the organization in which he or she is a member." Organizational identify-cation is important for several reasons; first, it can motivate employees to work hard towards company goals (Bartels et al., 2006) and secondly, employees will be more likely to stay with the company (Scott et al., 1996). In turn, if post-merger employees want to become members of the new company, they will likely identify with the new company as well (Van Dick et al., 2004). The

*Corresponding author. Email: kenjytpe@ms27.hinet.net. Tel: 886-2-27366897. Fax: 886-2-27362304

managers of the new company should try to alter and rebuild employees' identifications because the merger will eliminate the boundary that once existed between the two companies (Van Dick, Ullrich and Tissington, 2006). Previous authors have discussed organizational identify-cation, M & A, and organizational restructuring (Lipponen, Olkkonen and Moilanen, 2004). Previous research also shows that many factors are involved in post-merger organizations, producing various effects on individual's organizational identification (Jatten, O'Brien and Trindall, 2002; Van kniooenberg et al., 2002; Bartels et al., 2006). This study answers the question "which antecedents have the greatest influence on employees' post-merger organizational identification?" The meta-analysis in this study reveals the relationships between these antecedents and post-merger organizational identification. Most of the previous research examined the M & A human resource problem from the perspective of acquired employees, only few studies discussed employee feelings from the acquirer point of view. This study conducts a field study by using the banking industry in Taiwan to compare the differences between the acquirer and acquired employees. This study contributes to a better understanding of employees' attitudes about their new post-M & A company.

## LITERATURE REVIEW

Organizational research during the past few decades has increasingly applied the social identity theory to study the employees' attitudes towards their work places (Core and Bruch, 2006). Social identification is the perception of belongingness to an organization (Ashforth and Meal, 1989). According to this definition, people perceive themselves as sharing the fate of their organization, be it success or failure (Meal and Ashforth, 1995). Organizational identification is a specific form of social identification (Gautam, Van Dick and Wagner, 2004) in which an individual defines him or herself in terms of their membership in a particular organization (Meal and Ashforth, 1992; Van Knippenberg and Sleebos, 2006).

Organizational identification is when individuals perceive themselves and the focal organization as sharing the same characteristics (Ahearen, Bhattacharya and Gruen, 2005). That is to say, "members become attached to their organizations when they incorporate the characteristics that they attribute to their organizations into their self-concepts" (Dutton, Dukerich and Harquail, 1994). Identification with an organization satisfies many employees' needs, including self-esteem enhancement and uncertainty reduction (George and Chattopadhyay, 2005). As a consequence, a higher level of organizational identification contributes to a higher possibility that employees will do their best to fulfill the organization's best interests (Van Knippenberg and Van Leeuwen, 2001). Organizational Identification is positively associated with work attitude, individual behavior, and outcomes (Chan, 2006) such as perceived organizational support, job satisfaction (Riketta, 2005), perceived organizational prestige (Meal and Ashforth, 1992), organizational justice (Olkkonen and Lipponen, 2006) and more. Conversely, organizational identification is negatively related with turnover intention (Van Knippenberg and Sleebos, 2006).

Employee identification is an important issue in M & As, so it is important to find out what factors affect post-merger organizational identification (Van Knippenberg and Van Leeuwen, 2001). Previous studies proposed some antecedents that influence employees' organizational identification after M & As, including job satisfaction (Jatten et al., 2002; Van Dick et al., 2004), procedure justice (Lipponen et al., 2004; Peng, Lin and Kuo, 2004), pre-merger organizational identification (Bartels et al., 2006; Van Knippenberg and Van Leeuwen, 2001), trust in mergers (Bartels et al., 2006), perceived inter-organizational difference (Van knippenberg et al., 2002), organizational citizenship behavior (Van Dick et al., 2004) and more. This study focuses on the most influential factors in post-merger organizational identification, and conducts a meta-analysis to find out the most important factors.

## META-ANALYSIS AND HYPOTHESES DEVELOPMENT

Meta-analysis is a method that creates aggregated individual research outcomes while correcting for many artifacts that can bias relationship estimates (Colquitt, Conlon, Wesson, Porter and Ng, 2001). To ensure the representativeness and completeness of the database, this study searched for the keywords "M&A" and "organizational identification" in the following electronic databases: ABI/INFORM, Business Source Complete (EBSCOhost), JSIOR, Social Sciences Citation Index, and National Central Library in Taiwan. This study conducts a meta-analysis using Hunter and Schmidt's (1990) procedures, which include three steps: (1) compute the attenuation factor for each artifact; (2) compute the average correlation, the variance correlation, and the average sampling error variance and; (3) compute the variance of actual correlations.

According to this procedure, the inputs into meta-analysis include correlations of organizational identification with other variables, sample sizes and measure reliabilities (Riketta, 2005). Upon completion of the literature review in December 2006, this study selected a total of 11 "M & A" and "organizational identification." However, only 6 studies including 8 independent sampling (N= 3,723) could be used, based on the rules of meta-analysis. The meta-analysis results include uncork-rected (R) and corrected ($R_C$) estimates of population correlation, and 95% confidence intervals for each population correlation (Colqitt et al., 2001). If the confidence

**Table 1.** Meta-analysis results of antecedents of organizational identification.

| Antecedent | k | N | R | $R_C$ | Var ($R_C$) | Var ($\varepsilon_C$) | Var ($\rho$) | CI | $\chi^2$ |
|---|---|---|---|---|---|---|---|---|---|
| Pre-merger organizational identification | 5 | 1664 | 0.4793 | 0.5561 | 0.0399 | 0.0399 | 0.0014 | 0.1382-0.8331 | 107.35* |
| Job satisfaction | 2 | 541 | 0.2628 | 0.3076 | 0.0198 | 0.0019 | 0.0178 | 0.0336 - 0.4845 | 10.126* |
| Procedural justice | 2 | 275 | 0.4423 | 0.5502 | 0.0116 | 0.0032 | 0.0083 | 0.4428 - 0.4428 | 3.5604* |
| interaction justice | 2 | 275 | 0.3126 | 0.3729 | 0.0037 | 0.0053 | -0.0015 | 0.3118 -0.3118 | 0.7102 |
| Trust in merger | 2 | 715 | 0.5268 | 0.6837 | 0.0275 | 0.0007 | 0.0267 | 0.0180 - 0.2499 | 36.026* |
| Expected utility in merger | 2 | 715 | 0.5313 | 0.6313 | 0.0142 | 0.001 | 0.0132 | 0.3840 - 0.6762 | 13.950* |
| Workgroup communication | 2 | 715 | 0.31 | 0.3544 | 0.0019 | 0.0021 | -0.0001 | -0.2786 - 0.4250 | 0.92049 |
| Information satisfied | 2 | 715 | 0.2582 | 0.2989 | 0.0010 | 0.0023 | -0.0001 | 0.9522 - 0.9594 | 0.46482 |
| Participative decision making | 2 | 715 | 0.2910 | 0.3340 | 0.0135 | 0.0022 | 0.0112 | 0.2582 - 0.2582 | 6.0905* |
| Reliability information | 2 | 715 | 0.2919 | 0.3359 | 0.0020 | 0.0022 | -0.001 | -0.0241 - 0.0919 | 0.92337 |

Remark:
K=the number of samples in each analysis; N=the total number of individuals in the K sample; R=the mean uncorrected correlation; $R_C$=the mean weighted correlation corrected for attenuation; Var($R_C$)= the corrected variance of corrected correlation ;Var($\varepsilon_C$)=the sampling error variance in the uncorrected correlation; Var($\rho$)=the variance of actual correlations.
*p<0.05.

intervals include the value 0, that population correlation is statically insignificant (Hunter and Schmidt, 1990). This study adopts the rules suggested by Cohen (1969) for corrected correlations, with a range of 0 - 0.2 as small 0.21 - 0.40 as medium, and about 0.40 as large, and we will choose the factors that corrected correlations of about 0.4.

Table 1 summarizes the meta-analysis in this study. According to CI and Cohen's suggestion, the factors that conform to the X rules include pre-merger organizational identification, procedural justice, trust in the merger, and expected utility in the merger.

In terms of social identity, employees of merged organizations prefer to act on the basis of their pre-merger identity instead of their post-merger identity (Van Knippenberg and Leeuwen, 2001).

Many studies have shown that pre-merger organizational identification may affect employees' post-merger organizational identification. These studies demonstrate a positive relationship between and post-merger organisational identification Bachman, 1993; Van Dick et al., 2004; Bartels et al., 2006). Van Dick et al. (2006) conducted a merger study to substantiate the antecedent effects on post-merger organizational identification. Their results suggest that pre-merger orga-nization and communication have positive effects on post-merger organizational identification. Their results also prove the relationship between pre- and post-merger organizational identification in an organizational restructure.

Jetten, O'Brein and Trindall (2002) investigated a work-team restructure within an organization before and after the change. Their results demonstrate that pre-restructure identification determines a significant amount of post-restructure identification variance.

Thus, this study adopts the majority option and predicts that;

**$H_1$: The stronger the employees' identification with the pre-merger organization, the more they will identify with the post-merger organization.**

When employees perceive themselves as being treated fairly, they are more likely to support the M and A (Seo and Hill, 2004). Organizational justice provides insights into how employees are likely to respond to X, and how resources are allocated (Meyer, 2001). The organizational justice theory can be divided into three distinct perceptual aspects: distributive, procedural and interactional justice (Searle and Ball, 2004). Distributive justice refers to the fairness of consequences compared to an individual's standard of fairness (Adams, 1965). Procedural justice is the perceived fairness of formal procedures used in allocation decision-making (Lipponen et al., 2004). Interactional justice refers to the fairness of the treatment of those suffering the transition (Searle and Ball,

2004).

Previous discussions on organizational justice focused on X distribution. In the last decade however, procedural justice has received more and more attention (Meyer, 2001). Mergers and acquisitions inevitably involve many changes that can be highly stressful for employees, who are uncertain about how the merger will affect their jobs and company culture (Marks and Cutcliffe, 1988). Citera and Rentsch (1993) proposed that procedural justice should be considered when planning and implementing organizational acquisitions. Lipponen et al. (2004) investigated the effects of procedural justice on employee responses to an organizational merger. Their results show that procedural justice is positively related to post-merger organizational identification and common in-group identity. Therefore, this study adopts the majority option and predicts that:

**$H_2$: The stronger the employees' perception of procedural justice, the more they will identify with the post-merger organization.**

Mergers and acquisitions often have negative influences on employees' attitude, and they may begin to update their resume, participate in the rumor mill, and decrease their production (Marks and Cutcliffe, 1998). Trust is an important part of social interaction and is essential for successful M & A activities (Nikandru, Papalexandris and Mourantas, 2000). Mayer, Davis and Schoorman (1995) defined trust as "the willingness of a party to be vulnerable to the action of another party based on the expectation that the other party will perform a particular action important to the trust or irrespective of the ability to monitor or control that other party." Trust is associated with willing collaboration and the benefits resulting from collaboration (Lee, 2004). Trust may affect the assessment process of merger survivors by reducing the merger's perceived threat (Ozag, 2006), and may increase employee's identification with the post-merger organization (Lee, 2004). Since a decision to merge was taken by the top managers and the board, the merger would receive more support from employees if they can trust their top managers (Shirley, 1973).

Bartels et al. (2006) conducted a quasi-experimental case study to analyze a pending merger. They used two consisting of employees who were directly and indirectly involved in the merger, and compared the difference between these two samples. Their results suggest that trust in the merger has a significant effect on post-merger organizational identification for both samples. Thus, this study adopts the majority option and predicts that:

**$H_3$: The more trust employees have in the merger, the more they will identify with the post-merger organization.**

Mergers and acquisitions can be good for business (Marks and Cutcliffe, 1998) because acquisition can immediately gain access to marketing channels, technologies, patents, and market share (Schweizer, 2005). Therefore, M & As should increase the efficiency and productivity of the post-merger organization (Bartels et al., 2006). The expected utility of the merger is an important factor for decreasing employee doubts about M & A. Jatten et al. (2002) found that after the restructure, employees' team-performance is positively related to work-team organization and organizational identification. Bartels et al. (2006) also indicated that regardless of whether employees are directly or indirectly involved in the merger, they will identify more with the post-merger organization if they have positive expectations of the utility of the merger. Therefore, this study adopts the majority option and predicts that:

**$H_4$: The higher the employee expected utility of the merger, the more they will identify with the post-merger organization.**

Figure 1 shows the proposed model of this study.

## METHODS

### Survey instrument and measures

The questionnaire in this study contained six sections which measured pre-merger organizational identification, procedural justice, trust in the merger, expected utility of the merger, post-merger organizational identification, and demographic information. Appendix I lists the questionnaire items. These items are scaled from strongly disagree "1" to strongly disagree "5".

This study used 3 Likert-type item based on Van Knippenberg, Monden and De Lima (2002) to measure pre-merger organizational identification and post-merger organization identification. Based on Neihoff and Moorman (1993), this study measured procedural justice with a 5-item scale. Trust in the merger was measured using a 3-item scale based on Nikandrou et al. (2000). All the rating scales ranged from 1 to 5, on a spectrum of "very much disagree" to "very much agree." All questionnaires were written in Chinese. In addition to answering questions, respondents also provided their demographic information including gender, age, and level of education.

### Sampling

The banking industry in Taiwan was deregulated in 1992. At that time, only 16 privately-owned banks had been established. The total number of banks in Taiwan in 1992 was 51 (excluding foreign banks), but most of them were not healthy in nature. There were too many banks; therefore, the market share for each bank was tiny. As a result, many scandals emerged. To rescue the banking industry in Taiwan, the authorities announced various financial reforms and passed many laws. In addition, the authorities encouraged banks to merge. There have been 15 negative M & A cases in Taiwanese banks since 2005. Therefore, bank employees form a good target group for measuring employee perceptions of a post-merger company. This study conducted a convenience sampling from employees at two acquirer and two acquired banks. The time since the merger for all cases was less than one year, and 261 employees participated (acquirer, 135; acquired, 126). All participants in this study are not newcomers after acquisition. Table 2 shows the

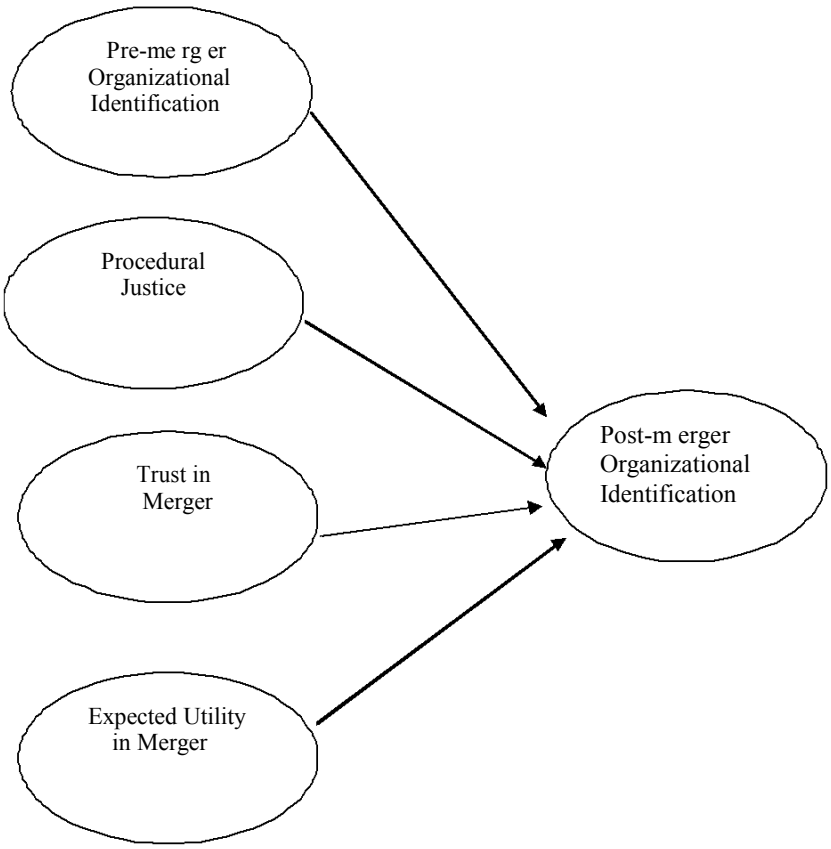


**Figure 1.** A model of organizational identification after M & A.

**Table 2.** Description of respondents

| Item | Description | Frequency | Percentage |
|---|---|---|---|
| Gender | Male | 62* | 45.9% |
| | | 63 | 50% |
| | Female | 73* | 54.1% |
| | | 63 | 50% |
| Education | High school | 2* | 1.5% |
| | | 6 | 4.8% |
| | College | 16* | 11.8% |
| | | 28 | 22.2 |
| | University | 81* | 60.7% |
| | | 65 | 51.6% |
| | Master/PHD | 36* | 25.9% |
| | | 27 | 21.4% |
| Age | 21-30 | 14* | 1.5% |
| | | 19 | 15.1% |
| | 31-40 | 44* | 32.6% |
| | | 47 | 37.3% |
| | 41-50 | 46* | 34% |
| | | 36 | 2.8.6% |
| | >50 | 31* | 22.9% |
| | | 24 | 19.1% |

* Acquiring company employees

**Table 3.** Reliability estimates

| Post-merger organizational Identification | Pre-merger Organizational Identification | Procedural Justice | Trust in Merger | Expected Utility in Merger |
|---|---|---|---|---|
| 0.9147 | 0.9145 | 0.945 | 0.8479 | 0.9299 |

**Table 4**. Multi-regression for impact (dependent variable: post-merger organization identification): acquiring company

| | $R^2$ | adj.$R^2$ | β | T value | F value | VIF |
|---|---|---|---|---|---|---|
| | 0.589 | 0.577 | | | | |
| pre-merger organizational identification | | | 0.208 | 3.653 | 0.00* | 1.053 |
| procedural Justice | | | 0.319 | 4.194 | 0.00* | 1.872 |
| trust in merger | | | 0.422 | 3.847 | 0.00* | 3.908 |
| Expected Utility in Merger | | | 0.047 | 0.485 | 0.629 | 3.087 |

*P<0.05

respondent's profiles.

**Analysis procedures**

The scales of the constructs were analyzed using Cronbach's α to determine if they possessed acceptable levels of reliability (Nunnally, 1978). Table 3 shows the reliability estimates. All the Cronbach's α were more than 0.7, indicating that all the constructs had acceptable reliability. Convergent and discriminant validity were assessed through confirmatory factor analysis (Fornell, 1983; Bagozzi and Yi, 1989). Appendix I shows the validity of measurements. The estimated factor loadings indicate that all the items were loaded as expected (t value > 1.96), with significant and positive parameter estimates. These results provide strong evidence of convergent validity. As for discriminant validity, Appendix 2 shows that the confidence interval of paired constructs does not contain 1. This result implies the discriminate validity suggested by Joreskog and Sorbom (1993).

Specific criteria were used to fit the data to the proposed model. The fit is constrained to a $X^2$ / df value smaller then 5 (Taylor and Todd, 1995). Other fit indices (NFI, NNFI and CFI) range from 0 to 1, with values greater than 0.9 considered as an acceptable fit to the data (Bentler, 1992). The results of this study suggest that the data fits the measurement model well; $X^2$=304.54 with 109 degrees of freedom, $X^2$/df= 2.79; NFI=0.93; NNFI=0.94; CFI=O.95; SRMR=0.053.

## RESULTS

### Descriptive results and correlations

Appendix II presents the means, standard divisions, and intercorrelations of the dependent and independent variables for all employees. The results showed that all the independent variables, except for expected utility about merger, are higher than the midpoint on a 7 point scale. However, all of the independent variables significantly correlated with post-merger organizational identification and trust in merger appeared to have the strongest correlation with X (r= 0.708; p<0.01).

### Multi-regression results

The hypothesis regarding the relationship between post-merger organizational identification and the determinations of X were tested using a regression analysis. Tables 4 and 5 summarizes the results for employees from the acquirer and acquired company, respectively. Table 4 shows the regression results of the acquirer company employees, and the determinants explained a considerable proportion of the variance in post-merger organization identification ($R^2$= 0.577) in the acquirer company. All the determinants, except for expected utility in the merger, had a significantly positive influence on post-merger organizational identification, thus confirming hypotheses 1 - 3. From all the antecedents, trust in merger was the strongest determinant in the model.

Table 5 shows the regression results for employees at the acquired company, and the determinants explained a considerable proportion of the variance in post-merger organization identification ($R^2$= 0.588). Again, all the determinants, except for expected utility in the merger, had a significantly positive influence on post-merger organization identification, thus confirming hypotheses 1-3. Trust in the merger was still the strongest determinant of post-merger organizational identification.

## CONCLUSIONS AND IMPLICATIONS

Mergers and acquisitions are an important strategy for

**Table 5** Multi-regression for impact (dependent variable: Post-merger organization identification): acquired company

| | $R^2$ | adj.$R^2$ | β | T value | F value | VIF |
|---|---|---|---|---|---|---|
| | 0.601 | 0.588 | | | | |
| Pre-merger organizational identification | | | 0.162 | 2.685 | 0.008* | 1.107 |
| Procedural Justice | | | 0.208 | 2.659 | 0.009* | 2.438 |
| Trust in merger | | | 0.407 | 3.189 | 0.002* | 4.950 |
| Expected Utility in Merger | | | 0.173 | 1.467 | 0.145 | 4.205 |

*P<0.05

corporate growth (Fairfield-Sonn et al., 2002). However, many M & As cases fail (Nguyen and Kleiner, 2003). Problems in the M & A process can often be attributed to human factors (Bartels et al., 206). Loss of identity is aprimary concern for many employees (Covin, Sightler, Kolenko and Tudor, 1996). It is important for the acquirer company to increase employees' organizational identification after M & A. For respondent groups from both acquirer and acquired companies, pre-merger organizational identification is a significant predictor of post-merger organizational identification. These results confirm hypothesis 1, showing a positive relationship between pre-merger organizational identification and post-merger organizational identification. These results agree with former studies by van Kniooenberg et al. (2002), van Dick et al. (2004) and Bartels et al. (2006).

The second hypothesis, regarding a positive relationship between procedural justice and post-merger organizational identification, was also confirmed for both acquirer and acquired employees. The result is also in agreement with previous results by Lipponen et al. (2004). The procedural justice in this study focuses on fair decision making in the new company after M & A. Results imply that if the employees from both companies perceive the decision making process in the new company to be fair, their level of organizational identification increases as well.

The third hypothesis, which predicts that trust in the merger contributes to the employees' post-merger organizational identification, was confirmed for both groups of employees. Again, this is consistent with previous studies (Bartels et al., 2006). In addition, trust in the merger has the most significant influence on post-merger organizational identification for both acquirer and acquired company employees. Mergers and acquisitions are an extreme form of change, and change is often perceived as risk to employees as they lose a sense of security (Saunders and Thronhill, 2003). Trust in the merger can reduce this threat assessment and also increase employee identification with the new organization (Bartels et al., 2006). According to previous studies on trust, employees increase their trust in the organization if they have more opportunity to communicate (Moore, Shaffer, Pollak and Taylor, 1987). Effective communication is an important role in the success of a merger (Birkinshaw, Bresman and Hakanson, 2000). Providing clear, consistent, realistic, sympathetic, and real-time information not only increases employee faith and trust in M & As, but also increases their coping ability and productivity (Nguyen and Kleiner, 2003).

The fourth hypothesis, on the positive influence of expected utility of the merger on post-merger organizational identification, was not confirmed for either group of employees. This result is not in accordance with former studies (Bartels et al., 2006). The Taiwanese government holds most of the shares in the four banks used in this study, and all of them performed well and enjoyed a healthy financial condition. The only reason they merged was to cooperate with government policy. Therefore, both groups of employee might think that the performance, efficiency, and productivity of the new bank would not increase much as a result of M & A. Hence, the expected utility in the merger was not a significant influencing factor in post-merger organizational identification. There-fore, managers should deliver clear goals and vision (Nguyen and Kleiner, 2003) to their employees, and emphasize the advantages of a merger from the perspec-tive of efficiency and effectiveness. Doing so would increase employee faith in the benefits of M & A.

## Managerial implications

Recently, many well known financial organizations have suffered from the subprime mortgage storm and world economic depression. Many of them seek financial support from other enterprises and M & A as solutions to solve this problem; for examples the Bank of America acquiring Merrill Lynch, and Lloyds TBS Group Plc acquiring HBOS Plc. However, managers in acquirer companies have a difficult time after M & As, and the M & A failure rate is more than 60% (Cartwright and Cooper, 1992). Besides financial, strategic, and operational issues (Nahavandi and Malekzadeh, 1988), studies have pro-

posed that “human problems” may contribute to merger failures (Mottola, Bachman, Gaertner and Dovidio, 1997).

Employees tend to lose identity with the new company after M & A, which has a significant impact on merger failures (Bartels et al., 2006). Employee trust in the merger is highly relevant to organizational identification for employees from both acquirer and acquired companies after M & A. Trust reduces conflict during negotiation (De Dreu, Giebels, Van de Viliert, 1998), and trust within teams can also reduce conflict in teams (Porter and Lilly, 1996). This implies that if managers can increase employees’ trust in the merger, they can reduce the conflict between the acquirer and acquired employees and increase the success rate of the M & A. Communication is the most important tool for understanding employee X (Bartels et al., 2006) and increasing their trust in the merger.

Communication is also important for increasing employee perceptions of procedural justice, because procedural justice concerns the perceived fairness of decision making (Lipponen et al., 2004). The acquired employees feel like newcomers in the new company, and are unfamiliar with decision making procedures and rules. If managers make more efforts in communicating with the acquired employees about how they make decisions, the employees know when and how to express their opinions. This allows them to feel more respected, and increase their identification with the new company.

As for pre-merger organizational identification, Leeuwen et al. (2003) found that when employees perceived only minor changes, the pre-merger and post-merger organizational identification was positive. On the contrary, if they perceived a drastic change, pre-merger organizational identification would have a negative influence on post-merger organizational identification. Merger and acquisition activities have a large psychological impact on employees (van Knippenberg et al., 2002). Managers should reduce uncertainty for acquired employees by letting them know that the M & A did not significantly change their X and welfare. It would make employees perceive a better fit between the old company and the new company, and increase their identification with the new company.

Increasing performance is perhaps the most important reason for a company to acquire another company. If the expected utility does not increase employees’ faith in increased performance, employees will not increase their identification with the new company. Managers in the new company should propose concrete plans to persuade employees that the M & A indeed can raise performance, letting employees have more confidence in the utility of the merger.

## LIMITATIONS AND FUTURE RESEARCH

This study only used the variables which are large corrected correlations to post-merger organizational identification. Future studies should use medium and large corrected correlations to increase model integrity.

This study only explored the antecedents of post-merger organizational identification. However, many factors, including organizational commitment, influence the success rate of M & A. Future research on this topic should investigate other factors that increase the success rate of M & A.

This study collected data from X employees from two companies. However, middle and top managers in the acquired company might have less identification with the new company, and experience a higher turnover rate (Walsh, 1988). Future studies should poll more top managers from the acquired company to determine the most important factors that influence their identification and turnover intentions.

Because of globalization, more companies from developing countries are acquiring well-known companies from developed countries to increase their market share. The impacts on employees from well-known companies are tremendous. Keeping acquired employees and increasing their identification and morale are important tasks for managers in the acquiring company. Future research should investigate the influence of X on well-known companies to provide more concrete solutions to X.

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**Appendix I**

| | indicator | Standardized Loading (t-value) |
|---|---|---|
| pre-merger organizational identification | I strongly identify with my former company | 0.80* |
| | When someone criticizes my former company it feels like a personal insult | 0.89(17.65) |
| | I feel strong ties with my former company | 0.97(18.72) |
| procedural Justice | Job decisions are made by the general manager in an unbiased manner in the new company | 0.87* |
| | My general manager makes sure that all employee concerns are heard before job decisions are made in the new company | 0.93(22.93) |
| | To make job decisions, my general manager in the new company collects accurate and complete information | 0.86(19.52) |
| | My general manager clarifies decisions and provides additional information when requested by employees in the new company | 0.90(21.15) |
| | All job decisions are applied consistently across all affected employees in the new company | 0.50(8.87) |
| Trust in merger | The ability of post-acquisition management to efficiently manage the acquired company | 0.88* |
| | The honesty and openness of new management regarding changes in the acquired company | 0.91(22.28) |
| | Employees' feelings toward the necessity of the acquisition and the future of the company | 0.67(12.86) |
| Expected Utility in Merger | I expect an improvement in efficiency in the new company | 0.91* |
| | I expect an improvement in cooperation between departments | 0.91(22.45) |
| | I expect the new department to work more professionally | 0.88(12.86) |
| Post-merger organizational identification | I strongly identify with my new company | 0.89* |
| | When someone criticizes my new company it feels like a personal insult | 0.86(19.38) |
| | I feel strong ties with my new company | 0.91(21.5) |

*reference variable

**Appendix II**

| | Mean | SD | post-merger organizational identification | pre-merger organizational identification | procedural Justice | trust in merger | Expected Utility in Merger |
|---|---|---|---|---|---|---|---|
| post-merger organizational identification | 4.49 | 1.38 | 1.00 | | | | |
| pre-merger organizational identification | 5.19 | 1.19 | 0.264** (0.303, 0.224) | 1.00 | | | |
| procedural Justice | 4.47 | 1.24 | 0.670** (0.704, 0.661) | 0.198** (0.230, 0.165) | 1.00 | | |
| trust in merger | 4.27 | 1.37 | 0.708** (0.778, 0.638) | 0.22 (0.033, 0.017) | 0.705** (0.771, 0.638) | 1.00 | |
| Expected Utility in Merger | 3.94 | 1.41 | 0.604** (0.669, 0.537) | -0.206 (-0.247, -0.240) | 0.604** (0.666, 0.549) | 0.841** (0.919, 0.762) | 1.00 |

**correction is significant at the 0.01 level
() confidence interval