

**COMMUNICATION AND IDENTITY – HOW THEY AFFECT
AN EMPLOYEE’S ATTITUDE AND BEHAVIORS WITHIN A
MERGER OR ACQUISITION ENVIRONMENT**

By

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ABSTRACT

This paper presents the findings of a qualitative research study of the extent to which horizontal and vertical communication affect the three levels of employee identity – personal, group or organizational – and its affect on employee attitudes engaged in merger or acquisition integration. A conceptual framework was proposed and conjectures tested via 19, 60-90 minute interviews with professional level employees about their experiences in a positive and/or negative merger or acquisition business consolidation. The professionals were from a portfolio of industries and including banking, telecommunications, health care, insurance, manufacturing and information systems. The transcription analysis has led to an understanding of role that vertical communication (that which emanates from senior management) and horizontal communication (that which occurs between peers) ultimately affect any of the three employee identity orientations – personal, group or organizational. Finally, identity plays a critical role in the positive or negative attitude adopted by the employees charged with integration duties.

Following a brief discussion of the conceptual study and literature analysis behind this work, research methodology and major findings are presented. The paper will close with implications, limitations and areas for future research as portrayed by a revised conceptual model.

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INTRODUCTION

Approximately 7000 corporate mergers and acquisitions valued at \$440 billion occurred in the United States in 2003 -- down from 11,000 transactions with a reported value of \$1.3 trillion that transpired in 2000. (Mergerstat, 2003).

Despite their frequency and popularity, fewer than 20% of business consolidations, however, achieve their desired financial or strategic objectives (Cartwright and Cooper, 1993; Davidson, 1991; Elsass and Veiga, 1994; Lubatkin, 1983). A.T Kearney, tracking mergers over the last 10 years, found that two years after merger agreements were finalized, nearly 50 percent of the largest mergers and acquisitions had lower total shareholder returns than their industry peers (Lebedow, 1999). In another study, Perry and Herd (2004) found that after five years, 70 percent of merger or acquisition survivors were still chronic underperformers in their industries. Referencing studies by academics, consulting firms, and the business press, DeCamara and Renjen (2004) confirmed that mergers are “just as likely to destroy value as to create shareholder value.”

A variety of objectives may motivate a merger or acquisition. These include increasing shareholder wealth (Salter and Weinhold, 1979), creating more opportunities for senior and mid level managers (Meeks, 1997), maintaining or increasing market share (Nguyen and Kleiner, 2003) And broadening a firm’s knowledge base (Vermeulen and Barkema, 2001). Despite the problematic nature of such business transactions, the unique appeal and potential rewards that such can bring is oft too tempting.

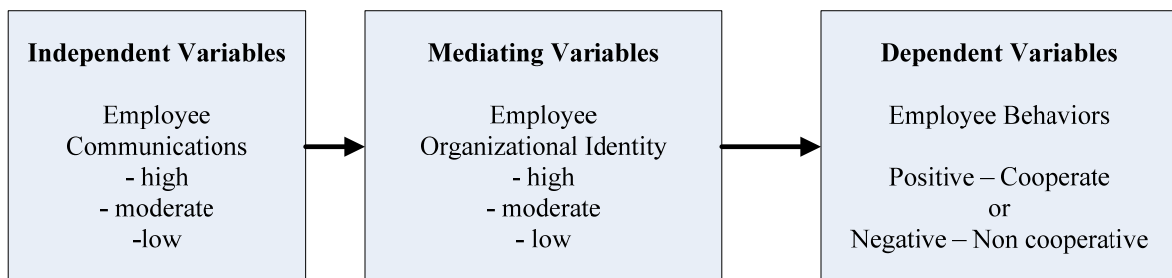
Although the historical performance of business consolidations is grim, companies continue to merge. During 2005 Sears announced a merger with K-Mart, Sprint with Nextel

and JP Morgan Chase with Bank One. Acquisitions remain popular as well, exemplified by the 2005 usurpation of AT&T by SBC Communications and MCI by Verizon.

As described later in this report, mergers and acquisitions have spawned a vast and varied literature, much of it concerned with organizational dynamics and outcomes. Less prominent in the literature, however, are studies concerned with the experiences of individuals involved in merger/acquisition processes.

Our research examined a number of contextual factors conjectured to influence how managers involved in mergers or acquisitions behave and how their behaviors correspond with the success or failure of the consolidation initiative. We wondered, specifically, how communication influences identity and attitude as antecedents of cooperative or competitive behavior. Our original research model (figure 1), shown below, was designed to explore the relationships between these constructs.

**FIGURE 1
Conceptual Model**



LITERATURE REVIEW

We reviewed the literature in two phases. First we explored scholarly inquiry about mergers and acquisitions generally to tap extant knowledge on the subject and to assess the applicability of previous work to our own. Next we looked at literature in several disciplines

to inform the specific constructs – communication, identity, attitude and behavior – in our model.

Mergers and Acquisitions

There is a large body of scholarly work on issues pertinent to mergers and acquisitions, much of it focused on organizational and management issues. While a growing number of investigators have examined the impact of mergers and acquisitions on employees, much of this research has been concerned with job satisfaction and performance.

For example, Buono and Bowditch (1989) found that negative employee reactions to a merger or acquisition may lead to lower levels of job security and job satisfaction and less favorable attitudes toward management. Fulmer and Gilkey (1988) noted that employees faced with uncertainty redirect their energy toward coping with anxiety and confusion (which negatively impacts productivity) or toward finding a new job. Schweiger, Ivancevich and Power (1987), questioning why 58% of managers in an acquired firm are gone within five years or less, found that employees of a “sold” firm feel inferior to the purchaser because of a loss of autonomy. Cartwright and Cooper (1993), utilizing a questionnaire to sample 300 employees, assessed the extent to which organizational commitment, job satisfaction and physical and psychological health were impacted by an acquisition. Contrary to Buono and Bowditch, their research found no evidence of a negative impact on overall levels of job satisfaction of employees within an acquired firm. Further, no evidence of negative overall satisfaction existed between the acquirer or acquired firm. They argued this consolidation qualified as a success due to the proper matching of the cultures.

Davy et al. (1988), however, found that feelings of job insecurity among employees involved in mergers increased significantly while organizational commitment significantly

decreased. Hambrick and Cannella (1993) studied the effects of a merger or acquisition on the executive level employee. Their findings suggest that executive turnover is affected by the performance of the acquired firm, social climate of the acquisition (friendly or otherwise), size of the two firms and the extent to which the acquired company's autonomy is removed. Cartwright and Cooper (1995) posited that much of our understanding of organizational behavior as a result of a merger or acquisition is based on extrapolations from an individual or micro-level analysis rather than on direct impacts at the organizational level.

While scholars have conducted research on constructs, such as identity (Abratt, 1989; Balmer, 1995, 1998; Gray and Balmer, 1998) and attitude (Lipponen, Olkkonen & Moilanen, 2004; Van Dick, Wagner and Lemmer 2004), thought relevant to employee experience during a merger or acquisition, and on the role of communication in a merger/acquisition (McEntire & Bentley, 1996; Sales & Mirvis, 1984 and Berry, 1990), we did not find any studies that explored causal links between all of these three constructs. In striving to understand the impact of a merger or acquisition at the micro, or employee level, our research, however, sought to understand how communication, specifically framing and communication channels, affect an employee's identity and how identity influences attitude and behavior.

Attitude and Behavior

Attitude has long been recognized as a powerful predictor of behavior. Ajzen's theory of planned behavior (1985, 1987 & 1991), perhaps the most cited and oft utilized model to predict behavior or intent to behave, holds that an individual's intention to perform a behavior (the immediate antecedent of behavior) increases as attitude toward the behavior becomes more favorable. Armitage and Conner (2001) reviewed 185 independent studies and

found that the theory of planned behavior accounted for 27% of the variance in subsequent behavior and 39% of the variance in behavioral intentions. According to them, the theory of planned behavior is the most dominant model of attitude-behavior relations. The theory of planned behavior posits that attitude, subjective norm and perceived behavioral control working in combination with one another affect behavior or behavioral intentions. Eagly and Chaiken (1993) and Fazio (1990) suggested that attitude alone is a powerful antecedent of behavior. Futher, Albrecht and Carpenter (1976) and Bentler and Speckart (1979) found that attitude influences behavior directly. Lipponen, Olkkonen and Moilanen (2004) found that during a merger, positive attitudes exhibited by one group of employees to the other consolidation company's employees were positively related to post-merger identity, whose antecedent was perceived justice during merger integration. Van Dick, Wagner and Lemmer (2004) found that identification with the pre-merger company of origin and identification with the post-merger entity was positively related to job satisfaction and citizenship behavior. These same identities were negatively related to turnover intentions and negative emotions or behaviors.

Identity

The research on identity within the merger and acquisition arena focuses on organizational identity as a result of the change (Abratt, 1989; Balmer, 1995, 1998; Gray and Balmer, 1998; Van Riel and Balmer, 1997). Studies, for example, have shown that employees must adjust to a new consolidation which includes cognitive and emotional separation from the company of origin in a merger or acquisition and alignment of self with the new organizational reality (Weick, 1995; Weick and Quinn, 1999). Rousseau (1998) found that a change produced by a merger or acquisition could seriously challenge an

employee's identification due to the disturbance of cognitive alignments and emotional attachments to one of the two consolidating businesses. Albert and Whetten, (1985) and Dutton et al. (1994) suggest that identity operates as a cognitive framework through which employees respond to changes in the organization. Dutton et al. (1994) and Mael and Ashforth (1995) suggest that organizational identification has attitude and behavior consequences which make it congruent with identity producing employees that think and feel protectively toward the organization. Herriot (2001) and Marks and Mirvis (2001) observe that identity may be at risk during a merger or acquisition, threatening job continuity, professional esteem and distinctiveness and efficacy (or self perceived competence) particularly if role or job status changes look likely or are involved.

We relied for our study on the work of Brewer and Gardner (1996) and Flynn (2005), who distinguish between three possible identities that can be adopted by employees – personal, group and organizational. “Defining self as a unique individual reflects a personal identity orientation” (Flynn, 2005); defining the self as a member of a group reflects a relational identity; and defining the self as a member of a collective defines organizational identity. These three forms of identity constitute the mediating variables in our research model. We could not locate any studies that specifically addressed how employees may move between these identities in a merger acquisition setting or what might motivate that movement.

Communication

A number of studies have investigated the role and effect of communication in mergers and acquisitions. Leana and Feldman (1989) found, contrary to management's perception, that advance notice to employees of a merger or acquisition did not positively

correlate to increases in absenteeism, tardiness or productivity. Buono and Bowditch (1989) and DeNisi (1991) suggest that effective communication on the long term career possibilities within a merger or acquisition may significantly bolster employee's confidence and commitment to the new consolidation. Berry (1990); McEntire & Bentley (1996) and Sales & Mirvis (1984) found that communication plays a central role in the acculturation process that employees go through when experiencing a merger or acquisition. Schweiger and Denisi (1991) reported positive results from a communication program they termed a "realistic merger preview" whose design was to mitigate the anticipated negative effects of a merger or acquisition. Their results suggest that realistic communication during a merger process aided the employees in getting through the process as measured by significantly lower levels of global stress and uncertainty. It also increased job satisfaction.

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

Stinchcombe (1990) discussing organizational reliance on information for making decisions and coordinating tasks differentiates between information conduits such as group gatherings, face to face meetings, telephone and other media. A number of studies have evaluated the relative effectiveness of these various mediums. Among them, for example, Williams (1977) has shown that computer mediated communication enhances intra-and inter-organizational communication for task accomplishment and Fulk and DeSanctis, 1995 have

illustrated that email systems have the potential to facilitate-communication flow and effectiveness.

This may not, however, be true in all situations. “Information Richness Theory” (Daft and Lengel, 1986), for example, posits that, for the transmission of ambiguous or equivocal information, some channels of communication are more effective than others. Those channels more capable of conveying cues and other stimuli, the theory holds, will facilitate the speed and depth of a communication recipient’s understanding. Accordingly, in ambiguous and/or equivocal situations, high-cue, face to face communication has been seen to trump non-rich media such as email for effectiveness.

Media Features Theory (El-Shinnaway and Markus, 1998) suggests that choices regarding communication channels or media will be influenced by not only functionality, but also usability -- the clarity of the channel to transmit messages. Our research did not find any work previously done that studied the functionality or usability of specific channels of communication (one of our independent variables) with M/A outcomes, employee satisfaction or behavior.

METHODOLOGY

Research Design

Our research was designed to gain an understanding of the effects of communication and identity on cooperative and non-cooperative behaviors during of a merger or acquisition. Data was generated using semi-structured interviews to capture the stories of mid to upper level managers involved in implementing corporate consolidations. The interview questions were designed to elicit spontaneous accounts of the personal experiences of these executives whose firms acquired, were acquired by or merged with other companies during the last

several years. The interviews focused on employee attitudes and behaviors during these integrations and a set of specific factors that may have influenced them. The interview protocol is included in Appendix A.

During the interviews we distributed three sets of cards to each respondent and used them as a tool to probe and categorize responses to questions relating to several model variables. A first set of three cards allowed the participant to choose between “Cooperates with me” or “Neutral to me” or “Competes with me” when describing a relationship with a counterpart during the merger or acquisition integration. A second set of five cards described communication channels that may have been used in the consolidation. The choices were “Email”, “Through a direct report”, “Person to person or face to face”, “Through meetings” and “Telephonically”. A third set of four cards listed the stages of the merger or acquisition. They were “The Announcement (of the merger or acquisition) phase”, “Pre-integration phase”, “In-process integration phase” and “Post-integration phase”. The stages are further defined in appendix B. Respondents were requested to select from among these cards to describe which phase was most stressful, contained the most uncertainty and/or lack of control or reflected certain other characteristics. The interviews ranged from one and one-half hour to slightly over two and one-half hours and were conducted either in person (face to face) or via telephone. All interviews were transcribed and coded into perceived positive and negative, competitive and collaborative M/A experiences. Following generalized top level coding, experiences were coded according to management framing, employee identity orientations during phases of the integration process, types of collaborative and non-collaborative behaviors, respondent attitudes while sharing their experiences, integration phases and evidences of peak levels of stress, anxiety and lack of control. Finally, we coded

communication channel uses and preferences of each respondent. Once these secondary levels of coding were completed, coding ensued around themes, patterns and precedents.

Sample

Our sample included nineteen professionals and executives from a variety of industries who shared both positive and negative M/A experiences. Some of the industries represented by participants were banking, printing, defense contracting, insurance, healthcare, hospitality, manufacturing and telecommunications. A portion of the respondent pool consisted of managers known to the investigator or identified by former colleagues, customers, suppliers, consultants and business partners.

Positions of respondents at the time of the merger or acquisition event ranged from President/CEO to department manager. The participant pool consisted of 12 males and 7 females aged 35 to 60 years old. The career working years of the respondents ranged from 15 to 35 years.

FINDINGS

Our research examined 24 stories of merger or acquisition experience. Of the nine mergers that were explored, only one was perceived by a participant as positive. Of the fifteen acquisitions that were examined, eight were perceived as positive by the participants. Eighty-nine percent of the mergers and forty-seven percent of the acquisitions were perceived as negative.

Our data revealed that participants in mergers and acquisitions – independent of whether the activities were deemed successful or not –experienced similar emotional reactions. All respondents indicated that the M/A was stressful and at times ambiguous and uncertain. Moreover, all of our subjects reported experiencing during the integration process

destabilizing conflicts between personal, group and organizational identities. The respondents reported these conflicts both in cases where the business consolidation they experienced was perceived to be positive as well as those that were seen as negative. The data showed that employees reconciled the conflict, ultimately prioritizing one or another of three possible identity forms and we observed consistencies between those choices and the attitudes and behaviors they described during the M/A experience.

The respondents in our research distinguished between M/A identity options that are consistent with those described by Brewer and Gardner (1996) to prevail in more general organizational contexts. Respondents fell into three categories of identity when coding their described M/A experiences. Some respondents adopted a personal identity while abandoning their company of origin within the merger or acquisition consolidation. Interestingly, others adopted a group identity which signified their allegiance to their company of origin within the merger or acquisition endeavor but not to the new entity. Lastly, others embraced the new organization and endeavored to make the integration between the consolidating businesses a success. Regardless of how their identities were prioritized prior to the M/A experience, employees reported having to renegotiate them during the integration process. This renegotiation process was seen to be influenced early in the process by the form and flow of two levels of inter-organizational communication.

Role of Communication

Our research demonstrated that among the myriad factors that influence the attitudes and behavior of employees in a merger or acquisition, communication appears to play a critical role. Respondents uniformly identified and differentiated between two forms of inter-organizational communication they deemed especially salient -- vertical communication

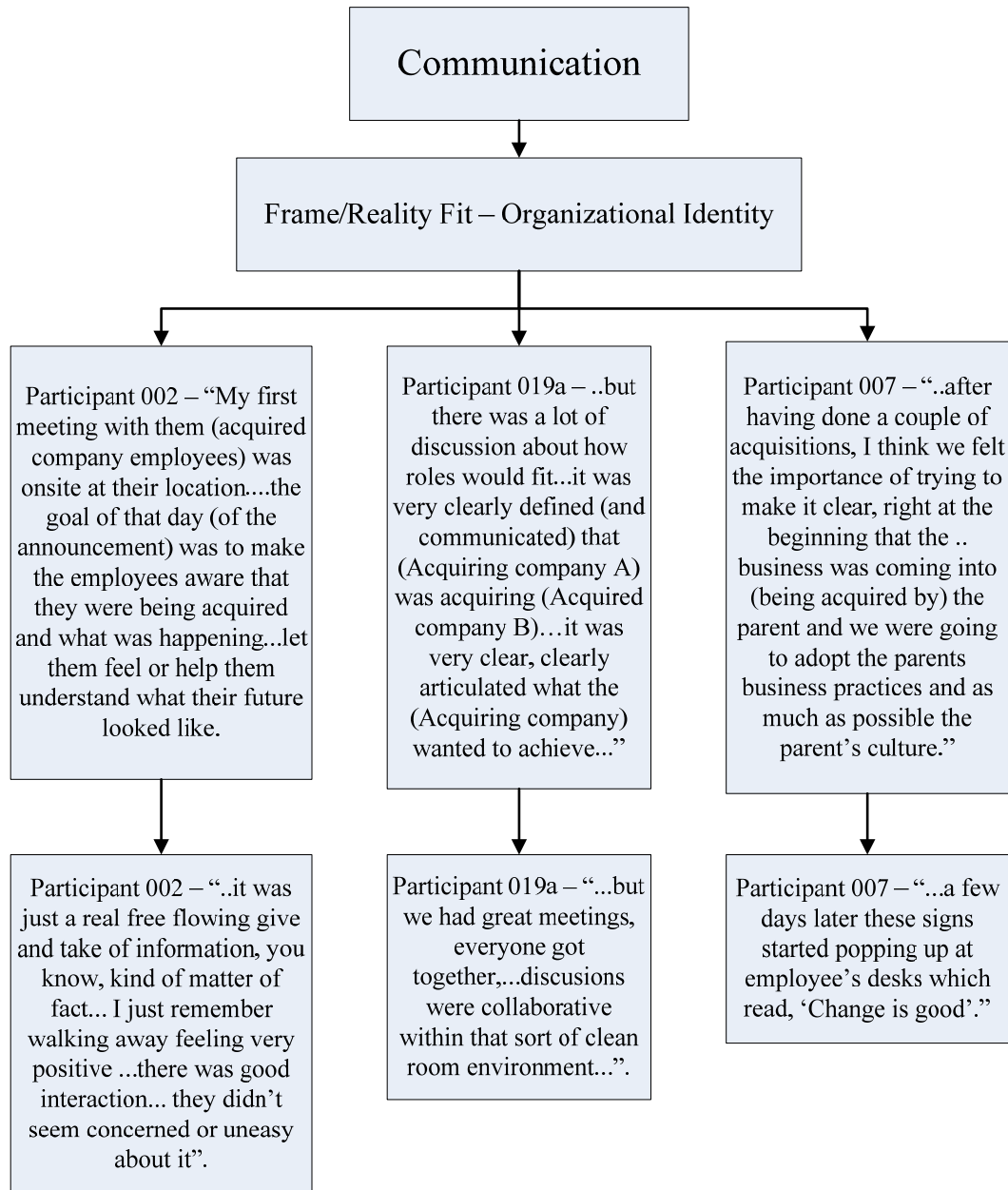
cascading downward from management to employees and horizontal communication flowing between employees encapsulated within each of the individual organizations as well as between peers across the two firms. Further, they identified the most important feature of each of the two forms of communication and described its impact on individual attitudes, identity perceptions and behavior.

Vertical Communication: The Importance of Framing

How management chooses to frame a business consolidation – either as a merger or as an acquisition – was seen as the single most influential factor effecting how employees responded to a merger or acquisition. Framing emerged as a more consequential feature than frequency or channel of management communication. Purposed by Giroux and Taylor (1995) as a means of “prepar(ing) minds to a new context of action,” framing has been found to be a potentially a powerful tool for explaining top management intentions (Demers, 1993). Respondents differentiated between consolidations they perceived were framed by management to aptly and appropriately reflect business intent and others that were purposefully mis-framed to manipulate constituent responses (including employees, external constituents or the other firm). The more strongly employees perceived an M/A frame/reality fit, the more likely they were to express confidence in senior management’s decision to consolidate the businesses. Among respondents who perceived the frame as fitting, trust in senior management’s strategic vision continued to evidence itself through much, if not all, of the M/A integration period. Comfort with proper framing was also correlated with expressions of strong, renegotiated organizational identity. Participants who perceived that management had framed the merger or acquisition aptly and unambiguously recognized synergies between personal and organizational objectives and to describe their personal

experiences in positive terms throughout four distinct phases of the merger or acquisition. These phases are described in Appendix A.

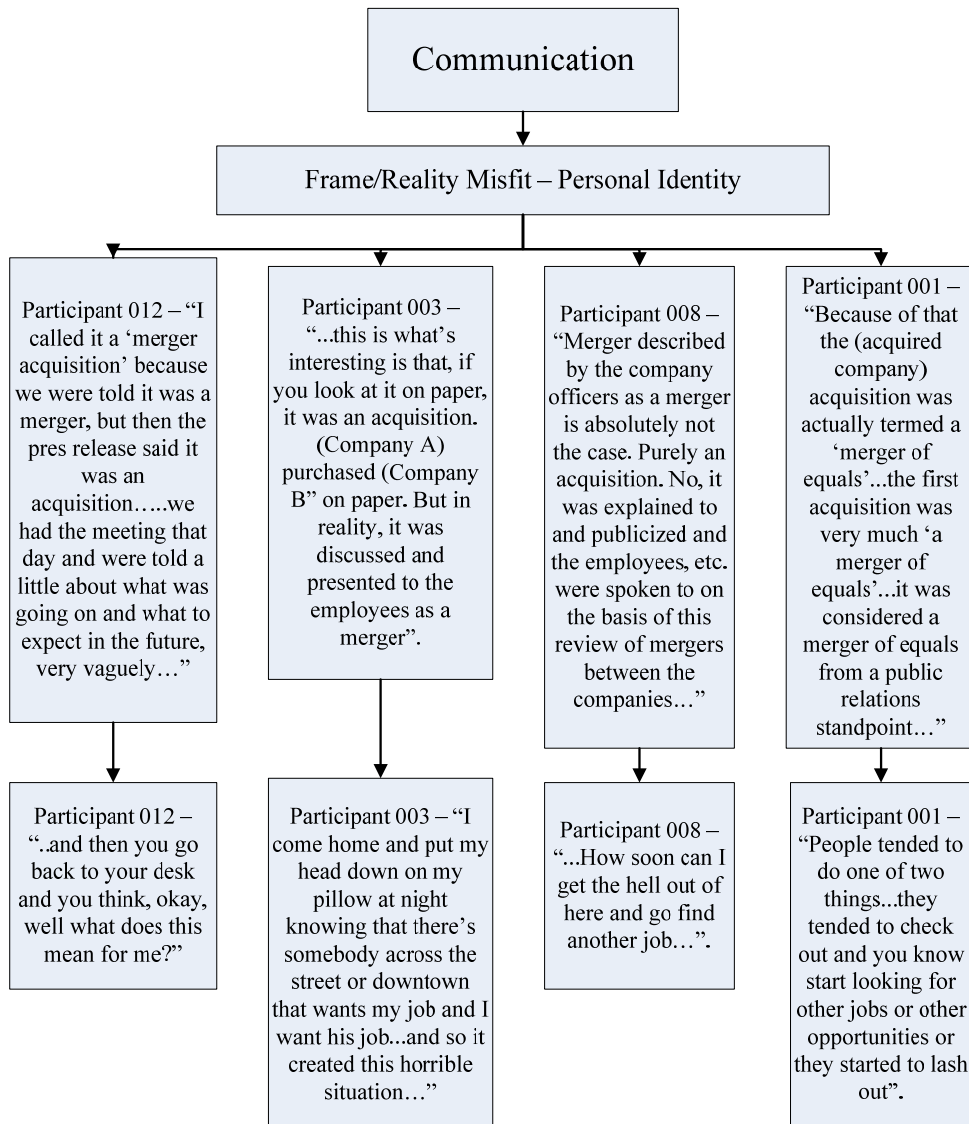
FIGURE 2
Frame/Reality Fit – Organizational Identity



Contrarily, when management-frame and reality were perceived as incongruous, employees’ were more likely to report skepticism toward and distrust in senior management

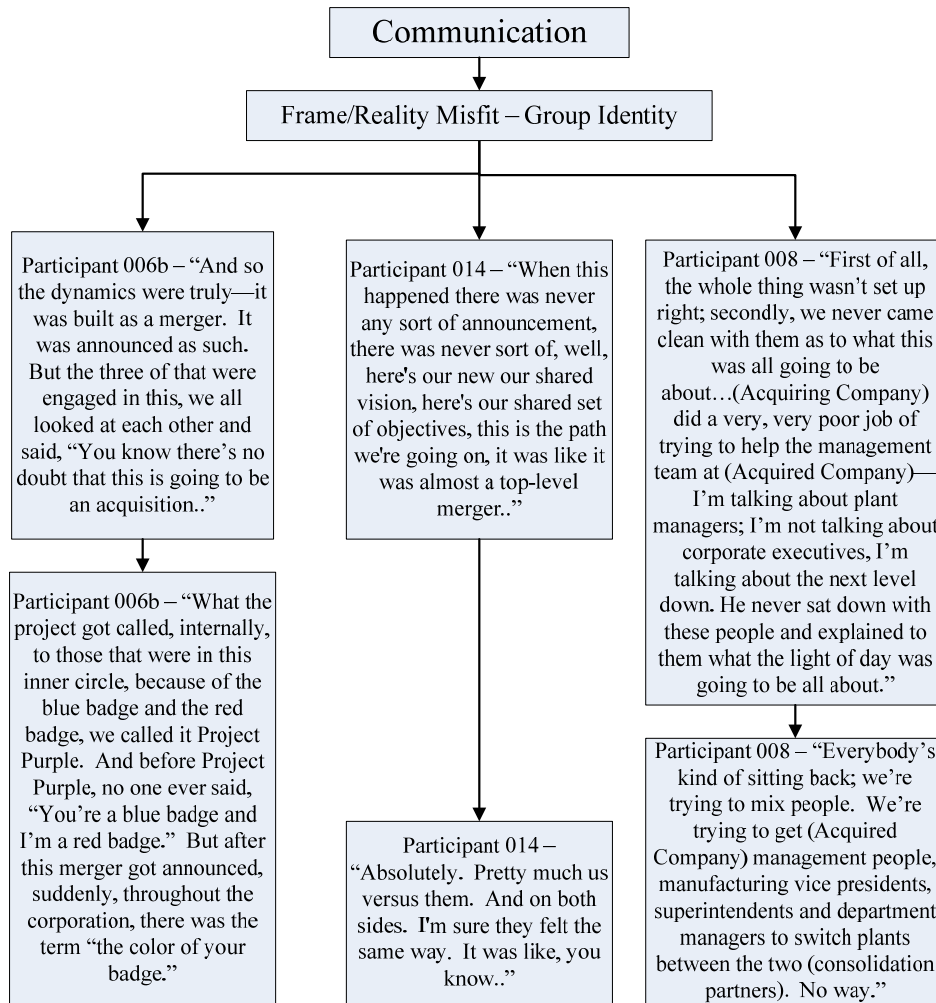
and to doubt the potential success of the merger or acquisition. Additionally, employees who sensed mis-framing, were more likely to report experiencing personal stress, anxiety and disenchantment and to profess a weaker sense of organizational and stronger personal identity.

FIGURE 3
Frame/Reality Misfit – Personal Identity



In some instances, mis-framing strengthened group identities of the business consolidation partners and weakened organizational identities among the employees charged with consolidating integration activities.

FIGURE 4
Frame/Reality Misfit – Group Identity

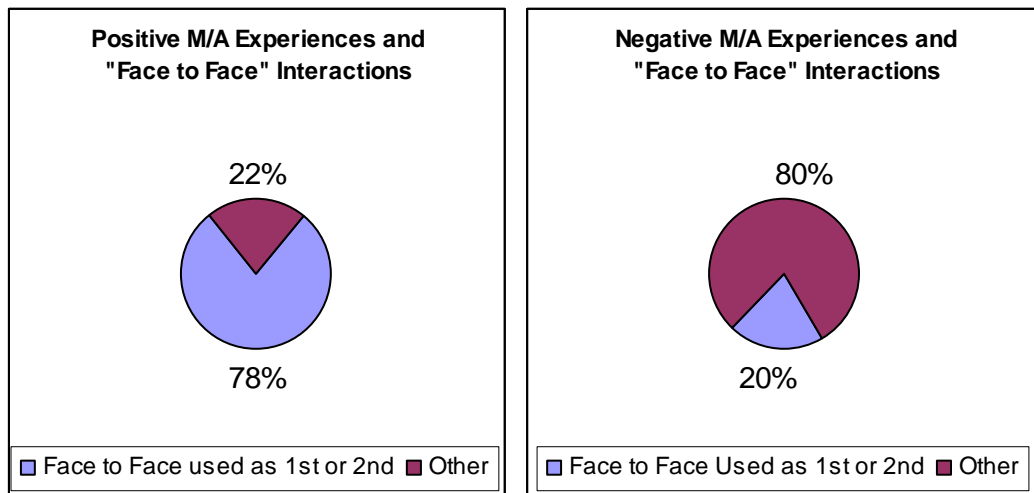


Horizontal Communication: The Criticality of Channels

How employees involved in a consolidation communicate among themselves (both within individual merging units as well as between them) emerged as a key factor influencing individual reactions to the M/A experience. The channels of communication through which

peer-to-peer communication transpire were reported to impact identity and to robustly influence both attitudes and behavior. Considering a continuum of communication intensity that distinguished levels of personal intimacy between correspondents (including face-to-face, telephone, email, through a direct report or through meetings), a relationship was reported between the use of higher intensity channels and more positive attitudes, stronger organizational identity and more cooperative behavior. Most respondents indicated that perceived successful M/As were comprised of collaborative and cooperative relationships. The following pie charts indicate the percent of M/As which were perceived as successful and as a failure and their utilization of face to face communication. Those that perceived the M/A venture to be successful utilized face to face interactions as the 1st or 2nd most utilized channel of communication. Those participants that perceived the M/A venture to be a failure utilized face to face interactions as the 4th or 5th most frequently used channel of communication during the M/A integration.

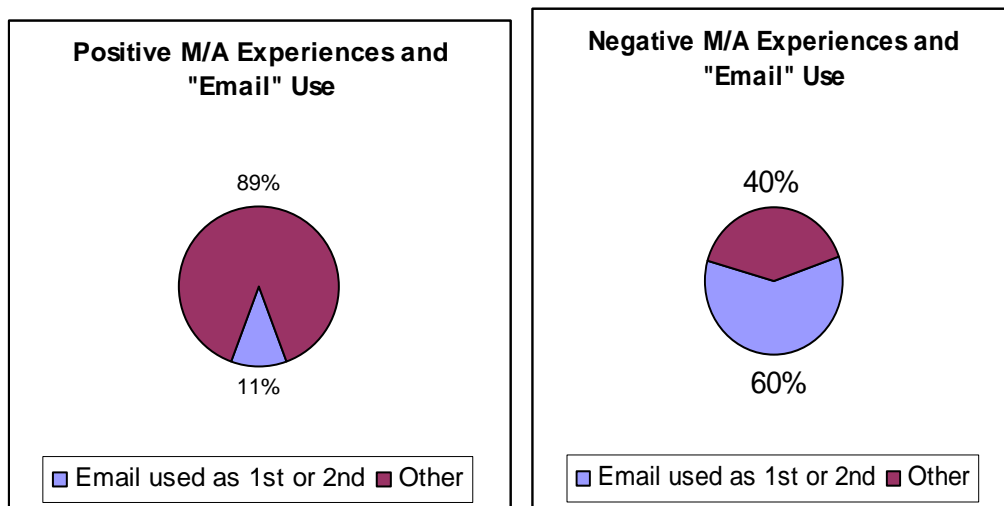
FIGURE 5
Face to Face Interactions – Merger and Acquisition Experiences



Consistent with findings from Daft and Lengel (1986), face to face interactions in M/A situations, when information is often equivocal, appear to be “richer” and more effective. Managers charged with integration placed a high value on face to face or group meetings at the announcement of a merger or acquisition. In M/A experiences which featured more frequent face to face and group interaction for information share, higher perceived consolidation success rates were also observed. Respondents reported that these rich channels of communication fortify relationships with alters, fuel identity with the new entity, and encourage collaborative attitudes and behaviors.

Contrarily, high email use was associated with perceived M/A failure and a less collaborative or competitive integration environment. Daft and Lengel (1986) described written memos (today’s email) as being a “lean” communication channel and not as suitable for equivocal information. The following pie charts indicate the percent of M/As which were perceived by our respondents as positive and as a negative and their utilization of email communication.

FIGURE 6
Email Use Frequency – Merger and Acquisition Experiences

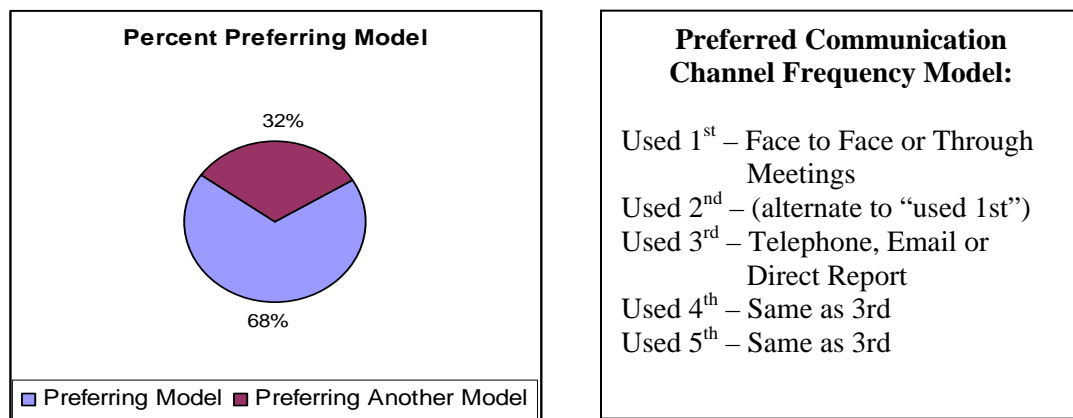


Most M/A experiences which contained higher uses of email for information share reported lower perceived consolidation success rates. The use of these same channels of communication weakened relationships which contributed to the dilution of organizational identity and the strengthening of worker and/or group identity.

Antithetically, mergers and acquisitions that relied more heavily on “lean” (email, telephone) communication channels were associated with a higher rate of perceived M/A failure and stronger feelings of personal alienation and distress. Employees who reported lean communication experiences also revealed weaker organizational commitment and more competitive or non-cooperative behavior.

Our research also indicated that specific communication channels were preferred by the respondents when trying to achieve collaboration and cooperation throughout the integration process. With 5 options to choose from producing a total of 120 possible channel combinations, rich communication channels were preferred by a large majority of the participants.

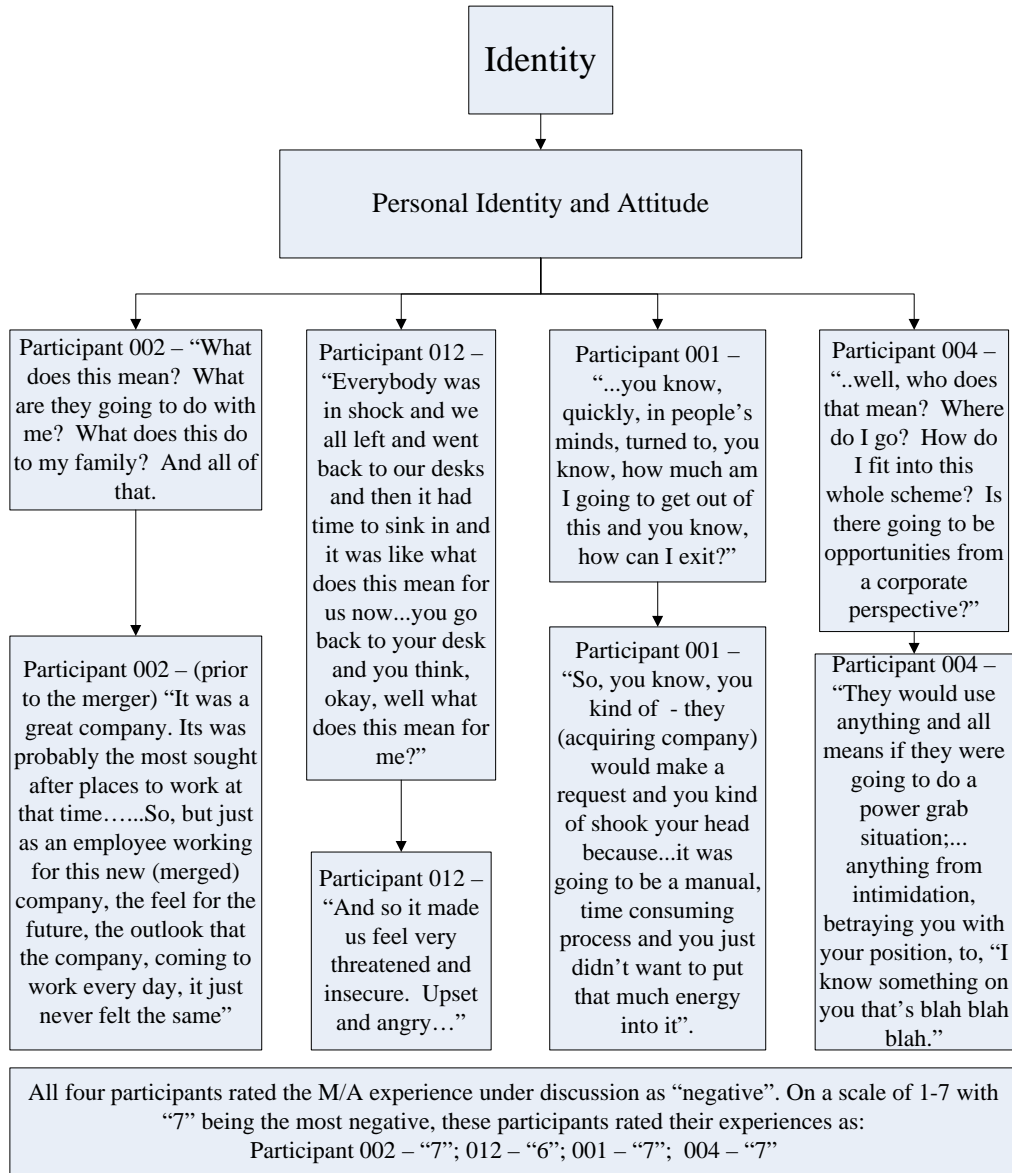
FIGURE 7
Communication Model Preferences



IDENTITY

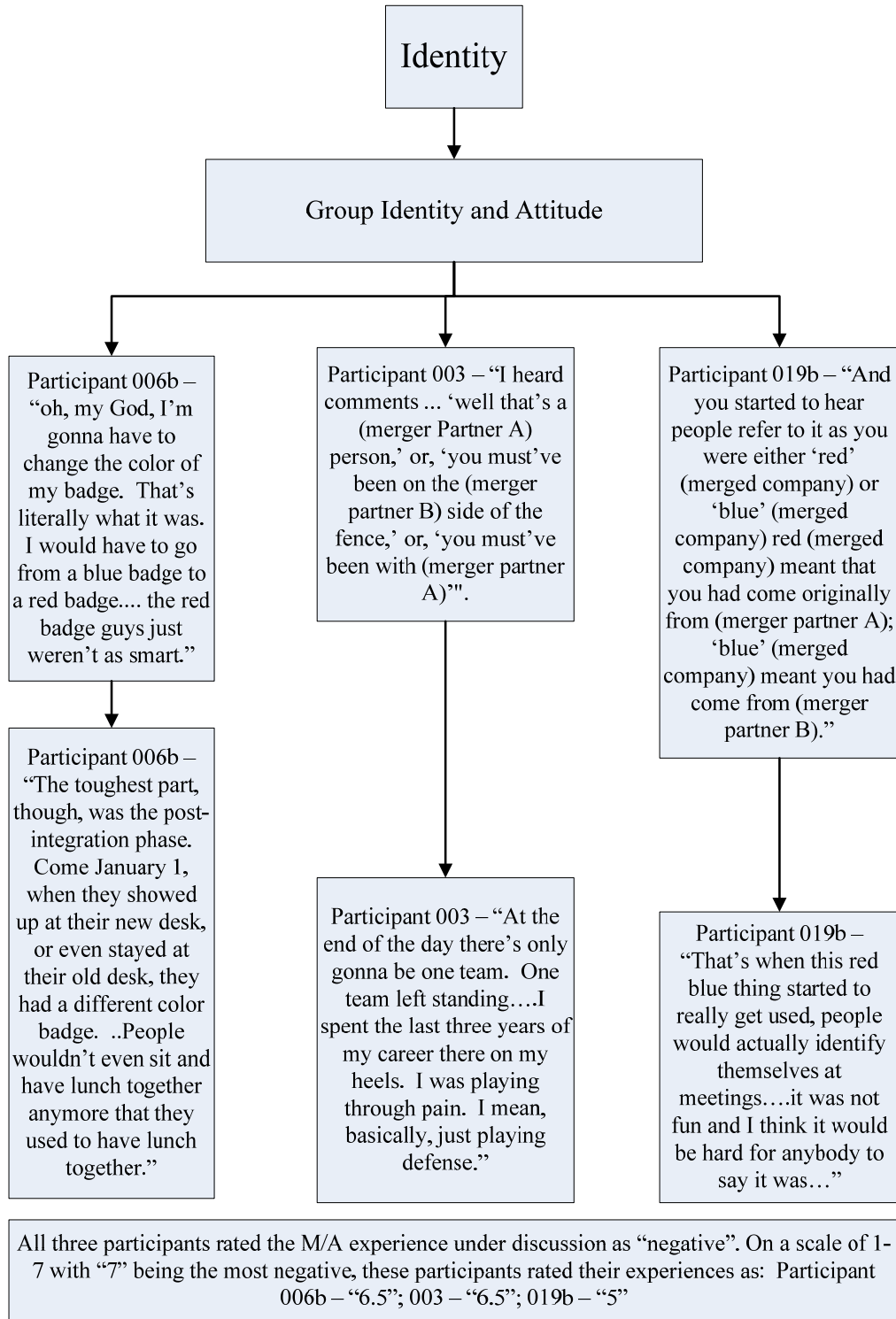
Identity conflict during the four phases of the M/A experience was tempered by appropriate management framing and well managed inter-organizational communication. Still, even in aptly framed and optimally facilitated activities -- and even when they judged an M/A as ultimately positive -- most respondents reported experiencing significant identity tension. This was especially true in the second (Pre-integration Personnel Change Phase) of the four phases of the M/A process where individual vs. group vs. organizational identity ambivalence was described as most acute. During this phase, employees reported wrestling with choices about first order loyalties to themselves, their original groups and to the new organization due to the uncertainties which pervade all mergers and acquisition consolidations. The communication factors described above influenced these choices. Both the use of impersonal, "lean" channels of communication by alter-organizational peers, for example, and/or a prevailing perception of management mis-framing, were associated with reports of heightened individual and group identity and diminished organizational identity. Respondent's reported prioritizing individual identity when their sense of confidence about the protection of their personal interests wavered. Personal identities produced attitudes which are suboptimal.

FIGURE 8
Personal Identity and Attitude



Respondents prioritized group identity – identity with their department or company of origin (one of the consolidation partners) -- when they perceived their security rested in the safety of the group or the organization was struggling to dominate the merging entity. In most instances, strengthened group identities and weakened organizational identities were associated with negative attitudes about the M/A.

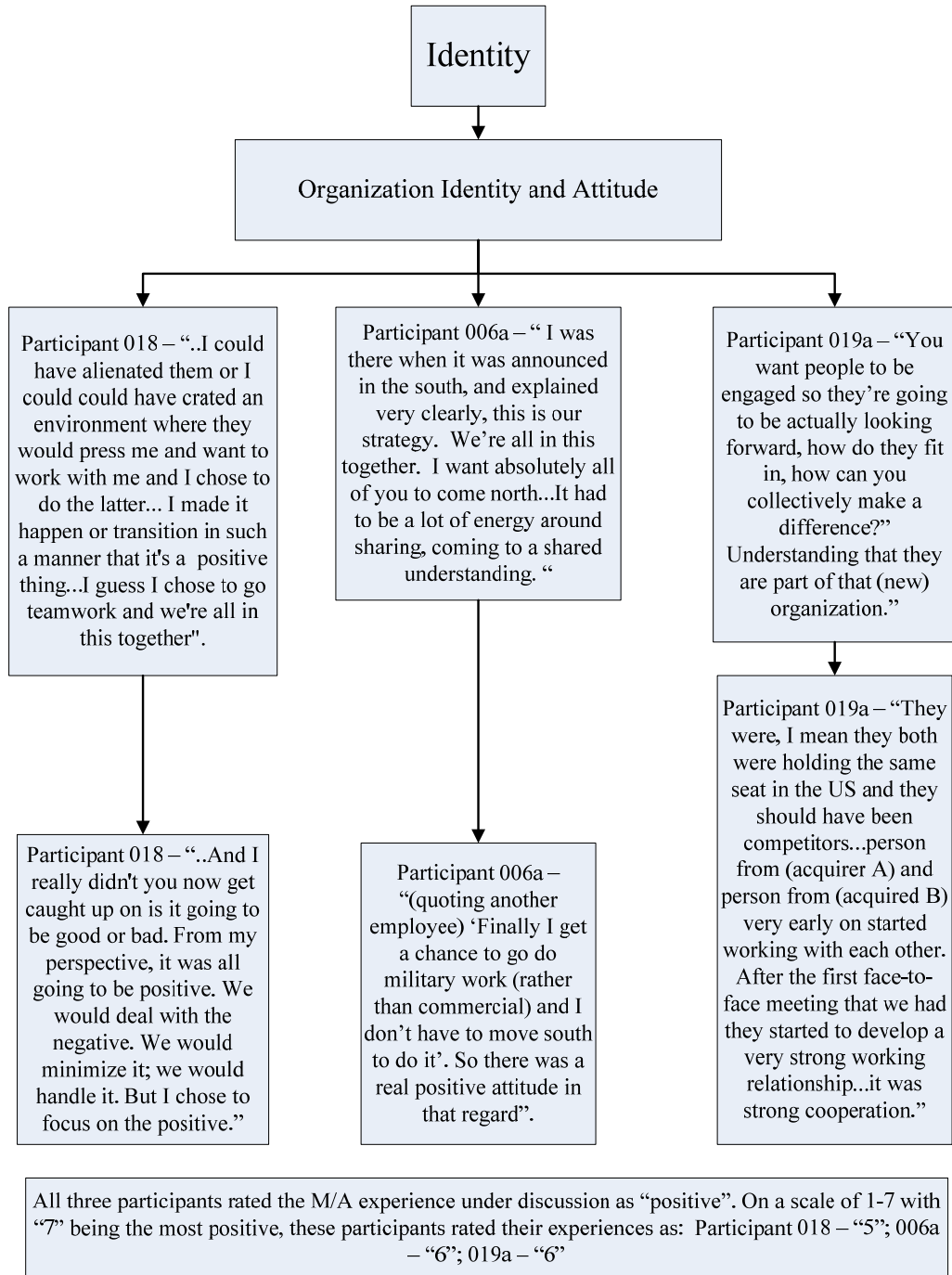
FIGURE 9
Group Identity and Attitude



In instances where employees prioritized group or personal identities, eschewing strong orientation to the consolidating organization, we noted that more aggressive, competitive verbiage, often including sports, survival or military metaphors, tended to be used by respondents to describe their experiences. Primarily with personal identifications, we observed vernacular evidence of principles of “negotiated exchange” in which employees abandoned organizational citizenship and gravitated toward an identity in which relationships with coworkers were characterized by continuous monitoring to ensure equity and self sustaining benefits, a phenomenon described by Flynn, (2005).

Antithetically, a strong organizational identity prevailed when employees felt positive about their future with the organization. In cases where respondents adopted a strong organizational identity, their rhetoric was distinguished by strikingly more mild, cooperative and familial terminology.

FIGURE 10
Organization Identity and Attitude



Attitude and Subsequent Behaviors

All participants who reported experiencing a negative M/A also reported engaging in or being the object of behaviors that were not collaborative or cooperative in nature.

Those behaviors limiting expedient or successful M/A integration included not sharing information, sharing partial or incorrect information, not attending meetings, spreading rumors or discouraging morale. These behaviors were more prevalent in perceived negative M/A experiences than in perceived positive experiences. In the latter case, respondents reported engaging in or observing more cooperative behaviors such as looking for synergies and cultural similarities, sharing information and openly advocating the business consolidation to their coworkers.

Unanticipated Findings

For many of the participants, if their future with the new organization was known (whether or not they were assured of a place in the organization), this knowledge increased their willingness to cooperate during the integration. Participants indicated that their worker identity (as well as those of co-workers) was negatively affected by the merger or acquisition. During the integration, executives were seen to adopt a personal, group or organizational identity and they sometimes moved between those identities during the integration as stimulus dictated. This often led to competitive orientations which all too often were ultimately perceived as resulting in a negative M/A experience.

In examining our data we noted a “trickle down effect” in stress, ambiguity and uncertainty that associates executive level and integration stage. When dealing with perplexities of an M/A, senior management was seen to be the first level to be negatively affected, the second level of management next and so on until ultimately the department

managers charged with integration activities experienced these negative personal and career effects. Most of the integration managers we interviewed experienced the full affect of the stress/ambiguity/uncertainty during stage 3 or “in-process integration” of the M/A endeavor. Most of the perceived negative M/A experiences were characterized as “competitive” while most of the perceived positive M/A experiences were characterized as “cooperative”.

However, a few participants suggested that a certain amount of intra-employee competition was necessary and good to maintain the competitive presence of the enterprise among its market competitors. Most of the participants stated that M/A integration activities were very distracting and that productivity suffered. During acquisition integration, some participants expressed an appreciation for competitive behaviors based on their experience of those winning the competition being able to provide unhampered direction/vision for the new department, division or organization. These same types of aggressive competitive traits were not appreciated during a merger. The desired atmosphere within this arrangement was described by one respondent as “similar to a marriage between two consenting adults.”

Most of the participants experienced “lingering effects” of a merger or acquisition. When discussing positive M/A experiences, attitudes of energy and satisfaction were exhibited. A sense of pride was conveyed in recounting the M/A experience and how it had been “pulled off”. Most of these participants adopted an organizational identity when recounting positive M/A events. Respondents reporting a negative M/A experience conveyed an attitude or demeanor of disappointment, depression or victimhood. In these many of these participants adopted a personal identity when recounting the hardships brought on by the M/A endeavor. Of those recounting a negative M/A experience, a minority of them considered the possibilities of “what could have been” from an organizational perspective,

but most reverted back to their own personal frame of reference. Two participants later indicated that recounting the story caused them temporary depression with some loss of sleep. This oscillation from organizational to personal identities depending on the M/A outcome was most telling among participants who had shared both positive and negative experiences respectively. This pattern of organizational identity (uses of the word “we”) when discussing the perceived positive M/A outcome and personal identity (uses of the word “I” or “my”) when discussing the perceived negative M/A outcome occurred often within the research.

There were no strong correlations between a specific phase and stress, lack of control or ambiguity to a perceived negative M/A outcome. According to the respondents, “Stage 2 – Pre Integration Personnel Change Phase” was the stage that should be managed the closest to obtain a successful M/A outcome. Of the four stages, “Phase 3 – In process Integration” contained the most stress, and perceived lack of control and was the stage exhibiting the most competitive behaviors in both perceived positive and negative M/A business consolidations.

Although stress, ambiguity and lack of control were each scored in the 1st, 2nd, 3rd or 4th phases of a merger or acquisition, an usual theme began to emerge. When stress was most pronounced in the 1st or the 2nd stages of the merger or acquisition, it tended toward a positive outcome. When stress was most evident in the 3rd or the 4th stage, the outcome tended more toward a negative outcome. The same pattern emerged for “uncertainty” as well, when it was most pronounced in the 1st or the 2nd stage of the M/A, the total endeavor was perceived as positive more often than not. However, like stress, when it spread to the 3rd and the 4th stage, it tended toward a perceived negative M/A endeavor.

DISCUSSION

Drawing from literatures in business, communication and sociology we developed a model that explored relationships between communication, identity, attitude and behavior in the setting of a merger/acquisition. The results of research provide general support for the conceptual model that guided the research. However, based on our findings we were able to enrich the model significantly (figure 2). Our refined model reflects our respondent's observations about the role of two specific levels of communication on three specific identity forms.

In general, our findings suggest that all employees – whether they ultimately survive or succumb to the destabilizing effects of a merger or acquisition – share predictable identity-challenging experiences when negotiating an integration process. Our results also point to practical ways management can mitigate the deleterious effects of these experiences – at both individual and organizational levels.

The importance of managing communications – both content and channels --emerges from our research as a core finding. We suggest that companies can promote successful M/A outcomes by aptly and convincingly framing the consolidation initiative. Previous research on “symbolic action” has indicated that language plays a central role in forming social relations and promoting human cooperation (Burke, 1962). According to Burke, symbols related to the material world are the only reality assessable by humans. Therefore, symbols do not mirror the world, but rather through giving it meaning, constitute it. The symbol of a “merger” conveys partnership or coequality. Contrarily, “acquisition” connotes power and “taking” (hence “takeover” or “hostile takeover”). The research implies that management should anticipate and strategically address – in the early planning stages for a merger or

acquisition rather than belatedly at the public announcement stage – how to present, or symbolically present, the initiative to both internal and outside constituents. We could not find previous research that examined the relationship between how and with what results M/A framing was executed, but heartily recommend such inquiry.

Consistent with previous research (Daft & Lengel, 1986; Olson and Olson, 2000), our findings suggest the salutary effects of using rich vs. lean channels of communication throughout the implementation of a merger/acquisition. Fit between information equivocality and channel use by employees who execute secondary and tertiary levels of integration may produce more expedient and successful M/A outcomes. According to Information Resource Theory (Daft & Lengel, 1986), face to face communication is the richest media because it provides immediate feedback which is critical when dealing with sensitive organizational issues where employee emotions can evidence themselves most acutely. Face to face permits the exchange of multiple communication cues (tone of voice, facial expressions) which aid individuals to accurately interpret a situation in which uncertainty is almost always prevalent. The present study implies, for example, that integrations that rely more on face to face meetings (rich forms of communication) than email (lean forms of communication) produce more positive outcomes than negative.

While most of our participants recognized the value of face to face interactions during times of organizational change and stress (i.e. merger or acquisition), the research found that many did not use that model when executing integration activities. The explanation for cognitive recognition of a superior channel to communicate equivocal information but utilization of another model can be explained by media features theory (El-Shinnaway & Markus, 1998). This theory posits that the choice of communication channel will be

influenced by the usability and functionality of the selected communication channel.

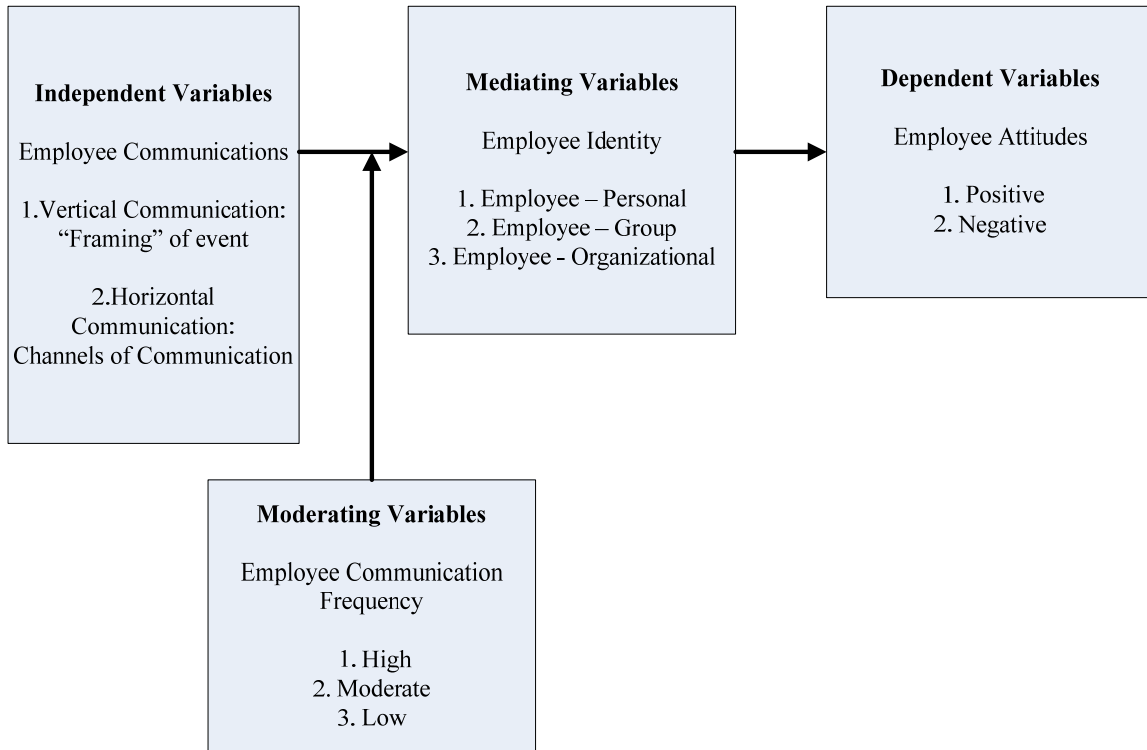
Usability refers to the extent to which a particular channel allows a message to be transmitted while functionality refers to the way in which a channel aids the employee in accomplishing their work. Therefore, since email is readily available, managers should caution employees regarding overuse and encourage relationship building via face to face meetings and group meetings. There seems also to be evidence that frequency of communication may moderate communication effects.

Our study also implies that sensitivity to the seemingly inevitable identity conflict that employees report experiencing can reduce negative attitudes and discourage non-cooperative behaviors. According to Brewer and Gardner (1996), employees typically adopt one of three identity orientations; personal, relational (group) or collective (organizational). These identities have been mapped on a behavioral continuum with cooperation and interaction at one extreme and self concept differentiation and isolationism at the other. According to Flynn (2005), “defining the self as a unique individual reflects a personal identity orientation, defining the self as a member of an interpersonal relationship (or group) reflects a relational identity and defining the self as a member of a social group reflects a collective identity orientation”. Collective identities may associate with “many different levels of analysis, including...organization” (Flynn, 2005). This research data suggests that managers should seek to control employee identity orientations with preference toward organizational (or collective) identity to maximize M/A positive outcomes. Actions that strengthen personal or group identities and subsequently weaken organizational identities were seen as producing less positive M/A outcomes.

Finally, corporations may affect cooperative behavior by promoting favorable employee attitudes toward the merger or acquisition. In a high majority of the perceived positive M/A business consolidations, employee attitudes were described as generally positive and attitudes were associated with reports of cooperation and collaboration. Antithetically, in M/A experiences that were perceived as negative, a high percentage of respondents described them as competitive and non-collaborative in nature. These negative attitudes produced suboptimal behaviors during integration such as employee morale destruction, reluctance to share information and the purposeful sharing of incorrect information. This is consistent with other findings which suggest the effect of attitude on behavior. Many studies based on Ajzen's theory of planned behavior (1985) have demonstrated that attitude can be a powerful predictor of behavior (Armitage & Conner, 2001). Due to these supported findings, managers engaged in M/A integration should practice extreme care when dealing with issues that may affect attitudes positively or negatively.

From the evidence presented by our respondents it appears that comparatively little explicit attention may characteristically be paid by top management to these issues. Because the linkage in the model was suggested by interview data, rather than *a priori*, caution dictates that it should be viewed as tentative until evaluated in future studies.

FIGURE 11
Qualitative Model



RESEARCH LIMITATIONS

Several limitations of our study are noteworthy. Our sample size is admittedly small and included only executives of US firms. While we strove to include in the research a wide variety of industries, our results cannot be generalized to sectors not represented. Moreover, our respondent pool did not include ethnic minorities or diverse nationalities. Our objective was to examine M/A experiences that were both positive and negative, but ultimately the negative experiences outnumbered the positive.

In the researcher's literature review, there were references to cultures and groups of people whose nature it was to cooperate rather than compete (Hofstede, 1990). The inclusion of international and minority experiences could further develop the model and point to other constructs and variables not currently present.

Our research required respondents to recall historical experiences. Some of these were recent while others transpired as long as 5 to 10 years ago. We recognize that our data may be compromised by the effects of time on memory. However, while some researchers prefer to interview participants in the “midst of the storm” or while the emotions are fresh to ensure accuracy and prevent constructive memory (Folkman and Moskowitz, 2004), others prefer historical accounts based on the benefits of “hindsight”. These benefits are predicated on the assumption that participants are removed from the emotional upheaval of the moment and have the advantage of time to see the entire event, from beginning to end, and reflect upon it. Additionally, emotions of the moment can be blinding to the truth and prevent accurate descriptions due to a lack of complete knowledge or “how the story ends” (Folkman and Moskowitz, 2004).

FUTURE RESEARCH

Future studies should examine the extent to which reality and the framing of a merger or acquisition affects employees’ identity orientation. Attention should also be given to communication channels use and their ability to strengthen or weaken the organizational identity which impacts the perceived success of M/A integration. To explore the potential effect of these variables one should be committed to the difficult task of data collection from multiple merged corporations which differ on these variables.

Researchers should also give more consideration to employee’s identities and movement between them during a merger or acquisition integration. In the present study for example, it would be have been interesting to gauge an employee’s identity orientation before the M/A announcement and subsequently gauge it periodically as the integration passed from phase 1 thru phase 4. While this study reveals associations among the model

constructs, subsequent researchers might empirically address causality between them. One method to investigate causality is through exploring them temporally through the four stages of a merger or acquisition.

The degree to which employee attitudes affect behavior as integration tasks are presented and completed also merits attention. Ultimately positive behaviors toward the successful completion of the M/A integration is the goal of management. Research on the variables affecting attitude and their subsequent consequence on behaviors is warranted.

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APPENDIX A

Qualitative Interview Questions Todd Creasy – EDM 2007

Objectives

To explore the phenomena of “culture clash” as it occurs within the scope of a merger or acquisition. To explore the joining of two or more organizations and the potential clash that may occur at the parallel manager level within a division or department of each organization. Special attention will be paid to determine if the clash is really a “Prisoner’s Dilemma”, as put forth by Axelrod, between said managers with opportunities for each manager to cooperate or defect during the integration process. Additionally, I would like to explore the possibility of cooperating or defecting occur at differing points within the merger or acquisition process specifically, the announcement phase, the pre-integration personnel change phase, the in-process integration personnel change phase or post integration change phase.

Review of Informed Consent Document

Prior to any interview proceedings, the informed consent document will be reviewed and discussed with the interviewee. Questions by interviewees relative to the interview process will be addressed. The interview will not begin until the interviewee’s concerns have been addressed and (s)he signs the informed consent document.

Any interviewee wishing to participate via a telephone interview will be asked to provide an informed consent with a verbal response to the question:

“At this time, I like you to respond verbally, with a yes or no answer, to the following questions: Are you over 18 years of age? Do you understand the information provided to you? Do you consent to participate in this research?”

For interviewees providing verbal consent, it is necessary to ensure that a copy of the written informed consent document is made available, if requested.

“Responding with a verbal ‘Yes’ or ‘No’ answer, would you like a copy of the informed consent document we just discussed?”

In the event of a positive verbal response, permission will be sought to send the informed consent document to the address of their choice (home, work, etc.).

“Responding with a verbal ‘Yes’ or ‘No’ answer, do I have your approval to send the information to mailing address you will provide me?”

Receiving a positive response or “Yes”, an informed consent document will be sent to the address provided by the interviewee. It is necessary to reaffirm with the interviewee that the address information provided will be kept confidential in accordance with the confidentiality statement in the informed consent document. At this point, the interview may begin with the participant.

On the other hand, if the interviewee verbally declines (answers “No”) a written copy of the informed consent document, but have given verbal consent to participate, the interview process will begin.

“Before we begin the interview, I like to remind you again that your participation is voluntary, and you may end this interview at any time. All information that you disclose to me during this interview will remain confidential and will not be shared with any of your peers or superiors. In any type of report we might publish, we will not include any information that will make it possible to identify you, or your organization.”

If audio taping, the following phrase will be used to ensure that the interviewee is aware that the interview is being audio taped.

“I just want to mention again that you have agreed to be audio taped during this interview. Additionally, I would like to remind you that during the course of the interview, you can and may change your mind and ask that the tape recorder be turned off at any time. I will immediately honor your request.”

Interview Protocol

Subject ID# _____

This section ensures that the reasons for the study and the purpose of this interview are re-communicated, covering the same key points that were included in the recruitment script or letter. Next purpose of this section is to gather information about the individual, their experience, and their role in the organization. However, prior to asking the question, it would be useful to provide information on how the subject was selected in necessary.

If referred by someone, “I was referred to you by (contact name). (Provide context of the referral). I have a group of 22 structured questions, and like to begin with understanding you, your experience, and role in the organization. This will give me a better context to understand your particular perspective.”

Questions

Questions 1-7 - General

1. “Could you tell me a little about your background and your experience”?
2. “How would you describe your current job in your organization”?
3. “Have you ever been through a merger or acquisition experience? If so how many of each one”?
4. “Within your current organization have you ever experienced a merger or acquisition? Which one? Both”?
5. (If “No” to #4) – “What was the name and industry of the organization for which you did experience a merger or acquisition”?
6. (If answering #5) – “What position did you hold in the organization at the time of the merger or acquisition”?
7. “When thinking of the merger or acquisition, was it senior management’s desire to fully integrate the two companies into one?”

Questions 8 – 20 deal with collaboration and positive M/A experiences

Definition of a “good” and “bad” merger or acquisition given as...

A merger is a combination of two or more companies in which case sometimes a new name is selected to acquire the net assets of the combined company. Generally only combinations in which the one of the companies legally survives is called a merger. In most mergers, common stock is traded for common stock.

An acquisition is one company taking over controlling interest in another company. Often the purchaser has paid more than the market price for the company to satisfy some strategic plan. Sometimes these are referred to as a “takeover”.

Senior management will call the transaction a “merger” or “acquisition”.

Prior to this question, I’ll define what a “positive” or “good” M/A experience looks like (i.e. collaboration between Sr. Mgmt, consumers recognize the two companies as one, research and development work together to produce first product, stock price improves, bottom line (EPS) improves, cultures meld producing a better culture, positive press,)

Dependent Variable Section – Good merger or acquisition experience. I’ll ask the interviewee to select either a merger or acquisition.

8. “Consider each of the mergers or acquisitions that you’ve been associated with. Would you please identify in your mind the one that was most positive? On a scale of 1-7 with 7 being the “most positive”, how would you rate this merger or acquisition? Please recount for me the experience beginning with the time, place, your position, initial announcement, etc. Start at the beginning and conclude where you deem appropriate”. (Interviewee’s story).
9. (Probing) - “What were the sizes in sales of the M/A partners? Why was it positive? Did you share the opinion that it was positive? Where there others who might have disagreed? Why did they think that? Where the goals of the undertaking met? Could anything have been done to make the merger/acquisition even better”?
10. (Probing) – “How did the post M/A integration go? What could have been done to improve the M/A’s integration? What might have happened that would have made it worse”?

Managerial Counterpart and Interaction

11. “Was there someone in the merger or acquisition partner company that held the same position or duties/responsibilities as you? A counterpart? (Probing) What did they do, job title, background? What was your relationship to them”?
12. “When considering that other manager, and looking at the **orange cards** placed in front of you, would you describe their relationship to you as “cooperate with me”, “neutral” or “competitive with me”?
13. “Why did you indicate the card that you did? (Probing) What did the other manager do, say or act? What would have caused the relationship to improve? Deteriorate”? What behavioral factors do you think influence whether a person’s approach is cooperative or non-cooperative?

Mediating Variable – Communication between managerial counterparts and departments

14. “Describe how the two teams from the companies interacted. (Probing) What were the teams? Who were the players? What did they do to collaborate? What did they not do? How did the teams communicate? By what means did the teams communicate? How well did the teams communicate? How”?
15. “While looking at the yellow cards in front of you “person to person”, “telephonically”, “via meetings”, “email” or “through a direct report of mine”; which

order best describes the total communication used between you and your counterpart?

16. “Which order do you think would promote the best collaboration, synergy and cooperation between companies, departments and counterparts?”
17. “How did you feel working with the manager and his/her team from the other company? (Probing) Did you feel a sense of synergy as you worked toward collective goals with the other manager and his/her team? What happened that brought about synergy? What could have been done to improve on the synergy you built”?

Moderating Variable – M/A Phases (1-4)

18. While looking at the 4 green cards “Immediately After the Announcement Phase”, “Pre-integration Personnel Changes Phase”, “In-Process Integration Personnel Change Phase” or “Post Integration Change Phase” please briefly describe what happened in each stage?” (Probing) – What behaviors? Did these behaviors inhibit or encourage collaboration/cooperation? Why do you think it was so?

Independent Variable - Stress

19. “Would you say that this M/A was stressful in any way for you? (Probing) In what way? When in the process did you first notice the stress levels in yourself or others? What about your counterpart and their stress levels? – what stage did you notice stress affecting you/them most”?
20. Describe how “stress” played a role in your relationship with the other manager. (Probing) “Less stress would have helped how? More stress would have caused what”?

Independent Variable - Uncertainty

21. Describe any feelings of venturing into the “unknown” or “feeling your way” during the M/A as it pertains to your employment and with in relations with the other manager. (Probing) In your relationship with the other manager, was there periods of confusion, a lack of collective vision, worry about the future or professional dysfunction that was made evident in conversation or action? What stage did uncertainty affect you/them most?

Independent Variable – Perceived Control

22. Describe any efforts by you or the counterpart manager to “take control” of the situation. (Probing) – Was there an attempt by you or him/her for a “power grab”? If so, was stress a factor? What stage did the lack of control affect you/them most?

Independent Variable – Collectivist or Competitor orientation

23. If they existed, describe any feelings of competition with the other manager. (Probing) Did you feel competed against? Did the other manager use military or sports analogies or jargon? Did you ever feel “me against (him or her)”? What stage did the competitiveness affect you/them most?

General concluding comments

24. What lessons would you pass on to other similar situation managers to ensure a smooth M/A integration?

Questions 25 – 39 deal with negative M/A experiences

Prior to this question, I'll define what a “negative” or “bad” M/A experience looks like (i.e. non-collaboration between Sr. Mgmt, consumers still recognize the two companies as independent, research and development teams remain independent, stock price declines, bottom line (EPS) declines, cultures don't mix, negative press). I'll ask the interviewee to select either a merger or acquisition.

25. “Consider each of the mergers or acquisitions that you've been associated with. Would you please identify in your mind the one that was most negative? On a scale of 1-7 with 7 being the “most negative”, how would you rate this merger or acquisition? Please recount for me the experience beginning with the time, place, your position, initial announcement, etc. Start at the beginning and conclude where you deem appropriate”. (Interviewee's story).
26. (Probing) - “What were the sizes of the M/A partners in terms of sales?” Why was it negative? Did you share the opinion that it was negative? Where there others who might have disagreed? Why did they think that? Where the goals of the undertaking not met? Could anything have been done to make the merger/acquisition better”?
27. (Probing) – “How did the post M/A integration go? What could have been done to improve the M/A's integration? What might have happened that would have made it worse”?

Managerial Counterpart and Interaction

28. “Was there someone in the merger or acquisition partner company that held the same position or duties/responsibilities as you? A counterpart? (Probing) What did they do, job title, background? What was your relationship to them”?

29. “When considering that other manager, and looking at the orange cards placed in front of you, would you describe their relationship to you as “cooperate with me”, “neutral” or “competitive with me”?”
30. “Why did you indicate the card that you did? (Probing) What did the other manager do, say or act? What would have caused the relationship to improve? Deteriorate”? What behavioral factors do you think influence whether a person’s approach is cooperative or non-cooperative?”

Mediating Variable – Communication between managerial counterparts and departments

31. “Describe how the two teams from the companies interacted. (Probing) What were the teams? Who were the players? What did they do to collaborate? What did they not do? How did the teams communicate? By what means did the teams communicate? How well did the teams communicate? Were team-to-team expectations established? How”?”
32. “While looking at the yellow cards in front of you “person to person”, “telephonically”, “via meetings”, “email” or “through a direct report of mine”; which order best describes the total communication used between you and your counterpart?”
33. “How did you feel working with the manager and his/her team from the other company? (Probing) Did you feel a sense of synergy as you worked toward collective goals with the other manager and his/her team? What happened that brought about synergy? What could have been done to improve on the synergy you built”?”

Moderating Variable – M/A Phases (1-3)

34. While looking at the 4 green cards “Immediately After the Announcement Phase”, “Pre-integration Personnel Changes Phase”, “In-Process Integration Personnel Change Phase” or “Post Integration Change Phase” please briefly describe what happened in each stage?” (Probing) – What behaviors? Did these behaviors inhibit or encourage collaboration/cooperation? Why do you think it was so?

Independent Variable - Stress

35. “Would you say that this M/A was stressful in any way for you? (Probing) In what way? When in the process did you first notice the stress levels in yourself or others? What about your counterpart and their stress levels – what stage did you notice stress affecting you/them most”?”

36. Describe how “stress” played a role in your relationship with the other manager. (Probing) “Less stress would have helped how? More stress would have caused what”?

Independent Variable - Uncertainty

37. Describe any feelings of venturing into the “unknown” or “feeling your way” during the M/A as it pertains to your employment and with relations with the other manager. (Probing) In your relationship with the other manager, was there periods of confusion, discomfort, a lack of collective vision, worry about the future or professional dysfunction that was made evident in conversation or action? What stage did you notice uncertainty affecting you/them most”?

Independent Variable – Perceived Control

38. Describe any efforts by you or the counterpart manager to “take control” of the situation. (Probing) – Did you feel encroached upon? Was there an attempt by you or him/her for a “power grab”? If so, was stress a factor? What stage did you notice a lack of control affecting you/them most”?

Independent Variable – Collectivist or Competitor orientation

39. If they existed, describe any feelings of competition with the other manager. (Probing) Did you feel competed against? Did the other manager use military or sports analogies or jargon? Did you ever feel “me against (him or her)”? What stage did you notice competition affecting you/them most”?
40. “Based on your experience, what “phase” or stage do you feel is the most important to properly manage to produce a synergistic, cooperative, collaborative environment? Why?”

General concluding comments

41. What lessons would you pass on to other similar situation managers to ensure a smooth M/A integration?

APPENDIX B

Definitions of the Four Phases of a Merger or Acquisition

Stage 1 - “Immediately after the merger or acquisition announcement phase”

The M/A announcement has been made via media, email, group meetings or mass personalized memoranda. It's the period of time just after this communication but prior to any changes.

Stage 2 - “The pre-integration personnel change phase”

Prior to any geographic, process or tactical changes occurring, personnel decisions are made, announced or rumored. The integration hasn't begun in full earnest yet, but personnel changes are occurring.

Stage 3 - “In process integration personnel change phase”

Corporate headquarters or regional offices have been selected and processes are beginning to be changed to achieve consistency or economies of scale. Integration is in full swing. “Synergies” become a focal point. Personnel decisions are also being made at this stage.

Stage 4 – “The post-integration change phase”

The integration is complete; systems have been decided on, methods of doing business have been established. Continued structural or personnel changes could still occur, but unlikely. Slightly modifying processes and revisions can occur.