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Exploring Employee Attachment
The Case of a Cross-border Merger

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Abstract

The purpose of this research project was to study the development and evolution in time of employee attachment to the organization following a merger/acquisition. A longitudinal approach was taken, using both quantitative and qualitative data. Employee attitudes were studied from two perspectives: (1) a social exchange perspective (with the focus on the exchange relationships that develop between employees and the organization and their impact on employee commitment to the organization) and (2) a social identity perspective (with the focus on the process underlying the development of a common organizational identity).

Daily work, cooperation and communication, as well as remuneration were found to be the main factors influencing employee job satisfaction and organizational commitment following the merger/acquisition. The impact these antecedents had on employee attitudes changed over time, depending on the stage of the integration process.

Employee identification with the post-merger organization was shaped by intergroup and personal interactions, organizational support, and leadership. The evolution in time of organizational identification is linked to the internal developments triggered by the integration process, and the organization's relationship with its environment (in this case, the relationship between the division under study and its parent company).

Starting from the similarities between organizational commitment and organizational identification – i.e. their affective components, this study proposed a model of employee attachment to the post-merger organization. Based on this model, employee attachment develops through the interaction of social exchange and social identification processes. In turn, these interactions are shaped by the integration strategy and the way it is carried out. By taking a multidisciplinary approach, this study provided a more comprehensive understanding of the factors underlying the development of employee attitudes as well as their dynamics following mergers and acquisitions.

KEYWORDS: mergers and acquisitions, social exchange, social identification, employee attitudes, organizational commitment, job satisfaction, longitudinal

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1 Introduction

1.1 Background and motivation

In recent decades the number of mergers and acquisitions (M&As) has increased dramatically. Increased shareholder value and market power, synergy realization, and the possibility to share risks are some of the reasons that make M&As attractive. In the banking sector, the boom in M&As activity was in part the consequence of deregulation. Deregulation gradually opened national markets - previously highly segmented and dominated by local players - to foreign players. Increased competition and the developments in communication technology prompted financial institutions to consolidate in an attempt to increase market share by offering new products, attracting new customers, and penetrating new geographical markets.

Various approaches have been taken to study and evaluate M&As: (1) strategic management school, with a focus on performance at organizational level and on factors such as economies of scale and market power; (2) capital market (or finance) approach, which focuses on wealth creation at shareholder level; (3) organizational behaviour approach, with an interest in human factors and how these are affected by the M&As, and (4) process school, with a focus on value creation after the merger/acquisition (Haspeslagh and Jemison, 1991). As a result, different measures of success were employed. Nevertheless, in analyzing the success of a merger, measures such as shareholders' gains, reduced cost per unit of product, or increased income (Larsson and Finkelstein, 1999) were typically used. Accordingly, when considering possible reasons for failure, the most frequently cited reasons were inadequate planning of the merger/acquisition, lack of strategic fit, and legal or financial reasons (Shrivastava, 1986). However, human related problems (such as communication, level of human integration, acculturation, and resistance to change) have received little attention until recently.

Human related aspects pose even greater challenges in the particular case of cross-border M&As in the service sector. The merger of companies from different countries involves not

only different organizational cultures, but also different national cultures. In addition, it is most likely that different national languages are involved in the process. Companies in the service sector rely heavily on their employees' technical expertise and the strong relationship that is created between customers and employees.

Thus, studying M&As from a human resource (HR) perspective becomes very important for several reasons. First, human assets are an important resource of the company. As competition is no longer measured in terms of price or quality but in terms of speed, customization and innovation (Dyer and Reeves, 1995), people become a source of sustained competitive advantage. Therefore, it is important to retain talented people in the organization after a merger or an acquisition. Second, human related problems are a so-called "soft trap" (The Economist, 1999), a hidden reason for the failure of a merger/acquisition.

Research on the role of human resource management (HRM) during the merger/acquisition process underlines the necessity of involving the HR function during all stages of the process. Despite the attempts of scholars to emphasize the importance of HRM during the entire process, it appears that the HR function is rarely involved in the initial phases of a merger/acquisition (Napier, 1989; Hunt and Downing, 1990; Aguilera and Dencker, 2004). Indeed, HR issues get the attention of the decision makers during the post-merger integration period, when the combining of the two organizations takes place. It is during this stage that HR related issues become more visible (Buono and Bowditch 1989; Napier, 1989; Cartwright and Cooper, 1990).

Employee reactions following a merger/acquisition have been analyzed mainly on the basis of qualitative data. Reactions such as fear, distrust, stress, hostility and "we versus them" attitudes were suggested in the literature (Larsson and Finkelstein, 1999; Cartwright and Cooper, 1990; Schweiger and Denisi, 1991). Employees are interested in obtaining information about the consequences of the merger/acquisition which will affect them directly: job security, immediate manager, autonomy, career prospects, transfers, new working environment, new corporate culture etc. Therefore, formal internal communication with employees during and after the merger/acquisition becomes an important element in managing the merger/acquisition process (Napier, 1989). As Schweiger and Denisi (1991) suggest, realistic communication can help employees better cope with the changes resulting

from M&As and thus reduce the negative impact that the merger/acquisition has on organizational effectiveness.

Another area of interest for research is related to employee attitudes and behaviours, such as turnover, satisfaction, and commitment to the organization. It was suggested that following a merger or an acquisition, employee motivation and commitment, as well as job satisfaction decrease (Cartwright and Cooper, 1990). Moreover, based on the type of merger or acquisition, a certain degree of voluntary and involuntary turnover (at both employee and managerial level) is expected (see Buono and Bowditch 1989, pp. 60-74; Schweiger and Weber, 1989; Napier, 1989).

Though M&As have mostly negative effects on employees, several researchers have reported positive influences. Thus, M&As could be seen as an opportunity for new responsibilities, advancement, or development (Buono and Bowditch, 1989; Costello et al., 1963; Empson, 2000), increased job security, greater job satisfaction or more varied work tasks (Napier, 1989).

While HR issues begin to receive more attention from researchers focusing on M&As, there still remain gaps in research, some of them due to methodological issues. First, when quantitative data were used, the focus was usually on the effects of M&As after a relatively short period of time (Napier, 1989), while organizational integration might take several years to complete. Second, both financial indicators and measures of employee attitudes and behaviours should be used for identifying the factors that could influence M&As' outcomes (Napier, 1989). Third, with few exceptions (e.g. Piekkari et al., 2005; Morosini et al., 1998), cross-border mergers were not researched thoroughly from a HR perspective.

1.2   The present study

The goal of the present study is twofold: (1) to analyze the development and evolution of employee attitudes following a merger, and (2) to assess the impact of antecedent factors on employee attitudes and its evolution in time. The study focuses on attitudes reflecting employee attachment towards the organization, such as organizational commitment and organizational identification.

A case study approach is used, involving both qualitative and quantitative data. The current study takes a micro-level approach, focusing on a division of a multinational operating in the financial sector. The division is profit-oriented, having departments geographically spread in Finland, Sweden, Denmark, and Norway. Moreover, it employs highly educated staff, thus making intellectual capital aspects much more important than in other divisions. All these characteristics posed challenges to the HR department in its efforts to support the business function by fusing national offices into a single, pan-Nordic organizational unit (even though geographically spread in four countries).

A longitudinal approach is taken. Quantitative data span the period 2002 to 2005 and include financial data and results of the Employee Satisfaction Survey carried out within the division. The surveys collected data on employee satisfaction and motivation, organizational commitment, remuneration, cooperation within the division, development possibilities, trust in management, and daily work-related issues. In addition, interviews with team leaders and top managers were conducted in order to gain greater insight into the post-merger HR strategy and the way it affected employee and organizational outcomes.

The study starts with a brief introduction and categorization of previous research in the area of M&As. The purpose is twofold: (1) to lay the background information for the current study and (2) to position it in the wider field of M&As research. Thus, the main schools of thought in M&As research are discussed. There is then a review of the various M&As phases, with the focus on the integration phase and its characteristics.

In the next chapter the focus is narrowed down to the human resource perspective on M&As. The role of human resource management is discussed, together with a review of previous research on employee attitudes and behaviours following M&As. The structure of the review

is based on several major theories that are used to study employee attitudes and behaviours: acculturation theory, social identity theory, and job characteristics and social exchange theories. Next, the limitations of previous research are identified; limitations that the current study attempts to address.

The following chapter details the research design and methodology. Background information to the case study is presented, as well as the theoretical frameworks employed. The evolution of employee attitudes following a merger/acquisition is studied from two distinct perspectives: (1) from a social exchange perspective, which allowed the identification of the main antecedents of employee attitudes and how their impact changed over time and (2) from a social identity perspective, which offered the possibility to analyze the process underlying the development of employee attitudes following the merger.

In the final chapter concluding remarks and suggestions for further research are proposed. By drawing on both social exchange and social identity theories, a framework is developed to explain the formation and evolution of employee attachment towards the organization during post-merger integration. The main contributions of the current study are discussed. The validity of the study is analyzed and suggestions for further research are made.

2 A primer on mergers and acquisitions

2.1 A comment on the choice of terms: merger vs. acquisition

One of the most important aspects that mark the difference between a merger and an acquisition is the power relationship between the organizations involved in the process (Vaara and Tienari, 2003; Cartwright and Cooper, 1990; Dackert et al., 2003). Mergers are seen as a joining of forces of relatively equal partners, where a balance of power is sought, as opposed to acquisitions, where the power forces are unequally distributed in favour of the larger organization – the acquirer (Cartwright and Cooper, 1992, pp. 30-32). Nevertheless, there is a tendency in the M&As literature to treat the terms "merger" and "acquisition" as synonyms. Why? Because mergers of equals rarely occur (van Oudenhoven and be Boer, 1995; Cartwright and Cooper, 1995). A power variable is always included in a merger and the people involved expect an unequal distribution of power (Humpal, 1971; Dackert et al., 2003; Empson, 2000).

The choice of terms becomes more important when considering the psychological impact on employees, managers, and public opinion. Søderberg and Vaara (2003) documented the case of a succession of M&As in Northern Europe, which were "sold" to stakeholders as "mergers of equals". The political force and public opinion, the significance of each organization in its country of origin, the relationships among the Nordic countries and their shared history (Risberg et al., 2003) influenced the merger/acquisition decision process.

The choice of terms has an impact on the attitudes and behaviours of people involved in the merger/acquisition. Work relationships with new colleagues, support for the merger/acquisition, and identification with the new organization are influenced by the power relations within the new organization (van Knippenberg et al., 2002; Giessner et al., 2006; Terry and O'Brien, 2001). The unequal positions of power (acquirer vs. acquired) at organizational level are likely to be reflected at individual level in a low relative standing for

some of the acquired employees and managers (Hambrick and Cannella, 1993). The choice of terms has not only psychological consequences, but also consequences related to the division of top managerial positions between the two organizations (Vaara and Tienari, 2003; Schweiger et al., 1993).

The terms "merger" and "acquisition" will be used together as I believe they share certain similarities; the most important being the power inequality between the parties involved in the process. Moreover, previous empirical research presents a wide range of case studies where the terms "merger" and "acquisition" are used interchangeably or where the term "merger" as defined by one researcher corresponds to the term "acquisition" as used by another researcher.

2.2   Streams of research on M&As

M&As have raised the interest of scholars from different fields. Researchers have attempted to distinguish among different approaches taken to studying M&As. The results have been divergent: some authors tried to integrate research on M&As into few larger areas, whereas others considered a higher level of detail when distinguishing among streams of research (Table 2.1). Having different scientific backgrounds, researchers used different terms for the classification of research streams on M&As.

Schweiger and Walsh (1990) distinguished between economic and non-economic outcomes when classifying M&As. They considered three streams of research: the first two focusing on assessing M&As performance, based on accounting and capital market measures respectively, and the third one focusing on employees: their reactions to the merger/acquisition and how M&As and the decision-making process affect them. Haspeslagh and Jemison (1991) differentiated between shareholders, employees, and the organization itself as "parties/ entities" affected by the merger/acquisition. Furthermore, they isolated the effects the merger/acquisition decision-making process has on people and the organization in a distinct stream of research, the process perspective. Larsson and Finkelstein (1999) classified research on M&As into five streams of research. As in the case of Schweiger and Walsh (1990), they considered the finance and economics perspectives on M&As. Nevertheless, they separated the strategic management-related research from the human resource aspects. Moreover, they

isolated the HRM-related research, including the other non-economic issues in a category labelled "organizational research".

Traditionally, research on the impact of organizational and national culture on M&As was included in the wider streams of research focusing on organizational behaviour and human resources. Recently a cultural perspective, as a distinct approach to studying M&As, emerged. It includes research on cultural differences, culture clashes and their impact on M&As (Weber and Schweiger, 1992; Olie, 1994 Chatterjee et al., 1992), and on acculturation (Nahavandi and Malekzadeh, 1988). Moreover, a cultural approach is taken to explain power plays and conflicts (Vaara, 2003), or cultural identity-building as a metaphoric process (Vaara et al., 2003).

It is not the purpose of this thesis to assess the accuracy of the classifications proposed in the literature. It is likely that they were influenced by the purpose of the research conducted, and by the scientific background of the researchers. The purpose here was to facilitate the understanding of the focus of this research project. It takes multiple perspectives, focusing on organizational behaviour, human resources management, and process-related aspects of M&As integration. In other words, it is similar to Schweiger and Walsh's (1990) human resources approach or to Larsson and Finkelstein's (1999) organizational and HRM perspectives combined.

Study	Schools of thought/ streams of research					
	Finance	Economics	Strategic management	Process	Organizational behaviour	HRM
Larsson and Finkelstein (1999)	Finance (M&As performance based on stock market measures)	Economics (economies of scale, M&As performance based on accounting measures)	Strategic management (motives and performance of M&As)	Organizational research (integration process, culture clash, conflict resolution)		HRM (psychological issues, effective communication, career implications)
Haspeslagh and Jemison (1991)	Capital markets (value creation for shareholders)	Strategic school (strategic fit and synergy realization)		Process perspective (how the M&As process affects the outcome)	Organizational behaviour school (M&As effects on individuals and the organization)	
Schweiger and Walsh (1990)	Financial economics (M&As performance based on stock market measures)	Industrial organization economics (M&As performance based on product-market and accounting measures)	Human resources approach (effects of M&As on human resources, employee reactions, M&As process as generator of human resources effects)			

Table 2.1 *Classification of research in the area of M&As.*

2.3   M&As phases

Researchers have proposed a varying number of stages or phases for the merger/acquisition process. Thus, Marks (1982) distinguished three stages: pre-combination, legal combination, and post-combination. Taking a cultural perspective on M&As, Cartwright and Cooper (1992) drew an analogy between M&As and marriage. They proposed four stages for the merger/acquisition process: courtship stage or pre-combination, legal announcement of the marriage, honeymoon period, when the implementation process starts and changes are initiated, and monitoring the success of the marriage, in which the integration process continues and its success is evaluated. In a research focusing on employee reactions to mergers, Graves (1981) identified four stages in the merger process. Based on employee responses with respect to the factors that helped or hindered the success of the merger, the author identified the following stages: planning, anxiety, merging, and evaluation of the merger.

In an attempt to better understand merger stress and to differentiate between stress sources during M&As, Ivancevich and colleagues (1987) proposed four M&As stages: the planning stage, the "in play" period, when the target company has been formally approached, the standstill and transition period, the beginning of which is marked by the closing of the deal, and the stabilization stage, starting when the transition is complete and the new company functions "smoothly". From a HR perspective, the standstill period identified by Ivancevich and colleagues (1987), in which the companies wait for approval of regulatory bodies could be compared to a "neutral zone", when people tend to drift and be confused, oscillating between the old and the new ways (Daniel, 2001, p.103).

Deliberating on the role HRM has and should have during M&As, Hunt and Downing (1990) distinguished among targeting, negotiating, and implementation stages. Analyzing several mergers and acquisitions from a human resource perspective, Buono and Bowditch (1989) identified seven stages in the merger/acquisition process: precombination, combination planning, announced combination, initial combination, formal combination, combination aftermath, and psychological combination.

Haspeslagh and Jemison (1991) considered the acquisition process as having four stages: idea, and justification of the acquisition, followed by integration, and results. The integration period starts with the stage-setting phase - a transition period, during which actions are taken to create a suitable environment for capability transfer and synergy realization.

It appears that the division of the merger/acquisition process into stages is influenced by the approaches researchers take to study M&As. Nevertheless, one common characteristic can be identified: the division between the pre- and post-merger/acquisition period, between the preparation for the merger/acquisition and the implementation/ integration. Arguing for a simplification of M&As stages in order to facilitate theory development and comparable research, Greenwood and colleagues (1994) proposed a courtship stage (with two distinct processes: pre-courtship and negotiation), and a consummation stage.

2.3.1   Integration phases

Several researchers have gone further to identify several phases of the integration stage. Thus, in an attempt to better understand the integration process, Lohrum (1992) cited by Risberg (2003) proposed five integration phases: (1) observation phase, (2) planning phase, when the formal and structural changes start, while human integration is neglected, (3) execution phase, characterized by intense changes and the beginning of human integration, (4) consolidation phase, focusing on socio-cultural integration, and (5) maturity phase, which begins after the cultural integration is complete.

In their study on the integration process of the R&D function in a cross-border merger/ acquisition, Birkinshaw and colleagues (2000) suggested a more complex integration pattern. The case studies the authors analyzed were characterized by a two-phase integration process, where the level of task integration was influenced by the level of human integration. During the first phase operational integration was limited, while human integration was pursued in order to develop trust and cooperation among

employees and to achieve cultural convergence. During the following phase, a high level of task integration was achieved, due to the success of human integration.

In a research study focusing on the human integration of professional service firms following a merger/acquisition, Empson (2000) proposed four stages of integration: (1) closure of the deal, when only the persons involved in the negotiations established contact, (2) acclimatization, which lasts for one or two years, when contact is limited and only some "integration entrepreneurs" start building cooperation relationships with colleagues from the other organization, (3) transition, which takes place during the second and third year following the closure and is characterized by increased cooperation, and (4) integration, when the perceived boundaries between the two organizations become blurred. Despite the fact that this model was developed for professional service firms, whose employees enjoy considerable operational autonomy, it could be possible to apply the model to other M&As cases if the characteristics of the combining organizations are taken into account.

Dividing the merger/acquisition process into several distinct phases is not without problems. Risberg (2003) for example, argues that different categories of employees or employees at different hierarchical levels might experience different phases of integration. The same argument can be applied to different parts of the organization. The integration process can be pursued at a different pace in different divisions of the organization. Moreover, mapping merger/acquisition stages on a time frame is difficult. As Birkinshaw and colleagues' study revealed, some phases might take place simultaneously, each having a different emphasis at a certain point in time.

This brief review reveals several important aspects related to the analysis of the merger/acquisition process using a phase/stage model. Taking different perspectives is likely to lead to different models. Integrating different perspectives is likely to increase the complexity of the model, a sequential phase model not being able to fully explain the multitude of relationships between different integration aspects that must be taken into account. Moreover, the characteristics of the organizations involved in the

merger/acquisition are likely to influence the integration phases and their duration. The level of analysis is also important. A lower level of analysis (function, division) will allow a detailed understanding of the phenomenon, but it is difficult to generalize at a higher level (for example, organization level).

In conclusion, there is no single model that can be employed for analyzing the merger/acquisition process. Several factors have to be taken into account: researcher's perspective, characteristics of the organizations, level of analysis. As Greenwood and colleagues (1994) argued, in order to further develop M&As theory it is necessary to develop a "common language", in order to allow comparisons between studies. Nevertheless, if an inductive approach is taken, then it is necessary to first study in depth individual cases of M&As and based on the results obtained, elaborate a general theory of M&As.

2.4 The integration process

Both the pre-merger/acquisition period and the merger/acquisition process have been recognized in the literature as important in determining the success of the merger/acquisition ((Hunt, 1990; Jemison and Sitkin, 1986). Nevertheless, a large amount of research addressed integration-related aspects, such as the management of the integration process, optimal level of integration, types of integration, and implementation strategies. Furthermore, integration was studied from different perspectives.

2.4.1 Speed of integration

The integration period is considered as the time when potential synergies identified during pre-combination stages are transformed into value (Haspeslagh and Jemison, 1991). Integration involves changes in organizational structures and cultures, as well as in value-creating processes and activities, in order to facilitate the consolidation of two

entities into a functioning whole (Pablo, 1994; Salama et al., 2003). The question is whether these changes should be implemented gradually or immediately after the merger. As Angwin (2004) has noted, a distinction should be made between speed of integration defined as time to completion and speed as progress over a specific period of time. It is difficult to determine when the integration process ends (Risberg, 2003). Some authors suggest a period of three to five years for integration (Hunt and Downing, 1990; Schweiger et al., 1993). Nevertheless, there might be cases when even 20 years after the merger/acquisition some employees might feel resentment and anger towards the new organization (Levinson, 1970). Therefore, most studies on integration consider the second meaning of speed (Angwin, 2004).

In the M&As literature there is an ongoing debate regarding the speed of integration. Several researches advocate a rapid implementation of change, as people are expecting it and are more ready to accept it (Shrivastava, 1986; Hunt and Downing, 1990). It may also reduce the period of time employees experience uncertainty and stress regarding their position in the new organization (Angwin, 2004). Moreover, resistance to change is likely to increase over time, thus making the integration efforts more difficult. Haspeslagh and Jemison (1991) also advocate fast change, starting immediately after the merger/acquisition. They argue that immediate action is needed in order to lay the foundation for synergy realization. Thus, the focus should be on establishing interaction channels, promoting the vision of the new organization, reducing stakeholders' uncertainty, remedying the weaknesses of the acquired company, avoiding misunderstandings between organizations and people, and building trustful relationships. Moreover, change actions taken immediately after the merger could be seen as more legitimate than later efforts (p. 187), thus facilitating the integration process.

Other researchers suggest a gradual implementation of changes, to allow employees to accommodate themselves to the new situation and to allow for the initial shock to subside (Buono and Bowditch, 1989). Allowing for a "get to know each other" period, with frequent communications taking place between the organizations, may be beneficial in terms of building trust and readiness for change (Quah and Young, 2005; Nikandrou et

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al., 2000; Eby et al., 2000). In the case of M&As in the service sector the issue of implementation speed is even more acute. Employees' tacit knowledge and their relationships with clients are very important resources (Empson, 2000). With a too fast or too slow pace of change the new organization might run the risk of losing valuable people and clients.

Until recently most research on speed of integration was mainly qualitative in nature. In an empirical study focusing on integration in marketing and sales, Homburg and Bucerius (2006) found that optimal speed of integration depends on both internal and external relatedness. External relatedness refers to target markets and market position, whereas internal relatedness concerns strategic issues, such as management style, strategic orientation, and pre-merger performance. Thus, speed of integration had a positive impact on M&As performance in the case of low external/high internal relatedness and a negative impact in the opposite case: high external/low internal relatedness.

In conclusion, speed of integration is highly dependent on the organizations' characteristics and the objectives of the merger/acquisition. When deciding on the best course of action both business and human-related factors must be considered.

2.4.2   Levels and types of integration

Depending on the motives of the merger/acquisition and the size of the organizations, different levels and strategies of integration can be chosen. Shrivastava (1986) proposed three levels of integration: procedural (involving legal, accounting, and functional integration), physical (including the harmonization of product line and production technologies) and managerial and socio-cultural (focusing on personnel transfers between the organization, establishing strategic leadership, gaining employee commitment and motivation, and cultural integration).

A similar approach was taken by Graves (1981) in his study of the merger of two small firms in the re-insurance industry. Based on the opinions of employees regarding pre-requisites for merger success, he identified four levels of integration: image, physical

environments, task and social systems (involving procedures, and management styles), and social climates (referring to solving human problems generated by the enlargement of the group).

There are several other prescriptive approaches to integration presented in the literature. Taking a cultural perspective, Nahavandi and Malekzadeh (1988) have proposed four modes of acculturation, based on the cultural diversity of the acquirer and the degree of relatedness of the firms (Figure 2.1). Adopting a strategic approach, Haspeslagh and Jemison (1991) considered two dimensions: the need for strategic fit and organizational autonomy (Figure 2.2).
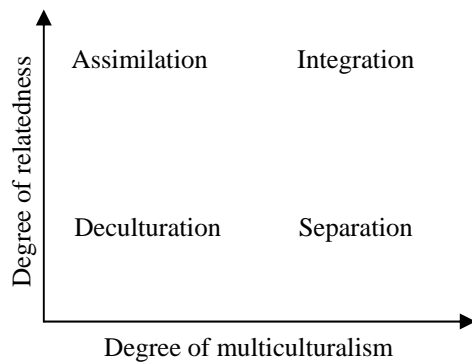
Figure 2.1 *Modes of acculturation.* Adapted from Nahavandi and Malekzadeh (1988).
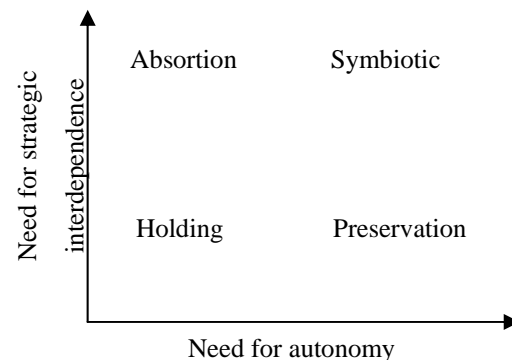
Figure 2.2 *Integration approaches.* Adapted from Haspeslagh and Jemison (1991).

The two models appear to be consistent with one another. A high degree of relatedness involves a high level of strategic interdependence, with the two organizations sharing resources, knowledge, and skills. A high level of cultural diversity suggests a high degree of autonomy, as the organizations are allowed to retain their own cultures and practices.

Based on the level of post-merger/acquisition integration, Napier (1989) has proposed a classification of M&As, which appears to be consistent with the frameworks presented above. The author proposes three types of M&As: (1) extension, which involves small

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changes in the acquired firm at either managerial or operational level, (2) collaborative, which requires a blending of operations, assets, and cultures, or transfer of knowledge, skills, and technology, and (3) redesign, which implies the adoption of policies and practices of one company by the other. Extension, collaborative, and redesign M&As could be assimilated into Haspeslagh and Jemison's (1991) types of preservation, symbiotic, and absorption acquisitions.

While different frameworks of integration approaches described in the literature seem consistent, the question is whether the differences mentioned in the literature between distinct integration approaches still hold in real life. In an empirical study Ellis (2004) examined whether general operating environment, preliminary planning, and transition management vary across the different integration approaches presented in the prescriptive literature. The author studied Haspeslagh and Jemison's (1991) symbiotic and absorption integration approaches, and Marks and Mirvis's (1998) transformation approach (which could be seen as an advanced symbiotic integration, characterized by fundamental changes in both firms). Ellis (2004) found that significant differences existed regarding the management of the integration process when different integration approaches are taken, suggesting that several key dimensions need to be considered when deciding on an integration approach and its implementation.

Child and colleagues (2001) advocate the use of key factors to determine the level of integration. In contrast to the previously mentioned frameworks, which were built as matrices, Child and colleagues (2001) suggest that several levels/degrees of integration can be achieved on a continuum, from no integration, through partial integration, to full integration. The authors acknowledge that there are several factors to be considered when deciding a company's position on the integration scale, such as extent of personnel (especially executives) transfers to the subsidiary, degree of centralization of different areas of activity (strategy, finance, personnel, development, etc.) at headquarters level, range of changes in the management of the company's image and brands. Despite the conceptualization of integration as multidimensional in nature, the authors operationalized it as a single facet measure, defined by the degree to which executives

were transferred to the subsidiary.

An empirical study conducted by Pablo (1994) supports the suggestion of Child and colleagues (2001) of considering multiple factors when deciding upon the optimal level of integration. Pablo (1994) argues that the level of integration is decided on the basis of multiple decision perspectives. The most important factors in deciding the level of integration are task characteristics, defined as the need to preserve unique characteristics of the organizations and the need to share critical skills and resources. This result concurs with the model of Haspeslagh and Jemison (1991), which considered strategic interdependence and autonomy as determinants of the integration approach. Task characteristics accounted for three quarters of the total explained variance in management decisions regarding the level of integration. Nevertheless, there are other factors with a significant impact on the level of integration. Thus, multiculturalism was shown to influence the level of integration, lending support to Nahavandi and Malekzadeh's (1988) framework. Power differential - defined as the difference in size between the organizations, lack of compatibility of acquisition visions, industry sector, and acquisition experience also impact on the decision regarding the level of integration.

Most studies conducted in the area of M&As are based on the premise that a single integration approach would be used at one point in time. It is possible for an acquirer to change the way it integrates an acquired company if the business strategy and the environment require it. Nevertheless, Schweizer (2005) argues that in certain cases a "hybrid" post-acquisition integration, combining both short- and long-term motives, is required. The author studied the case of an acquisition in the pharmaceutical industry. His conclusion was that due to the dual motives of the acquirer (a) of improving their market position in the short term by using the R&D capabilities of the acquired company, and b) of supporting their long-term growth strategy by accessing the acquired's know-how and technologies), different integration approaches were needed at different functions and value chain levels.

In conclusion, the different approaches taken by researchers to develop integration

models yielded consistent results. It appears that in order to decide on a level of integration, cultural, strategic and operational aspects are taken into account. A high level of integration would be sought when the merging organizations are highly interdependent from a strategic point of view and the two organizations would benefit from sharing resources, knowledge, and skills.

2.4.3   New perspectives on integration

As in the case of the merger/acquisition process, post-merger/acquisition integration has been studied from various perspectives. Besides the traditional ones, such as strategic, process or HR perspectives, there are several innovative approaches to studying integration. Thus, O'Byrne and Angwin (2003) have studied post-merger/acquisition integration in terms of boundary changes and new boundary creation. The authors argue that not all differences between organizations generate integration problems, but only those that are perceived as important and salient. These salient differences generate boundaries that must be changed and new boundaries must be created if integration is sought. In order to change old boundaries and to create new ones (and thus achieve integration) boundary-forming forces (such as leadership, training, pre-merger contacts among employees) must exceed boundary-maintaining forces (fear, concerns, increased size). The authors further argue that the relative strength of the two forces influences the speed and level of integration.

Studying the integration process following a merger in the health care industry, Yu and colleagues (2005) adopt an attention-based perspective. They take a longitudinal approach to investigating the integration process, based on the attention the top management team gave to different tasks, activities, and topics during their meetings. The results suggested that during the eight years of analysis the top management team focused more on administrative issues and less on the core activity of the organization, which was patient care. The authors conclude that in some cases the energy and attention top managers give to integration issues distracts them from the core function of the

organization.

Taking a sense-making approach, Vaara (2003) examined the decision-making process concerning organizational integration following a cross-border acquisition. The author argues that the integration decision-making process is not always characterized by rationality. The way managers interpret events and construct their realities influences the decisions they make. Vaara identified four characteristics of the decision-making process which might negatively influence the integration process: (1) ambiguities surrounding the integration issues, (2) cultural confusion and misunderstandings, (3) organizational hypocrisy - when focus shifts from integration issues to routine decision-making in the case of good financial results, and (4) politicization - when actors are more interested in promoting their own agendas in the context of confrontations at organizational level.

In conclusion, depending on the merger/acquisition objectives and organizations' characteristics, there are several factors, which must be considered when defining the integration strategy. Knowledge of aspects such as speed and level of integration, type of integration etc. are very important in attaining a deeper understanding of the integration process and the way it affects employees. Understanding, for example, when a high level of integration is more appropriate or what the rationale is behind a certain speed of integration will provide a clearer picture of the merger context.

3 HR approach to integration

As mentioned in Chapter 2, different approaches have been taken to study M&As, such as strategic management school, with a focus on performance at organizational level and on factors such as economies of scale and market power; capital market (or finance) approach, which focuses on wealth creation at shareholder level; organizational behavior approach, with an interest in the human factor and how it is affected by M&As, or process school, with a focus on value creation after a merger or the acquisition. These approaches employed different measures of success, which mainly focused on shareholders' gains, reduced cost per unit of product, increased income, or synergy realization (Larsson and Finkelstein, 1999). Until recently little attention has been given to the human factor.

Human related issues started to attract the attention of researchers and practitioners when the accounting, legal or organizational issues were unable to explain the failure of M&As to achieve expected results. Employee outcomes, such as cultural clashes, employee stress, fear, and anxiety, became the focus of research. Nevertheless, most HR related studies (for exceptions see, for example, Birkinshaw et al., 2000; Larsson and Finkelstein, 1999) suffered from limitations similar to those found in studies adopting an organizational, capital market or process perspective: they focused on a single category of results and they judged the success of a merger/acquisition in terms of a single measure of success.

According to strategic HRM literature, researchers studying M&As should focus not only on the impact M&As have on employee outcomes following a merger/acquisition, but also on organizational and financial outcomes (Dyer and Reeves, 1995; Guest, 1997; Wright, 1998; McMahan et al., 1998). Hogan and Overmeyer-Day (1994) have made such an attempt. In a review of the existing literature on the psychological aspects of M&As, the authors propose a hierarchical model of M&As outcomes and the factors influencing them (Figure 3.1). They underline the importance of studying employee-related outcomes (Kirchhoff, 1977) and the

impact these outcomes have on "ultimate" outcomes (accounting, financial and stock market).

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┌─────────────────────────────────────┐
│          Exogenus variables          │
│   - merger/acquisition characteristics│
│      - organizations' characteristics │
│          - organizational fit         │
└─────────────────────────────────────┘
                    │
                    ▼
┌─────────────────────────────────────┐
│          Integration process          │
└─────────────────────────────────────┘
                    │
                    ▼
┌─────────────────────────────────────┐
│           Employee outcomes           │
│         - stress-related outcomes     │
│            - affective outcomes       │
│            - behavioral outcomes      │
└─────────────────────────────────────┘
                    │
                    ▼
┌─────────────────────────────────────┐
│           Ultimate outcomes           │
│          - accounting measures        │
│           - financial measures        │
│          - stock market measures      │
└─────────────────────────────────────┘
```
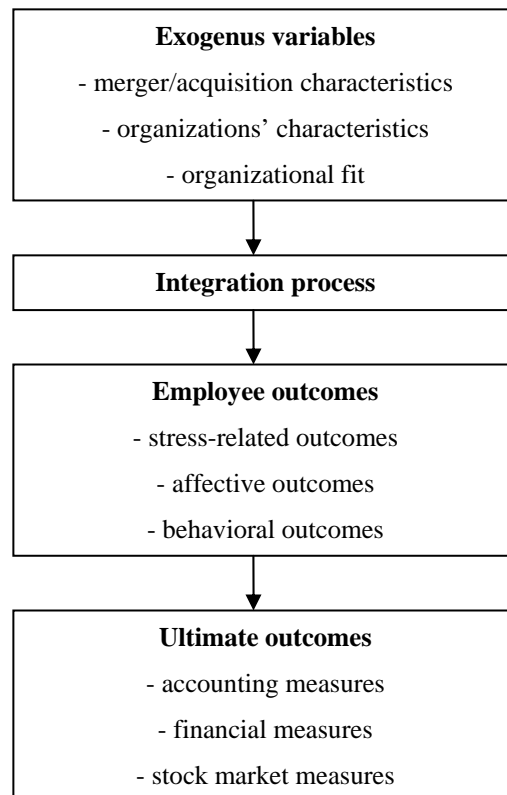
Figure 3.1 *Hierarchical model of M&As outcomes.* Adapted from Hogan and Overmeyer-Day (1994).

Though the present study focuses on employee outcomes, it should be noted that positive employee outcomes constitute a necessary but not sufficient condition to explain the success of M&As. Financial outcomes also need to be taken into account in any such discussion. It is important to understand where employee outcomes are placed in relation to other types of organizational outcomes and how manipulating different variables might affect the end result.

3.1   HRM role during M&A

Research on the role of HRM during the merger/acquisition process underlines the necessity of involving the HR function during all stages of the process - starting with the search for a suitable partner, continuing with the bidding and negotiation, the announcement of the

merger/acquisition and the implementation phase. Despite the attempts of scholars to emphasize the importance of HRM during the entire process, it appears that the HR function is rarely involved in the initial phases of a merger/acquisition (Napier, 1989; Hunt and Downing, 1990; Aguilera and Dencker, 2004). Indeed, HR issues receive the attention of the decision factors (only) during post-merger integration period, when the combining of the two organizations takes place. It is during this stage that HR related issues become more visible in the form of "us" vs. "them" attitudes which evoke hostility among employees from the two organizations lack of cooperation, higher turnover and absenteeism, and psychological withdrawal from work. Such effects impact on employee performance and eventually organizational performance (Buono and Bowditch 1989; Napier, 1989; Cartwright and Cooper, 1990).

Post-merger HR strategy depends on the merger/acquisition type (Napier, 1989; Buono and Bowditch, 1989). Depending on several factors such as the degree of cooperation during the negotiation stage (leading to friendly or hostile acquisitions) or the similarity between the two businesses (thus having horizontal or vertical M&As), different HR practices and policies are likely to be adopted. For example, in the case of a horizontal merger or acquisition, HR practices to facilitate knowledge transfer and cooperation between teams are likely to be more important than in a vertical merger or acquisition, which involves different business areas. Aguilera and Dencker (2004) also suggest that HR strategy depends on the type of merger/ acquisition. They focus on cross-border M&As and extend the range of HR polices and practices to cover issues related to organizational and national culture.

Moreover, HR polices and practices adopted following a merger/acquisition are influenced by the level and speed of post-merger integration. In M&As involving a high degree of integration, common reward and appraisal systems, training and development polices should be adopted in order to ensure equality and comparability among employees (Napier, 1989). Even though communication with employees is important in all types of M&As, when a high degree of integration is sought, communication becomes essential in defining the impact the merger/acquisition will have on each of the individuals involved.

On the basis of an empirical study analyzing a bank acquisition, Newman and Krzystofiak (1993) have proposed a different approach to defining post-merger/acquisition HR strategy. The authors argue that identifying the reason(s) underlying changes in employee attitudes is

essential for developing HR strategies to manage and reduce the negative impact of a merger/acquisition on employees. In other words, problems must be understood before they can be solved. The authors identified three theories that could explain changes in employee attitudes following a merger/acquisition: job characteristics, work relationships (which combines aspects of social identity and organizational justice theories), and psychological contract. Depending on the main factors underlying the evolution of employee attitudes, specific strategies must be identified to cope with the negative effects of M&As.

Therefore, understanding employee attitudes, the way they develop and change during the integration period, becomes essential in order to define HR polices and practices which will help the new organization achieve the expected synergies.

3.2   Employee reactions, attitudes, and behaviours

There is a vast literature describing employee reactions, attitudes, and behaviours during M&As. Nevertheless, they have been analyzed mainly by means of qualitative data. Reactions such as fear, distrust, stress, hostility and an "us vs. them" attitude have been cited in the literature (Larsson and Finkelstein, 1999; Cartwright and Cooper, 1990; Schweiger and Denisi, 1991). Employees tend to focus on information about the consequences of the merger/acquisition that will affect them directly: job security, immediate manager, autonomy, career prospects, transfers, new working environment, new corporate culture, etc. Therefore, formal internal communication with employees during and after the merger/acquisition becomes important in managing the merger/acquisition process (Napier, 1989; Schweiger and Denisi, 1991).

Taking a sense-making perspective Isabella (1990) has identified four stages employees undergo as change unfolds: (1) anticipation of change, during which people try to deal with the uncertainty generated by the lack of information; (2) confirmation of change, during which people try to understand what is happening based on comparisons to past events; (3) culmination, which starts after the change has taken place and during which time people are exposed to both old and new ways as they try to cope with their new responsibilities and work relationships; and (4) aftermath, during which people evaluate the consequences of change.

The last two M&As phases, culmination and aftermath, are experienced by people during the post merger/acquisition integration period.

Seo and Hill (2005) have attempted a categorization of existing work in the area of human resource implications of M&As. The authors identify several theoretical themes around which the research conducted in this field can be divided: anxiety theory, social identity theory, acculturation theory, role conflict theory, job characteristics theory, and organizational justice theory. Using the above-mentioned theories, the authors proposed an integrative framework for analyzing employee attitudes and reactions during each phase of a merger/acquisition. However, the proposed framework assumes that each theory can explain independently a certain HR related aspect/employee attitude and neglects the combined explanatory power of multiple theories.

Drawing on previous attempts to structure the research on the HR implications of M&As, the present study focuses on several theories, which together, offer an in-depth explanation of employee attitudes and behaviours during the integration period: social identity theory, and job characteristics and exchange theories. The discussion starts with a brief presentation of the cultural-related implications of M&As since culture may be seen as the "operating system" of an organization; the interface through which the organization's "software" (i.e. its people) can communicate, interact and share information. Moreover, employee attitudes and behaviours are to some extent influenced by potential cultural conflicts during post integration merger. For example, hostility and "us vs. them" attitudes are likely to diminish employee willingness to cooperate, which in turn will negatively influence job satisfaction and organizational commitment (Angle, 1983).

3.2.1 Acculturation theory

In the area of the human resource implications of M&As, cultural integration received most attention. There are two main trends in the literature. The first one treats cultural fit as an essential condition for a successful integration process and argues that cultural differences have negative effects on people and on merger/acquisition success (e.g. Cartwright and Cooper, 1995; Cartwright and Cooper, 1993).

In an empirical study of a bank merger, Buono and colleagues (1985) examined the impact

organizational cultures have on the integration process. Data were collected one year prior to the merger, during the process itself, and one year after the merger using in-depth interviews and surveys of organizational climate. The authors argue that when employees support their own organizational cultures, differences in pre-merger organizational cultures will result in post-merger "cultural clashes", as employees feel that their beliefs and expectations about organizational life are threatened by an "invading enemy". Internal competition and "arm wrestling" situations appear, and "negative stereotyping" and "us vs. them" attitudes develop.

Nahavandi and Malekzadeh (1988) have extended the approach of Buono and colleagues, developing an integration model based on the modes of acculturation preferred by the companies involved in the merger/acquisition. Modes of acculturation refer to different ways in which cultural changes take place following a merger/acquisition, depending on the importance employees attach to their own organizational culture and the appeal of the culture they interact with. To the extent that the acquirer's and the acquired's modes of acculturation do not converge, a cultural crash will result, involving high acculturative stress for employees, and resistance to change.

Top management plays an important role in shaping organizational culture (Schein, 1992) and therefore topics related to top management integration and culture have received particular attention in M&As literature. Chatterjee et al. (1992) have studied how cultural differences at top management level influence M&As performance, defined as shareholders' gain. The authors argue that cultural differences negatively influence shareholders' gain and therefore, greater attention should be given to cultural fit at top management level. It appears that organizational culture differences negatively influence top managers' cooperation, commitment, and increase their negative attitudes toward the merger/acquisition (Weber et al., 1996; Weber and Schweiger, 1992).

In an international context not only organizational cultures, but also national cultures need to be recognised as influencing M&As outcomes (Sodenberg and Vaara, 2003). In an empirical study of three international mergers in the oil, steel, and fibre industry Olie (1994) has argued that when a high level of integration is sought, lack of cultural fit at national and organizational levels leads to organizational conflicts. Using samples of domestic and international M&As, Weber et al. (1996) have found that both national and organizational cultures play an important role in cross-border M&As. Nevertheless, differences in national

cultures better explain stress, negative attitudes, and cooperation. Moreover, different languages pose difficulties to effective integration (Piekkari et al., 2005).

While most researchers argue that cultural fit is important for the merger/acquisition to achieve the expected outcomes, certain scholars advocate the opposite theory: cultural differences should not be avoided as they are likely to provide benefits for the new organization. Thus, Morosini and colleagues (1998) have found that national culture differences have the potential to influence positively a firm's performance, as the acquirer gains access to a diverse set of routines and repertoires embedded in the national culture of the acquired company.

In a meta-analysis of international M&As involving US and Swedish partners, Larsson and Lubatkin (2001) found that cultural integration could be achieved despite differences in nationalities and cultures. They argue that involving employees in socialization and coordination activities such as introduction programs, training, get-together events, cross visits, transition teams, and temporary personnel exchange will result in the employees contributing to the creation of a joint organizational culture, thus reducing the chance of culture clashes.

The second trend supports the idea that it is not only culturally compatible organizations that can merge. Schweiger and Goulet (2005) found that cultural differences can be bridged in the early stages of integration by using deep-level cultural learning interventions, such as get-together events, intergroup cultural mirroring activities with frequent follow-up meetings. They argue that integration efforts should focus on employees' cultural awareness and cultural introspection to bridge the gap between the partners' organizational cultures in an effort to create a new common cultural identity.

3.2.2   Social identity approach

More recently, attempts have been made to explain employee attitudes following M&As in terms of social identity. Developed by Tajfel and colleagues (Tajfel, 1978; Tajfel and Turner 1979; Hogg and Turner, 1985), social identity theory (SIT) argues that: (1) individuals seek to achieve or maintain positive self-esteem; (2) individuals' self-esteem is partially based on their social identity (which results from group membership); and (3) the need for a positive

social identity leads to intergroup comparisons favourable to the ingroup. Self categorization theory (SCT) (Turner et al., 1987) extended SIT by specifying members' behaviour within groups. Thus, according to SCT, individuals could define themselves as (1) unique individuals (personal identity) when they compare themselves with other individuals; (2) as group members (social identity) when they compare their own group with other relevant groups; and (3) as human beings. To the extent that social identity is salient, SCT explains the cognitive processes by which a particular group membership becomes relevant for an individual's behaviour at any given time. Together, these two theories are often regarded as the social identity approach (SIA) (Hogg and Abrams, 1988).

An individual's identification with a group can be described as having four components: a cognitive, affective, evaluative, and behavioural component (Tajfel, 1981; van Dick, 2001). The cognitive side of social identification refers to an individual's acceptance of being seen as a member of a group. The salience of group membership becomes important when considering the other aspects of social identification with a group: positive feelings associated with group membership (affective identification); outgroup perceptions concerning the ingroup (evaluative identification); and taking part in actions which are relevant for the group (behavioural component).

Starting with the seminal work of Ashforth and Mael (1989), SIA has become an important avenue for organizational research. Applied to organizational settings, SIA focuses on the individual as organization member and attempts to explain how his/her perceptions regarding membership salience, organization prestige and distinctiveness impact on his/her behaviour and attitude towards the organization.

Employee attitudes and reactions to M&As

In the field of M&As, researchers have attempted to explain employee attitudes and reactions to mergers/acquisitions from a social identity perspective. One of their main concerns was to identify the factors that influence employee responses to a merger or acquisition, in order to reduce and even eliminate the negative impacts M&As have on individuals, and thus the social and economic costs associated with M&As. In a study of a newly merged scientific organization, Terry and O'Brien (2001) examined the impact that perceived pre-merger group status, legitimacy of status differentiation, and ingroup bias all have on employee responses to

a merger. The employee response to the merger was measured both at the individual level (threat posed by the merger, job satisfaction) and at the group level (identification with the merged organization, anxiety in response to intergroup contact, common ingroup identity). The authors argue that members of a low status pre-merger group respond more negatively to the merger then members of a high status group (manifested in terms of lower levels of job satisfaction and identification with the new organization, and higher levels of anxiety and threat). On the other hand, perceived legitimacy of status differentiation is likely to generate a more positive attitude towards the merger for members of the low status pre-merger group than for members of the high status group. Ingroup bias can lead to inter-organizational conflicts (Marks and Mirvis, 1985), therefore it is important to understand how it develops. It appears that members of high status groups exhibit a high level of ingroup bias in relation to status-relevant dimensions, as opposed to members of low status groups, for which ingroup bias is higher on non-status relevant dimensions. Moreover, the higher the ingroup bias, the higher the perceived threat posed by the merger. Employees apparently perceive a merger threat in different ways, depending on the employee pre-merger status.

The effect of pre-merger group status, permeability of group boundary, and intergroup contact on employee response to a merger was studied by Terry and colleagues (2001) in a major airline company undergoing a merger. As in the case of the above-mentioned research, the authors found that negative effects of the merger are most likely to impact on employees of the low-status pre-merger organization. The employees of the high-status pre-merger organization are most likely to experience higher job satisfaction and commitment to the new organization. Moreover, high levels of permeability and intergroup contact have a positive impact on employee attitudes following the merger. The combined effect of group status, permeability and intergroup contact was most marked for employees of the low status pre-merger group. Thus, the authors found a positive relationship between permeability and commitment for low-status employees. Similarly, the frequency of contact between the employees of the merging organization was found to be positively related to commitment for low-status employees.

In a similar study, Giessner and colleagues (2006) have examined employee reaction to M&As based on pre-merger status and the type of integration. On the basis of three laboratory studies they concluded that low-status pre-merger groups favoured a merger of equals, with each partner contributing equally to the new organization. High-status groups, on

the other hand, were in favour of an assimilation integration pattern, with the low-status group being absorbed into their group. These results corroborate previous research, as it appears that each group tried to maintain or improve their status in an effort to ensure a sense of continuity (van Knippenberg and van Leeuwen, 2001). The authors have also studied the mediating effects of merger threat on employees' support for the merger/acquisition. The results show that merger threat was closely linked to employees' support for the merger. The extent of the perceived threat influenced employees' expectations of future job security and status, and thus their support for one type of integration or another.

Taking a more general perspective, van Knippenberg and colleagues (2006) have studied the impact organizational identification has on employee attitudes towards organizational change. They argue that highly identified employees are more likely to focus on change-related aspects which influence the core of the organization, such as procedures, voice and participation options. Employees who are less identified with the organization are more focused on change-related outcomes, such as salary, expenses, promotion possibilities, etc. In the particular case of M&As, the knowledge that different levels of organizational identification influence employees' concerns (personal or for the group) is very important when defining the integration strategy and communication with the employees.

Developing organizational identification following a merger/acquisition

A second trend in M&As research from a social identity perspective focused on identifying the factors that influence the development of organizational identification with the newly merged organization. In general, a high degree of identification with the organization was shown to be positively correlated to work performance and work-related attitudes, such as job satisfaction, motivation, commitment (van Dick, 2001; Hogg and Abrams, 1988; van Dick, 2004). Moreover, Ashforth and Mael (1989) argue that high organizational identification is linked to a high level of cooperation, cohesion, as well as loyalty towards the organization. Empirical research has shown that members of low-status pre-merger organization, which identified less with the new organization, experienced lower levels of job satisfaction and commitment to the new organization (Terry et al., 2001). Therefore, ensuring that employees develop a high level of identification with the post-merger organization will have positive results for the organization and the integration process.

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Sense of continuity of identity has been recognized as a major factor influencing post-merger organizational identification. Basing their findings on two cross-sectional survey studies, van Knippenberg and colleagues (2002) argue that members of the dominant as opposed to the dominated pre-merger group are more likely to experience a sense of continuity and identification with the post-merger organization. The dominating group will face fewer changes than the dominated group during the integration process, thus experiencing a sense of continuity, a sense of working for the same company, despite the changes taking place around them.

While the merger cases studied by van Knippenberg and colleagues (2002) involved an absorption integration pattern, van Leeuwen and colleagues (2003) researched the case of a merger where a preservation approach to integration was taken. In common with previous findings, the perceived sense of continuity of the pre-merger group identity increased identification with the post-merger organization. Nevertheless, as the integration strategy involved the inclusion of the pre-merger organizations under the same "umbrella", while keeping their relative autonomy, the continuation of pre-merger identification also increased ingroup bias, thus increasing the "distance" between the pre-merger groups. This study also illustrates the relationship between different foci of identification, a topic which will be addressed shortly.

In a case study of a post-merger global corporation, Ullrich and colleagues (2005) analyzed the extent to which sense of continuity, as perceived by middle management, influenced post-merger integration. The authors took the concept of continuity a step further, arguing that it is not enough to focus on observable continuity, defined as the link between past and present, between pre-merger identification and the immediate present of post-merger integration. The sense of continuity should be extended to incorporate projected continuity, i.e. the link between present and future, between the goals to be achieved and the means to do it. The authors argue that the lack of a clear definition of future goals and means to achieve them (in other words a lack of "projected continuity") will have a negative impact on organizational identification. Uncertainty concerning the future of the organization is likely to negatively influence projected continuity and thus post-merger organizational identification.

Multiple foci of identification

The third direction of research concentrated on extending existing research topics to incorporate multiple foci of identification during mergers and acquisitions. At organizational level several foci of organizational identification can be studied: career, work group/team, and organizational identification (van Dick et al., 2004). From an M&As perspective, a more interesting categorization refers to identification with pre-merger group (subordinate group), and with the post-merger organization (superordinate group). This categorization is especially relevant in the case of a preservation strategy, where the pre-merger entities continue to exist under the umbrella of a larger organization. van Dick and colleagues (2004) have studied such a case and found that identification with both the sub- and super-ordinate groups is positively associated with employees' attitudes such as job satisfaction and organizational citizenship behaviour, and negatively related to turnover intentions.

Studying the impact that different levels of identification have on employees' response to organizational change, Jetten and colleagues (2002) found that higher identification with the subordinate group led to a more negative response towards change. On the other hand, higher identification with the organization translated into more positive feelings towards the upcoming change.

3.2.3   Job characteristics and social exchange theories

According to job characteristics theory, there are several core job dimensions, such as skill variety, task identity, task significance, autonomy and feedback, which influence employee perceptions of the work environment and eventually influence motivation and job satisfaction (Hackman and Oldham, 1975). Moreover, from a social exchange perspective, the factors that influence employee attitudes could be extended to include a broader range of dimensions of the work environment. The social exchange theory postulates that in exchange for their effort on behalf of the organization, employees expect the company to provide them with challenging and meaningful tasks, and opportunities to meet their needs and aspirations (Steers, 1977; Angle, 1983). To compensate for their commitment, dedication and loyalty to the organization, employees expect to have good working conditions and pay, promotion opportunities, job security, and an environment that promotes communication and

cooperation with co-workers (Mowday and Steers, 1979; Mottaz, 1988).

The changes generated by a merger/acquisition are likely to have a strong impact on work conditions and environment, and therefore on employee attitudes and behaviours such as job satisfaction, organizational commitment, turnover and turnover intentions (Schweiger and Walsh, 1990). Thus, in a survey of middle-management personnel involved in a bank merger, Costello and colleagues (1963) discovered that most of the participants expected the merger to have a negative impact on the work environment. The participants considered company atmosphere, fringe benefits, work procedures, and salary to be the most likely work-related aspects to worsen after the merger. The research also supported the idea that employees are likely to experience merger consequences differently, depending on individual traits. It appears that the expectations (positive or negative) of middle managers depended on several factors such as the individual's success in the organization (measured by salary and status), anxiety, need for independence and the individual's feelings about the organization.

One of the few studies to focus on employee attitudes in the long-term, Fairfield-Sonn and colleagues' (2002) research gives support to the social exchange approach. The authors found that the most important factor in determining employee attitudes following a merger is the extent to which their expectations were met by the organization. After accounting for demographics and typical predictors of employee attitudes, it was found that both job satisfaction and organizational commitment were significantly influenced by merger-specific factors (the degree to which the organization met employee expectations and the level of transferable skills employees had). Moreover, the study showed that employee attitudes register lower levels in the case of a hostile acquisition than in a friendly merger. A drawback of the study is that data were collected only at one point in time, several years after the merger/acquisition.

Research conducted by Graves (1981) on the merger of two re-insurance brokerage companies provides further evidence for the impact of M&As on employee attitudes. One of the main findings concerns the different impact M&As have on employees. Thus, for some employees the merger had positive consequences (higher status, more responsibilities, higher pay, improved career prospects), resulting in increased job satisfaction. For others the merger signified loss of autonomy, decrease in cooperation and reduced scope in the job, with a

resultant decrease in job satisfaction.

Further evidence for the negative impact of M&As on employee attitudes is provided by Newman and Krzystofiak (1993) in their study of a bank acquisition. By measuring employee attitudes before the announcement and after the actual acquisition, the researchers were able to test three alternative theories concerning the impact of M&As on employee attitudes. Thus, they found certain evidence to show that job characteristics suffer a decline following a merger/acquisition, leading to lower levels of job satisfaction and organizational commitment. Moreover, it appears that M&As negatively influence work relationships, especially those with supervisors, thus contributing to negative employee attitudes. Nevertheless, the authors acknowledge that employees do not all experience a merger/acquisition in the same way. Their results indicate an average decline in job satisfaction and organizational commitment as a result of improvements in work-related aspects for some employees and worsening for others.

Decreased job satisfaction and organizational commitment were also reported by Schewiger and Denisi (1991) following a research study dealing with the impact of realistic communication on employees. The authors argue that organizations should engage in realistic discussion with their employees, communicate concern for their welfare and be honest and forthcoming about future changes. By adopting such a communication strategy, their employees are less likely to hold negative feelings and attitudes toward the organization.

Another area of interest for research is related to employee behaviour in terms of turnover and turnover intent. Depending on the type of merger or acquisition, a certain degree of voluntary and involuntary turnover (at both employee and managerial level) is to be expected (see Buono and Bowditch 1989, pp. 60-74; Schweiger and Weber, 1989; Napier, 1989). A particular area of interest for researchers is management turnover following a merger/ acquisition. Management personnel are directly involved in defining the integration strategy and ensuring its implementation at lower levels of the organizational hierarchy. Their role as agents of change and "entrepreneurs of identity" (van Knippenberg and Hogg, 2003) makes them an essential element for the success of the integration process (Kennedy et al., 2006; Vaara, 2003). Research studies in this area have focused on top management turnover and its effect on merger or acquisition performance (Krishnan et al., 1997), and on how perceptions of the merger and the integration process influence a manager's decision to leave the

organization (Krug and Hegarty, 2001; Fried et al., 1996; Lubatkin et al., 1999).

Even though M&As have mostly negative effects on employees, there are several researchers who have reported the reverse. Thus, M&As could be seen as an opportunity for new responsibilities, advancement, or development (Buono and Bowditch, 1989; Costello et al., 1963; Empson, 2000; Graves, 1981), increased job security, greater job satisfaction or more varied work tasks (Napier, 1989). The results of a study conducted by Cartwright and Cooper (1993) indicate that following a merger in the financial sector, job satisfaction and organizational commitment were not adversely affected. Nevertheless, the results should be interpreted with caution as the data are cross sectional and were gathered immediately after the merger.

3.2.4   Employee attachment to the organization

As it can be observed from the previous discussion, social identity approach focuses on organizational identification as one of the main employee attitudes to be observed following a merger/ acquisition. Job characteristics and social exchange theories are concerned with employee commitment to the organization.

Before continuing, the distinction between to the concepts of commitment versus identification needs clarification. The issue is a subject of ongoing debate in the literature. Both concepts are considered to be multidimensional and having several foci (Meyer and Herscovitch, 2001; van Dick et al. 2004). From this perspective (of an all-inclusive concept, having different foci, dimensions, and behavioural implications), they are regarded as conceptually distinct (Meyer et al., 2006). When the focus shifts to organizational level, van Knippengerg and Sleebos (2006) argue that the difference between commitment and identification arises from the implied relationship between the employee and the organization. Thus, organizational commitment refers to a social exchange relationship between employee and the organization, whereas organizational identification refers to a state of "oneness" between the employee and the organization (i.e. the organization becomes part of the individual's self-conception).

Nevertheless, several researchers acknowledge a certain conceptual overlapping between the two constructs. From an organizational psychology perspective, identification is considered as

a part of commitment. For example, the definition of affective commitment by Meyer and Allen (1991) and the definition of commitment by Porter et al. (1974) suggest that identification is a component of affective commitment. From a social identity perspective, affective commitment is perceived as a dimension of identification (Ellemers et al., 1999). The authors argue that affective (as opposed to normative or continuance) commitment to the group is the essential aspect of social identity that affects the human tendency to behave in accordance with group membership. Similar results were obtained by Ouwerkerk and colleagues (1999), who argue that affective aspects of identification are consistent with the construct of affective organizational commitment. They conclude that the affective (rather than the cognitive or evaluative) component of identification is more closely related to employee attitudes and behaviours. The constructs of affective identification and affective commitment therefore share much in common.

The results are also inconsistent from an empirical point of view. In a meta-analysis of organizational identification, Riketta (2005) states that organizational identification and affective organizational commitment are empirically distinct with respect to their correlates, even though the two constructs share a large amount of variance (around 60%). The author showed that, depending on the operationalization of organizational identification (Cheney (1983) or Mael and Tetrick (1992) scale), correlations of identification with affective commitment varied from average to high (up to 0.9). Miller and colleagues (2000) have also noted that items in organizational identification questionnaires (Cheney (1983)) overlap with those in affective commitment questionnaires and they recommend improvement of the scale by focusing on verbal behaviour in the workplace.

The overlap between affective identification and affective commitment seems, therefore, to be significant. This is one reason why the present study focuses on the similarity of the two concepts and refers them by the inclusive term of attachment[1].

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[1] In common with Riketta and van Dick (2005), who used attachment as an umbrella term for the constructs of organizational identification and organizational commitment.

3.3 Limitations of previous research

3.3.1 Need for longitudinal studies

Most studies have compared employee reactions immediately before and after the merger/acquisition (generally 6 to 18 months) or examined employee reactions to an upcoming merger. Existing studies of employee attitudes in the long-term generally examine their attitudes around the merger/acquisition date and several years after (three and a half years in a Marks and Mirvis (1983) study and seven years in a Kavanagh and Ashkanasy (2006) study). These are mostly static studies, measuring employee attitudes and reactions at two points in time, albeit farther away from one another than generally employed. They do not examine the evolution of employee attitudes during the period under study. Thus it is difficult to decide whether the differences in attitudes are significant and whether they represent a general trend or a short-term fluctuation. Several researchers have recognized the dearth of longitudinal studies in the area of HR implications for M&As (e.g. Cartwright and Schoenberg, 2006). Longitudinal studies, with data spanning several years would provide better insights into the dynamic nature of employee attitudes during post-merger integration and would allow researchers to examine how the integration process affects employee attitudes in the long-term.

3.3.2 Need for research understanding the mechanisms that drive employee attitudes during M&As

Previous studies have consisted mainly of single or few case studies and analyzed a variety of employee attitudes and reactions, depending on the researcher's interest and access to information. Moreover, most studies analyzing employee attitudes have been limited to confirming anecdotal evidence that employee attitudes decrease during M&A (e.g. Schweiger and Denisi, 1991; Graves, 1981). Understanding how the integration process influences the antecedents of employee attitudes will provide insights into the mechanisms through which employee attitudes and behaviours develop and evolve after a merger/acquisition. A notable contribution is that by Newman and Krzystofiak (1993) who tested three models of employee attitudes and their antecedents: job characteristics, work relationships and psychological contract. The limitation of their study is the short time interval between data collection points:

three months prior to and six months after the acquisition. Fairfield-Sonn and colleagues (2002) have studied the impact of demographic variables, typical predictors and merger/acquisition-related factors on employee job satisfaction and organizational commitment. However, theirs is a cross-sectional study.

Such limitations were also observed by Beck and Wilson (2001) in a review of research in the field of organizational commitment. The authors noted a paucity of research on (1) changes in organizational commitment over time and (2) which antecedents are associated with the changes in organizational commitment over time. Finding answers to such research questions would help develop theoretical models explaining employee attitudes and would assist managers in optimizing the organizational commitment of their employees.

3.3.3 Need for a multi-disciplinary approach

There are several perspectives adopted in studies of HR implications for M&A; the most frequently used being organizational behaviour and social psychology approaches. Attempts have been made to delineate the boundaries between them, focusing on distinctions and identifying specific factors that could, at least partially, explain employee attitudes. Such efforts are necessary. It is important to know the boundaries of a theoretical perspective.

Nevertheless, it is also important to understand the interactions with other approaches and theories. Finding common ground and using the similarities among different approaches to study a phenomenon will help uncover different facets of the phenomenon, and provide a deeper understanding of its evolution and determinants (Ellemers et al., 2004).

Several researchers have attempted to clarify the distinction between organizational identification and organizational commitment. Studies by Ashforth and Mael (1989) or Riketta (2005), for example, represent an essential contribution to the field. Nevertheless, efforts to understand the similarities between organizational commitment and organizational identification are also important. In this context the work of Ellemers and colleagues (1999), Ellemers and colleagues (2004) or van Dick (2001) are significant. Contributions by van Knippenberg and colleagues (2007) are a good example of a multidisciplinary approach. The authors employed both social exchange and social identity theory to analyze employee withdrawal behaviour within organizations. Due to contextual factors influencing employee

behaviour, no single theory can fully explain the phenomenon. By extending the theoretical approach, the authors achieve a clearer picture of the mechanisms underlying employee withdrawal from work. Another example of a multidisciplinary approach is offered by Tyler and Blader (2003). By drawing on social exchange, social identity and procedural justice theories the authors propose a group engagement model that explains the relationship that people form with their groups.

Moreover, most research into the human related aspects of M&As has focused only on "soft data". HR-related issues should not be analyzed in isolation from the strategic or financial aspects of a merger/acquisition. The extent to which the merger partners are financially sound will most likely have an impact on employees' expectations and beliefs concerning the success of the merger, and their future with the new organization. Thus, in order to understand "soft issues" in their complexity, both "soft" and "hard" data should be analyzed. As mentioned above, HR outcomes are intermediate outcomes, on the basis of which M&As success can be judged. It is important to analyze different types of outcomes to gain a comprehensive understanding of the implications of M&As for the organizations and the people involved.

As Cartwright (2005) proposes, it is important to adopt a multi-disciplinary approach to the study of M&As to develop a more holistic understanding of M&As processes and outcomes.

4 Methodology and data overview

4.1 Methodology overview

The objective of this research was to assess how employee attitudes (and in particular employee attachment) develop and evolve during post-merger integration and what factors/incidents influence them. A case study approach was taken, with the focus on a division of a multinational operating in the financial sector. The study employs longitudinal analysis, using multiple triangulation:

- Data triangulation, using both quantitative data (Employee Satisfaction Survey data, Life Balance and Equal Opportunities Survey data, financial data) and qualitative data (semi-structured interviews, company documents);

- Theory triangulation, using social exchange theory to explain the impact several antecedents have on employee attitudes, and social identity theory to explain how the process of identification with and commitment to the new organization unfolded during the integration period;

- Methodological triangulation, using statistical methods (structural equation modeling), and qualitative methods (critical incident technique and content analysis).

Triangulation enables the researcher to take advantage of the strengths of various data collection methods (Pettigrew, 1990) to gain an in-depth understanding of the phenomenon under study (Denzin and Lincoln, 2000), and increase confidence in the results obtained (Jick, 1979).

The purpose of combining qualitative and quantitative data in the study of employee attitudes following a merger was to evaluate the topics below:

- the process underlying the development of employee attachment to the organization immediately after the merger and their evolution during the post-merger integration period.

- the outcome of this process, in terms of identifying significant antecedents and assessing their impact on employee attachment to the organization during the integration period

On the basis of these two topics, two sets of research questions emerge:

1. How does employee attachment develop and evolve after the merger? (answered by analyzing the process)

2. What factors significantly influence employee attachment? How does the impact of these factors change over time? (answered by analyzing the outcome).

4.2   Data overview

Both quantitative and qualitative data were used in the research. Combining qualitative and quantitative data offered greater insight into the phenomena, events, and critical incidents which took place during the post-merger integration period.

Quantitative data were based on financial data, the results of the Employee Satisfaction Survey carried out within the Nordic Company starting in 2001, and the Life Balance and Equal Opportunities Survey carried out in 2002. Employee Satisfaction Survey was designed to measure employee attitudes (such as job satisfaction, organizational commitment) and the factors which influence them (corporate management, job characteristics, development possibilities, remuneration, cooperation etc.). Due to the pressure initial integration efforts exerted on people, the decision was taken to conduct a Life Balance Survey within The Nordic Division. The purpose of the survey was to assess the way people cope with pressure and how it is reflected in their personal life, and to identify means to improve employees' life balance.

Qualitative data were based on semi-structured interviews with team leaders and top managers, and internal documents. The interviews were conducted during 2005-2006. It was decided to interview those managers belonging to top management, who had been employed by the division since 2000. The team leaders who were interviewed had also worked within the division for at least five years.

4.3   The case study

The Nordic Company

The focus of the research is a division (hereafter called The Nordic Division) of a multinational company (hereafter called The Nordic Company) operating in the financial sector. The multinational is the result of a sequence of mergers and acquisitions in the financial sector in Northern Europe during the 1990s. The final stages in this sequence of M&As are presented in Figure 4.1. The merger of 1997 between a Finnish and Swedish organization was followed, in the first part of 2000, by the merger of the newly formed organization with a Danish organization. At the end of 2000 the newly formed multinational acquired a Norwegian organization, thus becoming the largest pan-Nordic financial service provider.
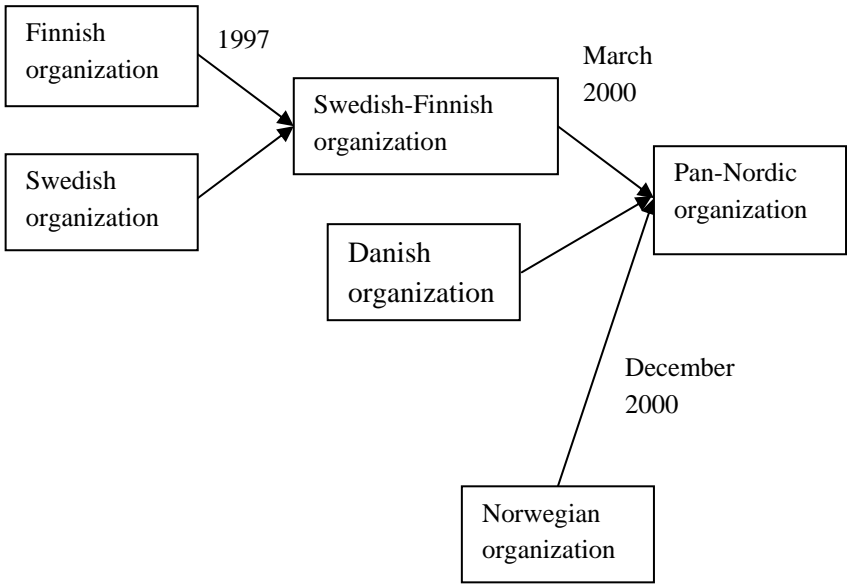
Figure 4.1 *Schematic presentation of the final mergers leading to the formation of the Pan-Nordic Company.*

The multinational is today the leading financial services group in the Nordic and Baltic region and operates in three main business areas: retail banking, corporate and institutional banking, and asset management. It has more than 10 million personal customers, around 1 million corporate customers, and 1,000 large corporate customers.

The Nordic Division

The Nordic Division is organized as a product responsible division in the business area of corporate and institutional banking. It employs around 2.5% of the company workforce and generates about 10% of the operating profit.

Following the merger of 1997 a limited integration was achieved between the Swedish Nordic Division and its Finnish counterpart. After the merger of 2000, the decision was taken to create a single Nordic Division by integrating the three existing ones: the Finnish, Swedish and the Danish Division. At the beginning of 2001 the Norwegian Nordic Division was also integrated.

The Nordic Division was a pioneer in terms of post-merger integration compared to the rest of the multinational, starting the process soon after the merger. Before the merger of March 2000, each Nordic Division (Danish, Finnish, and Swedish) had its own business model. Following the 2000 merger, The Nordic Division underwent major changes. A new business model was adopted, with the purpose of creating a coherent Nordic business process, rather than retaining the former country-based operations. The purpose was to benefit from cost synergies by eliminating overlapping functions and to provide income synergies through strengthened competencies, sheer size, and improved market position. The adoption of the new business model entailed the creation of cross-cultural virtual teams.

Immediately after the merger of March 2000, the vision of the newly created division was articulated. The Nordic Division aimed to be the leading Nordic provider of financial products and services in the areas of international trade, currency and debt capital markets, and to offer its customers solutions tailored to their complex needs. To achieve these objectives the company would operate as a single entity. The mission of the Nordic Division was to offer its clients a large range of high quality products and to promote customer relationships.

The HR department took an active role in supporting the implementation of the new business model, by defining a HR strategy aimed at creating a unique organizational culture to support the business function. On the basis of the division's business strategy, HR strategy was developed to "Build Winning Teams for the Nordic Division" by 2005. The winning team was defined partly by result compared to budget and partly by metrics from the annual Employee Satisfaction Surveys. The strategic objectives of the Nordic Division's HR focused on increasing employee commitment, growing teams, fixing competence flow management, and positioning HR internally. The Nordic Division was supposed to deliver superior profit growth and superior profitability. Thus the following "credo" was launched:

- the Nordic Division will invest in its human capital, in order to achieve the best expertise and competence in the business area, by offering cross-border training;

- training on leadership skills and increasing awareness of cultural differences, aiming at higher employee motivation and satisfaction;

- developing a common culture, a set of norms and values based on the Nordic approach to business.

In addition to the above measures, regular training sessions in all business areas, projects having a cross-border focus, and seminars were used to promote a common culture. Starting in October 2000, periodic culture seminars were arranged for the management group to study national and corporate cultural differences and find ways to create a new corporate culture and values. During the first culture seminars a common value foundation was created – the 4 C's: Customer orientation, Communication, Competence, and Credibility, which continues to play an important role in the division and is also used in the appraisal process. The culture seminars were instrumental in reducing national and organizational boundaries and thus gradually creating the basis for cross-border cooperation (Miettinen, 2005).

The get-together events organized for each department enabled colleagues from the four countries to become acquainted, and helped to promote trust and cooperation within the newly formed virtual teams.

Following the cross-border merger a change in leader attitudes and practice towards cross-cultural organization was required. To achieve this, a series of training programs were initiated in 2001. The purpose of the personal leadership training was to help participants

understand themselves and their needs, find ways to communicate, and recognize the links between good leadership, enthusiastic employees, and business success.

The concerted efforts to reorganize and integrate the business areas (mainly trading and sales) were followed by the integration of back-office operations. This took place in two stages, the first starting in November 2001, and the second in January 2002. Appendix 1 contains the timetable of the main events in the Nordic Division starting in March 2000.

5 Study 1: A model of affective organizational commitment

5.1 Theoretical framework

The proposed model was developed by combining research on organizational commitment and HR approach on M&As. Several theories provided the basis for the model, including exchange theory (Steers, 1977; Angle and Perry, 1981), job characteristics model (Hackman and Oldham, 1975; Stone and Porter, 1975), and justice-based theory (Greenberg, 1990).

Affective organizational commitment (hereafter, organizational commitment) is conceptualized on the basis of the organizational behaviour framework. Drawing from Porter and colleagues (1974), organizational commitment is defined as an individual's attitude towards the organization, reflecting (1) identification with the organization by believing in and accepting its goals and values, (2) involvement, by willingly exerting considerable effort on behalf of the organization, and (3) loyalty, by expressing a desire to remain within the organization. Job satisfaction is defined as a positive state of mind derived from one's evaluation of the job (Price, 1997; Locke, 1976).

Job characteristics model (Hackman and Oldham, 1975) identifies five core job dimensions (skill variety, task identity, task significance, autonomy, and feedback) and explains their relationship to employee attitudes. Further explanation is offered by the exchange theory, which postulates that employees and the organization are both involved in an exchange relationship. Individuals having certain skills, needs, desires join an organization and expect the organization to provide them with opportunities to use their skills and abilities to satisfy their needs and aspirations. To the extent that the organization offers employees a work environment with challenging and meaningful tasks in which they have opportunities to meet their needs and goals, organizational commitment is likely to increase. If the organization fails to meet such expectations, organizational commitment can be expected to decrease. Thus

work rewards are important factors in determining the level of organizational commitment (Angle, 1983; Steers, 1977).

Three categories of work-related rewards have been seen to influence employee attitudes: task, social, and organizational rewards (Kalleberg, 1977; Mottaz, 1988). Task rewards are determined by task characteristics, such as interesting and challenging work, task variety and significance. Social rewards are experienced when employees interact positively with co-workers, in terms of cooperation and communication. Organizational rewards result in increased employee loyalty and motivation, and include instruments such as pay, promotions, security, and good working conditions.

It is not the purpose of this research to study the causal relationship between organizational commitment and job satisfaction[1]. Therefore, an important step in developing the model was to specify the causal relationship between job satisfaction and organizational commitment. In the literature, most studies have regarded organizational commitment as a more stable attitude than job satisfaction, taking longer to develop over time (Porter et al., 1974). Therefore, in the present study job satisfaction is specified as a determinant of organizational commitment. Thus the relationship between job characteristics, social and organizational rewards on the one hand, and organizational commitment on the other hand, is mediated by job satisfaction.

Previous research has demonstrated that job characteristics influence both job satisfaction and organizational commitment; the relationship to job satisfaction being the stronger (Glisson and Durick, 1988; Steers, 1977; Williams and Hazer, 1986). Therefore, an alternative model will be considered, which specifies that task characteristics and social rewards directly influence organizational commitment (Figure 5.1).

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[1] There is an ongoing debate in the literature over the causal relationship between these two attitudes. Most studies show that job satisfaction precedes organizational commitment (Clugston, 2000; Williams and Hazer, 1986; Gaertner, 2000). The theoretical background to support this model states that job satisfaction, involving an affective response to the job develops sooner than organizational commitment, which implies a better understanding of the entire organization, its goals, ethics and values (Porter et al., 1974). A few studies suggest a reverse causal effect (Vandenberg and Lance, 1992; Bateman and Strasser, 1984), based on the idea that an individual will develop attitudes (such as job satisfaction) consistent with his/her commitment (Salancik and Pfeffer, 1978). There are also studies, which imply that job satisfaction and organizational commitment are reciprocally related (Rayton, 2006, Farkas and Tetrick, 1989) and also studies showing no causal relationship between the two constructs (Currivan, 2000; Curry et al, 1986; Cramer, 1996).
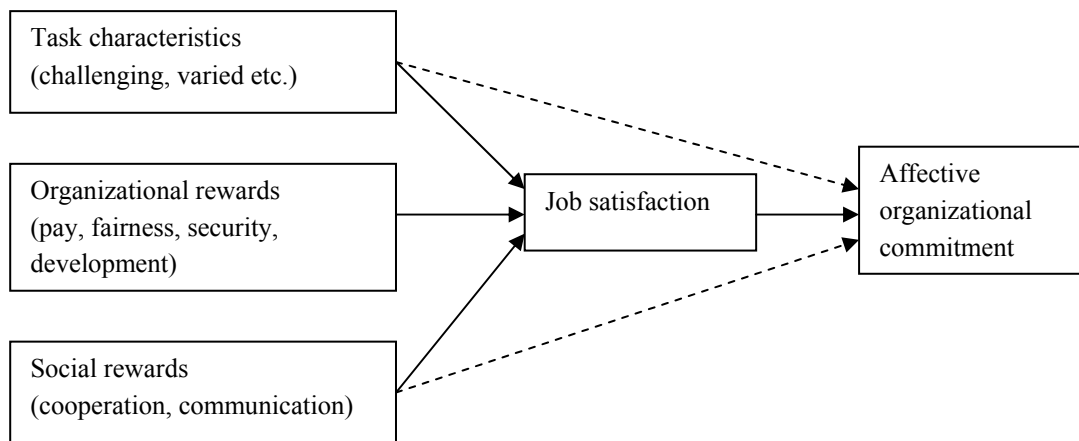
Figure 5.1 *Antecedents of affective organizational commitment - theoretical framework.*

Research in the field of M&As suggests that remuneration is a major concern of both managers and employees following a merger/acquisition (Hunt and Downing, 1990; Schweiger et al., 1987). Moreover, the fairness of the pay received has been shown to have an important impact on employee attitudes and behaviours (Greenberg, 1990; Gaertner, 2000). A work environment characterized by fairness and equity, where employees are encouraged to participate and use their skills is expected to increase employee motivation, and, ultimately, job satisfaction and affective organizational commitment (Hackman and Oldham, 1975; Eby et al., 1999)

Since the purpose of this research is to study employee attitudes at unit level the theory should apply to the group. Most extensive research in the field is performed at the individual level. In terms of higher levels of analysis, the focus of research is generally on the outcomes of employee attitudes (i.e. on relating employee attitudes to group/business unit/organizational outcomes) (Harter et al., 2002; Ostroff, 1992; Schneider et al., 2003; Angle and Perry, 1981). However, there are studies that focus on the impact of several antecedents (mostly jobs characteristics) on job satisfaction and/or organizational commitment at group level. Campion and colleagues (1993), for example, have examined the impact of job characteristics on group effectiveness, measured by several variables including job satisfaction. In a study dealing with the outcomes of workplace innovations (in this case the introduction of self-managing teams), Batt and Appelbaum (1995) have analyzed antecedents (job characteristics and human resource practices regarding development opportunities, payment, jobs security, training) and also outcomes of employee attitudes (job satisfaction, organizational commitment) at team level.

The meaning of a construct might vary according to theoretical level (Seers et al., 1995), nevertheless, on the basis of previous research (see, van Mierlo and colleagues (2005) for an extensive review), it can be assumed that the impact of job characteristics on employee attitudes will also hold at the group level. Furthermore, the impact of organizational rewards, such as remuneration, fairness, security, development, which are determined by human resource practices, should apply at group level as well.

5.2 Methodology – structural equation modelling

The present study takes a macro perspective, employing unit level data to analyze the evolution of employee attitudes and their antecedents during the post-merger integration. Structural equation modelling (SEM) was used to perform the statistical analysis.

The difference between SEM and other statistical techniques is (1) the simultaneous estimation of multiple and interrelated regression equations and (2) the possibility to represent unobserved concepts and allow for the error resulting from the measurement process of these concepts (Hair et al., 1998). The unobserved/theoretical concepts are represented in SEM by latent variables. In other words, a latent variable can be understood as the operationalization of a theoretical construct. A latent variable cannot be measured directly, but it can be approximated by means of single or multiple indicators/items.

A structural equation model consists of two parts: (1) a measurement model, which specifies the indicators included in the construction of each latent variable and their reliability and (2) a structural model, which includes the causal relationships between the latent variables. Generally, the two sub-models are estimated simultaneously, but several researchers have proposed a two-step approach to estimation on the grounds that the two models are conceptually distinct and should be evaluated separately (Anderson and Gerbing, 1988; Mulaik et al., 1989). The two-step approach proposes that the fit of the measurement model is evaluated first, and thus reliability, and convergent and discriminant validity are assessed. Next, both models are estimated, but with the focus on evaluating the structural model, assessing the relationship between the latent variables. The rationale behind this approach is that without a good measurement model (that is, a valid and reliable conceptualization of the

constructs), testing the structural model might be futile. If a correct measurement model is developed during the first step, then any errors that might appear in the second stage would be due to a misspecification of the structural model.

Several researchers go further and propose an alternative strategy that would "lock in" the measurement model after it has been estimated (Schumacker, 2004, p. 209; Loehlin, 2004, p. 216). Instead of using individual items as indicators of a latent variable, it is recommended to use the items to create a composite/scale measure for use as a single indicator of the latent variable. The path from the single indicator to the latent variable (i.e. the loading of the indicator on the latent variable) can then be fixed to the square root of the internal consistency reliability and the error variance to the single indicator variance multiplied by one minus the internal consistency reliability as follows:

$$\lambda = \sqrt{\alpha}$$

$$\sigma^2{}_\varepsilon = \sigma^2 * (1 - \alpha)$$

where λ is the loading of the indicator, α is Cronbach's internal consistency reliability coefficient, ε is the error term in the measurement of the latent variable, $\sigma^2{}_\varepsilon$ is the error term variance, and σ^2 is the indicator variance.

Fixing the loading and error variance of latent variables has the advantage of reducing the number of parameters to be estimated, thereby making the estimation of the structural model cleaner and quicker (Schumacker, 2004, p. 210; Loehlin, 2004, p. 216). As a possible disadvantage, Loehlin (2004, p. 216) mentions the fact that by freezing it, the measurement model cannot react as a response to changes made in the structural model.

Several criteria can be used to evaluate the statistical significance and substantive meaning of a structural equation model. Hair et al. (1998, p. 610-613) present fit criteria at three levels:

- overall model - fit is assessed according to three categories of goodness-of-fit indices: absolute fit measures, incremental fit measures, and parsimonious fit measures;
- measurement model - fit is assessed by means of the reliability and variance extracted for each latent variable;

- structural model - fit is judged according to the statistical significance of estimated path coefficients and their magnitude and direction, and overall coefficient of determination.

Absolute fit measures assess the overall fit of the model without considering the possibility that the model is over-fitted. The present analysis employs chi-square (χ^2) statistic with associated degrees of freedom, goodness-of-fit index (GFI), and root mean square error of approximation (RMSEA). In the case of GFI, values higher than 0.9 suggest a good fit (Medsker et al., 1994). For RMSEA values lower than 0.08 are considered indicative of a good fit (Browne and Cudeck, 1993). More recently, Rigdon (1996) found that RMSEA is better suited for use with larger samples.

Incremental fit models evaluate the fit of the proposed model by comparing it with another model. From among the incremental fit measures, the most commonly used index is Tucker-Lewis (TLI) (Tucker and Lewis, 1973). The incremental fit index (IFI) was found to work better with small samples (Hu and Bentler, 1995). For smaller samples and non-normal distribution of variables, comparative fit index (CFI) was also found to be more suitable (Rigdon, 1996; West et al., 1995). For these indices, values higher than 0.9 are considered acceptable (Medsker et al., 1994)

The last category of fit indices takes into account the number of parameters to be estimated when assessing the fit of the model. The purpose is to identify the fit achieved by each estimated coefficient. The present study employs normed chi-square (NC), and parsimonious goodness-of-fit index (PGFI). In the case of NC, values reflecting a good fit range from 1 to 2 or even 5, whereas in the case of PGFI higher values indicate better fit (Hair et al., 1998, p. 658).

Measurement equivalence is another issue that must be addressed. In order to compare latent variables across groups or over time, their measurement must be equivalent (invariant) (Loehlin, 2004, pp. 146). Several levels of measurement invariance can be distinguished (Steenkamp and Baumgartner, 1998; Vandenberg and Lance, 2000). For the purpose of the present study the following levels of measurement invariance must be met: (1) configural invariance, which requires factors to be constructed in a similar way (the same indicators/items are loaded on a factor for each group/period of time), and (2) metric

invariance, in which case an indicator's loading on a factor is equal across groups/periods of time.

5.3   Data collection

Data were collected by questionnaires. During July-August each year since 2001, the employees of The Nordic Company are requested to fill in an Employee Satisfaction Survey. Employees in both managerial and non-managerial positions participate in the surveys. The respondents are guaranteed anonymity. The responses are given on a 100-point scale, where 1 is the lowest and 100 is the highest.

The entire process is coordinated by a consultant company, which at the end of the year provides Employee Satisfaction reports to all hierarchical levels. An employee satisfaction report is delivered to a unit/office if at least four of its employees answered the questionnaire. The responses of the unit/office manager are included in the report which is passed to the next hierarchical level (a corresponding office/department). The same procedure applies if fewer than four employees answer the questionnaire within a unit/office.

5.4   Sample

As stated in 4.3 above the present study focuses on a division of a multinational operating in the financial sector. The division is profit-oriented and employs highly educated and trained professionals.

The sample is based on individual data aggregated at unit/office level, as shown in the organizational chart in Appendix 3. The Nordic Division has undergone frequent organizational changes since 2000, some occurring monthly. The changes have involved renaming units, transferring staff from one unit to another, splitting units and merging other units, and moving units from one department to another. These numerous and frequent organizational changes made it difficult to ensure the stability and continuity of the sample over time. A large number of company documents (including organizational charts and staff

reports) were analyzed and several managers were interviewed in order to identify the corresponding units over the four years of analysis. The people working in a unit took precedence over a unit's name in identifying the corresponding units and constructing the longitudinal sample.

In addition, the units' composition changed yearly due to the normal turnover of employees (people leaving the division and new people arriving). Nevertheless, due to the very high response rate of the survey, between 75% and 100% for each unit, the aggregated data for each unit shows stability over the period of the study (2002 – 2005). As will be discussed later in this chapter, the indicators used in the analysis have moderate to high test-retest reliability, thus suggesting that the measures are reliable over the period of the study.

In October 2001 several organizational changes took place within the Nordic Division (see Appendices 1 and 2), with the purpose of creating an organization that supports the business processes. Thus, the organizational structure differed significantly in 2002 as compared to 2001. It was not possible to match the units from 2001 with those from 2002 and as the sample is based on unit level data, the results from year 2001 survey were excluded from the research. Therefore, the research was performed on longitudinal data spanning the period from 2002 to 2005.

In December 2003 a new department was included in The Nordic Division. This organizational change meant an increase in the number of units providing satisfaction reports, and a consequent increase in the sample size in 2004 and 2005. Since these responses were not available in 2002 and 2003 and the sample size increased by only two observations per year, they were excluded from the final sample. Nevertheless, in discussing the results of the statistical analysis, consideration is given to the implications of including the new department in the division. This is significant because the change was not regarded favourably by the employees of either the new department or the division.

Fifty-five units were included in the analysis. In 2002 observations are missing for all questionnaire items for six units (i.e. satisfaction reports for six of the units included in the sample are missing), in 2003 there are 4 reports missing, the corresponding number for 2004 and 2005 is 2 and 3 respectively. Due to the reduced sample size, only the units whose reports were missing for one year were excluded from the analysis performed for that year. If the

units with missing reports in one year had been excluded from the sample in each of the four years, to 44.

5.5 Variables operationalization and measurement

The survey content was changed every year, thus making the measurement of several indicators difficult. The most significant changes in questionnaire content were from 2001 to 2002 (some indicators, such as organizational commitment, were first measured from 2002). This was one of the reasons that precluded the use of data for year 2001. As several of the interviewed managers mentioned, the frequent changes in the survey questionnaire made it difficult to follow the evolution in time of employee attitudes and their antecedents.

As mentioned above, the respondents rated each item on a scale from 1 to 100, 1 being the lowest, and 100 the highest. The variables employed in the statistical analysis and their operationalization are presented in Table 5.1. As can be seen, the variables all represent latent constructs.

Exogenous variables

Task characteristics are operationalized by means of a "Daily work" index. The index measures the extent to which daily work is varied and challenging. It also assesses the rating employees give to work content.

Organizational rewards are indicated in the analysis by a "Remuneration" index. This includes employees' ratings regarding the level of salary, bonus and other benefits compared to those of a similar position in another organization, as well as the fairness of the pay received.

Job security was not included in the analysis for several reasons. First, most redundancies were made at the end of 2000 and thus, by 2002 most people were confident about their position in the organization. Another reason is related to the characteristics of labour markets in the Nordic countries. Being highly regulated, with more restricted employer autonomy and difficult firing and hiring decisions, employees in Nordic countries are guaranteed a certain degree of job security (Sparrow et al., 1994). Moreover, the nature of the division's business

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area (equity trading, foreign exchange, money markets and derivatives transactions etc.) offers employees high employability. High performance traders usually have little difficulty in finding another, better-paid, job. During the past five years, significant changes were made to the organizational structure with the aim of improving support for the division's strategy; however no layoffs resulted from this process. While these organizational changes might have increased uncertainty, they probably had no affect on job security.

Table 5.1 *Variables used in the analysis and their operationalization.*

Variable	Scale items
Daily work	Job assignments and the content of work
	How varied work tasks are
	How challenging work tasks are
Remuneration	Salary compared to a similar position elsewhere
	Benefits compared to a similar position elsewhere
	How terms of employment correspond to your work performance
Cooperation & Communication	Professional cooperation with your colleagues
	Climate among staff members
	Social life
Job satisfaction	How satisfied you are with your work situation as a whole
	Your present work situation compared to your ideal work situation
OC: Identification & Loyalty subscale	I recommend others to seek employment in the Nordic Company
	I am proud to tell others where I work
	I will be working in the Nordic Company two years from now
OC: Involvement subscale	I am willing to make an extra effort if required
	My colleagues think my work performance is good
	I am open to changes that affect me

Note: Items are worded as in the questionnaire.

The business area in which the Nordic Division operates requires professionals with specific knowledge and skills, which makes it difficult for the employees to consider career opportunities in other divisions of the company. Moreover, the fact that the division has offices in four countries limits employees' mobility within the division if this implies relocation to another country. Therefore, development opportunities were excluded from the analysis. The decision to exclude job security and development opportunities from the analysis was also supported by the results of a preliminary analysis, which included daily work, remuneration, job security, development, and cooperation and communication as antecedents of job satisfaction. Job security and development did not contribute significantly to job satisfaction. Moreover, a smaller number of variables would improve the rapport between the number of parameters to be estimated and the sample size (Hair et al., 1998, pp.

604). Together these factors led to the decision to include only daily work, remuneration, and cooperation and communication as antecedents of job satisfaction.

Social factors were measured by means of a "Cooperation & Communication" index. The index assesses the extent to which employees cooperate on a professional level, and the extent of informal and social communication with colleagues.

Endogenous variables

"Job satisfaction" index measures the overall satisfaction with the job and to what extent it is close to an ideal situation. There are generally two ways of measuring job satisfaction: as overall satisfaction or as satisfaction with specific facets of work (for example, satisfaction with pay, remuneration, promotion opportunities etc.). Measuring overall job satisfaction was shown to be preferable to using a scale of specific job satisfaction facets (Scarpello and Campbell, 1983; Wanous et al., 1997).

The correlations between the six items which define "Organizational commitment" index suggested that two subscales would be more appropriate. Therefore factor analysis was performed for each year. Two factors were identified in each year: (1) "Identification & Loyalty", assessing the extent to which employees identify themselves with and are loyal to the organization and (2) "Involvement", measuring employee willingness to make a considerable effort on behalf of the organization. Thus two organizational commitment subscales will be considered in the analysis.

As Table 5.1 shows, two of the items included in the Identification & Loyalty subscale of organizational commitment refer to the Nordic Company. The use of the company name or the term "organization" in the phrasing of surveys of organizational commitment has recently come under scrutiny. In large companies, especially, the question arises concerning the meaning employees attach to the term "organization". Brown (1996) argues that employees are likely to associate a reference to the organization with a division or large department. Such a division will be one with a distinctive culture, which is most salient in defining their member identification and in describing the goals and values they adhere to. This is the case of the Nordic Division. The integration process that lead to the formation of a single, pan-Nordic division from four national divisions was aimed at creating a unique culture and a new identity, with values, goals, and aspirations which would define member identification with

the division. Moreover, the division enjoyed relative autonomy in creating a new identity and culture because integration had started before integration at company level and was also more rapid. In addition, as noted above, employee mobility is mostly confined to the division. Thus, the item "I will be working in the Nordic Company two years from now" is most likely to refer to the intention to stay within the Nordic Division. Therefore it could be considered that the two subscales of organizational commitment reflect employee attitudes towards the Nordic Division rather than the Nordic Company (the "organization/organizational" term, thus referring to the Nordic Division rather than the Nordic Company). The operational version of the proposed model is presented in Figure 5.2 below.
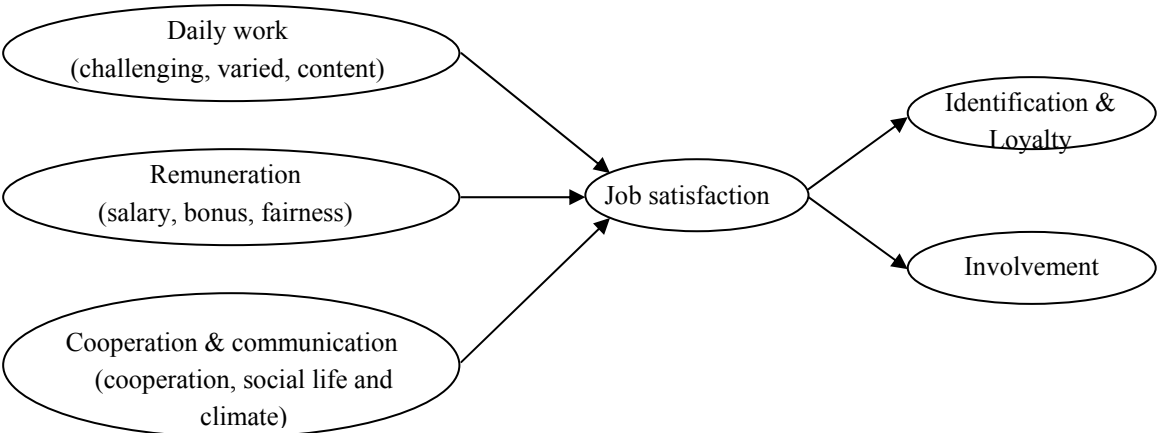
Figure 5.2 *Operational version of the framework proposed (Model IM).*

Alternative models

According to social identity theory, an individual's identification with a group has four components: cognitive, affective, evaluative, and behavioural (Tajfel, 1981; van Dick, 2001). Several researchers claim that affective organizational commitment could be considered as reflecting the affective component of identification (Ellemers et al., 1999). Furthermore, van Dick (2001) suggests that behavioural identification reflects an individual's involvement in the organization (involvement with the job and work). Considering that it is probable for individuals who affectively identify with a group to also show behavioural identification (van Dick, 2001; Tyler and Blader, 2003; Ellemers et al., 1999) it can be hypothesized that Identification & Loyalty subscale (as representing the affective identification with the organization) precedes Involvement subscale. The alternative model based on this hypothesis is presented in Figure 5.3.
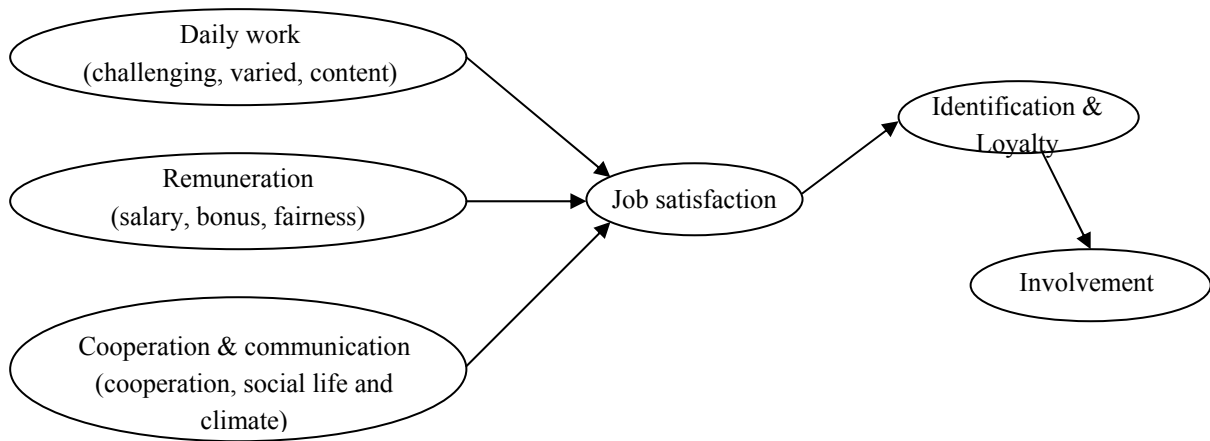
Figure 5.3 *Alternative to the operational model (Model A1).*

As mentioned in 5.1 above, task characteristics were demonstrated to have a direct impact on organizational commitment. "Daily work" variable incorporates an assessment of the day-to-day work (degree of challenge and variety, content) that influences work performance and the willingness to perform beyond what is required. Thus it is more likely for daily work to have a direct impact on involvement, rather than on identification & loyalty. Therefore, a second alternative model is proposed (Figure 5.4).
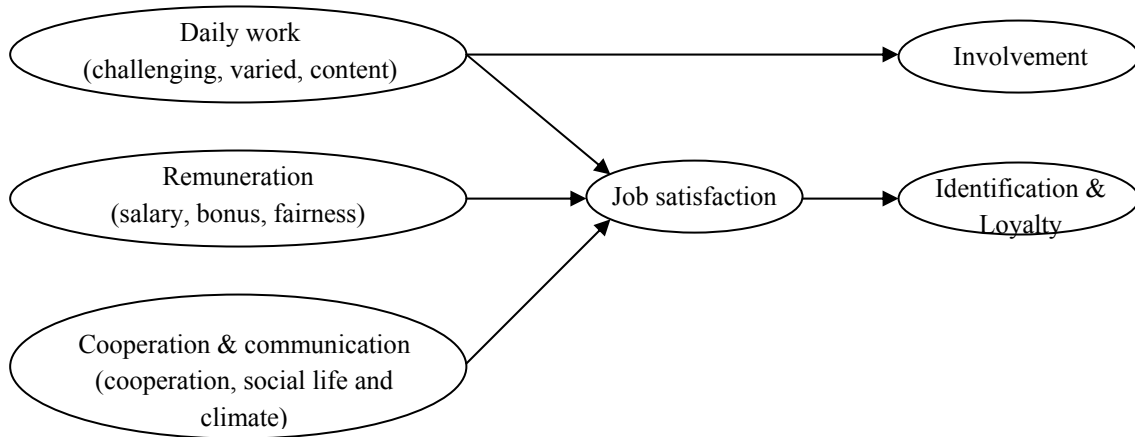
Figure 5.4. *Alternative to the operational model (Model A2).*

Reliability

Reliability is broadly defined as the extent to which multiple measures of a variable are consistent. There are several ways of assessing reliability (Peter, 1979). In this research two measures of reliability were used:

- internal consistency reliability, which measures the consistency among the items used in the construction of a variable/scale; it was assessed by means of Cronbach's α reliability coefficient; and

- test-retest reliability, which measures the consistency between a variable's values for one individual at two points in time; its purpose is to ensure the reliability in time of a variable; it was assessed by Pearson's correlation coefficient.

The values of Cronbach's α coefficient for the variables used in the analysis are presented in Table 5.2. As can be seen, in all years and for all variables Cronbach's α exceeds 0.7, which is the lower limit suggested in the literature (Hair et al. 1998, p. 118). Moreover, in all cases inter-item correlations exceed 0.3, and item-to-total correlations are higher that 0.5, as recommended in the literature (Hair et al. 1998, p. 118).

Table 5.2 *Crobach's α reliability coefficient for the variables employed in the analysis.*

Variable	Cronbach's α			
	2002	**2003**	**2004**	**2005**
Daily work	0.881	0.874	0.927	0.914
Remuneration	0.865	0.856	0.849	0.893
Cooperation	0.914	0.896	0.868	0.825
Job satisfaction	0.937	0.892	0.921	0.899
OC: Identification & Loyalty subscale	0.874	0.787	0.837	0.836
OC: Involvement subscale	0.794	0.759	0.738	0.711

The only exception is in 2005, for the variable OC - Involvement. In this case the item "My colleagues think my work performance is good" has an item-to-total correlation of 0.466. The value is relatively close to the minimum of 0.5, therefore the item is included in the construction of the variable. In addition, few of the inter-item and item-to-total correlations for the global OC index are lower than the limits suggested in the literature. Therefore the analysis will focus on the two subscales of organizational commitment, which were identified by means of factor analysis.

The results for the test-retest reliability are presented in Table 5.3. There are no clear guidelines in the literature regarding the interval between two measurements or the acceptable level of test-retest coefficients. Empirical research in the field of organizational psychology provides a wide range of values for test-retest coefficients. For example, test-retest correlations for job satisfaction varied from 0.35 over 6-8 months to 0.51 over one year

(Farkas and Tetrick, 1989), to 0.68 over 5 months (Bateman and Strasser, 1984), or to 0.33 over 3 months (Begley and Czajka, 1993). For organizational commitment, test-retest coefficients range from 0.37 over 6-7 months to 0.54 over a year (Farkas and Tetrick, 1989), to 0.5 over 6 months (Cook and Wall, 1980), 0.65 over 5 months (Bateman and Strasser, 1984), or to 0.74 over 5 months (Vandenberg and Lance, 1992).

Table 5.3 *Test-retest reliability results for the variables used in the analysis*

Variable	Pearson's correlation coefficient		
	2002 - 2003	**2003 - 2004**	**2004 - 2005**
Daily work	0.630	0.568	0.562
Remuneration	0.446	0.547	0.422
Cooperation	0.622	0.678	0.503
Job satisfaction	0.538	0.630	0.393
OC: Identification & Loyalty subscale	0.542	0.434	0.468
OC: Involvement subscale	0.586	0.389	0.463

Note: All correlation coefficients are significant at 1% level.

Allowing for the fact that an interval of one year between two measurements is rather lengthy and that the value of the test-retest coefficients decreases as the interval between two measurements increases, the values obtained for the test-retest reliability are within an acceptable range. They prove that the aggregation of employee attitudes at unit level is reliable over time, despite the natural turnover of employees. It is also proof that new employees assimilate the values and beliefs of their units.

5.6   Preliminary data analysis

Missing values

The comments on sample size in 5.4 mentioned that there were few units with missing values for all questionnaire items, which were excluded from the sample. Except for these missing observations, only in 2002 there were few missing values (four units had one or two items with missing values). A missing value for an item was replaced by the mean of the item's scores across all units that had scored on the equivalent item. Downey and King (1998) demonstrated that this method of replacing missing values in Likert scales provided a good

representation of the original data, given that the percentage of respondents having missing items was less than 15%, as was the case in this instance.

Descriptive statistics

All variables used in the analysis (daily work, remuneration, cooperation & communication, job satisfaction, identification & loyalty, and involvement) were checked for normality. With few exceptions the variables are normally distributed (at 5% significance level) in all four years. In 2002 job satisfaction, cooperation & communication, and identification & loyalty are normally distributed at 10% significance level, whereas involvement and daily work are not normally distributed. In 2005 cooperation & communication appears to be non-normally distributed also. Skew and kurtosis, and their critical ratios were analyzed for the variables, which appear to be non-normally distributed. Only involvement in 2002 and cooperation & communication in 2005 exhibit larger departures from normality.

Means, standard deviations, and Pearson correlations are presented in Appendix 4. With few exceptions all correlations are significant at 1% or 5% level. Employee attitudes and their antecedents have high values during all years of analysis. This is in contrast to previous research on M&As that point to a deterioration of employee attitudes and behaviours after a merger/acquisition (Cartwright and Cooper, 1990; Buono and Bowditch, 1989; Napier, 1989; Larsson and Finkelstein, 1999). This disparity could be partly attributable to the fact that the data used in the analysis starts almost two years after the merger.

Most of the variables considered in the analysis have lower values in 2004. This does not necessarily mean that job satisfaction or commitment decreased. As Larkey and Morrill (1995) suggest, it might be possible for employees to use the survey to express their grievance because they do care about the organization. They are still committed to the organization, but wish to express their discontent. In the Nordic Division several events took place in 2004 that might have contributed to the lower results of the satisfaction survey. First, the inclusion of a new department within the Nordic Division (inclusion welcomed by neither the department nor the division) created tensions and stress. Second, the administrative units were excluded from the bonus model of the Nordic Division and included in the general bonus model of the Nordic Company, which offers much lower rewards than the division bonus model. Moreover, during the time when the survey was carried out there were rumours about a

change in the remuneration model (a worsening of the bonus system), a change that was not actually implemented.

5.7 The measurement model

Due to the sample size, the number of latent variables and indicators per latent variable, it was not possible to estimate the measurement model. As described above in 5.3, single indicator latent variables were used. The indices presented in 5.5 were used as indicator variables. Their reliability and variance were employed to fix the loadings and error variance of indicator variables. This procedure has been widely used in the literature (Williams and Hazer, 1986; Moorman et al., 1993; Meyer and Smith, 2000; Shore and al., 1990, Clugston, 2000).

Validity

Validity refers to the degree to which a measure/scale accurately represents the concept it was supposed to measure. For the current analysis two types of validity are of interest: (1) convergent validity, which measures the degree of association between measures of a construct, and (2) discriminant validity, which assesses the extent to which measures of constructs are distinct (Iverson, 1996).

Convergent validity is assessed by determining whether each item's path coefficient on its posited underlying construct is greater than twice its standard error (Anderson and Gerbing, 1988). Discriminant validity for a pair of constructs is assessed by comparing two models: one model where the correlation between the constructs is constrained to 1 and a second one in which the correlation is unconstrained. A significant lower chi-square for the unconstrained model would indicate that discriminant validity is achieved (Anderson and Gerbing, 1988; Iverson, 1996).

Because the measurement model cannot be estimated due to sample size limitations, confirmatory factor analyses are performed for groups of two constructs at a time. Thus, convergent and discriminant validity can be assessed simultaneously. The significance level for the chi-square difference tests was adjusted to control the familywise error and maintain

the "true" overall significance level for the tests performed (Field, 2004, pp. 274; Anderson and Gerbing, 1988). In this case, in order to ensure an overall significance level of 0.05, a significance level of 0.003 was used for each individual test of discriminant validity.

Results of confirmatory factor analysis show that convergent validity is achieved. Discriminant validity is also supported. In the case of job satisfaction and identification & loyalty, discriminant validity is supported at an overall significance level of 10%. This means that some of the items could have low-to-moderate loadings on both latent variables. For the sake of clarity and simplicity, in this research cross-loadings are not taken into consideration. The indicator variables for job satisfaction and identification & loyalty (i.e. indices "Job satisfaction" and "Identification & Loyalty" respectively) are constructed as described in 5.5. This might result in larger errors (larger degree of misfit) when fitting the structural model.

Measurement invariance

As discussed in the section on methodology, configural and metric invariance need to be established to enable a comparison of how the contribution of several antecedents in determining job satisfaction and organizational commitment changes over time. Configural invariance was achieved when constructing the indices. Each latent variable was tested for metric invariance. The results demonstrate the existence of metric equivalence for all latent variables included in the analysis.

5.8   The structural model

The structural models proposed were estimated with AMOS 6.0, using raw data as input and the maximum likelihood estimation technique. Table 5.4 presents the chi-square test statistic with associated degrees of freedom and probability level for the three models proposed (the initial model IM, and the two alternative models A1 and A2). For years 2002-2004 none of the models is rejected at 5% significance level. In 2005, the model IM is rejected at 5% significance level. Modification indices for IM-2005 suggest that by including a path from cooperation & communication to identification & loyalty, the chi-square test statistic would decrease. As such a direct relationship has support in the literature (Postmes et al., 2001), the new path was included in the model. The chi-square test statistic for the modified IM-2005 is

insignificant at 0.05 level, meaning that the new model is not rejected. Henceforth, this new model (IM modified) is considered for year 2005. A similar reasoning was used for model A1-2005 because the probability level for the chi-square test statistic was very near the lower limit of 0.05. For the modified model A1-2005 chi-square test statistic is lower than for A1-2005, suggesting that the modified model has a better fit.

Table 5.4 *Results of the χ^2 test for each of the models.*

Model	2002		2003		2004		2005	
	χ^2 (df)	p-value	χ^2 (df)	p-value	χ^2 (df)	p-value	χ^2 (df)	p-value
IM	11.769 (7)	0.108	5.572 (7)	0.591	7.302 (7)	0.398	17.168 (7)	0.016
IM modified							11.776 (6)	0.067
A1	9.588 (7)	0.213	11.572 (7)	0.116	11.680 (7)	0.112	13.628 (7)	0.058
A1 modified							7.430 (6)	0.283
A2	12.611 (7)	0.082	9.63 (7)	0.215	3.144 (7)	0.871	11.306 (7)	0.126

Global fit indices for all models are presented in Table 5.5. Most fit indices have acceptable levels for all models. For several models RMSEA has values above the admissible limit, which means that generalizations to population must be made with caution. Nevertheless, this measure appears to be better suited for larger samples (Rigdon, 1996). For a few models TLI values are below the recommended limit of 0.9, but the other fit indices have acceptable values. PGFI values suggest medium levels of parsimony.

Based on global fit indices, the modified IM-2005 has a better fit than IM-2005. A similar situation appears in the case of A1-2005 and the modified A1-2005. Therefore, for 2005 the modified versions of IM and A1 will be included in the discussion. Considering all fit indices presented in Table 5.5, all models have acceptable or good fit for years 2002 to 2004. In 2005 this is the case for model A2 and modified models IM and A1.

Table 5.5 *Global fit indices for the models included in the analysis.*

Model	2002						
	GFI	RMSEA	CFI	IFI	TLI	CN	PGFI
IM	0.934	0.119	0.971	0.973	0.939	1.681	0.311
A1	0.945	0.088	0.985	0.985	0.967	1.370	0.315
A2	0.933	0.129	0.966	0.968	0.928	1.802	0.311
	2003						
IM	0.965	0.000	1.000	1.009	1.020	0.796	0.322
A1	0.920	0.114	0.970	0.971	0.935	1.653	0.307
A2	0.941	0.086	0.983	0.984	0.964	1.366	0.314
	2004						
IM	0.956	0.029	0.998	0.998	0.996	1.043	0.319
A1	0.931	0.113	0.972	0.973	0.940	1.669	0.310
A2	0.981	0.000	1.000	1.022	1.050	0.449	0.327
	2005						
IM	0.890	0.169	0.913	0.918	0.813	2.543	0.297
IM modified	0.928	0.137	0.950	0.954	0.876	1.963	0.365
A1	0.918	0.136	0.943	0.947	0.878	1.947	0.306
A1 modified	0.955	0.068	0.988	0.989	0.969	1.238	0.273
A2	0.929	0.110	0.963	0.965	0.921	1.615	0.310

Squared multiple correlation, which expresses the proportion of variance explained by the structural relationships, is around 0.85 for job satisfaction in all years. This means that daily work, remuneration, cooperation & communication explain around 85% of job satisfaction variance every year. In the case of identification & loyalty, the structural equation explains around 85% of its variation in 2002 and around 70% in the following years, but these values are likely to be inflated by the way job satisfaction and identification & loyalty indices were constructed (see discussion on discriminant validity in 5.7). Involvement is explained only in proportion of 20-40%. It appears that the proposed structural relationships explain a significant amount of variance in employee attitudes.

5.9   Results

The path coefficients of the structural equation models analyzed are presented in Tables 5.6 - 5.8. The unstandardized coefficients are chosen because they are comparable across samples and retain their scale effect (Hair et al., 1998, pp. 614). Except for cooperation & communication in 2003 (model A1), all other coefficients are significant at 5% level.

Table 5.6 *Unstandardized path coefficients for model IM (2002-2004) and modified IM (2005).*

Explanatory variable	Dependent variable		
	Job satisfaction	Identification & Loyalty	Involvement
2002			
Daily work	0.651**		
Remuneration	0.416**		
Cooperation & Communication	0.257**		
Job satisfaction		0.913**	0.333**
2003			
Daily work	0.507**		
Remuneration	0.527**		
Cooperation & Communication	0.152*		
Job satisfaction		0.889**	0.421**
2004			
Daily work	0.388**		
Remuneration	0.401**		
Cooperation & Communication	0.310*		
Job satisfaction		0.878**	0.348**
2005			
Daily work	0.328**		
Remuneration	0.490**		
Cooperation & Communication	0.298**	0.396**	
Job satisfaction		0.633**	0.211**

** Significant at 5% level. * Significant at 10% level.

Table 5.7 *Unstandardized path coefficients for model A1 (2002-2004) and modified A1 (2005).*

	2002		
	Dependent variable		
Explanatory variable	Job satisfaction	Identification & Loyalty	Involvement
Daily work	0.646**		
Remuneration	0.420**		
Cooperation & Communication	0.260**		
Job satisfaction		0.907**	
Identification & Loyalty			0.364**
	2003		
Daily work	0.508**		
Remuneration	0.533**		
Cooperation & Communication	0.137		
Job satisfaction		0.924**	
Identification & Loyalty			0.360**
	2004		
Daily work	0.377**		
Remuneration	0.408**		
Cooperation & Communication	0.311**		
Job satisfaction		0.894**	
Identification & Loyalty			0.290**
	2005		
Daily work	0.320**		
Remuneration	0.496**		
Cooperation & Communication	0.289**	0.424**	
Job satisfaction		0.606**	
Identification & Loyalty			0.276**

** Significant at 5% level.

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Table 5.8 *Unstandardized path coefficients for model A2.*

	2002		
	Dependent variable		
Explanatory variable	Job satisfaction	Identification & Loyalty	Involvement
Daily work	0.668**		0.442**
Remuneration	0.417**		
Cooperation & Communication	0.243**		
Job satisfaction		0.910**	
	2003		
Daily work	0.527**		0.491**
Remuneration	0.523**		
Cooperation & Communication	0.124		
Job satisfaction		0.894**	
	2004		
Daily work	0.371**		0.389**
Remuneration	0.415**		
Cooperation & Communication	0.309**		
Job satisfaction		0.880**	
	2005		
Daily work	0.301**		0.348**
Remuneration	0.480**		
Cooperation & Communication	0.355**		
Job satisfaction		0.846**	

** Significant at 5% level.

As can be seen from Tables 5.6 - 5.8, path coefficients from job satisfaction to identification & loyalty are relatively high. As mentioned in 5.7, certain items measuring job satisfaction and identification & loyalty could have low-to-moderate loadings on both latent variables, but it was decided not to include them in the analysis. These cross-loadings are reflected in the path coefficients from job satisfaction to identification & loyalty. The increased values of the path coefficients reflect the relationships unaccounted for by the measurement model.

5.10 Discussion

Antecedents of job satisfaction

The first part of the models, which details the relationship between job satisfaction and its antecedents, is similar for all three of them. As expected on the basis of previous research in the field of organizational behaviour, daily work, remuneration and cooperation & communication have a significant impact on job satisfaction. The evolution in time of their impact on job satisfaction can be explained in the context of the post-merger integration process.

At the individual level, daily work factors seem to be the most important determinant of job satisfaction (Campion et al., 1993; Sousa-Poza and Sousa-Poza, 2000). Moreover, during the first phases of the integration process employees are highly concerned with job contents and daily tasks. Fear of losing one's status increases the importance job contents, degree of challenge, and task variety have on job satisfaction. This concern is translated at unit or team level. Organizational changes generated by the merger are likely to affect the existence of the unit, its business role and importance. A unit's business role and position within the Nordic Division determine the tasks and assignments to be performed, and ultimately the bonus to be received and the extent of cooperation with other units. It therefore follows that units are greatly preoccupied with work contents. As the integration process unfolds and the role and status of each unit is established, the salience of daily work in determining job satisfaction decreases.

Remuneration has been mentioned as one of the primary concerns of both managers and employees following a merger (Hunt and Downing, 1990). In the models proposed, remuneration is the second most important antecedent of job satisfaction. Its importance as a determinant of job satisfaction increased throughout the integration period. The results suggest that groups need to have an established position within the Division before concerning themselves with financial rewards. On the other hand, this evolution might be partially due to the characteristics of the Nordic Division. Several of the interviewed managers remarked that the merger placed the newly created Nordic Division among the "big players" on the international markets. It created opportunities for attracting important clients and closing bigger deals, thus achieving a higher growth rate than any of the national

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divisions. This in turn led to higher bonuses for units, to reward them for their effort (the bonus model involves the distribution of bonuses based on the contribution of each unit to the result). Over the years the importance of remuneration increased because high bonuses one year generated expectations of even higher bonuses the following year, creating a snowball effect.

Cooperation and commitment appear to have an important influence on job satisfaction. In order to facilitate integration it is recommended to encourage cooperation between the employees from the two organizations, to create joint problem solving teams and encourage knowledge transfer between the organizations. Communication also plays an important role in managing the integration process (Napier, 1989; Schweiger and Denisi, 1991; Bastien, 1987), by creating a positive atmosphere and offering the possibility to get acquainted with new colleagues. During post-merger integration the need to cooperate and communicate with new persons might be felt as a pressure, which adds to the stress generated by merger. Thus, the overall effect of cooperation on job satisfaction is smaller in the first post-merger years (as the positive aspects of cooperation and communication are counterbalanced by the stress of working with new people). As people become acquainted, and relationships are established between units and the people within, the positive effects of cooperation and communication increase (Empson, 2000).

Two dimensions of organizational commitment

The second part of the analyzed models defines the relationship between identification & loyalty and involvement, and their antecedents. Before examining the alternative relationships proposed in the models, it is necessary to discuss the two subscales of organizational commitment and their significance in this case study.

The questionnaire of Porter et al. (1974) on organizational commitment was designed as a unidimensional measure. Nevertheless, there were several researchers who, employing scales of organizational commitment based on Porter et al. (1974), demonstrated that several subscales/dimensions of organizational commitment could be identified. Cook and Wall (1980), using a sample of British blue-collar workers identified three subscales of organizational commitment: identification, loyalty, and involvement. Angle and Perry (1981) proposed two subscales: value commitment (reflecting identification and involvement) and commitment to stay (reflecting loyalty).

In the present case, factor analysis to identify possible dimensions of organizational commitment was performed on data at unit level, in contrast to previous research, which was conducted at individual level. Moreover, it is likely that the post-merger integration heavily influenced the process by which employee attitudes developed. As Beck and Wilson (2001) point out, commitment and the organizational context in which commitment exists are interdependent. In the case on the Nordic Division, the actions taken to bring about integration aimed at creating a sense of shared membership of a single entity as opposed to four entities based on nationality. Due to the common history of the Scandinavian countries, addressing the cross-cultural issues was an important step during the integration process (Søderberg and Vaara, 2003). Thus the integration effort centred on creating a new identity instead of four separate national identities and on developing loyalty to the unit instead of the nation. In other words, the purpose was for people to think "we of the unit X instead of we of nationality A". For example, during the first cultural seminar participants were grouped according to nationality. During the following cultural seminars they were grouped according to the units to which they belonged. In addition, get-together events were organized for each department separately. Thus, people were brought together on the basis of shared professional interests instead of nationality. This approach to integration in the case of the Nordic Division is the probable reason for the clustering of the aspects reflecting units' identification and loyalty. They could be interpreted as an affective response to the environment, or what Steers (1977) calls "passive" commitment. On the other hand, the involvement dimension suggests flexibility, performance, and willingness to perform, which could be assimilated with an "active" view on commitment (Steers, 1977).

Three alternative relationships between the two dimensions of organizational commitment are proposed: (1) model IM states that identification & loyalty and involvement share job satisfaction as a direct antecedent, (2) model A1 hypothesizes that identification & loyalty precedes involvement, and (3) model A2 assumes that the relationship between the two dimensions is due to a common determinant, namely daily work.

As already mentioned, the models have acceptable fit in all four years of analysis. Being able to replicate each model with different samples proves that the models are stable. From Table 5.5 can be observed that GFI, IFI, TLI, and CFI have high values. RMSEA and CN have few values out of range, so they will be the first criteria used to differentiate among models. However, decisions should be made with caution, as RMSEA appears to work better with

larger samples (Rigdon, 1996), and CN has been shown to be somewhat unreliable (Wheaton, 1987). Moreover, it is recommended that the fit of a model be decided based on the values of several indices instead of only a few. Models IM-2002 and modified IM-2005 have RMSEA larger that the upper threshold of 0.1 (Hair et al., 1998, pp. 634), while IM-2003 has CN lower than 1, suggesting poor fit (Schumacker, 2004, pp. 82). Modified IM-2005 also has a TLI of 0.876, which lower that the recommended limit of 0.9. Models A1-2003 and A1-2004 have RMSEA higher than 0.1. Models A2-2002 and A2-2005 have RMSEA above the upper limit. In addition, A2-2004 has too low CN. Under these circumstances, (where a model has a good fit for one year and an acceptable or less acceptable fit for other years), it is rather difficult to decide which model fits the data (from all four years) best.

By analyzing the results of SEM by year, it appears that in 2002 model A1 fits the data best. In 2003 this is the case with model A2. The following years model IM-2004 and modified A1-2005 fit the data best. Therefore, on the basis of statistical evidence, it appears there is a change over time in the relationship between identification & loyalty and involvement on one hand, and between the two dimensions of commitment and their antecedents on the other hand. This idea has support in the literature. Several researchers argue that the relationship between different types of commitment changes over time. Of course, other alternative models are possible (the statistical results only prove that a model was not rejected and not that a model is confirmed by the data). Therefore, the selected models (A1-2002, A2-2003, IM-2004, and modified A1-2005) are not the only way to describe the evolution of post-merger organizational commitment. Nevertheless, they seem to represent a viable alternative since they are widely supported in previous research. Moreover, the organizational context within the Nordic Division supports the proposed evolution of the relationship between organizational commitment and its antecedents.

As mentioned above, the integration process was directed to creating a single, pan-Nordic division. On the human side it involved understanding and overcoming cultural differences and creating a new identity for the employees. On the business side it involved taking advantage of economies of scale and cost synergies, eliminating overlapping functions in order to create a coherent and competent business. The first efforts to create a new identity were immediately followed by actions on the business side to identify overlapping functions and start creating an organizational structure supportive of the business. The initial stages of the integration involved severe pressure, long hours working and travelling, and high

emotional involvement. However, people were motivated and supported in their effort by the idea that they "were in the same boat" and were trying to create a new organization. Thus, identification with the division fostered the concrete efforts of employees in the business area (as model A1-2002 proposes).

As the effort continued to improve the business result, and decisions were taken with respect to the physical location of different functions and the responsibilities of each department, job assignments and contents became the main engine behind units' drive to perform (model A2-2003).

As mentioned in 5.6, several exceptional events took place within the division in 2004, which negatively affected not only daily work, but also remuneration, cooperation, and communication between units. A sense of dissatisfaction influenced people's willingness to perform. Moreover, the belief of belonging to the same unit was undermined by changes to the bonus model that had created a sense of "second class citizenship" among administrative staff (model IM-2004).

The direct impact of cooperation & communication on identification & loyalty in 2005 can be explained by the efforts made to reduce the negative impact of the changes from 2004 (the bonus model, new department included) on people and their beliefs towards the organization. At the same time, a new trend emerged, bringing the evolution of the integration process to full circle. Whereas in the first years efforts were made to suppress separate national identity and develop a common ground, during the following years "undercurrents" of nationality started to re-emerge. This takes the integration process to a new stage. People feel sufficiently secure in their identity as members of the Nordic Division to bring nationality into discussion again. It is possible, especially for virtual teams, which incorporate people from all four countries, to experience changes in the way they identify themselves with the division, by bringing in the national aspect. It is likely that positive competition among countries appears or increases slightly (interviewed managers have opposing views on competition among countries, some claiming it exists and is beneficial, while others claim it existed formerly but no longer). Thus identification is again an important element in defining the willingness of units to perform and invest greater effort on behalf of the organization (modified model A1-2005).

Therefore it appears that the integration process shaped employee attachment to the organization. Moreover, the decisions taken strongly influenced the relationships between employee attachment and their antecedents.

6 Study 2: A model of organizational identification

6.1 Theoretical framework

The process of developing a post-merger identification and the factors influencing its evolution in time are studied by taking a social identity approach (Hogg and Abrams, 1988). On the basis of previous research in the field (Ellemers et al., 1988; Terry and O'Brien, 2001; van Knippenberg et al., 2002; Terry at el., 2001) and on the common ingroup identity model (Gaertner et al., 2001) a theoretical framework is developed. The framework is used to assess the efforts to create a new identity for the Nordic Division and the evolution of this process over time.

According to the common ingroup identity model (Gaertner et al., 2001), intergroup contact is critical in changing members' cognitive representations, from several groups (differentiated as ingroup - outgroup representations) to a single, inclusive superordinate group. By encouraging people to see themselves as part of a single group instead of multiple groups, group boundaries are extended and the positive attitudes towards ingroup members also extend to members of the former outgroup (Gaertner et al., 1993). In other words, intergroup contact reduces the ingroup bias (ingroup favouritism).

In the case of M&As, several issues should be considered in assessing how far intergroup contact fosters post-merger identification: (1) groups status (the extent to which the groups involved in the merger are perceived as having equal status); (2) intergroup interaction (the extent to which it stimulates cooperation instead of competition); (3) opportunities for personal acquaintance between members; (4) organizational support (the extent to which the merged organization cares about employee well-being, and introduces uniform norms regarding salary, benefits, appraisal and development) (Gaertner et al., 2001). (Figure 6.1).

The impact of status on post-merger identification is mediated by the permeability of group boundaries. Thus, members of low-status groups identify less with their own group and more with the new organization if they perceive group boundaries to be permeable (Ellemers et al., 1988, Terry et al., 2001). On the other hand, in the case of high-status groups, permeable boundaries were associated with a negative impact on organizational identification (Hogg and Terry, 2000).
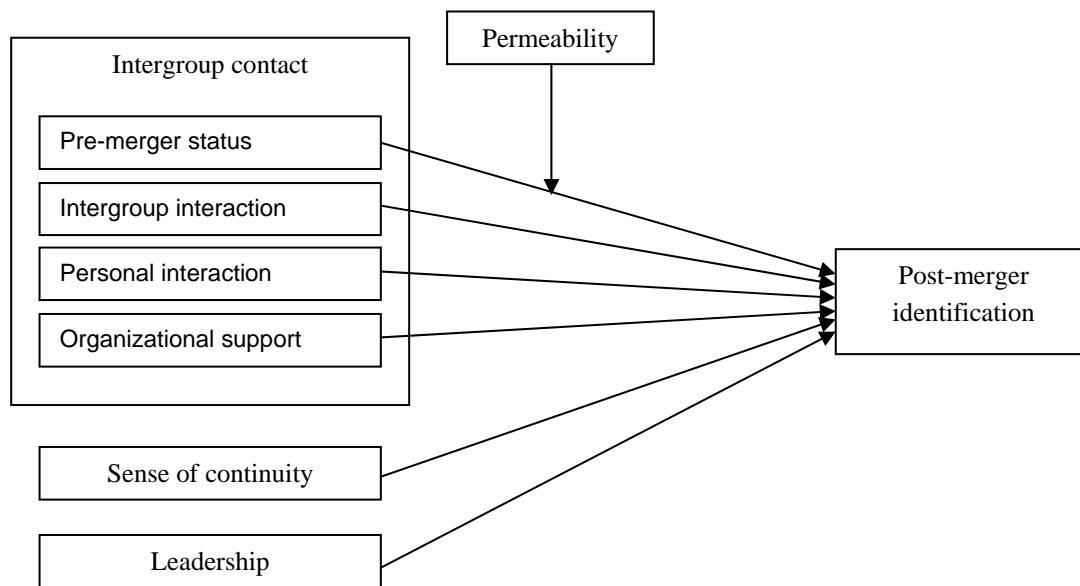
Figure 6.1 *Factors influencing post-merger identification.*

Though a merger should by definition involve equal partners, in reality most mergers involve partners having different status and dominance (power) (van Knippenberg et al., 2002). Power differentials are important in determining which partner will be more influential in shaping the new organization. It is likely that the merged organization will resemble the dominant rather than the dominated organization. Employees of the dominant organization will undergo less change and thus retain a sense of continuity (Rousseau, 1998) in their work and identity. On the other hand, employees of the dominated organization are likely to face discontinuity. Van Knippenberg and van Leeuwen (2001) argue that a sense of continuity is essential in fostering post-merger identification. If employees experience a sense of continuity in their activity, feeling that they work for the same organization, their identification with the pre-merger organization will turn into identification with the post-merger organization.

The important role that managers play in shaping the new organization following a merger/acquisition is recognized in the literature (e.g. Marks and Mirvis, 2001). Adopting a

social identity perspective, Haslam and Platow (2001) argue that leadership effectiveness (evaluated in terms of followers' support and participation) is contingent upon the leader (1) incorporating group norms and values (must be "one of us"), (2) becoming the prototype of the group (i.e. the person most representative of the shared social identity of the group) and acting according to values which define and positively differentiate the group from other groups, (3) and supporting the collective interests of the group. In an empirical study of a German merger, Ullrich and colleagues (2005) conclude that post-merger identification will be negatively influenced if the leader is not seen as a member of the group (if he/she is not perceived as "one of us"). Conversely, if the leader tries to become the prototype of the group and to exhibit group-oriented behavior, he/she will foster organizational identification among his followers.

The purpose of this research is to study the factors that shaped the new identity of the Nordic Division following the merger from 2000. Thus the main interest is on identifying the impact of several factors on organizational identification. This does not preclude the existence of a reverse relationship. In fact Ashforth and Mael (1989) mention that one of the consequences of organizational identification is the strengthening of its antecedents, in terms of the distinctiveness of group's values and practices, intragroup cooperation and cohesion, group salience and prestige, and positive evaluations of the group. It their efforts to develop a social identity model of leadership effectiveness, van Knippenberg and Hogg (2003) argue that leaders may increase followers' identification by acting as "entrepreneurs of identity". Moreover, leaders' identification with the group may enhance their group-oriented behaviour and concern for group interests and goals, which in turn is likely to increase followers' identification with and contribution to the group.

The factors presented in Figure 6.1 will be used to study the development of post-merger identification. In addition, the salience of different identities and their interaction over time will be assessed. As discussed earlier, four components of organizational identification can be distinguished: cognitive, affective, evaluative, and behavioural (Tajfel, 1981; van Dick, 2001). The focus of this analysis will be on the affective component of organizational identification (that is, on the extent to which people feel emotionally involved with their organization). For simplicity, the term "organizational identification" will henceforth be used instead of "affective organizational identification"

6.2 Methodology and data

Individual, semi-structured interviews (Fontana and Frey, 2000) were carried out with managers and team leaders. The interviews were conducted by a fellow researcher who had held a managerial position with the division until 2005 and had direct work contact with all interviewees. By sharing common work experiences and memories, the interviewees were more relaxed, friendly, and felt they could trust the interviewer. Establishing rapport and exchanging information with the interviewee are important in ensuring that in-depth information will be generated during the interview (Jennings, 2005).

Before the interview, each interviewee received an e-mail briefly explaining the purpose of the interview and the general topics to be discussed. The semi-structured format allowed the interviewer to guide the interview by asking mainly open-ended questions, but also to pursue topics arising from the discussion. The interviews were structured into six main areas, which covered: (1) interviewee attitude towards the merger, including initial feelings and reactions (2) interviewee experience as a manager/ leader and actions he/ she took to facilitate integration within his/ her department, (3) efforts taken to bring about cultural integration, with a focus on Culture Seminars, (4) post-merger HR practices and policies and the extent to which they supported integration, (5) organization structure and competition between departments, and between division and the rest of the organization, and (6) personal experiences which had a major impact on the interviewee and his/ her work during the post-merger integration period.

The interviews were conducted during January - April 2006 in Finland, each lasting around two hours. All interviews were audio taped and transcribed for analysis. The following step consisted of summarizing the interviews (rewriting the transcripts in a condensed manner), with a focus on issues relevant to the development of a new identity. In line with the critical incident technique (Chell, 1998), the focus of interest was those events and aspects that the managers believed to be the most important in shaping organizational identification. A record was also kept as to whether the comments reflected an individual opinion or represented a more general view. Directed content analysis (Hsieh and Shannon, 2005) was used to analyze the interviews.

A total of 18 participants were selected for interviews. Managers and team leaders were chosen because of their lead position in the organization and their role as initiators and catalysts of the integration process. They were involved in defining the overall integration strategy, and were also responsible for carrying out the integration efforts within their departments. Thus they had direct contact with the employees, their fears and hopes, and could assess how far the integration measures achieved the expected results and take any needed corrective action. Several researchers have studied the integration process (and change process in general) and its impact on employee attitudes from the perspective of managers as key players in the process (Kennedy et al., 2006; Greenwood et al., 1994; Pettigrew, 1990; Yu et al., 2005; Vaara, 2003).

Three or four managers/team leaders were selected from each of the three main business departments and the administrative department. In addition, a HR representative and the head of the division were interviewed. In the interviews, there were more Finns and Danes than Swedes and Norwegians. This was because the Danish managers outnumbered managers of the other nationalities, and for cost reasons it was decided to conduct the interviews in Finland, thereby including more Finns in the sample. All the interviews were conducted in English. There were two reasons for this: (1) English is the corporate language of the Nordic Company and (2) using English eliminated the advantages (in terms of linguistic competence) participants might have had by using their native language.

Qualitative validity

The trustworthiness of qualitative research can be assessed in terms of several criteria proposed by Guba and Lincoln (1985), which mirror the more traditional quantitative related criteria:

- Credibility, which is analogous to internal validity; it reflects how closely the results of qualitative research match the views and realities expressed by the participants.

- Dependability, which corresponds to reliability; it requires the researcher to account for or describe contextual changes which influence the research.

- Confirmability, which parallels objectivity; it addresses the degree to which research findings could be supported by others.

As the analysis of the interviews proceeded, discussions were held with the interviewer (a fellow researcher) on the findings regarding the integration process. Since the interviewer worked for the Division and shared its values and goals, she was well placed to advise on the credibility and confirmability of the research findings. She was able to verify whether the themes emerging from the interviews reflected the views of participants in the integration process. The interviewer also provided insights into the division's values and practices which helped in interpreting nuances of participant opinion.

6.3   Findings

As with organizational commitment, there are different levels of identification, from personal (identification with oneself or one's own career) to workgroup, department or division level, to organizational level or beyond (identification with occupational group) (Ashforth and Johnson, 2001). In this case, the focus is on the process of identification at the Nordic Division level. In order to study the factors that affected identification during the integration period, integration at lower levels (department level) will be discussed as well. For the sake of clarity identification at the Nordic Division level will be referred to as organizational identification.

Starting from the theoretical framework developed in section 4.3.1, the interviews were analyzed in order to identify the events and decisions having the greatest influence on identification with the Nordic Division during the post-merger integration period. During the period of the analysis (from 2000 until the end of 2005, when the interviews took place) different critical incidents impacted on organizational identification. Four stages were identified on the basis of the critical events and decisions reported by the interviewees.

6.3.1 Stage 1: The emergence of a Nordic Division identity

Pre-merger status

A major factor in creating a new identity for the division was the contact between the pre-merger organizations. Among the contact-related issues, pre-merger status played a significant role. Previous research on pre-merger status has focused mainly on the absorption/inclusion of a low status group into a high status group (e.g. Terry and O'Brien, 2001; Terry et al., 2001) or on bringing together the low and high status group into a higher level group (while keeping them as separate entities) and focusing on developing identification at superordinate level (e.g. van Dick et al., 2004). In the present study a new, higher-level group was created (the Nordic Division) and within it the pre-merger, national groups were replaced by functional, multi-national groups. As one manager observed, "the geographical element was pushed far down in the organization, meaning that we had functional responsibilities, everybody had cross-border responsibilities". Therefore, even though each pre-merger group had a different status[1] when compared with one another, each one of them had a lower status than the new, all-encompassing Nordic Division. All parties involved recognized that by uniting forces, the new Nordic Division would become one of the "big players" in the market. This would allow them to compete "on an equal footing" with London-based investment banks, engage in larger transactions and hire people who would be unlikely to join a local bank. Ensuring permeable boundaries facilitated upward mobility from the pre-merger lower status groups to the post-merger higher status group, which was important for creating a single organization and a new identity. Dissolving national boundaries was enabled by culture seminars and get-together events, the introduction of common remuneration and bonus models, a common title structure and appraisal and

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[1] The purported equal status between the pre-merger groups did not hold in reality. During the merger of 1997 between the Finnish and Swedish organizations, the Swedish group had higher status (the head of the new organization was Swedish, the official organizational language was Swedish, "big brother" feelings among the Finnish employees with respect to their Swedish colleagues (see, for example, Risberg et al., 2003; Vaara et al., 2003; Piekkari et al., 2005). After the merger of 2000 the Danish group enjoyed higher status due to their dominance (see discussion on power differentials). Despite the fact that there might be cases where dominance and status are independent (van Knippenberg et al., 2002), in the case of the Nordic Division I believe that they are interdependent.

performance practices, and reporting at department instead of country level. At the same time, these factors also contributed to the formation of new internal boundaries, at department level.

Dominance and sense of continuity

Related to pre-merger status is the notion of dominance. The mergers of 1997, March 2000, and December 2000 were declared mergers of equals (for a more detailed discussion see Søderberg and Vaara, 2003). In practice, however, such a situation is rare and it was not the case of the Nordic Division. The appointment of a Dane as head of the division was perceived as a power shift in favour of Danes (and the Danish pre-merger organization). It gave them a "boost of confidence" that "things could not go wrong". Moreover, it was decided to evaluate practices in the pre-merger organizations and to apply the best ones to the new Nordic Division. This put the Danes in a more dominant position compared with the other groups because the Danish organization was bigger than the Swedish and Finnish groups combined and had a better infrastructure (the Norwegian organization was included in December 2000 – see Figure 4.1):

> "We knew that we in the Danish bank had the infrastructure to cope with the Nordic organization."

> "We had a good feeling that we would be in control of the Division's operations."

The dominant position of the Danes provided them with a sense of continuity (they were already familiar with certain practices which were implemented at division level), which probably made it easier for them to identify with the new organization. The Danish managers recognised the impact of their dominant position on the other pre-merger groups and the fact that this would not necessarily help promote integration and identification. The Swedish group, in particular, showed reluctance (even hostility) and a lack of commitment to the merger. Most of the participants referred to the initial problems they had with the Swedish part of their departments. It seems that the non-Danish subordinates experienced "us" vs. "them" attitudes and lack of trust in their Danish managers. Being a (dominant) Danish manager was not always positively received and some of the interviewees tried hard to convince their subordinates that they represent the entire group (an inclusive "us") instead of the Danish part of the group. They had to convince their employees that in the new organization national boundaries had ceased to exist:

"I had to make sure people understand that this was a big Nordic operation, this was not a phase operation. It was not a Danish operation…I wanted these people to feel part of a bigger thing…"

Intergoup interaction and opportunity for personal acquaintance

Several efforts were made to develop cooperative relationships among people within the Nordic Division, both at managerial and non-managerial level. As most participants acknowledged, initially there had been a certain amount of competition between countries (before the new business structure was in place and people became acquainted).

At managerial level culture seminars and peer-reviews had an important role in fostering cooperation and helping managers get to know each other. The managers interviewed recognized the importance the first cultural seminars had in shaping a new culture and a new identity for the people of the Nordic Division:

"They had an enormous impact in shaping the culture – especially in the context of the Nordic Division vis-à-vis other (weaker) units in the Nordic Company."

"The first culture seminar was about giving birth to a new identity. In the first seminar we spent time trying to build a new identity by identifying what are the components and legacies of each group."

Beyond helping managers to learn about one another, their different personalities and cultural backgrounds, and to see their colleagues as individuals instead of enemies or national stereotypes, cultural seminars created "some kind of tradition and cult" for them, thus contributing to the development of organizational identity:

"As soon as people get to know each other all kinds of preconceived ideas about how people are and how they behave go away.[…] People fear what they don't know, but as soon as they know… then we are all human beings, we're not Swedes or Danes …"

Even though there were only three rounds of peer reviews, the participants considered them as a very good opportunity to get to know managers from other business areas and thus improve cooperation between business areas.

The get-together events organized at department level helped employees socialize with their colleagues, which was essential, given that most teams had members in all four countries. Research on virtual teams showed that direct contact between members, especially in the first stages of virtual team work, facilitates trust and cooperation (Alge et al., 2003; Jarvenpää and Leidner, 1999) and helps develop high identification with the team (Wiesenfeld et al., 1999) or, as in the present study, with the department:

> "I wanted these people (my note: my employees) to get to know each other, I wanted them to feel part of a bigger group … because when you sit back at home, in Helsinki or Copenhagen, you see only that part of the equation, but when you are all together then you see it: "this is a big thing, a part of a big thing"… it builds self-confidence, it builds company spirit… you become proud of what you are…

Organizational support

The HR practices and polices adopted at division level at the end of 2000 - beginning of 2001 helped create the image of a single organization and a sense of "oneness". The managers interviewed considered that the introduction of a single bonus model, common appraisal and performance tools, and a common title structure helped them build the organization, create a common culture and offered a benchmark against which people could be evaluated. It gave people a feeling they were part of a single organization. Having these practices and polices specially developed for the Nordic Division instead of the entire Nordic Company strengthened the identity of the Division by stressing the differences between the Division and the rest of the company.

In order to assess employee well-being, a Survey of Life Balance and Equal Opportunities was conducted in 2002. The survey involved a telephone interview (between 45 - 90 minutes) and a questionnaire. Thirty employees in both managerial and non-managerial positions participated. The survey provided information regarding participants' assessment of their life balance, the factors which influence it, as well as its impact on performance. In addition, it evaluated the current situation in terms of equal opportunities. Based on the survey results a set of actions were proposed to support employees in achieving and/or improving the balance between personal and professional life. In addition, several recommendations were made regarding gender equality.

Leadership

The previous discussion related to dominance and sense of continuity touched upon the role of managers as "entrepreneurs of identity" (Reicher and Hopkins, 2003). In their efforts to create a single organization national boundaries were blurred. The focus on functional instead of geographical groups stimulated the creation of new boundaries around business areas. A major challenge faced by the managers was establishing their position as members of their group (department) and convincing people that they were (or aimed to be) global instead of local managers:

> "The main challenge was to get people on board, to get them to buy it… the whole idea. Not the idea of creating a Nordic organization, because I think that most people were positive to that idea, most people were positive to the merger. But I had to get them to buy in the fact that we will have a global operation (my note: department)…. and they also had to buy me."

> "I wanted to show them that I am not some fancy director sitting in Copenhagen making big decisions."

The interviewees frequently mentioned visibility as an important element in defining them as global managers and in fostering positive employee attitudes. For this purpose, managers travelled frequently between countries during the first years following the merger (up to 2-3 days per week) and communicated intensively (face-to-face meetings, telephone, video conferencing). Being available, showing interest in meeting and getting to know their employees ("it is important to talk, to get the temperature of our people, how they are, what they are thinking, what are they feeling"), focusing on things that defined the department and differentiated it from the other departments within the Nordic Division ("I was trying to work with things that were uniting us") strengthened organizational identification and also promoted identification with the department.

These activities also contributed to the creation of "psychological boundaries" (Hirschhorn and Gilmore, 1992), as reflected by the relationships among managers and employees. The participants acknowledged the importance of supporting their employees, of representing their interests and sharing similar values:

"The role as the manager is to go two steps ahead of your people and you cannot only talk, but you have to show it as well. It is very important to be a role model in every situation – insecure, challenging…. You have to show your attitude; you have to be the way you want them to be. You can't tell them to be positive if you are negative. You should be trustworthy and this means that you say want you do and you do what you say."

In fact, they consider that the most important factor behind one Nordic Division is the strong leadership of the head of the division. His determination, his support for the organization in its rapport with the rest of the Nordic Company, and his belief in the success of the new Division were the driving forces, which set in motion the integration process and the emergence of an organizational identity.

In sum, intergroup contact (except for pre-merger contact) and leadership fostered organizational identification and shaped identification with the department. As suggested in the literature, pre-merger status and dominance had a positive impact on identification for higher status groups and a negative one for lower status groups.

6.3.2 Stage 2: Increased salience of identification with the department

Identification with the department took shape in the first stage, when functional and psychological boundaries replaced the national ones. During the second stage these new boundaries were consolidated. From a social identity approach, the most important factors influencing the development of identification with the department are related to intergroup contact (cooperative versus competitive interactions), organizational support (more precisely the bonus model), and leadership. Nevertheless, it may be claimed that the main force behind these factors was the business drive. The Nordic Division was expected to take advantage of the synergies offered by the merger and achieve superior business results. There was a strong focus on the business side[2] and both managers and employees concentrated on improving

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[2] This is not to say that the human resources aspects were neglected. The integration process followed a pattern similar to the one described by Birkinshaw and colleagues (2000). The first steps taken to integrate the business side (for example, daily reporting structured by function instead of country and consolidated reports were in use by the end of June 2000) were followed by significant efforts to achieve human integration (first two culture

performance (Appendix 5). With improved performance came increased rewards in the form of higher salary and bonus. The opportunity for (and expectation of) increasingly higher rewards, in turn, influenced intergroup contact.

Having a single common bonus model instead of three or four was seen as a positive element in increasing integration and identification with the division. However, some of the managers interviewed considered implementation of the model to be at variance with supporting team work and cooperation. The first criterion in deciding the bonus level was the result achieved by the Nordic Division. As several managers observed, this reduced the initial competition between countries and promoted cooperation among people. The way the bonus was distributed within the Division was decided by the executive management team and depended on each department's result (in the case of the business departments). This second criterion stimulated competition between business departments for revenue and subsequently for remuneration, recognition, and power. Sometimes it even became a source of conflict because people from several departments contributed to the income and it was difficult to assign it to a single department:

> "It is sometimes quite difficult to define what has been brought in by one business unit and how much the other units have been supporting or affecting the amounts that have been brought in …"

> "Over the last 2 years there was hardly a week when there wasn't an argument over fees and how to split them."

The increased competition between departments generated by the need for recognition, power, and financial rewards promoted ingroup identification (Gartner et al., 1996).

It is worthy of note that though these conflicts over revenue also occurr lower in the hierarchy (within departments), they do not have the negative results they have at division level; they do not create hostility or dissension among employees:

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seminars took place in October and November 2000 respectively, get-together events were organized from October 2000). Once the "foundation" for the new organization had been laid, a process of human and business integration began. The human integration fostered advanced task integration, which, in turn, supported greater interpersonal contact and cooperation.

"I don't think that it (my note: the bonus model) increases competition [between individuals] in a bad way because we can't compete with each other. We are trying to make it together and it is good for me if my colleague has a good performance because then the whole [department] has as well."

"The bonus model reflects on this idea of not competing with each other [within the department] because is good for me if Stockholm or Copenhagen makes money, because we have a single result [at department level]. Of course, individual and room results are important, but still, the global picture is the most important."

The leader's attitude/approach to the department's interactions with other departments and the extent to which he/she supports his/her own group in the bonus negotiations also influences identification with the department. If the leader is seen as the prototype of the group and acts on behalf of the group to further the collective goals, it is expected to influence ingroup identification, including the behavioural component (as described in stage 3).

The increased salience of lower order identification raises the issue of the relationship between different foci of identification (in this case department and The Nordic Division). Previous research generally supports the idea that identification at one level and identification at other levels are likely to be positively correlated (e.g. van Knippenberg and van Schie, 2000; Becker, 1992). Nevertheless, there are cases when different foci of identification can lead to conflict (van Dick, 2001; Ashforth and Mael, 1989). In discussing the bonus model, one manager mentioned the conflict and the need to balance between cooperating with other departments for the benefit of the Division (even though it would mean giving up revenue in the favour of the other department) and focusing on the department's activity and on increasing its revenue. Moreover, in line with the common ingroup identity model, a decrease in the cooperative efforts of the groups is likely to undermine the identification with the superordinate group. Therefore, the increased salience of identification with the department, to the extent that was achieved at the expense of inter-department cooperation, is likely to have a negative influence on organizational identification (Gaertner et al. 2001).

6.3.3 Stage 3: Negative influences on organizational identification

During this period organizational identification was particularly influenced by factors related to organizational support. There was also an increase in the negative effects of intergroup interactions.

The change in the bonus system probably had the most important impact on organizational identification during 2004. The decision was taken to exclude the administrative department from the bonus system used in the Nordic Division. Instead, they would be included in the reward system employed at the Nordic Company level (which meant lower financial rewards than the division's system). For ethical reasons company management decided that risk and control employees should be excluded from the bonus system (based on results). They also decided that evaluation of administrative staff should be standardized throughout the company. Nevertheless, some of the interviewed managers suggested that this decision was part of a larger plan, to reduce the administrative autonomy of the Nordic Division. The claim has merit, especially in the light of other administrative changes that took place, such as the alignment of the Division's appraisal and performance review tools with those of the Company.

This decision was received with dismay by the administrative staff. It was less financial disappointment than a sense that the Division's top management had let them down because it did not fight the decision. There was a feeling of no longer being "in the same boat", of being "second-class citizens". The impression gained was that they were "not as valuable" as the business departments in contributing to the results[3]. Moreover, the administrative staff were affected by the lack of appreciation and respect that the bonus represented:

> "The rewarding system and the amounts of money are not so different, but it is the evaluation, the appreciation….People felt that 'ok, I had a good performance this year and I am acknowledged'."

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[3] The administrative department is a cost unit and contributes only indirectly to the results, through activities such as financial control and risk management.

The administrative staff seemed to be more concerned with procedural rather than distributive justice. Moreover, they were more upset by their leaders' lack of fairness (in not supporting them and downgrading them to second-class citizens) than with the Company's lack of fairness (in taking the decision to include the administrative staff in the reward system). Indeed, previous research suggests that people attach greater value to the esteem of the ingroup rather than outgroup leaders (Tyler and al., 1997).

The impact of the perceived procedural unfairness regarding the bonus system on organizational identification could be explained in terms of the study of Tyler and Blader (2003). In their group engagement model the authors hypothesize that procedural justice (especially aspects related to quality of interpersonal treatment) has a positive impact on group identification through the mediation of pride and respect. They argue that procedural fairness communicates to group members that they are respected by the group, that they should be proud to be members of the group. The feelings of pride and respect, as reflections of their group's status and their own status within the group, will have a positive impact on group identification. According to this model the lack of procedural fairness seems to have impacted negatively on the administrative staff's pride and respect and, ultimately, on their identification with the Division.

The intergroup contact continued the trend identified in the second stage. Competition between departments increased to the point where trust and cooperation were likely to be adversely affected. One of the managers likened (albeit in jest) the competition between two departments to "warfare". He described in metaphorical terms how the relationship between the heads of department influenced employee behaviour: "It starts at the top. If mom and dad are fighting it goes all the way down." Another manager remarked that his department and another one were "miles apart". The "quest" for recognition and power, and the urge to succeed seemed to have caused a rift between the departments. Expressions such as "silo mentality", "bunker" or "boxes" were mentioned by several managers when discussing the interactions within the Division (competitive versus cooperative, the level at which they take place). They argued that business drive and single-mindedness in achieving results generate such tendencies (towards isolation), which in turn negatively influence communication and cooperation between people and groups.

6.3.4 Stage 4: Corrective action to minimize the negative effects on organizational identification

Having recognised the negative effects of internal competition between business areas, the present stage involves attempts to improve communication and cooperation within the Division. Open discussions between managers and even counselling were mentioned as ways to improve communication and trust. The managers directly involved in internal competition and those whose departments have good cooperative relationships with the rest of the Division both acknowledged that after several years of strong internal competition, improvements could be seen:

> "We (my note: department X and department Y) had huge problems. Now we work as one team... The distance between us is smaller now."

> "I think we have succeeded in stopping the drifting apart and we are now closer to bringing it together."

> "As far as I can see they have taken steps to stop that source of conflict and I think it's developing in the right direction, but it's not a solid and thorough foundation yet."

The latter view is echoed by several other mangers, who believe it will take some time before the efforts leaders to improve communication become visible to the organization and mirrored by the employees.

The interviewed managers suggested that a certain amount of internal competition is beneficial and should be encouraged and that only the negative aspects should be eliminated. When competition drives departments to develop new products and strategies to enlarge the client base it will benefit the Division. Provided the top management has a holistic view of the business and results, and the main drive is success at Division rather than business area level, internal competition will prove to be beneficial.

In terms of organizational support, the participants also discussed the consequences (if any) of the Survey on Life Balance and Equal Opportunities. They evaluated how far life balance and equal opportunities had improved in the three to four years following the survey. Most managers considered that it created awareness of employee well-being and despite somewhat

modest results, there were attempts to increase female representation at managerial level and help employees take control of their life balance.

6.4   Discussion

Several trends are evident from the results presented above. First, the development of organizational identification (i.e. at the Nordic Division level) is closely linked to identification at lower and higher levels (department and Nordic Company level respectively). Consistent with previous research, it appears that identification is very flexible and responsive to contextual changes in group salience and interactions with other groups (van Dick, 2001; Pratt, 2001).

As mentioned in section 4.1.3, the integration process at the Nordic Division level started immediately after the merger of March 2000, whereas at the Nordic Company level it started almost two years later. It seems probable, therefore, that during the first year when attempts were made at integration and the creation of a new identity, little interaction took place with the environment (the Nordic Company) (Figure 6.2). Analysis of the interviews shows no mention of other divisions or the Company in the context of the beginnings of the Nordic Division. References to the Company and other divisions occur only in the context of events that took place in subsequent years.

By the end of the initial stage, the integration process was under way and the new organizational identity had taken shape. The initial threat to the Division diminished (Gaertner et al., 2001) and the focus turned to increasing business performance. Thus, identification with the department became more salient (second stage). The quality of communication between departments influenced identification at Division level.

The third stage is characterized by increased external interactions. As integration at the Nordic Company level proceeded, there was more interaction between the Division and the Company at: (1) administrative level - by excluding the administrative units from the common bonus system and adopting the appraisal review tools used by the Company, and by including a new department in the Division (Department D - see Appendix 1) and (2) at

business level - by increasing the business cooperation between some of the Division's departments and other parts of the Company.

The interactions with the Company had mixed effects on identification with the Division. On the one hand, the decision on the bonus system had a negative impact on identification. Moreover, the increased cooperation with the rest of the Company was likely to reduce ingroup bias among the Division's members (Gaertner et al., 1993). On the other hand, the introduction of a new group within the Division might have enhanced identification since each group (the Division and Department D) saw their identity threatened (Elsbach and Kramer, 1996; Branscombe et al., 1999). However, this administrative decision was not mentioned during the interviews so it is unlikely to have had a significant impact on members' identification with the Division. One reason might be the high status and dominant position the Division members enjoyed compared with the new department. This position promoted a strong sense of continuity among the Division's members (Ullrich et al., 2005; van Knippenberg et al., 2002).

a) Pre-merger

b) Merger

c) Pst-merger, stage 1

d) Pst-merger, stage 2

d) Pst-merger, stage 3

e) Pst-merger, stage 4
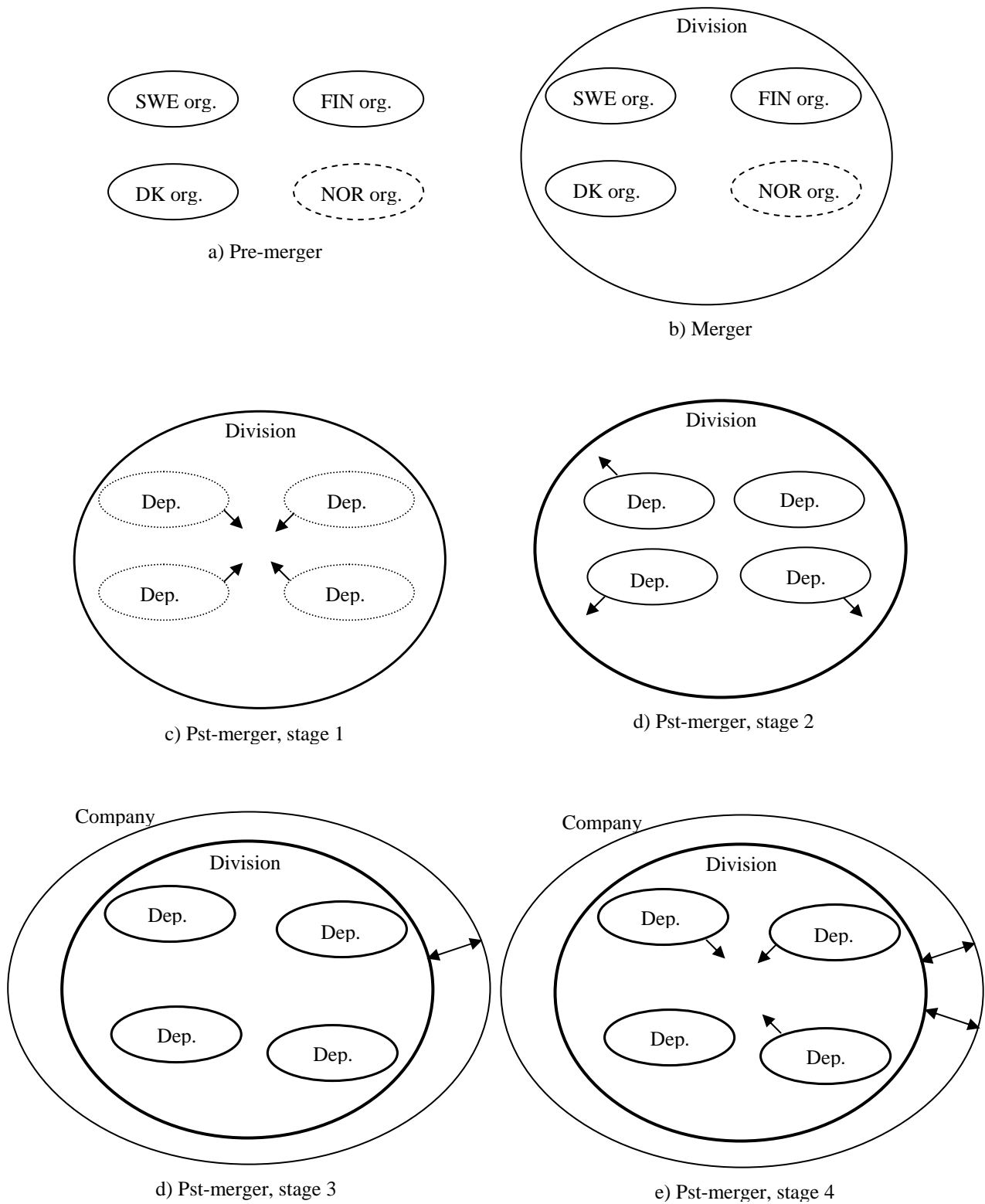
Note: the number of departments and their interaction are informative.

Figure 6.2 *Stages in the development of post-merger identification within the Nordic Division.*

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At the same time, the salience of identification with the department increased to such a degree that communication and cooperation between some of the departments became affected. Overall, these events had adverse effects in terms of organizational identification. Ullrich and colleagues (2005) reported a similar situation in their study of a large German merger. The post-merger business model, which required the establishment of new profit centres separate from the existing business units, generated a "two-class society": an "us versus them" mentality and profit versus cost. The result was a general trend of decreasing identification with the Division, together with stronger identification at unit level.

Realizing the negative effects internal competition between business areas can have, the following stage is characterized by efforts to improve communication and cooperation between departments. At the external level, business cooperation between the Division and the Company showed a positive trend.

The discussion about relationships and interactions between the Nordic Division and the rest of the Company raised the issue of identification with the Division versus identification with the Company. The interviews indicated that people took greater pride in membership of the Division than of the Company:

> "It is still very difficult to find a person from the division who you can say is wearing a company hat rather than a division hat."

> "I am more proud to tell I work for the division than I am to tell I work for the company."

These results are borne out by previous research, which suggest that employees identify more closely with their division than with the company, especially in the case of multinationals (cf. Ashforth and Johanson, 2001). The attitude of the division's employees could be explained from the perspective of high status minority groups. (Ellemers et al., 1992). The authors argue that members of high status minority groups show strong ingroup identification when there is the possibility of affiliation with a majority group. The Nordic Division could be considered a minority group within the Company (it represents approximately 2% of the Company's employees). In terms of status, both the Division's members and the rest of the company perceive the Nordic Division as a high status group. According to the interviewees, the Division's members see themselves as successful, dynamic (particularly more so than the company), aggressive, and unique. They felt the bank regards them with respect (for their

success), envy (because of the high level of financial rewards they receive), and scepticism (because they do not understand the division's business and do not understand how they can achieve such good results). Moreover, they see the Nordic Company as slow, bureaucratic, and unwilling to take risks. Thus, it is very likely that the Division's employees will identify more strongly with the Division than with the Company.

Second, from a post-merger integration perspective, it appears that the integration-related decisions and activities had a strong impact on organizational identification. The decision to have a high level of integration and to create a single organization out of three or four was the starting point in the creation of an organizational identity and the development of organizational identification among its members. The decisions to create a functional organizational structure, and the urge to succeed (to prove that the decision to merge was a good one, and that the result was a successful organization) had a major impact on organizational identification through the consequences they had for identification with the department and communication within the Division. Ultimately, the Company's attempts to reduce the administrative autonomy of the Division, which were uncontested by the Division's top management, had an adverse effect on organizational identification. Previous research on M&A from a social identity perspective has focused mainly on the merger/ acquisition itself or on the immediate aftermath (e.g. Terry and O'Brien, 2001; van Leeuwen et al., 2003). The present analysis furthers such investigation by analyzing the development and evolution of organizational identity over a period of six years following a merger.

7 Analysis across the two studies - employee attachment following a merger

As discussed din 3.2.4, the empirical study focused on the similarity between commitment and identification[1]. Such an approach is supported also by the results obtained. The antecedents identified as important in determining organizational commitment from a social exchange perspective refer to daily work, remuneration, and cooperation and communication. The qualitative analysis showed that the decisions and events having a significant impact on organizational identification were linked to intergroup interactions (cooperation and communication, and daily work[2]) and organizational support (bonus system). Similar results were obtained in terms of determinants of identification and commitment. Organizational commitment and organizational identification appear to overlap to a large extent. The use of data and methodology triangulation increase the validity of the results (Jick, 1979) and support the decision to include both constructs within the semantic umbrella of "attachment".

7.1 Social exchange and social identity

Combining qualitative and quantitative analysis to study employee attachment to the organization following a merger/acquisition provided insights into the process of creating

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[1] Affective organizational identification and affective organizational commitment will henceforth be referred to as organizational identification and organizational commitment respectively.

[2] Daily work-related aspects played an indirect role in the development of organizational identification, through the mediation of the business drive that characterized the Nordic Division. Business-related decisions and the drive to succeed influenced the type and content of job assignments and tasks to be performed. The characteristics of task and job assignments affected the need for communication and cooperation (see also discussion on "silo mentality" in section 4.3.3). In turn, the quality of communication influenced organizational identification.

attachment for the new organization (by studying critical incidents which strongly influenced the development of attachment) and the outcomes of this process (in terms of antecedents and mediators of attachment). The results of the quantitative analysis can be assimilated to "snapshots" detailing employee attachment at several points in time. The results of the qualitative analysis link the "snapshots" together and help explain the evolution of antecedents and of their impact on attachment (Figure 7.1).
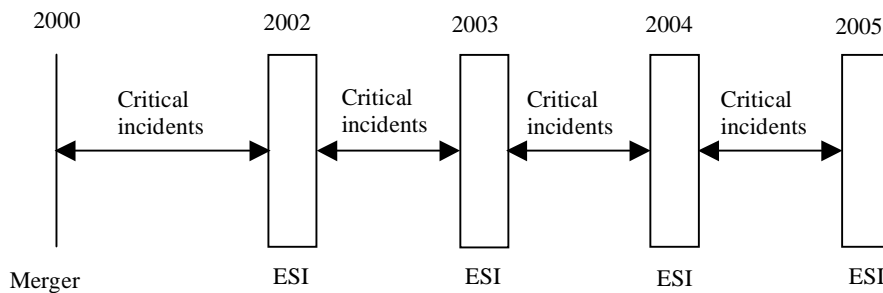
Note: ESI - Employee Satisfaction Survey - was the source of quantitative data used in the research

Figure 7.1 *Blending of qualitative and quantitative analysis in the study of employee attachment within the Nordic Division.*

For example, the critical events and decisions described by the managers during the interviews help to explain why cooperation and communication had a significant direct impact on the Identification & Loyalty subscale in 2005. Several significant aspects were identified that led to a gradual deterioration of cooperation between departments. The negative consequences of increased internal competition raised awareness of the importance of communication in supporting the feeling of belonging to the same group (organization). Another example concerns the decreasing contribution of daily work (to employee attachment) in favour of remuneration. By identifying with the organization, an individual incorporates the organization's interests into the self-concept and his/her behaviour is likely to be in accord with the organization's interests (Ashforth and Mael, 1989). The interviewed managers acknowledged that the division's objective was to "make money"[3]. Thus, as

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[3]   On the basis of the interviewees' statements, it appears that the financial result is the criterion by which the Nordic Division is "judged" within the Company. The interviewees consider that the Division's image within the Company is one of a successful, dynamic, and very well performing organization. In addition, they perceive the rest of the Company as being in awe, but also envious, of their success (and of the remuneration they receive). Thus, it appears that financial success (and thus the bonus, which is based on results) is very important in defining the identity of the Nordic Division. In addition, the contribution each department makes to the result

identification with the organization developed, members' behaviour focused on generating results. Moreover, business focus led to a strengthening of identification with the department and thus an increase in ingroup bias in favour of department members. In order to differentiate between their own department and others, employees focused on identity-relevant dimension(s). In this case it was the success of the department in terms of generated revenues (see Footnote 3). Thus the importance of remuneration in shaping employee attachment increased over the years of analysis. These examples suggest that social identity could have an impact on the importance employees place on different types of rewards. Since identity-relevant dimensions are related to the rewards to be received by employees in a social exchange relationship, it is likely that strengthening social identification will lead to an increase in social exchanges between employees and the organization (if rewards increase following a strengthening of identification, employees are likely to increase their loyalty and effort on behalf of the organization (Rousseau and Parks, 1993).

Nevertheless, the relationship between social identity and social exchange is not unidirectional. The rewards received in a social exchange relationship between individuals and the organization are likely to shape employee identification with the organization (Tyler and Blader, 2003). This appears to be the case with the Division's employees. The participants in the interviews noted that one of the benefits of a high level of remuneration was the possibility to attract highly skilled professionals (possibly with work experience in an international/London-based investment bank). It appears that the increased financial rewards received by the Division's employees improved the Division's image as an employer of choice. In turn, the positive organizational image increased members' identification with the organization (Dutton et al., 1994).

In conclusion, it appears that employee attachment to the organization developed through the interaction and combination of social exchange and social identity processes. There are few attempts in the literature to study the interaction between social exchange and identity in organizational contexts. van Knippenberg and colleagues (2007) have studied how social exchange and social identity interact in explaining employee withdrawal (measured by turnover intentions and absenteeism). They show that, in the case of employees highly identified with the organization, the quality of the social exchange relationship is not important in determining withdrawal from the job. Tyler and Blader (2003) proposed a model

is very important in differentiating among them.

of member behaviour towards the group in terms of procedural justice and its impact on group identification. Within this framework the authors discussed the relationship between social identity and social exchange and the impact of these on members' behaviour towards the group. They claim that social exchange has an indirect influence on behavioural engagement in the group (for example cooperation with group members) through the impact it has on members' identification with the group (in other words, they propose a unidirectional relationship, from social exchange to social identity). The present study shows how social exchange and social identity interact, arguing for a two-way relationship between them, with both exchange and identity having important roles in determining employee attitudes. This contrasts with previous research (e.g. Tyler and Blader, 2003), which focused on group identification and suggested that social exchange has a limited effect on employee attitudes and behaviours. In addition to studying the interactions between social exchange and social identity processes, the present study contributes to the existing literature by taking into consideration the organizational setting in which employee attachment developed.

7.2 The integration process – contextual factor in the development of employee attachment

In studying employee attitudes, context is very important and should be taken into consideration (Beck and Wilson, 2001; Terry et al., 2001). The development and evolution of employee attachment within the Nordic Division are closely linked to the integration process.

The integration process developed in two directions: task and human integration (Birkinshaw and Bresman, 2000). Human integration helped bring about task integration. Culture seminars, get-together events, and peer reviews facilitated communication and cooperation between employees, and the development of trust, thus supporting task integration (i.e. the realization of synergy at business level). Human integration is even more important when the merged organization is characterized by a certain degree of "virtualness"[4], as is the case of

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[4]   There is no consensus among researchers on a definition of a virtual team. Since today's conventional, "face-to-face" teams use some form of electronic communication media, there is a tendency to define a virtual team in terms of "virtualness" - the degree to which a team is crossing several different boundaries, such as cultural, geographic, organizational (Hertel et al., 2005; Martins et al., 2004).

the Nordic Division. Since the number of interpersonal contacts among virtual team members is limited and the electronic communication media restrict the human element in information exchange (Keyworth and Leidner, 2000), facilitating collaboration, communication, and team cohesiveness becomes essential for the success of the virtual team (Pauleen, 2003; Kerber and Buono, 2004). Moreover, due to the physical distance among team members, direct control and supervision are difficult. An alternative would be to delegate responsibilities to team members (Hertel et al., 2005), which requires a high level of trust between employees and their managers.

In the case of the Division, the reverse relationship also applied: the increasing integration at business level supported human integration. Similar professional backgrounds and shared business objectives facilitated communication within the Nordic Division. It allowed people to relate to one another and to build relationships based on trust.

Both task and human integration played an important role in shaping employee attachment (Figure 7.2). The business side of the integration could be associated with the development of a social exchange relationship between the division and its employees. People were rewarded for their efforts in making the merger a financial success. The increased performance of the Division (see Appendix 5) meant increased rewards for employees, both in financial and non-financial terms. The continuous development of the business involved training and increasing opportunities for personal and professional development. In addition, the expertise acquired as employees of an international organization is likely to have increased their employability. From the interviews it appears that for many in the Division, financial rewards became increasingly important as the results of the Division improved. The expectation of bigger annual bonuses reduced the focus and scope of the exchange relationship between the Division and its employees. The financial aspects gained weight. In exchange for their work and effort, the Division's employees focused on fair financial rewards. This does not mean that other, non-financial rewards became unimportant. Rather, they were considered a given; basic level rewards which helped secure other rewards. The Nordic Division operates in a dynamic and competitive business environment, which requires a high level of expertise in various fields (mathematics, statistics, macroeconomics, financial markets). Thus training, personal and professional development (non-financial rewards) are essential for maintaining professional skills. Challenging assignments stimulate people to contribute and strive on behalf of the organization. As a consequence, in a satisfactory social exchange relationship,

financial rewards would follow. The increased importance attached to financial rewards raises the question as to whether the dimension of employees' attachment shifted through the years from affective to continuance (Meyer and Herscovitch, 2001). This issue is discussed in greater detail below.
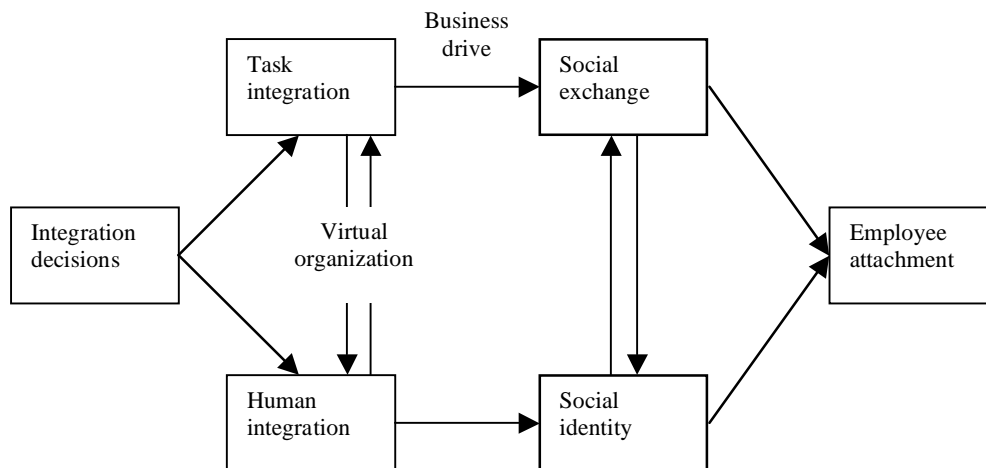
Figure 7.2 *Development of employee attachment to the Nordic Division during post-merger integration.*

The other aspect of integration, the human side, affected social identification with the division. With the aim of creating a single Nordic division out of four national divisions, the actions that lead to human integration also shaped a new identity for the Division. The culture seminars and get-together events helped develop employee identification with the division. HR efforts to introduce a common set of procedures and practices supported the idea of a single organization, increasing the similarities between members of the division as opposed to the rest of the company. Moreover, HR efforts to improve leadership and create awareness among managers of their roles as "representatives" of their group promoted employee identification with the organization.

In conclusion, employee attachment to the Nordic Division developed in the context of post-merger integration through a series of interactions between social exchange and social identity related factors. These interactions were shaped by the integration strategy adopted and the way it was implemented. The factors, which significantly influenced employee attachment, were affected by the integration process. While similar antecedents could be identified in other organizational situations, their impact on employee attachment and its evolution were specific to the post-merger integration process within the Division.

8 Conclusions

8.1 Summary of key findings

The purpose of this research was to study employee attitudes during post-merger integration, their evolution, and the factors that had the strongest impact on them. In the quantitative analysis an organizational psychology perspective was adopted to study (affective) organizational commitment as a social exchange between the employee and the organization. Several antecedents and the evolution over time of their impact on commitment were studied in the context of the post-merger integration process.

Three models documenting the relationship between organizational commitment and its antecedents were proposed. The base model proposed that the relationship between organizational commitment (as measured by two subscales: identification & loyalty and involvement) and its antecedents (daily work, remuneration, cooperation & communication) is entirely mediated by job satisfaction. The first alternative model proposed that job satisfaction mediates only the relationship between identification & loyalty and antecedents. In turn, identification & loyalty influences involvement. The second alternative model was build around the hypothesis that involvement is only influenced by daily work.

Results showed that during post-merger integration the importance of daily work as an antecedent of job satisfaction decreased, while the importance of remuneration, cooperation and communication increased. Moreover, the relationship between identification & loyalty and involvement on one hand and between the two dimensions of commitment and their antecedents on the other, changed over time.

In the qualitative analysis a social psychological stance was taken, with the focus on social identity approach. In the interviews the managers identified critical events and decisions that had had a significant impact on affective organizational identification during the six years of

post-merger integration. Results showed that intergroup contact (assessed by pre-merger status, level of intergroup interaction, personal interaction and organizational support) influenced post-merger identification with the organization. Moreover, experiencing a sense of continuity within the new organization had a positive impact on identification. Leadership also proved to have a positive influence on organizational identification.

Combining the quantitative and qualitative studies provided insights into the process of developing attachment for the organization and the context in which it developed. It appears that employee attachment to the organization developed through the interaction and combination of social exchange and social identity processes. The present study showed how social exchange and social identity interact, arguing for a two-way relationship between them, with both exchange and identity having important roles in determining employee attachment. Moreover, the post-merger integration, as a contextual factor, played an important role in the development of employee attachment.

8.2   Implications for managers

One of the main implications for practice is that in order to foster positive employee attitudes and behaviours following a merger/acquisition, managers should consider influencing both social exchange and social identity related factors. Employee attachment will be developed by providing employees with a friendly and cooperative work environment, financial rewards, and challenging and varied tasks, as well as facilitating two-way communication and growing leaders who are "entrepreneurs of identity", Managers should also realise that for some employees the main interest may be their career and thus the objective would be to stimulate their career commitment[1].

Recommendations in the literature that managers focus on fostering work group identification (because employees identify more with their workgroup than with the organization – Riketa

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[1]   Early research on career commitment proposed a negative relationship or a zero sum "game" between organizational commitment and career/occupational commitment (cf. Muller et al., 1992). Nevertheless, in a meta-analysis of organizational commitment, Meyer and colleagues (2002) found a strong relationship between affective organizational commitment and career/occupational commitment.

and van Dick, 2005), should be treated with caution. The Nordic Division is a good example of how strengthening department identification by stressing the differences among them and increasing inter-departmental competition can backfire. The strained relationship between the Division's departments and between the Division and the Company demonstrate that moderation is required when the objective is a high level of integration.

8.3   Contribution to existing research

This study makes several important contributions to the field of HR implications for M&As. First, the study attempts to explain the development of employee attachment to a post-merger organization by taking a multidisciplinary view. Employing both a social exchange and social identity approach provides greater understanding of the factors underlying the development of employee attitudes following a merger/acquisition, as well as their dynamics. As Ellemers and colleagues (2004) have proposed, a social identity perspective of employee attitudes adds value to the research by providing greater knowledge of the factors which motivate an individual to focus on the collective rather than the individual-self. Understanding the dynamics of employee identification (and therefore his/her collective self-definition at a point in time) will help to clarify the evolution over time of organizational commitment. In the present study the interaction between the processes of social exchange and social identification explains how employee attachment develops under conditions of continuous change imposed by the integration process. Either one of the two theories could have gone some way to explain the impact integration has on people and their attitudes and behaviours. However, by considering the combined explanatory power of both theories, the study of employee attitudes encompasses a larger part of the environment within which it unfolds. Identification is situation/context-dependent and therefore it is more dynamic in nature than organizational commitment (Ellemers et al., (2004)).

Second, the longitudinal approach made it possible to evaluate how employee attachment develops and evolves over time during post-merger integration. Most existing studies focus on identifying employee immediate reactions to M&As. Such studies employ data covering a short period of time, usually within a few months of the merger/acquisition. Research into the psychological reactions of people to M&As confirms that the period around the

announcement of the merger/acquisition is turbulent and emotional with fear and anxiety dominating employee feelings (Cartwright and Cooper, 1992). It is important to understand such reactions in order to reduce the initial negative impact of M&As on employees. Nevertheless, it is also important to understand how people accommodate to life in the new organization once the initial shock waves subside and the changes gradually become the basis for a new "social order". In other words, what integration-related factors will influence employee attachment to the organization during the learning and freezing stages, when the medium- and long-term consequences of M&As are felt? The present study has tried to answer this question by investigating employee attachment and its development and evolution over a period of four years. Antecedent factors and contextual factors (integration-related) were both used to explain the change over time in the measures of employee attachment to the organization.

Third, this study has provided and in-depth analysis of the mechanisms involved in the development of employee attachment during the integration period. It examined not only the evolution of employee attachment, but also the change over time of the factors that influenced employee attachment. Most previous studies in this area attempt to understand the evolution of employee attitudes, which they generally report as being negative after the merger. Nevertheless, in order to increase theoretical understanding of the phenomena and provide advice for managers, it is necessary to gain an in-depth knowledge of the processes and factors underlying the phenomena under study and how they interact.

8.4   Limitations of the study

A methodological limitation of the study concerns data collection. All the variables used in the structural equation modelling stage were assessed using self-report measures, which might increase the probability that relations among variables reflect shared response bias (common method variance). In addition, it has been claimed that collecting all the measures within the same instrument (questionnaire) increases the possibility of inflated relationships among variables (Fields and Bocarnea, 2005). The small size of the sample did not allow the testing of common method variance using Harman's one-factor test (Iverson, 1996). Nevertheless, the positive results obtained in the testing of the measurement model (that is, the support for

discriminant validity - see section 4.2.7) are a first step in reducing the possible effect of common method variance (Podsakoff and Organ, 1986). As an argument in favour of self-reported data, it can be claimed that such a method has much in common with an individual's subjective reality. When assessing employee attitudes and feelings, self-reported measures seem more appropriate (van Dick et al., 2005).

As mentioned in section 4.2.4, the frequent organizational changes during the integration period made it difficult to achieve a stable sample structure over the period of analysis. Cartwright and Schoenberg (2006) mention this as a major limitation facing researchers in a longitudinal analysis. Nevertheless, the high response rate of the survey and the reliability tests suggest that the measures used in this study are reliable across years.

Another data collection limitation concerns the retrospective quality of interview data (Smith, 1975). The interviews were conducted several years after the merger and were intended to cover interviewees' experiences from the time of the merger until the present. Previous research has demonstrated that M&As are a source of stress, anxiety and unrest, and have significant consequences for employees (Buono and Bowditch, 1989; Cartwright and Cooper, 1992). M&As generate sudden disruptions and changes in employees' work life, so it is likely that they will remember such experiences even after several years. Nevertheless, the way they remember the events might be biased. Depending on the evolution of their status within the organization and their results and contributions, they might stress the negative or the positive aspects of the merger and integration process. If employees' past actions proved to be successful and their position within the organization improved, they might ignore the negative factors and report only on the positive ones (Knippenberg et al., 2002).

8.5   Directions for further research

There are two main directions for further research: to replicate the current study and to extend it by incorporating employee behaviours into the model. It is difficult to extrapolate the results due to the particularities of the sample used. It would be interesting, therefore, to study the impact of post-merger integration on employee attitudes in another division of the Nordic

Company, one with similar characteristics (result driven, high level of knowledge and skills required), but in which there was different paced integration and strategy. In contrast to the rest of the company, the Nordic Division enjoyed a very high degree of autonomy in terms of integration strategy and started the integration process immediately after the merger. The objective was to create a single division (thus aiming at a high level of integration). Such a study would offer the possibility of isolating the impact of merger-related factors on employee attachment. Moreover, it would provide evidence for the impact of different integration strategies on the development of employee attachment following a merger.

Alternatively, future research could extend the range of employee attitudes and also examine the impact of M&As on employee behaviours, for example in terms of turnover and organizational citizenship behaviour.

It is possible for social exchange and social identification on one hand and employee attachment on the other hand to reinforce each other. Eventually reverse causality is likely to appear. As employees become more attached to the organization they will make greater effort to act on behalf of the organization, thus contributing to improving organizational status and image. In turn, employee attachment is likely to increase. Moreover, as employee attachment increases, it might be possible for employees to view the exchange relationship in a better light. Employees might perceive job characteristics and work environment as more fulfilling and rewarding and, as a consequence, employee attachment is likely to increase.

The current study focused on employee affective attachment to the organization. This was mainly because affective dimensions of attachment exhibit stronger and more favourable relationships with organization- and employee-relevant outcomes than non-affective dimensions (thus, attempts to understand them will be beneficial for the organization). In a meta-analysis assessing antecedents, consequences, and correlates of organizational commitment, Meyer and colleagues (2002) found that the affective component[2] had the

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[2]　One of the best-known organizational commitment models is the three-component model developed by Meyer and Allen (1991). The authors proposed that when studying organizational commitment a distinction should be made among: (1) affective commitment, which reflects emotional attachment to the organization, identification with, and involvement in the organization; (2) continuance commitment, which is linked to the costs associated with leaving the organization or with a lack of alternatives; and (3) normative commitment, which denotes a perceived obligation to remain in the organization.

strongest relationship with performance, organizational citizenship behaviour, attendance, as well as stress and work-related conflict. From a social identity perspective, identification seems to be linked to several work-related attitudes and behaviours, such as job satisfaction, intent to stay, absenteeism, job involvement etc. (Riketta, 2005). Moreover, Ouwerkerk and colleagues (1999) argue that the affective component of identification largely explains identification. However, as mentioned earlier, the possibility of continuance commitment developing within the Nordic Division should also be explored. Both "costs" and "alternatives" of continuance commitment can be identified within the Nordic Division. Financial rewards might prevent the Division's employees from leaving the organization, even when the exchange relationship deteriorates or an individual's identification decreases. Moreover, while training and professional development increased peoples' employability, their employment alternatives are restricted to the business field in which the Nordic Division operates, especially if geographical mobility is low. Considering the fact that the Nordic Division is part of the largest North- European financial organization, changing employer will involve a decrease in status. Thus, it could be claimed that elements of continuance commitment might have contributed to the development of employee attitudes within the Nordic Division, especially in the later years. However, a thorough assessment of continuance commitment and its relationship with employee affective attachment to the Division is necessary for a fuller understanding of employee-related outcomes following a merger.

In the case of the Division's employees, career/occupational commitment (Cohen, 2003) could be an alternative to organizational commitment. As an "employer of choice", the Nordic Division provides its employees with a supportive environment for career development. Since they are highly skilled and educated, and have opportunities for continuous professional development, career counselling and mentoring, some of the Division's employees could experience a high level of career commitment. Therefore, it could be hypothesized that career commitment might contribute to explaining employee attitudes following the merger.

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Appendix 1

Chronological list of main events/incidents during the integration of The Nordic Division

2000

March	Announcement of merger between the Swedish-Finnish organization and the Danish organization
April	Plans of centralisation
May	Plans and negotiations in each country concerning personnel
June	Planned redundancies were announced in local units in each country simultaneously
	First issue of the Nordic Division Newsletter
	Country references excluded from daily P&L reports; aggregation at business area/ product family level
September	First get-together event for the employees of the Administrative Department; held in Finland
October	First get-together event for the employees of Business Department A; held in Denmark
	First Culture Seminar – focused on national and corporate culture differences
	First get-together event in Business Department B; held in Norway
November	Titles harmonization
	General bonus model
	Second Culture Seminar – focused on the creation of common values (the 4C's)
December	One coherent business strategy

2001

January	The Norwegians joined the Nordic Division
	Business Department C's staff event; held in Sweden
February	Common Appraisal Review, based on the common values
March-April	Management Reviews (current situation, competencies, management and the 4C's/cooperation)
May	Third Culture Seminar – focused on the status of common values implementation in the departments
August	First Employee Satisfaction Survey (carried out at The Nordic Corporation level)
September	Significant organizational changes: Business Department A is reorganized: some units assigned to the Administrative Department and to the Business Department B.
	Administrative Department staff event
November	New trading infrastructure (First wave of integration of back-office operations)
	Fourth Culture Seminar – focused on combining the 4C's with the bonus model
	HR performance study
	First Personal Leadership training
December	The entire HR team was included in the Nordic Division

2002

January	Newly reorganized Business Department A's staff event; held in Iceland
	Second wave of back-office integration in progress
August	Second Employee Satisfaction Survey
September	Second Personal Leadership training
October	Balanced Lifestyle and Gender Equality study
November	Fifth Culture Seminar

2003

March	Third Personal Leadership training
August	Third Employee Satisfaction Survey
September	Forth Personal Leadership training
November	Sixth Culture Seminar – focused on communication
December	Significant organizational changes: a new Business Department, D, joins The Nordic Division

2004

January	Change in the bonus model; the Administrative Department excluded
March	Fifth Personal Leadership training
August	Fourth Employee Satisfaction Survey
September	Sixth Personal Leadership training
November	Seventh Culture Seminar – focused on innovation and creativity

2005

March	Seventh Personal Leadership training
August	Fifth Employee Satisfaction Survey
September	Eighth Personal Leadership training
November	Eighth Culture Seminar – focused on chaos management

Appendix 2

Significant organizational changes
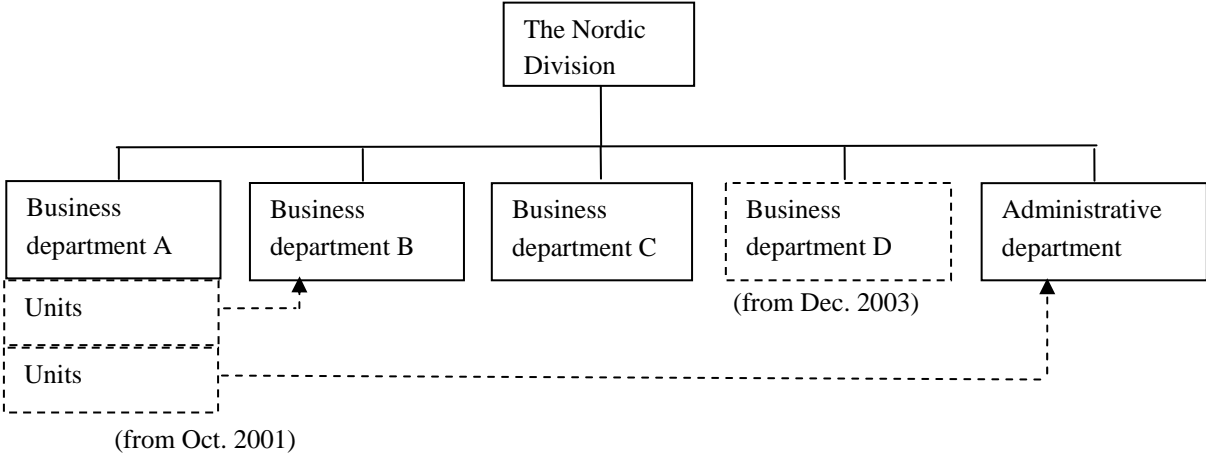
Appendix 3

Organizational chart of The Nordic Division

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                        ┌─────────────────┐
                        │ Head of division│
                        └─────────────────┘
                                 │
      ┌──────────────┬───────────┴───────────┬──────────────┐
┌──────────┐  ┌──────────┐          ┌──────────┐      ┌──────────┐
│ Head of  │  │ Head of  │          │ Head of  │      │ Head of  │
│department│  │department│          │department│      │department│
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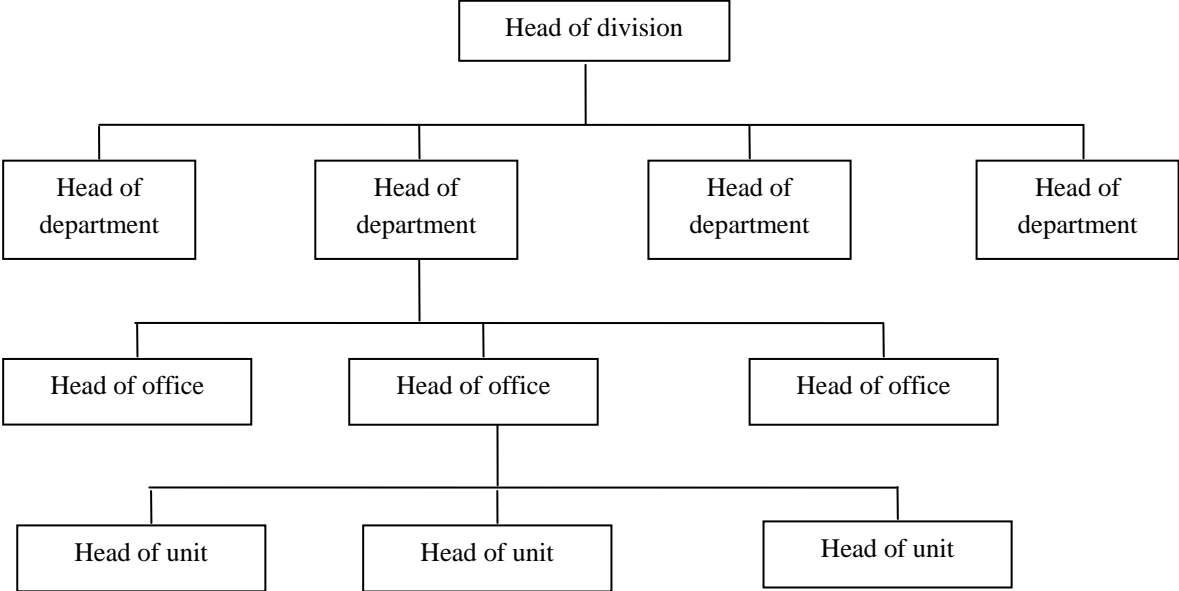
Appendix 4

Means, standard deviations, and Pearson correlations for the variables used in analysis.

Descriptive statistics

Variable	Mean (standard deviation)			
	2002	2003	2004	2005
Daily work	74.22 (7.104)	73.41 (6.309)	71.09 (7.979)	73.38 (6.285)
Remuneration	58.49 (8.735)	62.16 (8.493)	62.17 (8.031)	61.75 (9.557)
Cooperation & Communication	73.37 (9.746)	74.00 (7.486)	71.49 (7.316)	73.96 (6.571)
Job satisfaction	64.08 (9.325)	64.49 (7.804)	62.21 (7.850)	65.63 (7.219)
OC: Identification & Loyalty	68.67 (9.227)	68.51 (8.582)	66.92 (8.232)	71.25 (7.465)
OC: Involvement	81.94 (5.202)	82.98 (4.872)	80.58 (4.877)	83.90 (3.932)

Year 2002 Pearson correlations

	Daily work	Remun	Coop. & Commun.	Job satisf.	OC: Identif. & Loyalty	OC: Involv.
Daily work	1	0.268	0.589**	0.711**	0.655**	0.474**
Remuneration		1	0.387**	0.608**	0.471**	0.252
Coop. & Commun.			1	0.725**	0.539**	0.431**
Job satisfaction				1	0.847**	0.489**
OC: Identification & Loyalty					1	0.545**
OC: Involvement						1

** Correlation is significant at a level of 1% (2-tailed).

Year 2003 Pearson correlations

	Daily work	Remun.	Coop. & Commun.	Job satisf.	OC: Identif. & Loyalty	OC: Involv.
Daily work	1	0.565**	0.396**	0.746**	0.581**	0.478**
Remuneration		1	0.399**	0.792**	0.609**	0.473**
Coop. & Communication			1	0.542**	0.253	0.432**
Job satisfaction				1	0.700**	0.551**
OC: Identification & Loyalty					1	0.383**
OC: Involvement						1

** Correlation is significant at a level of 1% (2-tailed).

Year 2004 Pearson correlations

	Daily work	Remun.	Coop. & Commun.	Job satisf.	OC: Identif. & Loyalty	OC: Involv.
Daily work	1	0.623**	0.484**	0.770**	0.602**	0.526**
Remuneration		1	0.457**	0.753**	0.535**	0.340*
Coop. & Communication			1	0.646**	0.491**	0.339*
Job satisfaction				1	0.757**	0.445**
OC: Identification & Loyalty					1	0.315*
OC: Involvement						1

** Correlation is significant at a level of 1% (2-tailed).

* Correlation is significant at a level of 5% (2-tailed).

Year 2005 Pearson correlations

	Daily work	Remun.	Coop. & Commun.	Job satisf.	OC: Identif. & Loyalty	OC: Involv.
Daily work	1	0.242	0.458**	0.531**	0.525**	0.445**
Remuneration		1	0.174	0.698**	0.505**	0.169
Coop. & Communication			1	0.477**	0.574**	0.310*
Job satisfaction.				1	0.671**	0.249
OC: Identification & Loyalty					1	0.412**
OC: Involvement						1

** Correlation is significant at a level of 1% (2-tailed).

* Correlation is significant at a level of 5% (2-tailed).

Appendix 5

Financial results of the Nordic Division during the post-integration period.