The Strategic Implementation of Acquisitions: The Impact of Human Resource Factors on Acquired Firm Employees' Perception about Acquisition Success.

By

Salem Mater Al-Ghamdi

Dissertation Submitted to the Faculty of the
Virginia Polytechnic Institute and State University
in Partial Fulfillment of the Requirements for the Degree of
Doctor of Philosophy

in

Management

Approved:

Larry Alexander
Larry D. Alexander, Chairman

Robert J. Litschert

Jerald F. Robinson

Richard E. Wokutch

Lee M. Wolfle

July 4, 1994

Blacksburg, Virginia

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(ABSTRACT)

The goal of this study is to develop and test a conceptual framework of the impact of selected human factors on acquired firm lower level employees' perception toward acquisition success. The variables selected for inclusion in the framework have been identified from the following relevant literature in the (1) post acquisition integration area, (2) management area, and (3) strategy implementation area. The framework incorporates direct effects of employees' involvement in the integration process, extent of employees being informed about integration activities, and the amount of company support on employees' perceptions toward acquisition success. In addition, the level of integration has been included in the framework as a possible moderating variable.

Based on two acquisitions, made by one firm in the U.S. banking industry, the study examines the above relationships with a number of statistical techniques. These techniques includes

correlation analysis, t-test, and regression analysis. Two hundred and fifty four respondents completed the study employees' questionnaire.

The findings showed the importance of providing employees full information and adequate support in order to obtain favorable attitudes toward the acquisition. However, no such relationship was observed between the involvement of lower level employees in the integration process and employees' perceptions toward the acquisition success. Moreover, the empirical results indicated employee preference for rich communication media over lean communication media during the integration period.

The absence of a moderating effect of the level of integration showed the possible ramifications of disregarding human factors. If moderation had existed, it would mean that the importance of utilizing these human factors is not present all the time. However, lack of moderation may have indicated that these human factors are important for employees regardless of the level of integration between the two firms.

The study's findings provide useful information on the impact of human factors on employees' perceptions toward acquisition success. These results should raise the level of awareness among managers involved in acquisitions toward the importance of human factors. The study results are useful as a basis for continuing research of the implementation tactics that are appropriate for various acquisition situations.

Acknowledgments

I have been honored and blessed with many people who have made my lifetime dream becomes reality. My first and foremost gratitude is for Allah who blessed me with these people.

I sincerely extend my deepest appreciation and thanks to my Ph.D. committee members. They have given me intellectual guidance throughout the design, analysis, and completion of this research project. My committee chairman, Dr. Larry D. Alexander, has always been helpful, encouraging, patient, and incredibly supportive. I think that I have learned more under him than any other person throughout my academic life. Undoubtedly, he has earned my unqualified respect and admiration. Dr. Robert J. Litschert has been, as always, an asset to my dissertation committee. He helped clarify some muddled ideas and provided the impetus for a successful study. He has helped me to override many hurdles successfully that I could not have made without him. Dr. Jerald F. Robinson has helped in different and valuable ways whether in terms of widening my horizon or focusing my study. Dr. Robinson is the first person who made it appealing for me to be in this respected program. Dr. Richard E. Wokutch has been very generous with me in terms of time and efforts. His comments and recommendations have guided me in this dissertation. His presence in the committee is invaluable. Dr. Lee M. Wolfle has contributed greatly with regard to the statistical portion of the

research project. He has been my right hand in interpreting and analyzing the computer statistical reports.

Special thanks go to the Commercial Attaché in the Royal Embassy of Saudi Arabia in Washington, D.C. Mr. Abdullah Alathel has played a major role in helping me get approval from the sample firm to participate in this study. His continuous support is very much appreciated.

Special thanks go to the Saudi Arabian Cultural Office in Washington, D.C. The office, throughout my graduate career, has provided the financial support, guidance, and encouragement necessary for my continued quest for knowledge. In particular, Dr. Ahmed Osman has given me the needed support to pursue my studies with great comfort. His immediate responses to my various requests have always been positive and appreciated.

The Dean of the College of Industrial Management at King Fahad University of Petroleum and Minerals in Dhahran, Saudi Arabia has done every thing possible to ensure a continuous support for my graduate studies abroad. I am very much in debt to Dr. Mohammed AT-Twaijari's continuous support. Special thanks go to the firm and its employees who have participated in this study.

Outside the academic community, many have been helpful and supportive. It is not possible to acknowledge all of them here even though I truly appreciate their assistance. Aref AlZaabi and Suhail Elhour do have my special thanks for their unlimited support.

I would like to extend my warmest and deepest appreciation to my beloved parents. Your endless prayers have been answered, and I always have felt them throughout my studies. For my dear six brothers and one sister: Mohammed, Abdullah, Yousef, Abdulrahman, Ahmed, Ibrahem, and Fatima, your continuous encouragement and support have made my education possible and have allowed me to achieve this highly respected degree.

Finally, my deepest expressions of love and gratitude are extended to my faithful wife Fatima. Words alone are inadequate to convey my genuine feelings of gratitude for your endless support. The same feeling of gratitude is given to my wife's parents. For my beloved children: Mosab, Osama, Moad, Alaa, and Omar, your pride in what I have been attempting to accomplish has always been a source of encouragement. I am proud of you all.

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Chapter 1

Introduction

1.1. Research Problem and Purpose.

Acquisitions have been growing in numbers in terms of the amount of assets acquired, and the number of people that are affected. During a recent ten year period (1977-1987), 23,000 acquisitions have been consummated in the United States, with a total value of approximately $398 billion (Fink, 1988). The ten largest acquisitions in 1984 alone directly affected the lives of more than 250,000 employees (Schweiger and Ivancevich, 1987). A conservative estimate is that 10% of the U.S. work force is involved in acquisitions each year (Kay, 1987). Overall, corporate acquisitions in the 1980s have affected one in ten employees and 400 of the Fortune 500 companies (Mirvis and Marks, 1991).[1]

Many of the human problems of post acquisition have resulted from the failure of acquiring firm managers to recognize and address the stress, anxiety, and uncertainty among acquired firm employees (Shanley, 1987; Schweiger and Ivancevich, 1987). Employees feel uncertain about their jobs once an acquisition announcement is made (Ivancevich et al., 1987; Gaertner, 1986).

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[1]The terms "acquisition", "acquiring", and "acquired" are used throughout this dissertation. Acquisition refers to a change in the majority ownership of a company in which the operating control and authority over a company is obtained by another company. The acquiring company is the one making the acquisition. The acquired company is the one being acquired.

What is often overlooked is that acquisitions not only create anxiety in the lives of employees, but inevitably disrupt the companies being acquired (Buono and Bowditch, 1989).

Kubilus (1989) reports on a study made by the American Management Association (AMA). The purpose of the survey was to examine the impact of the acquisition on the newly-formed organization's human policies. The study found that 45% of the firms being acquired revised their health benefits, 20% increased their compensation structure and 23% decreased their compensation structure. Over 30% of the acquired firms reduced their work forces. Only 26% of the employees of both the acquiring and acquiree firms felt they were kept informed of the developments during and after the acquisition. On the average, 30% of the employees expressed dissatisfaction with the post acquisition changes in the acquired firms.

This shows the potentially disruptive effects that an acquisition might have on an acquired firm and its hourly employees. This is true if we recognize the reported high failure and disappointment rates in the literature which suggested a substantial flaw in the practice of acquisitions (Arnold, 1984; Pritchett, 1985; Jemison and Sitkin, 1986; Marks, 1988; Tessler, 1990).

Hrebiniak and Joyce (1984) earlier warned of negative consequences for those who violated the principle of minimum intervention. They state that managers should implement strategies that will impose minimum disruption in the employees' daily tasks, habits, and lives. While this is a prescription for

general strategy, implementation, it does have application to acquiring firms.

Regrettably, research shows that human factor considerations play a relatively small role in acquisition decisions (Robino and DeMeuse, 1985; Schweiger and Ivancevich, 1987). Burke (1987) finds that out of 26 factors to be considered by 50 CEOs for pre-acquisition evaluation, only three of the top 12 ranked items have to do with human factors. However, the same CEOs, after going through the integration process, indicate that seven out of the twelve priority items should have been related to human factor issues. Consequently, the outcome of a policy that realizes the importance of human factors only after the fact is typically manifested in general declines in employee productivity and performance (Pritchett, 1985; Jeanette et al., 1989).

Strategy implementation researchers have stressed the importance of the human element in any successful implementation strategy (Alexander, 1993; Galbraith and Kazanjian, 1986; Hrebiniak and Joyce, 1984; Nutt, 1986). Alexander (1985) identifies five factors that can contribute to a successful implementation strategy. Two of them -- communication and employees' involvement -- can be considered human factors.

This study focuses on the human element as an important, yet somewhat neglected variable in implementing acquisitions. Specifically, the study examines closely the following human factors: employees' involvement in the integration process, the extent of employees being informed about the integration activities, and the presence of company support provided to the

affected employees during the integration. In addition, while virtually all acquisitions involve high levels of anxiety and concern about expected changes, the actual impact of these uncertainties is dependent on the magnitude of these changes (Pritchett, 1985; Buono and Bowditch, 1989). Therefore, the study will also examine empirically the effects that human factors have on acquired firm employees' perceptions about acquisition success across different levels of post acquisition integration.

Success or failure of an acquisition can be assessed in a number of different ways (Hunt, 1990). Accountants do so by assessing the return on investment several years after the acquisition. Finance specialists evaluate it on the basis of the equity price at the time of the bid (Hunt, 1990). For strategy research, the success (and failure) of an acquisition can be evaluated by asking the managers and/or employees involved (Hunt, 1990; Marks, 1982; Kitching, 1967). According to Willett (1990), a successful acquisition will be achieved if acceptable levels of turnover for management and hourly employees, absenteeism, and productivity have been maintained.

For the purpose of this study, a successful acquisition will be obtained if an acceptable standard (from an employee's viewpoint) of productivity, job performance, attendance records, organizational policies and systems, career opportunities, and satisfaction have been accomplished. These perceptual success criteria have been used in this study. They are reflected in part 7 of the second set of the questionnaire.

1.2. Research Questions.

This study seeks to examine the importance of three key human factors in the integration process. The human factors referred to are (1) employees' involvement in the integration process, (2) extent of employees being informed about the integration activities, and (3) the amount of company support provided to employees during the integration period. It also examines the impact of a possible moderating effect of post acquisition integration levels on employees' perception of acquisition success. Therefore, the overall research question for this study is:

What is the nature of the relationships between the human factors studied and employees' perceptions of acquisition success and does the level of integration moderate such relationships or not?

The following more specific questions are examined:

- **Does acquired firm employees' involvement in the integration process affect their perceptions of acquisition success?**
- **Does the communication process initiated to educate acquired firm employees about the process of acquisition affect their perception of acquisition success?**
- **Does the presence of support programs affect the acquired firm employees' perceptions of acquisition success?**
- **Does the level of integration between the two firms affect the relationship between the examined human factors and acquired firm employees' perceptions of acquisition success?**

Once you ignore the human element in an acquisition, the consequences may be disastrous (Gall, 1991; Galosy, 1990; Arnold, 1984). In a study conducted by McKinsey & Co. (Anonymous, 1985), a disregard of human factor issues by decision makers in acquiring firms seems due to the acquiring firms' overreliance on investment bankers. Investment bankers with their over concentration at times, on financial issues tend to ignore human factor issues that are also important in acquisitions (Datta, 1986 and 1991).

1.3. Significance of the Study.

It is expected that this study will contribute to the acquisition literature in several ways. First, this study hopefully will shed some light on the human element as a critical factor for successful acquisition implementation. Alexander (1993) examines the strategic implementation literature in three major areas. These areas are conceptual models on the process, conceptual models of why implementation succeeds or fails, and the identification of strategy implementation problems. Employees are usually taken for granted and kept in the dark which has been a major shortcoming by top management team. This study tries to give a greater emphasis to human factors in acquisitions, which has been somewhat ignored in many prior studies.

On the methodology side, the second contribution of this study is its use of a field survey designed with an emphasis on the employee's point of view, rather than top management's viewpoint. Marks (1982) examines the methodological weaknesses in the merger and acquisition area. He stresses that there has been

an ongoing disregard for how hourly employees experience acquisitions in most survey design studies. Unfortunately, this trend still exists, as seen in a recent published study by Schweiger and Weber (1990). Therefore, by taking into consideration employees' reactions, hopefully, this will give more attention to the human factors area.

Thirdly, the study clearly gives considerable weight to the implementation aspects of acquisition strategy. This is to counter the overemphasis on the formulation aspect of the acquisitions. Strategists such as Stonich (1982) and Hirsch, Friedman, and Koza (1990) have notably mentioned the significance of looking at both the formulation and implementation sides of strategic decisions, including acquisitions. Participation and involvement, education and communication, and support are but a few successful implementation tactics to enhance the survivability of any strategy (Kotter and Schlesinger, 1979). The significance of these tactics is even more vivid in an acquisition context. This is due to the reported high failure rates among acquisitions (Hunsaker and Coombs, 1988; Porter, 1987; Hunt, 1990; Datta, 1991). Although an acquisition has the potential to create value, value creation relies largely on how skillfully the managers integrate the businesses (Jemison, 1986; Porter, 1985; Pritchett, 1985). Therefore, this study strongly advocates the use of various implementation tactics in order to enhance the success of acquisitions.

Finally, the study incorporates the degree of post acquisition integration as a moderating variable. The test for

moderation is an attempt to answer the ongoing debate in the literature on factors that influence the perception of employees toward acquisitions. Is it the magnitude of the change experienced by departments or individuals (Buono and Bowditch, 1989; Napier, 1989)? Is it how the acquisition was implemented (Shirley, 1977; Marks, 1982 and 1988)?

1.4. Organization of the Study.

This study consists of five key chapters. In this introductory chapter, the nature of the research problem and purpose, the research question, and the significance of the study are described.

The literature review (Chapter 2) first discusses the different typologies of post acquisition integration. Second, it reviews research on the importance of employees in the post-acquisition integrative process. Third, the relationships between the human factors during the integration process and employees' perceptions of the acquisition success are examined.

Based on a synthesis of the previous research, a conceptual framework is proposed. Then, a set of hypotheses are proposed that this study seeks to investigate. The rationale behind the hypothesized relationships is also provided in this chapter.

The methodology (Chapter 3) describes the method used in this study. A description of the process by which the sample will be selected is provided. The research setting is then discussed. This chapter also presents the study questionnaire, and its

reliability and validity assessment process. Statistical analyses to be used to test the hypotheses are then presented.

The data analysis and results (Chapter 4) presents the data collection method. Tests of the study hypotheses are provided. Validity and reliability results are also included. The pilot test is discussed as well as a summary of the study hypotheses results.

The discussion and conclusion (Chapter 5) discusses the results obtained from the various statistical tests. The conclusions of the study are then provided. Implications of the study results for researchers and executives are also provided. The limitations of the research and suggestions for future studies are also included.

Chapter 2

Literature Review

In order to establish a theoretical basis for the conceptual framework of the study, this chapter will review the literature related to post acquisition integration typologies that can be classified along the level of integration. Moreover, this review will highlight the importance of the human factors in the integration process. In addition, the chapter will explain how the employees' perceptions might be influenced by the magnitude of the integration process. A conceptual framework of the impact of human factors will then be proposed based on this synthesis. Finally, the study hypotheses will be derived from the proposed framework. The hypotheses will examine the direct impact of selected human factors on the acquired firm employees' perceptions about acquisition success.

2.1. Post Acquisition Integration Typologies.

A number of different post acquisition integration typologies can be found in the literature. Bastien and Van de Ven (1986) developed their own post acquisition typology based on eight detailed case studies. Four types of post acquisition integration were identified depending on the institutional affinity and relative size of the acquired and acquiring firms. The four post acquisition types they identified were union, conquest, annexation, and digestion. Institutional affinity referred to the mutual expectations of benefit from the deal between the acquired

and acquiring firms. The relative size between the acquiring and the acquired firms was important in suggesting the power balance between the two firms.

Schweiger and Ivancevich (1987) examined the range of integration design options available to acquiring firms. Based on the organizational autonomy given to the acquired firm, they identified five types in the research. They were (1) managed autonomously, (2) fully assimilated by another firm, (3) blended together, (4) coordinated, and (5) liquidated.

Shanley (1987) identified four post acquisition management approaches used by acquiring firms. The first was an autonomous approach, characterized by little change. The second was a decentralized approach, characterized by immediate structural and executive changes, coupled with a delegation of decision making to acquired firm managers. The third approach was characterized by centralization of decision making in the acquiring firm management team, coupled with extensive structural and control changes. Finally, the fourth approach was bureaucratic. These four approaches to post acquisition management were classified as generic approaches to the issue of how best to absorb acquired firms.

Another classification of post acquisition was developed by Napier (1989). Based upon two dimensions, motives for acquisition and characteristics of the firm being acquired, three acquisition types were proposed. The first type, extension acquisitions occurred when the two firms remained totally independent of each other and little changes, if any, were made in the acquired firm's

management or operation. The second type, collaborative acquisitions occurred when moderate activities took place through the blending of operations, assets, or exchange of technology. The third type, redesign acquisitions implied the "widespread adoption of policies and practices of one firm by the other" (Napier, 1989, p. 277).

Buono and Bowditch (1989) discussed three types of integration activities based on the level of integration between the firms involved. The operational type occurred when there was high integration activities. This approach involved the greatest changes for the acquired firm operation. The financial type occurred when there was low integration activities. This type involved the smallest amount of changes in the acquired firm operation. The strategic type, which is somewhat of a mixture of these two approaches, involved moderate levels of integration activities and clearly stated guidelines for cooperation.

All listed typologies in figure 2.1 on page 13 were classified along the level of integration in figure 2.2 on page 14. For the purpose of this study, the two acquisitions involved were also classified along the level of integration. The process of classification was done through personal interviews with company officials who were intimately knowledgeable about these two particular acquisitions. Simultaneously, two top management officials from each acquired firm were requested to fill out a one page questionnaire that had to do with the level of integration. This set of questions was intended to help the researcher to make

Authors	Typology
Bastien & Van de Ven (1986)	Union Conquest Annexation Digestion
Schweiger & Ivancevich (1987)	Managed Autonomously Full assimilated Blended together Coordination Liquidation
Shanley (1987)	Autonomous Decentralized Bureaucratic Centralization
Napier (1989)	Extension Collaborative Redesign
Buono & Bowditch (1989)	Operational Strategic Financial

Figure 2.1

Post Acquisition Integration Typologies.

Author	Typology	Level of integration
Bastien & Van de Ven (1986)	Union	Moderate
	Conquest	Low
	Annexation	Low
	Digestion	High
Schweiger & Ivancevich (1987)	Managed Autonomously	Low
	Full assimilated	High
	Blended together	High
	Coordination	Moderate
	Liquidation	Low
Shanley (1987)	Autonomous	Low
	Decentralized	Moderate
	Bureaucratic	Moderate
	Centralization	High
Napier (1989)	Extension	Low
	Collaborative	Moderate
	Redesign	High
Buono & Bowditch (1989)	Operational	High
	Strategic	Moderate
	Financial	Low

Figure 2.2

The Categorization of the Existing Typologies Along the Level of Integration.

the best judgment about the level of integration that took place in each acquisition. Shanley's study in 1987 was the primary source for these questions.

2.2. The Importance of the Human Factors in the Post Acquisition Period.

Researchers (e.g., Buono and Bowditch, 1989; Astrachan, 1990; Datta, 1991; Marks and Cutcliffe, 1985) had pointed out the psychological trauma of many acquisition situations due to the uncertainty and insecurity among merging firm members. According to Hayes (1979) and Marks (1988), uncertainty concerned the future identity of the firm, while insecurity referred to the place of members in the firms.

Levinson (1970) indicated that manipulation and control by the acquiring firm often produced disappointment, and a feeling of desertion by the acquired company. Such feelings often translated into loss of morale, personnel and profits.

Numerous articles have focused on the human element impact of acquisitions and how this impact could be managed. The researchers ranged from experienced practitioners (Krupar and Krupar, 1988; Gall, 1991; Panos, 1989; Kelly, 1989; Pritchett, 1985), to academics (Haspeslagh and Jemison, 1991; Buono and Bowditch, 1989; Hayes, 1979; Marks, 1982 and 1988; Marks and Mirvis, 1986; Sinetar, 1981).

The articles in figure 2.3 on page 17 discussed various negative impacts of acquisitions. Stress, dissatisfaction, layoffs, and dislocation were a few negative symptoms of

acquisitions. According to the organizational behavior school, high turnover was seen as the ultimate symptom resulting from poorly managed acquisition integration efforts (Pritchett, 1985). Wakin (1990) reported that a departure of a staff member is estimated to cost a firm from one-half to one and a half times that employee's annual salary. Wakin made the argument that the more experienced the departing employee was, the greater the price the company paid.

2.3. Employees' Involvement in the Integration Process.

Employees' involvement in the integration process was critical in order for any acquisition to be a success (Arnold, 1984). Hueget (1984) argued that what looks good on paper may not work if the people involved did not trust one another. Arnold (1984) noted that when the employees involved do not accept the decisions being made by the acquiring firm, yet they were responsible for implementing these decisions, then the decisions were often not executed effectively. Alexander (1993:6) indicated that hourly employees tended to resist strategy implementation efforts if their concerns had not been addressed and resolved. Hence, the management has to incorporate in its acquisition strategy certain steps of how to deal with employees who are all under stress in such situations. This would reflect the needed attention that management has to give to its employees in such circumstances.

Stress and Uncertainty	Marks & Mirvis (1986) Callahan (1986) McLead (1986) Marks (1982 & 1988)
Layoffs	Wakin (1990) Panos (1989) Walsh (1988)
Employee Dislocation	Leana & Feldman (1989) Buono & Bowditch (1989) Schweiger & Ivancevich (1987)
Low Morale and Decline in Productivity	Gall (1991) Jeanette et al. (1989) Fink (1988)
Lower Job Commitment	Buono & Bowditch (1989) Marks & Cutcliffe (1988) Buono et al. (1985)
Cultural Shock	Weber & Schweiger (1989) Bone (1988) Sales & Mirvis (1984)
Dissatisfaction	Jeanette et al. (1989) Hunsaker & Coombs (1988) Marks (1982)

Figure 2.3
List of Possible Negative Impacts of an Acquisition.

Changes in a company's policies and procedures following an acquisition often caused feelings of job insecurity. Jeanette, et al. (1989) conducted a field study in a large firm to find out the effects of an acquisition on the surviving employees. Subjects were randomly selected from all functional areas (e.g., marketing, finance, operation, manufacturing) and levels in the company. Questionnaires were administered in-house four different times at approximately three month intervals. The results indicated that a steady decline in commitment and job satisfaction occurred over time. Also, there was strong evidence that the employees were psychologically withdrawing from the company. Turnover data from the organization tended to support this finding. It was reported in this study that up to half of all failed acquisitions resulted from personnel problems rather than financial problems.

Dutton and Duncan (1987) have indicated that sufficient political support and technical information were needed for any strategic changes to proceed easily. The political support could be granted only if there was a broad base of personal acceptance and interest in the changes made. Therefore, involvement in the integration decision process tended to enhance the chance of endorsement by the employees. Studies of innovation processes showed that increased involvement in implementation and perception of political support to the plan yielded implementation success (Ettlie, 1984).

Slowly but increasingly, top managers became more and more aware that employee reactions to change were critical to achieving such change. In fact, it was a principal reason why over half of all acquisitions proved to be financial failures. Marks and Cutcliffe (1988) called for human factor considerations in order to prevent more losses in acquisition situations. They indicated that employees will be more receptive to an acquisition when they understand the underlying rationale for it. Marks and Cutcliffe (1988) claimed that when both parties have involvement in developing specific operational goals, employees can understand better the role their unit will play in the post acquisition firm. The article stated that greater involvement tended to promote stronger commitment to functional goals among employees from both sides. Shrivastava (1986), similarly, called for key employees from the acquired firm to participate in the decision making process.

Krupar and Krupar (1988) argued that acquisitions result in sophisticated psychological adjustments for acquired firms' employees. How well these adjustments were made can spell success or failure for the acquisition. Therefore, they stressed that it was essential to consult the affected employees and to have them participate in the integration process as early as possible. This conclusion supported the argument made by Marks and Cutcliffe (1988) that employees will be more receptive to acquisitions when they are involved in the process.

Marks and Mirvis (1986) highlighted the importance of employee involvement in the integration process. They indicated

that employees have uncertainties about the impact of integration on specific job factors. Those factors were as follows: Will there be layoffs or dismissals? Will I have a new boss? Will I have new job duties? Do I keep the same title or will it be different? Is a transfer to a new location pending? Will the present compensation package be affected?. Marks and Mirvis (1986) argued that if employee benefits are going to be eliminated or reduced, these must be identified, discussed, and negotiated. If product lines are going to be eliminated, these should be addressed to prevent rumors, and total confusion. If job positions are going to be changed, or eliminated, these must be identified and discussed.

Hunsaker and Coombs (1988) conducted a psychological questionnaire survey of employees who remained after the integration process. The findings of the survey of seventy employees clearly identified patterns of emotional reactions that captured the hard experience for the employees. These employees' feelings were initially negative, which later became more positive, and were represented with the following reactions: denial, fear, anger, sadness, acceptance, relief, like, and enjoyment. Figure 2.4 on page 23 shows these reactions with occurrence time for each one. Due to the similarities in business activities between the two firms involved in the acquisition, employees experienced considerable anxiety over their jobs, loss of identity, and changes in benefits and compensation. Hence, the Hunsaker and Coombs (1988) study detected perception differences between the executive staff and other participating employees. At

the time of the study, executive emotional styles included a majority of optimists and no pessimists at all. On the other hand, the majority of staff scored in the pessimistic categories. The study warned of higher turnover rates and lower productivity among dissatisfied staff employees being acquired. Therefore, the study called for employee involvement in order to have a more positive feeling toward the acquisition. Hunsaker and Coombs summarized their work by saying that the more employees participate in making and implementing decisions, the more it will build acceptance and commitment.

Anthony (1978) suggested that if employees participate in the decision making process, they will know more about implementing work procedures after decisions have been made. Miller and Monge (1986) cited other researchers who argued that as long as employees feel they are being consulted, their ego needs will be satisfied and they will be more cooperative. Coch and French (1948) stressed the importance of involvement and participation in providing affective changes in employees.

Many researchers in the literature have talked about top management involvement and how it was crucial in securing adequate attention toward the integration process. Researchers (e.g., Samuels, 1972; Searby, 1969; Kitching, 1967; and Datta, 1986) had called for top management involvement in order to obtain a successful assimilation process between the two integrating firms. Recently, however, there has been an increased call by some researchers (Marks and Mirvis, 1986; Perry, 1986; Marks, 1988; Marks and Cutcliffe, 1988; Krupar and Krupar, 1988) to recognize

the importance of employee involvement in the integration process. Their premise was that the performance of a firm in terms of quality control, productivity, and profitability will be a direct result of their employees' efforts.

2.4. Employees' Communication Process During the Integration Period.

Change agents need feedback information on the change as it is implemented. Informed employees tended to ensure necessary modifications to be made in order to have a successful implementation process (Kanter, 1983).

Marks and Mirvis (1986) pointed out that employees should not be left uninformed. Otherwise, dysfunctional behavior may occur, ranging from increased absenteeism and turnover, to reduced organizational commitment and job dissatisfaction. This situation could hurt the company financially. Marks and Mirvis believed that employees perceived that nobody really had accurate answers to their questions. Still, they valued more face-to-face communication. According to their study, top managers communicated with employees through formal memos only. This did not provide much help in reducing employees' fear and anxiety. Inevitably, inadequate communication did affect the productivity of many employees.

Research had been conducted which indicated that employees prefer rich communication media for complex messages (Lengel and Daft, 1988). Communicating the new firm's strategy to employees is one example of complex messages.

Condition	Time of Occurrence
1. Denial	It is the initial feeling upon hearing of the proposed deal.
2. Fear	The employee feels threatened as the acquisition becomes real.
3. Anger	When employees can't stop the inevitable, anger emerges.
4. Sadness	Occurs when employees fail to express or eliminate their frustration.
5. Acceptance	At some point, employees give up and accept reality.
6. Relief	When employees feel that the situation was not bad at all.
7. Interest	When employees view the acquisition positively.
8. Agreement	When employees seek new opportunities made possible by the acquisition.
9. Enjoyment	When employees experience greater feelings of satisfaction.

Figure 2.4

Patterns of Acquired Firm Employees Emotional Reaction to the Acquisition.

According to Foltz (1985), a successful communication policy of a firm should provide the following results:

1. Employees had a clear understanding of the logic behind the strategy of the firm.
2. Employees had the chance to air their feelings and concerns about the new changes.
3. Employees gave their support to the firm's new changes.

Bone (1988) wrote about the 1984 integration of the Merchant's Bank of Richmond and Virginia Bank of Norfolk. The management of both firms appreciated that they had substantially different corporate cultures. Furthermore, they realized that integration processes between people in both banks were needed. The various integrating mechanisms utilized included eleven major task forces to address more than 700 issues involving all functional areas. In order to reduce anxiety and fears, the merger team communicated regularly with all employees prior to, during, and after the merger. Also, the employees were informed that a three-year contract would be offered to all retained employees, and they would receive a bonus of 15% in addition to their regular salary. The effect of using all these efforts directed at the acquisition effort was extremely successful.

Galosy (1990) highlighted the important role of the human related policies in helping employees get adjusted after an acquisition takes place. The author argued that when an acquisition tookplace, employees may lose confidence in the stability of the organization and may think more in terms of their own survival. Galosy suggested that management can reduce

acquired employee mistrust by following a clearly drafted plan for communicating with employees throughout the integration process. Galosy identified guidelines to help the acquisition process by getting input from over 2,000 employees. Her resulting guidelines were to (1) increase the amount of communication; (2) provide facts about the acquiring company or new people; and (3) publicize anything that the two firms are doing together.

Gall (1991) realized that employees were the critical resource that can make or break an acquisition. Therefore, she argued we should pay attention to the following question: How will all of an acquiring firm's integration activities affect employees?. Employee turnover, low morale, and absenteeism were but symptoms of the so called acquisition syndrome that would hamper productivity, quality, and customer service. She called for establishing effective communication programs that would address the human factor issues.

Employees who were excluded in the acquisition integration process often resisted the integration activities. Perry (1986) examined Mellon National Corporation's acquisition of two Pennsylvania banks in 1983 and 1984. Difficulties were experienced in Mellon's acquisition of the Girard Bank. A clash occurred between the integration process and the response of the acquired firm's employees in the case of Girard Bank. Consequently, many employees felt coerced and resisted the integration. However, in the Central Counties Bank case, almost everything went as scheduled. The reason was attributed to greater employees' involvement.

Perry (1986) urged the acquiring firms to send the right signals to the other side, especially if there were negative feelings between them. According to his argument, fairness, care, and respect needed to be the overall theme of the acquiring firms' policies toward the target firms. Therefore, good communication and education programs were among the critical tools to demonstrate such a policy.

2.5. Company Support Programs Provided to Employees During the Integration Activities.

Support programs for employees are crucially needed to implement most strategic changes. However, when the new strategy requires significant changes in the structure of the acquired firm, the need for employees to be supported will be even much greater (Dutton and Duncan, 1987).

The impact on acquired firm employees was typically ignored by top managers of the acquiring firm. Marks (1988) indicated that employees usually provided with little support to cope with the stress of an acquisition. Although experts have suggested a variety of reasons why nearly 75% of all acquisitions become financial failures, the number one reason was, the executives' stressful reactions to acquisitions (Hunsaker and Coombs, 1988). Due to the tremendous pressure that both management teams may have during the integration process, employees may be negatively affected. The reason is that management teams worried more about financial and legal aspects of the acquisition than the human factor.

Marks and Mirvis (1986) called it the acquisition syndrome. The acquisition syndrome is due to (1) more work and less time, (2) uncertainty over the company's future, and (3) job insecurity. Even though most acquisitions provided a mixed bag of costs and benefits for employees, they tended to focus on the negatives. The authors have called for adequate company supporting programs initiated by the acquiring firm in order to minimize post acquisition damages.

Tessler (1990) concluded that coordinated programs were needed to minimize the pain of change. She called for some form of recognition to be given to the smaller partner in the case of acquisitions. Otherwise, managers and staff within such organizations will suffer identity problems. Also, in order to provide direction and minimize the negative effects of rumors and misinformation, an in-depth explanation of the change should be provided as early as possible. Tessler claimed that more emphasis should be given toward individual staffs and their reactions.

Marks (1988) reported that employees typically found little support from top management to help cope with the anxiety and fear associated with acquisition situations. Marks (1988) claimed that top management usually was preoccupied with the legal and financial demands of integrating two complex firms. However, he found special efforts have been made to proactively minimize the pain of changes on acquired firm employees. This was only found in those successful acquisitions that he had examined. Stress management, training, career counseling, and small group meetings were examples of successful supporting programs (Marks and

Cutcliffe, 1988). Schweiger and Weber (1990) stated that surviving employees paid close attention to why terminated employees were let go. It helped them know what to expect in the future.

2.6. Level of Desired Integration.

Mergers and acquisitions usually created a transitional stage when two entities were combined into one. The literature explicitly stressed that a failure to achieve the needed integration impeded acquisition performance (Jemison and Sitkin, 1986; Schweiger and Ivancevich, 1987). Obviously, the level of integration that is needed would be determined by the specific acquisition situation.

Buono and Bowditch (1989) examined the importance of integration decisions based on human factor considerations. They found that initial post-combination transition teams focused solely on task issues. They argued that ignoring interpersonal issues early on led to negative attitudes on the part of bank employees. Such attitudes, in turn, contributed to the failure of the transition teams. Teams that were formed later in the acquisition with equal emphasis on the task and interpersonal issues performed better.

Schweiger and Weber (1990) empirically studied the pattern of integration of personnel policies in 80 acquisitions. They found that 50% of the acquired firms were required to use those of the parent company, while 30% of the firms kept personnel policies separate. Only 3% of the acquired firms kept their own policies

after the acquisition. The development of totally new policies was found in 8% of the firms while another 9% of the firms used the same policies prior to the acquisition.

Napier (1989) attempted to develop a comprehensive typology that captured the post acquisition phenomena. Briefly, he proposed three types of post acquisition approaches (extension, collaborative, and redesign) based on two dimensions. One dimension was the motives for the managers of the acquiring firm for making the acquisition. The other dimension was the characteristics of the firms involved in the acquisition. The definitions of these three types were stated earlier on page 11.

Napier further argued that employee perception was affected by the post acquisition approach. He expected a low impact on employees under extension acquisitions because, by definition, the acquisition remained relatively independent. Whereas, the impact on employees would be extensive under the other two types of post acquisitions, collaborative and redesign.

Hence, the attitude of affected employees toward an acquisition was influenced by the degree of post-acquisition integration taking place. Therefore, knowing how employees perceived the acquisition activity and how these perceptions played out in the presence of the human factors was a crucial part of managing employees throughout the acquisition process (Altendorf and Larsson, 1986).

2.7. Conceptual Framework.

Based on analysis of the variables presented in the various implementation and acquisition studies, a proposed framework for the human factor implications is presented in Figure 2.5 on page 32. The framework focuses on several key human factors included in the studies presented earlier in the literature review section. The framework proposes (1) a relationship between employees' involvement in the integration process and their perceptions of acquisition success (hypothesis 1), (2) a relationship between extent of employees being informed about the integration activities and employees' perceptions of acquisition success (hypothesis 2), (3) the preference of rich communication media over lean communication media (hypothesis 3), (4) a relationship between the amount of company support provided to affected employees and their perceptions of acquisition success (hypothesis 4), and (5) a possible moderating effect on the above relationships based upon the degree of integration needed between the two firms (hypothesis 5).

In this study, the impact that human factors have on employee perception is dependent upon the level of integration. Therefore, the level of integration moderates the strength, but not the form of the relationship between the human factors and employees' perceptions on acquisition success (Venkatraman, 1989). Prescott (1986) emphasizes the usefulness of evaluating the differences in the relationship between two variables across the levels of another variable.

2.8. Research Hypotheses.

Various researchers (e.g., Marks, 1988; Marks and Mirvis, 1986; Marks and Cutcliffe, 1988; Kruper and Kruper, 1988) have called for employees' involvement in the acquisition process. According to their analyses, employees who were more involved in making the change were more satisfied and were more likely to support its implementation. Wakin (1990) noted that most employees wanted more from their jobs than a handsome salary. They wanted to participate in the decision making process.

Shirley (1977) found a significant and positive relationship between the amount of perceived involvement in determining what changes were necessary and employees' attitudes toward job changes. Thus, involvement by members of the acquired firm in post acquisition planning and implementation helped increase commitment. Similarly, Marks (1982) reported that acquired firm employees, who were satisfied with the integration process, showed more positive feelings towards the acquisition than those employees who were less satisfied. Satisfied employees felt that they had enough participation and communication during the integration process.

Employees who understood the rationale behind an acquisition were more receptive to it. Marks and Cutcliffe (1988) indicated that by involving both sides in developing the new mission statement and specific operational goals, employees better understood the role their unit had in the process. Moreover, the involvement process had promoted a greater support to functional

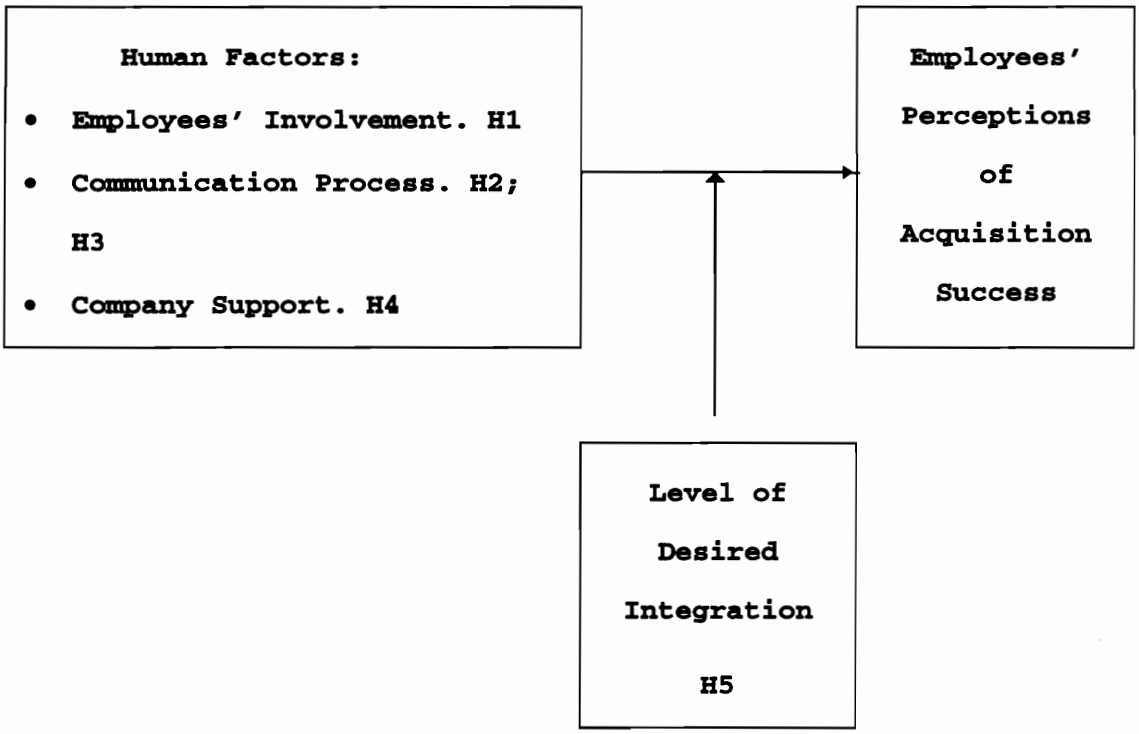

Figure 2.5

Conceptual Framework of the Impact of Human Factors on Acquired Firm Employees Perception.

goals among employees from both sides in the acquisition process.

Another study by Jeanette et al., (1989) concluded that ignoring the personnel issues involved with acquisitions was a major mistake. Due to a lack of participation, the study indicated that a steady decline in employees' commitment and job satisfaction was observed. Moreover, it showed that employees were psychologically withdrawing from the firm. Thus, poor employee attitudes could adversely affect an organization's productivity. Consequently, the ability to make an acquisition a success was in danger. Shrivastava (1986) recommended key employee participation in the integration decisions in order to minimize many of these negative consequences.

Fink (1988) examined eight factors that provoked employees resistance in the acquisition situations. Encouraging employee participation in the integration process was a major recommendation to overcome his eight factors. He made it very clear that inviting affected employees to assist in making decisions was a necessary step to minimizing resistance to change.

The above arguments lead to the following hypothesis :

H1: Acquired firm employees who feel highly involved in the integration process view the acquisition more successfully than employees who are less involved.

Keeping employees informed should be an integral part of the firm integration policy. LeBreton (1965) stressed that for

employees to meet any challenge, they needed to understand the integration process first. Otherwise, employees will not be able to do their part in achieving the integration process effectively (LeBreton, 1965: 109). During the post acquisition period, acquired firm employees need more open, honest and non-manipulative communication (Sinetar, 1981). Gerard (1986) asserted that when employees obtained information from outside company sources during integration activities, management's credibility suffered.

Marks (1982) stated that communication might set a tone of security and reassurance for employees experiencing uncertainty. In his empirical study, acquired firm employees who were more satisfied with how their management handled the communication process had more positive feelings toward the acquisition (Shirley, 1977; Marks, 1982). Marks and Mirvis (1986) contended that employees should not be left in the dark. Proposed changes should be discussed with them to avoid the sense of betrayal. Thus, the preceding literature leads to the following hypothesis:

H2: Acquired firm employees who feel they are informed about the integration activities perceive the acquisition more successfully than employees who feel less informed.

Researchers (e.g., Marks, 1988; Kruper and Kruper, 1988; Alexander, 1985) also called for a two way communication between top management and employees. According to the literature, acquired firm employees preferred face to face communication during the integration period (Galosy, 1990; Bone, 1988; Marks and

Mirvis, 1986; Sinetar, 1981). According to Lengel and Daft (1988), face-to-face, personal communication is the richest medium because "it has the capacity for direct experience, multiple information cues, immediate feedback, and personal focus (227)." Fink (1988) suggested that acquired firm employees should air their feelings and discuss their concerns during an acquisition. This can not be done solely through routine procedures of communication. Memos and written materials are examples of lean communication media. Lengel and Daft (1988) indicated that during times of potential disagreements, and surprise announcements, the lean media such as memos and reports were the worst channels to explain such messages. According to Lengel and Daft (1988), Lean, impersonal media usually conveyed limited information cues, and were slow in feedback. Kubilus (1989) supported this by his conclusion that group and one-on-one meetings were critical and vastly more effective during the integration period. Hence:

H3: Acquired firm employees prefer more rich communication media than lean communication media during the integration activities.

Company support programs during the integration period played a major role in reducing the pain of the changes. Gall (1991) examined very closely the importance of supporting programs during the integration period. He found that some companies monitored their employees' attitudes as early as possible in order to uncover problems and devised support programs to address them effectively. Marks and Mirvis (1986) also examined the human aspects of acquisitions over an eight-year period . They found

that employees who received social support from supervisors and co-workers reported much less stress and had fewer suspicions about management's motives and intentions. Within Gerard's (1986) research, an important question was raised: How does one retain or attract the employees one wants to keep and dismiss employees no longer needed in a way that is equitable, both in appearance as well as in fact? He concluded that appropriate company supporting programs set up by the acquiring firm were the right answer to the above question. The above reasoning leads to the following hypothesis:

H4: Acquired firm employees who feel they are more supported during the integration period perceive the acquisition more successfully than employees who are less supported.

Obviously, any acquisitions might necessitate some degree of integration (Schweiger and Ivancevich, 1987; Shrivastava, 1986). However, the magnitude of integration could range from total autonomy to total assimilation (Buono and Bowditch, 1989).

Napier (1989) argued that the level of integration will influence the extent of changes in the acquired firms' human policy practices. In turn, this would impact on the perceptions of the employees involved. In extension acquisitions, where the acquiring firm essentially left the acquired firm alone, the degree of integration was very minimal between the two firms. Hence, acquired firm employees will not view such an acquisition as a threat to their jobs and future. Whereas a collaborative acquisition, where two firms integrate through the blending of

operations, assets or cultures, the degree of integration was very high. Hence, acquired firm employees will feel threatened and very concerned for their jobs and future.

Buono and Bowditch (1989) claimed that the degree of integration that occurred after the acquisition would influence the perceptions of affected employees. However, it has been stated that "the ways in which integration decisions are made, communicated to employees, and implemented have the greatest impact on how organizational members will respond in the long term" (Buono and Bowditch, 1989, p. 74). Gall (1991) indicated that the level of integration was one of the major issues that management needed to look at. She claimed that the desired degree of organizational integration would influence the new human related programs. These human related programs would, in turn, determine the extent to which the acquisition affected employees' perceptions. She argued that the less integration occurred, the less organizational changes were needed, and fewer employees were affected. It was clearly evident that the impact of human factors on employees' perceptions was dependent upon the level of integration. Therefore, taking into consideration the moderating role of the level of integration, the study examined the following hypothesis:

H5: The larger the magnitude of integration experienced by acquired firm employees, the more influenced employee perceptions will be by the human factors.

Chapter 3

Methodology

A field survey was proposed for this study. The survey was composed of two different questionnaires. In the managers' questionnaire, questions were directed at management officials of firms involved to determine the degree of the post-acquisition integration activities. The employees' questionnaire measured the three human factors and acquisition success from the acquired firm employees' standpoint. All staff and hourly employees were eligible participants, as long as they had been with the acquired firm prior to the acquisition, during the acquisition, and after the acquisition. Due to the sensitivity of the subject matter under investigation, it was suggested to the participating firms that acceptable subjects from each acquired company would be randomly selected. The respondents were asked to complete the questionnaire on their own at work when they had some free time. Then, employees were instructed to place their completed questionnaires in a large envelope. A peer employee was responsible for handing in the envelope a few days later when the researcher returned.

Many researchers, as well as practitioners, have pointed out the difficulty of determining the length of transitional periods for any acquisition (Jeanette et al., 1989; Datta, 1986; Galosy, 1990). It had been recommended that a one year period should be given before running any meaningful analysis (Datta, 1986).

According to Hunsaker and Coombs (1988) and Jeanette et al. (1989), the full impact of acquisition-related changes on employees would not be felt immediately after the initial changes had been made. Therefore, it was decided to focus on the acquisitions which occurred in the last few years. The following sections discuss the sample selection criteria, research setting and sample, definition of measures, statistical analysis, and hypothesis testing.

3.1. Sample Selection Criteria.

The researcher made contacts with over seventy firms to solicit their participation in this study. There were many reasons that prevented them from participating in this study. However, the majority acknowledged the importance of doing such a research.

The sample in this study was comprised of two acquisitions in the banking industry by the same Fortune 500 acquiring firm. These acquisitions both occurred after December 1992, with a 100% ownership transfer. The sample was restricted to the above period of time for two reasons. One, as stated above, a ten to twelve month period was a reasonable waiting time before any meaningful analysis could be made. Another reason was that in older acquisitions, resignations and turnover rates in both firms would result in restricted or biased samples (Datta, 1986). A list of acquisitions satisfying these criteria was available from the mergers and acquisitions roster published in the quarterly volume of the Merger & Acquisitions Journal.

3.2. Research Setting.

Two acquired companies provided the data for the study. These companies were categorized along the level of integration activities. This was determined by having top managers respond to the managers' questionnaire. Consequently, one company represented the 'high integration' type of post acquisition and the other company represented the 'low integration' category. Also, personal interviews with the acquiring firm officials gave support to the inputs made by the four top managers who filled out the managers' questionnaire.

One acquisition primarily operated in three eastern states. It had over eighty branch offices and more than 1,400 employees. The financial status at the time of acquisition was stable.

The other acquisition was also located in the east coast. It had over one hundred branch offices and more than 3,000 employees. The financial status at the time of acquisition was shaky.

Data for the employees' questionnaire were collected from acquired firm employees. They were randomly selected from employees who had been with the acquired firm before, during, and after the acquisition (Willett, 1990). Thus, they were the employees who actually implemented the integration activities. For the first four hypotheses, only employees from the high/moderate integration acquisition were involved. This restriction was made in order to enable the researcher to test them statistically. Whereas, the sample for the moderating

hypothesis (Hypothesis 5) was taken from both the high/moderate and the low integration situations.

3.3. Measures.

A questionnaire approach was chosen for this study. Many questions were adapted from prior studies to improve construct validity and comparability. The survey was designed from the variables in the conceptual framework. Variables were defined and the structured instruments used to measure each of these variables are discussed next.

Managers' questionnaire: Questions directed at participant managers from both acquired companies:

Level of Desired Integration

This moderating variable represented the level of post acquisition integration. Most of the questions here were based upon the Shanley (1987) study of post acquisition management approaches. These questions constituted the first portion of the questionnaire. In part 1, there were background questions about the respondents. The part 2 was used to determine the extent of post acquisition integration along various integration activities. Four respondents (two from each acquired firm) were asked to indicate the extent of post acquisition integration along each item of the scale ranging from "not at all" to a "great extent", with a "moderate extent" falling in the middle, coded from a 1 to 5 response. Then, the individual scores on the seven questions of part 2 were used to calculate a composite index of the extent of

post acquisition integration. This mean score was used, in part, to categorize acquisitions in the sample into two situations.

This categorization process was used to support the management's feedback with regard to the level of integration that each acquired firm had. The personal interviews that took place with some officials supported the feedback provided by the four managers who helped determine the degree of post acquisition integration activities. The feedback indicated that the level of integration for one firm was somewhere between moderate to high. For the other firm, the level of integration was between low to relatively moderate integration activities. The items used in the scale for the first questionnaire were:

- **Part 1: Background Information**

1. At the time of the acquisition, what was the name of the company you worked for?
2. What is your job title now?
3. Did the integration activities occur across the board in Firm B branches?
4. If you say no to question #3, then name those branches, in Firm B which were part of the acquisition integration process?

- **Part 2: Post Acquisition Integration Activities**

1. Please estimate the extent of changes in the formal structure of Firm B since acquisition. Formal structure refers to the grouping of jobs and tasks

within departments, reporting relationships, and the grouping of departments within divisions.

2. How has the number of subunits in Firm B changed since acquisition? Examples of subunits include departments, divisions, and teams.
3. Rate the extent of changes in the amount of formal rules, regulations, and procedures in Firm B since acquisition.
4. To what extent has the level of benefits provided to the employees of Firm B changed since acquisition?
5. To what extent has the level of fixed compensation provided to the employees of Firm B changed since acquisition?
6. How much has the distribution of operating authority in Firm B changed since the acquisition? Operating authority refers to decisions about the daily administration of the firm including marketing activities, lower level hiring, inventory purchases, and equipment replacement.
7. Overall, indicate the extent of changes that took place in Firm B since the acquisition.

The response categories for part 2 were arranged as follows: not at all, slight extent, moderate extent, substantial extent, and great extent, coded from a 1 to 5 response. The literature had differed on the optimal number of intervals on a scale. However, the five-point Likert-type scale has been the most widely used scale for its advantages over other pointed scales (Anderson,

et al., 1982). For respondents, a five point scale was easier and more flexible to deal with. This was particularly true if we recognize the difficulty experienced by respondents when they have more than five intervals to choose from (Sheatsley, 1983). However, when there was a bipolar situation (i.e., very good vs. very bad), a seven point scale has been used in this study instead.

Employees' Questionnaire: Questions are directed toward acquired firm low level employees:

Employees Involvement in the Integration activities

The participants were asked to express their opinions about how much they were involved in the integration activities. They were told that no individual results would be released and that no one was required to sign the survey. In part 1, there were five questions related to the background of the respondent. The first question helps ensure the eligibility of the respondent to be part of the study. The second question would indicate the job title of the respondent. The third and fourth questions address how the respondent views the acquisition before and after it tookplace. The fifth question shows how the acquired firm employees evaluate the extensiveness of integration activities in their units.

In part 2, the questions measured the level of involvement of acquired firms' employees in the integration process. The scale items for this question had been developed, and used by Willett (1990). A coefficient alpha of 0.87 had been obtained from that scale (Willett, 1990).

Part I. The Background:

1. What was the name of your company before the acquisition took place?
2. How would you classify yourself in the company ranks?
3. When you heard the news, did you think that the acquisition would probably affect you personally?
4. How do you think the overall effect of the acquisition has been on you personally?
5. To what extent would you rate the magnitude of changes made in your unit since the acquisition?

The following questions were used to measure the amount of involvement by lower level acquired firm employees in the process of integration. Willett (1990) was the primary source for these items:

Part 2. Employees' Involvement in the Integration Process.

Instructions: To what extent were you <u>involved</u> in the following acquisition integration activities?

1. Planning the integration decisions.
2. Involvement in the implementation of the integration decisions.
3. Consultation on wage and benefit programs.
4. Consultation on changes made in the work force.
5. Consultation on changes made in staff policies.

6. Consultation on changes made in the daily working rules.

The response categories were arranged as follows: not at all, slight extent, moderate extent, substantial extent, and great extent, coded from a 1 to 5 response. The individual scores on all scale items were used to calculate a composite index of the extent of his/her involvement in the integration process.

Employees' Communication Process During the Integration

The respondents were asked to evaluate various communication media on two bases. Part 3 was used to determine employee preferences for the listed communication media to be used for communicating the details of the acquisition. Part 4 then identified which of these communication media were used to communicate the details of the acquisition. In the questionnaire, firm A is used to refer to the acquiring company and firm B is used to refer to the acquired firm. Shanley (1987), Schweiger and Weber (1990), and Lengel and Daft (1988) were the primary sources for these communication media.

Part 3. Preferred Communication Means During the Integration Period.

Instructions: As a former Firm B employee, to what extent would you have preferred each of the following means to be used for communicating the details of the acquisition?

The communication media used for this part were as follows:

1. **Firm A** newsletter.

2. Visits and presentations by **Firm B** executives.

3. Joint announcements by management of **Firm A** and **Firm B**.

4. **Firm A** assigns staff to **Firm B** branches to better explain the details of the acquisition.

5. Letters and memos from the **Firm A's** top management to **Firm B** employees.

6. Visits of **Firm B** employees to **Firm A's** headquarters.

7. Letters and memos from **Firm B's** top management to their own employees.

8. **Firm A's** annual reports containing information about acquisition integration activities.

9. Small group and/or one-on-one meetings between **Firm B's** managers/supervisors and their employees.

10. Bulletin boards containing information on acquisition integration activities.

11. Small group and/or one-on-one meetings between **Firm A's** managers/supervisors and **Firm B** employees.

12. Videotaped messages from **Firm B's** top management to their own employees.

13. Obtaining information from fellow workers at job site.

14. Videotaped messages from **Firm A's** top management to **Firm B** employees.

15. A 24-hour telephone "hotline" to answer employees' questions about the acquisition.

Part 4. Communication Means Used During the Integration Period.

Instructions: In the time following the acquisition announcement, to what extent were the following items used to communicate the details of the acquisition to Firm B employees?

The communication media used for this part were the same ones used in part 3. The response categories were arranged as follows: not at all, slight extent, moderate extent, substantial extent, and great extent, coded from a 1 to 5 response. This scale was used for both part 3 and part 4. Moreover, a different question in part 5 was directed to find out precisely how much the respondent felt he/she was fully informed about the decisions made during the post acquisition integration period. The following scaled items were used to examine this issue:

Part 5. Extent of Knowledge About Acquisition Integration Activities.

Instructions: To what extent do you feel that you have been kept informed about the decisions made during the post acquisition integration period?

1. I was kept informed throughout the integration period.
2. There were enough communication means to get information on the integration process.
3. I understood the rationale behind the major decisions made during the integration period.
4. I placed little validity in rumors during the integration period.

5. I felt I was aware of the acquisition activities that took place in my company.

The response categories were arranged as follows: not at all, slight extent, moderate extent, substantial extent, and great extent, coded from a 1 to 5 response.

Employees Supporting Programs During the Integration Period

Providing company support to affected employees during the integration period was an important human factor for obtaining a successful acquisition. The following scale items were adopted primarily from studies by Jick (1979) and Fink (1988).

Part 6. Employees Perception of the Firm A's Degree of Support During the Integration Period.

Instructions: What effect did the acquisition have on the following items?

1. Effect on the amount of job security I have.
2. Effect on the degree of respect I received during the integration period.
3. Effect on the amount of guidance I received during the integration period.
4. Effect on the amount of care provided by the company to the affected employees.
5. Effect on the amount of feedback provided by the company with regard to employees concerns.
6. Effect on the overall quality of the supervision I receive in my work.

7. Effect on the amount of psychological counseling, if any, provided to affected employees.

8. Effect on the quality of outplacement services, if any, for displaced employees.

9. Effect on the quality of orientation programs (information on the new status of the company) provided by the company to reduce fear of the unknown.

10. Effect on the degree of fairness I received during the integration period.

11. Effect on your job satisfaction.

The response categories were arranged as follows: very negative, negative, slightly negative, neutral, slightly positive, positive, and very positive, coded from a 1 to 7 response.

Employees' Perception about Acquisition Success

The following questions in part 7 related to the employees' perception about success of the acquisition. Five scale items have been adopted from Willett's (1990) study. The remaining items were taken from other studies such as Schweiger and Ivancevich (1987), and Schweiger and Weber (1990).

Part 7. Employees Perception About Acquisition Success.

Instructions: Below are some items concerning the way you feel about the success of the acquisition. On a seven points scale, please indicate the effect of the acquisition on the following items?

1. What is the effect of the acquisition on management turnover?
2. What is the effect of the acquisition on employee turnover?
3. What is the effect of the acquisition on your productivity?
4. What is the effect of the acquisition on fellow workers' productivity?
5. What is the effect of the acquisition on your satisfaction with the company?
6. What is the effect of the acquisition on your attendance records?
7. What is the effect of the acquisition on your job performance?
8. What is the effect of the acquisition on staff policies?
9. What is the effect of the acquisition on wage and benefit programs?
10. What is the effect of the acquisition on your work knowledge?
11. What is the effect of the acquisition on your work motivation?
12. What is the effect of the acquisition on your career opportunities?

The response categories were arranged as follows: very negative, negative, slightly negative, neutral, slightly positive, positive, and very positive, coded from a 1 to 7 response. The individual scores on this question were used to calculate a composite index of the employees' perceptions about how successful the acquisition was.

3.4. Statistical Analysis.

In this section, the issues of reliability and validity are discussed. The reliability of the research constructs is first discussed in the following section. Content validity as well as construct validity are then presented.

Reliability

Coefficient alpha analysis was used to determine the extent to which items making up each measure were homogenous and loaded on the same scale (Allen and Yen, 1979). Cronbach alpha has been suggested to be the preferable measure of index reliability (Rosenthal and Rosenow, 1984). The scales used in this dissertation study were checked for their internal consistency. While there was no theoretically acceptable value for the reliability measure, Nunnally (1978) had suggested alphas of 0.70 as an acceptable value level for scale development. Other researchers, such as Van de Ven and Ferry (1980), have argued for lower cutoff levels.

Validity

Generally speaking, validity refers to the degree to which a construct measures the variable under investigation.

A. Content Validity

This validity determined the adequacy of the sample characteristics to describe the measure (Nunnally, 1978). The questionnaire used in this study built upon existing research where it was found to be valid. The study questionnaire also benefited from the scrutiny, and suggestions of my dissertation committee members. In addition, the scales were subjected to pilot testing for validity by 24 employees who had been involved in similar acquisition situations before. The pilot test included discussion with the respondents in order to enhance the content validity of the questionnaire.

B. Construct Validity

One widely used technique to assess the construct validity of an instrument is factor analysis (Kerlinger, 1973). Various items that represented each dimension were analyzed to see if they are properly assigned to the appropriate scale (Carmines and Zeller, 1980). Since the items in each scale had been analyzed above for content validity, the factor analysis provided a test of construct validity.

The study survey was pilot tested before the primary data collection process started. That pilot test served as a final test for the questionnaire's overall validity. The test included

a discussion as well as analysis of the participants' responses to the survey.

3.5. Hypothesis Testing.

Once the reliability and validity of the scales were supported, the stage was set for examining the individual hypotheses. Regression analysis, Pearson product-moment technique and t-test analysis were used to test the hypotheses. Such analyses were accomplished using the SPSS program (Norusis, 1990). The hypotheses that were tested are shown as follows:

H1: Acquired firm employees who feel highly involved in the integration process view the acquisition more successfully than employees who are less involved.

Hypothesis 1 was tested using Pearson product-moment analysis to determine if a positive correlation existed between the variables. Correlation analysis has been used to test for the degree of relationship, or association, between hypothesized variables (Rosenthal and Rosnow, 1984). The plus or minus sign preceding the coefficient indicated the direction of the relationship. For example, a correlation index of +0.50 indicated a moderate positive linear correlation. On the other hand, the absolute value of the coefficient determined the magnitude of the relationship (Pedhazur, 1973). Employees' involvement in the integration process was the independent variable whereas employees' perception of acquisition success was the dependent variable.

H2: Acquired firm employees who feel they are informed about the integration activities perceive the acquisition more successfully than employees who feel less informed.

Hypothesis 2 was tested using Pearson product-moment analysis to determine if a positive correlation existed between the two variables. Extent of employees being informed about integration activities was the independent variable whereas employees' perception of acquisition success was the dependent variable.

H3: Acquired firm employees prefer more rich communication media than lean communication media during the integration activities.

Hypothesis 3 was tested using t-test analysis. The tests determined whether significant difference existed between the means for rich and lean communication preference media indexes.

H4: Acquired firm employees who feel they are more supported during the integration period perceive the acquisition more successfully than employees who are less supported.

Hypothesis 4 was tested using Pearson-moment analysis to determine if a positive correlation existed between the variables. Company support provided to employees during the integration period was the independent variable whereas employees' perception of acquisition success was the dependent variable.

H5: The larger the magnitude of integration experienced by acquired firm employees, the more

influenced employee perceptions will be by the human factors.

Hypothesis 5 was tested using regression analysis to determine the interaction effects of selected human factors and the level of integration and whether a significant interaction existed. Enter procedures, where all related study variables were included in the analysis, were used to ensure full analysis of the model developed (Pedhazur, 1973).

3.6. Summary.

This chapter presented the methodology used to perform the needed analyses of the study. The methodology required a survey of random employees in several of the units of the two firms used for the study. Figure 3.1 on page 57 summarizes the tested hypotheses.

Impact of Employees' Involvement in the Integration Process on Employees' Perception of Acquisition Success

H1. Acquired firm employees who feel highly involved in the integration process view the acquisition more successfully than employees who are less involved.

Extent of Employees Being Informed about Integration Activities

H2. Acquired firm employees who feel they are informed about the integration activities perceive the acquisition more successfully than employees who feel less informed.

Communication Preference Media during the Integration Period

H3. Acquired firm employees prefer more rich communication media than lean communication media during the integration activities.

Impact of Company Support on Employees' Perception of Acquisition Success

H4. Acquired firm employees who feel they are more supported during the integration period perceive the acquisition more successfully than employees who are less supported.

Moderating Impact of Level of Integration on Employees' Perception of Acquisition Success

H5. The larger the magnitude of integration experienced by acquired firm employees, the more influenced employee perceptions will be by the human factors.

Figure 3.1 Study Hypotheses.

Chapter 4

Data Analysis and Results

This chapter first presents the tests to evaluate the validity and reliability of the scales used for the data collected. The remainder of the chapter then presents the testing for the five specific hypotheses. All parts of the study questionnaire, except part 4, were used to test the study hypotheses.

4.1. Sample.

The data collection process took three months, from November of 1993 through February of 1994. Acquiring firms were first contacted with a letter that briefly described the research and requested participation. Letters were addressed to CEOs, unless a more appropriate top management contact person could be identified such as a Vice President or Director of Human Resource. Follow-up telephone calls were made to the contact people at these firms within two to three weeks to obtain their participation. Over seventy firms were approached for this purpose.

After months of searching, two major acquisitions made by the same firm agreed in November of 1993 to participate in this study. The 100 billion dollar acquiring firm is a Fortune 500 bank located on the east coast. The scope of its operations cover at least ten states. The data for the study, however, were obtained from two sites, Virginia and the District of Columbia. This location made it feasible for collecting the required data. The

two acquired firms were much smaller in size and their operations were regionally focused. Four hundred employees from both acquisitions combined were the starting sample size for the study.

The study was based on a sample of 254 employees from the two firms that have been acquired by the participating firm. One hundred and sixty employees came from one firm and another 94 employees came from the other acquired firm. The total number of participants represented 64% of the original number of 400 employees that were initially given questionnaire to complete.

Two top management representatives from each acquisition helped the researcher to determine the level of integration that took place during the post acquisition period. This was done when each manager completed a set of questions in this regard. Moreover, personal interviews with other company officials reinforced the feedback provided by the above participating managers. The company officials indicated that the acquired firm that was involved in relatively high integration activities had financial and legal troubles before the acquisition occurred. Whereas, the other acquired firm that was involved in relatively low integration activities enjoyed financial stability at the time of the acquisition. Hence, two different methods were used collectively to determine the level of integration for the two acquired firms used in this study.

4.2. Reliability and Validity of Variables.

Several major steps were carried out to enhance the reliability and validity of the variables. Pilot testing and factor analysis were first made for this purpose. Reliability

analysis was then utilized to check the internal consistency of the scales involved in this study.

4.3. Pilot Test.

The employees' questionnaire was pilot tested at the same firm, but in operating units far away and in different regions than those in the sample. Twenty-four people were the total participants who had been assembled and given instructions on completing the questionnaire. Most of the participants were covered in two groups of 10 and 11 in two consecutive nights. The focus group discussions then took place to discuss the questionnaire and to enhance the content validity of the questionnaire. Three other participants were involved in individual discussions with the researcher at their own convenient time. The participants were asked about redundant information, confusing terminology, vague instructions or additional questions needed. In the process, each section of the survey was reviewed to ensure that participants understood the instructions and the questions. As a result of the pilot test, the questionnaire was somewhat modified to address issues that were raised. The participants were compensated a modest amount for participating in the pilot study which was done after work in the evening.

4.4. Construct Validity.

Factor analysis with varimax rotation was utilized to analyze the questionnaire variables of interest. The factor analysis detected relevant factors for (1) employees' involvement in the integration, (2) rich communication media, (3) lean communication media, (4) the extent of employees being informed about the

integration activities, (5) the degree of company support provided to employees, and (6) employees' perception of the acquisition success. Two criteria were used to identify factor scales. First, all scale items that loaded less than 0.60 were removed. Second, the construct would be represented by the factor that has the highest eigenvalue. Significant results of the factor analysis were shown in Table 4.1 on page 63.

A single factor emerged for employees' involvement in the integration, for the rich and lean communication preference media, for the extent of being informed about the integration activities, for the degree of company support provided to employees and for employees' perception of acquisition success.

Factor analysis was the first test used in this study to determine reliability and validity of the study constructs. The reliability subprogram in SPSS was also used for each of the study constructs to determine the Cronbach's alpha for each scale.

The reliability scores for the various constructs showed reasonably high internal consistency. The four items which define employees' involvement in the integration process scored 0.94 on the reliability scale. While the rich communication preference media had 0.81, the lean communication preference media measured 0.76 on the reliability scale. The reliability score for the four items which define the extent of employees being informed about the integration activities was 0.88. The Cronbach alpha value for the items which define the degree of company support provided to employees was 0.68. The alpha score for the items which define the employees' perception of acquisition success was 0.82.

The constructs used in this study were checked for their internal consistency by using the reliability procedures. The procedures computed the Cronbach alpha values. These values, along with the relevant items that defined each construct, were shown in Table 4.2 on pages 66 and 67. The table demonstrated that all the scales had high internal consistency. Van de Ven and Ferry (1980) suggested that minimum Cronbach alpha levels of 0.35 to 0.55 are satisfactory for a broad construct with three or more items. Nunnally (1978), however, recommended more stringent levels, arguing that the alpha value should be 0.70. Since all the alpha scores in Table 4.2 ranged between 0.68 and 0.94, reliability minimum levels clearly have been satisfied.

Means, standard deviations, and the number of subjects for all constructs were given in Table 4.3 on page 68. The table showed summary data for the study constructs under examination. Likert scales were used throughout the questionnaire to obtain the participants' responses for the various questions posed. Five and seven point scales were used throughout the questionnaire.

Table 4.1 Significant Factor Analysis Results.

Construct Name	Item	Factor*
Employee Involvement in the Integration Process.	Involvement 3	0.92
	Involvement 4	0.91
	Involvement 5	0.92
	Involvement 6	0.88
Rich Communication Media	Media 2	0.60
	Media 4	0.86
	Media 6	0.73
	Media 9	0.73
	Media 11	0.81
Lean Communication Media	Media 1	0.71
	Media 5	0.66
	Media 7	0.68
	Media 8	0.79
	Media 10	0.69
Informed about the Integration Activities	Knowledge 1	0.91
	Knowledge 2	0.87
	Knowledge 3	0.80
	Knowledge 5	0.83
Employee Perception of Acquisition Success	Perception 5	0.63
	Perception 6	0.73
	Perception 8	0.65
	Perception 10	0.69
	Perception 11	0.62
	Perception 12	0.72
Degree of Company Support	Support 1	0.69
	Support 5	0.68
	Support 7	0.81

* Rotated factor scores

The process of confirming the validity and reliability of the scales set the stage for the hypotheses testing procedures. The results of the hypotheses tests are provided next.

4.5. Hypotheses Tests.

Pearson's product-moment analysis, Student's t-test analysis, and regression analysis were the statistical tools used for the study hypotheses. Each hypothesis tested was calculated with the appropriate statistical tests. Hypotheses 1, 2, and 4 involved testing the relationship between an independent variable and a dependent variable. Hypothesis 3 involved testing the significance of means differences between two constructs. Hypothesis 5 used regression analysis to detect a potential moderator variable. In this study, all hypotheses were tested using a minimum significance level of .05. It is the most widely used level of significant in social sciences (Bakeman, 1992).

Impact of Employees' Involvement

Hypothesis 1:

H1. Acquired firm employees who feel highly involved in the integration process view the acquisition more successfully than employees who are less involved.

This hypothesis was not supported. Table 4.4 on page 71 showed a negative correlation between the four item employees' involvement in the integration process factor and the six item factor for employees' perception of the acquisition success scale ($r = -0.0948$, $p \leq 0.001$). A significant positive correlation

between the two scales would have been necessary to support this hypothesis.

Hypotheses 1 through 4 were analyzed using only respondents from the acquired firm that had been involved in high integration activities. Thus, the analysis was done from just 160 employees who worked for this firm before the acquisition occurred. The underlying assumption of this restriction was that in a situation where high integration activities were taking place, you should expect variations in participants' responses. But, in the other firm being acquired, where a low integration activities was the case, the chances of obtaining different responses from different participants would be very slim.

Hypothesis 5 was analyzed by using the whole sample. Two hundred and fifty four participants from both acquired firms combined were the total sample here. This hypothesis was trying to detect the moderation effect of the level of integration on the relationships between three independent variables and one dependent variable. The three independent variables were as follows: (1) employees' involvement in the acquisition integration process, (2) extent of employees being informed about integration activities, and (3) the employees' perception of the degree of company support provided during the integration period. The dependent variable was employees' perceptions of acquisition success.

Table 4.2 Construct Items Defined with Reliability Coefficients.

Firm A : The acquiring firm
Firm B : The acquired firm **

Part 2: Employees' Involvement in the Acquisition Integration Process (Alpha = 0.94)

Invo3	Consultation on wage and benefits programs.
Invo4	Consultation on changes made in the work force.
Invo5	Consultation on changes made in staff policies.
Invo6	Consultation on changes made in the daily working rules.

Part 3: Rich Communication Media (Alpha = 0.81)

Med2.	Visits and presentations by Firm B executives.
Med4.	Firm A assigns staff to Firm B branches to better explain the details of the acquisition.
Med6.	Visits of Firm B employees to Firm A's headquarters.
Med9.	Small group and/or one-on-one meetings between Firm B's managers/supervisors and their employees.
Med11.	Small group and/or one-on-one meetings between Firm A's managers/supervisors and Firm B employees.

Part 3: Lean Communication Media (Alpha = 0.76)

Med1.	Firm A newsletter.
Med5.	Letters and memos from Firm A's top management to Firm B employees.
Med7.	Letters and memos from Firm B's top management to their own employees.
Med8.	Firm A's annual reports containing information about acquisition integration activities.
Med10.	Bulletin boards containing information on acquisition integration activities.

Part 5: Extent of Employees Being Informed about the Integration Activities (Alpha = 0.88)

Know1.	I was kept informed throughout the integration period.
Know2.	There were enough communication means to get information on the integration process.
Know3.	I understood the rationale behind the major decisions made during the integration period.
Know5.	I felt I was aware of the acquisition activities that took place in my company.

Table 4.2 Continued

Firm A : The acquiring firm
Firm B : The acquired firm **

Part 6: Employees' Perception of the Degree of Company Support Provided by Firm A (Alpha = 0.68)
Supp 1. Effect on the amount of job security I have.
Supp 5. Effect on the amount of feedback provided by the company with regard to employees concerns.
Supp 7. Effect on the amount of psychological counseling, if any, provided to affected employees.
Part 7: Employees' Perception about Acquisition Success (Alpha = 0.82)
Perc 5. What is the effect of the acquisition on your satisfaction with the company?
Perc 6. What is the effect of the acquisition on your attendance records?
Perc 8. What is the effect of the acquisition on staff policies?.
Perc10. What is the effect of the acquisition on your work knowledge?
Perc11. What is the effect of the acquisition on your work motivation?
Perc12. What is the effect of the acquisition on your career opportunities?

** The acquired firm used in this analysis was the one that has moderate to high integration activities. One hundred and sixty employees from this firm were used for the first four hypotheses in this study.

Table 4.3 Construct Statistics Summary.

Construct	Number	Mean	Standard Deviation	Minimum Value	Maximum Value
Employees' Involvement in the Integration Process	254	1.459*	0.759	1.00	5.00
Rich Preference Communication Media	254	3.636*	0.686	1.00	5.00
Lean Preference Communication Media	254	2.709*	0.705	1.00	5.00
Employees Being Informed About the Integration	254	2.519*	0.792	1.00	5.00
Degree of Support by Acquiring Firm	254	4.432**	0.967	1.00	7.00
Employees' Perception of Acquisition Success	254	4.421**	0.876	1.00	7.00

* Measured with a five point Likert scale where:

1 = Not at all
2 = Slight extent
3 = Moderate extent
4 = Substantial extent
5 = Great extent

** Measured with a seven point Likert scale where:

1 = Very negative
2 = Negative
3 = Slightly negative
4 = Neutral
5 = Slightly positive
6 = Positive
7 = Very positive

Extent of Employees Being Informed about Integration Activities

Hypothesis 2:

H2. Acquired firm employees who feel they are informed about the integration activities perceive the acquisition more successfully than employees who feel less informed.

Hypothesis 2 was supported. A positive correlation was found between the four item factor of extent of employees being informed about the integration activities scale and the six item factor of employees' perception of acquisition success scale ($r = 0.7036$, $p \leq 0.001$).

Results of the Pearson product-moment analysis performed using the SPSS statistical program are shown in Table 4.4 on page 71. The correlation results of hypotheses one, two, and four are presented in this table. The table presents each of the scales developed and the correlation between the scales. Significant levels (p-value) and correlation coefficients (r-value) are provided for the scales involved in the hypotheses testing only. In reality, this table reflects the computer printout of any correlation analysis. The constructs involved in the correlation analysis are listed horizontally and vertically. On the diagonal line, you have the perfect correlation index which is 1.00. The number of employees that have been used for the analysis are then listed underneath. The correlation index for the study's hypotheses are listed to the right of the diagonal line.

Communication Preference Media

Hypothesis 3:

H3. Acquired firm employees prefer more rich communication media than lean communication media during the integration activities.

Hypothesis 3 was supported. A comparison of means using a one tail t-test showed that employee preference for rich communication media was significantly greater mean than their preference for lean communication. The t-test value of the mean difference was 15.17, significant at the 0.001 level. Thus, this t-test analysis determined that significant differences existed between the two means. This significant result provided information on the magnitude of preferences. The results of this analysis are shown in Table 4.5 on page 73.

Impact of Company Support on Employee Perception

Hypothesis 4:

H4. Acquired firm employees who feel they are more supported during the integration period perceive the acquisition more successfully than employees who are less supported.

Hypothesis 4 was supported. A positive correlation was found between the three item degree of company support during the integration period scale and the six item employees' perception of acquisition success scale ($r = 0.4713$, $p \leq 0.001$). According

Table 4.4 Construct Correlation Statistics.

Measure	Employee's Involvement	Employees Being Informed	Degree of Company Support	Employees' Perception
Employees' Involvement	1.0000 160	-0.0135 160 0.001	-0.3365 160 0.001	-0.0948 160 0.001
Employees Being Informed		1.0000 160	0.3288 160 0.001	0.7036 160 0.001
Degree of Company Support			1.0000 160	0.4713 160 0.001
Employees' Perception of Acquisition Success				1.0000 160

Entries represent: **Correlation Coefficient**
Sample Size
P - Value ≤ 0.05

Hypothesis 1: Employees' involvement x employees' perception ...

Hypothesis 2: Employees being informed x employees' perception ...

Hypothesis 4: Degree of company support x employees' perception ...

to Pedhazur (1973), an r index of 0.63 indicates a moderate positive correlation between the two variables involved.

The Moderating Impact of the Magnitude of Integration Activities

Hypothesis 5:

H5. The larger the magnitude of integration experienced by acquired firm employees, the more influenced employee perceptions will be by the human factors.

Hypothesis 5 was not supported. This hypothesis had tested the possible moderating effect of level of integration, 254 respondents from the two participating acquired firms were involved. Regression analysis using the enter method was utilized to determine if the integration effect was significant between the three human factors and the level of integration. The enter method allowed the researcher to have all possible interactions which are of interest to the study in the regression equation (Pedhazur, 1973). The t-values for the interaction between level of integration and each one of the three specific human factors were 0.264, 1.010, and 1.715 as shown in Table 4.6 on page 76. The three human factors are employees' involvement in the integration process, extent of employees being informed about the integration activities, and company support provided to acquired firm employees during the integration period.

The results of this analysis showed no significant interactions between the three human factors and the level of int-

Table 4.5 T-Test on Employee Preference for Communication Media.

(Hypothesis 3)

Construct	Number	Mean	Standard Deviation	T Value	Significant T Level
Rich Communication Media	160	3.84	0.583		
				15.17	0.001
Lean Communication Media	160	2.55	0.780		

egration. Table 4.6 on page 76 shows the results of the regression analysis.

4.6. Additional Findings.

In addition to the five hypotheses tested, analyses of three research questions were conducted. The whole sample was used for the first and second research questions. But, the sample for the third question has abided by the restriction set up for the first four hypotheses. The results of the analyses are presented in this section.

The amount of Rich Communication Media Provided

Research Question 1:

RQ1. Did the acquiring firm provide as much rich communication media as the acquired firm employees expected?

Research question 1 was examined through t-test analysis. Comparison of means showed that employees' preference for rich communication media had a significantly greater mean than rich communication media that were actually used. The t-test value of the mean difference was 23.12, significant at the 0.001 level.

The amount of Lean Communication Media Used

Research Question 2:

RQ2. Did the acquiring firm provide more lean communication media than what the acquired firm employees needed?

T-test analysis was conducted. The statistical analysis indicated that employees' preference for lean communication media

had a significantly smaller mean than lean communication media that were actually used. The t-test value of the mean difference was -5.97, significant at the 0.001 level. This significant result provided information on the magnitude of preferences.

Social Support Impact on Acquired Firm Employees' Perceptions of Acquisition Success

Research Question 3:

RQ3. Does social support affect the acquired firm employees' perception of acquisition success?

Research question 3 was investigated using correlation analysis resulting in a positive correlation between the three item social support provided to acquired firm employees scale and the employees' perception of acquisition success six item scale ($r = 0.4381$, $p \leq 0.001$). The factor analysis had revealed a three item factor that can be best labeled as social support. Table 4.7 on page 77 shows the three item scale along with its alpha score. The social support scale enjoyed high internal consistency with a reliability score of 0.79.

4.7. Summary of Hypotheses Testing.

Figure 4.1 on page 78 summarizes the results of the hypotheses testing. Each hypothesis is shown and whether it was supported or not by the various statistical tests performed.

Table 4.6 Employee Perception, Human Factors, and Level of Integration Model.

Dependent Variable: Employee Perception of Acquisition Success

Variables Entered in the Model

Variable	Beta	T Value	Significance of T
Company Support	0.2740	4.589	0.0000
Employees' Involvement	0.0597	0.860	0.3905
Employees Being Informed	0.5003	8.185	0.0000
Level of Integration	-0.5890	-1.888	0.0602
Interaction 1	0.0382	0.264	0.7923
Interaction 2	0.2006	1.010	0.3136
Interaction 3	0.4695	1.715	0.0875

R square: 0.45839
Number: 254 cases
Interaction 1: Employees' Involvement x Level of Integration
Interaction 2: Employees Being Informed x Level of Integration
Interaction 3: Company Support x Level of Integration

Table 4.7 Social Support Items Defined with Alpha Score.
Social Support Provided to Acquired Firm Employees (Alpha = 0.79)
Supp2. Effect on the degree of respect I received during the integration period.
Supp3. Effect on the amount of guidance I received during the integration period.
Supp4. Effect on the amount of care provided by the company to the affected employees.

H1. Acquired firm employees who feel highly involved in the integration process view the acquisition more successfully than employees who are less involved.

Hypothesis was not supported

H2. Acquired firm employees who feel they are informed about the integration activities perceive the acquisition more successfully than employees who feel less informed.

Hypothesis was supported

H3. Acquired firm employees prefer more rich communication media than lean communication media during the integration activities.

Hypothesis was supported

H4. Acquired firm employees who feel they are more supported during the integration period perceive the acquisition more successfully than employees who are less supported.

Hypothesis was supported

H5. The larger the magnitude of integration experienced by acquired firm employees, the more influenced employee perceptions will be by the human factors.

Hypothesis was not supported

Figure 4.1 Study Hypotheses Results.

Chapter 5

Discussion and Conclusions

This chapter includes a discussion of the results which have been presented in Chapter 4. Overall conclusions and limitations of the research are presented as well as the implications for academicians and executives. Suggestions for future research are also discussed. A primary goal of this study is to examine the impact and influence of selected human factors on acquired firm employees' perception toward acquisition success. The results in Chapter 4 demonstrate statistically the importance of providing employees full information and support in order to obtain favorable attitudes toward the acquisition.

5.1. Employees' Involvement in the Integration Process and their Perceptions toward Acquisition Success.

Hypothesis 1

No support is found for the relationship in hypothesis one between the involvement of the employees in the integration activities and their perception of it. Tests using a correlation analysis shows a negative relationship between the two constructs ($r = -0.0948$). The result is not consistent with what the literature suggests. The bulk of the studies (e.g., Miller and Monge, 1986; Dutton and Duncan, 1987; Anthony, 1978) have shown the importance of employee involvement. Dutton and Duncan (1987) highlight the role of employee involvement to secure endorsement of the proposed changes.

Two possible explanations may be provided for the results of this hypothesis. One possibility is that employees who are involved in implementing the integration decisions may also want to be more involved in the whole process, including the formulation side of the integration process. Employees may expect to play a more active role in formulating these integration decisions. Arnold (1984) indicates that when the employees involved do not support the decisions made by the acquiring firm, yet they are responsible for implementing these decisions, then the decisions will not be executed effectively. This is an indication of employees' negative reactions toward the integration process if they were partially involved.

Another speculation is that highly involved employees have anticipated the integration problems associated with the pending changes in their firm. Employees who are involved in the integration process have the opportunity to see how much they would be affected. This is especially true if the employees feel that their opinions have not been considered seriously. This means the issue of involvement for lower level employees may have been minimized by top management which in turn have little effect on employees' perception of acquisition success.

5.2. Employees Being Informed about the Integration Activities and Employees' Perception of Acquisition Success.

Hypothesis 2

As hypothesized, a favorable attitude toward acquisition is shown to be related to the extent acquired firm employees feel

they are informed about the integration activities. A positive correlation between the two constructs suggests the communication process impacts favorably on employees being informed. Marks (1982) concludes that acquired firm employees who are satisfied with how their management handled the communication process have a more positive feeling toward the acquisition. Understanding the integration process is a prerequisite for employees to meet any challenges during the post acquisition period (LeBreton, 1965: 109). Hence, you can expect employees won't have positive attitudes toward an acquisition if they are not informed about the integration activities.

Marks and Mirvis (1986) contend that employees must be informed. Adequate channels of communication enable employees to discuss all proposed changes that are of concern to them. It is a time when employees seek a great deal of information but, in most cases, communication is greatly restricted. Insufficient communication usually results in higher absenteeism, lower productivity, stress, and health problems (Ivancevich et al., 1987).

Without official communications regarding what changes to anticipate, employees must rely on rumors, media accounts, and past personal experience (Marks and Mirvis, 1986). Marks and Mirvis (1986) indicate that this policy hampers post-acquisition integration and reduces productivity and job performance. The support of the second hypothesis of this study echoes the writings of many theorists (Sinetar, 1981; Ivancevich et al., 1987; Marks and Mirvis, 1986).

Foltz (1985) suggests that a successful communication strategy must have the capacity to explain the rationale behind each major decision. Moreover, the communication strategy must have the capability to rally all employees behind the proposed changes. The confirmation of the second hypothesis reflects the importance of the above conclusion.

5.3. Preference for Rich Communication Media.

Hypothesis 3

The tendency of acquired firm employees to prefer rich communication media over lean communication media is proven to be valid as tested in hypothesis three. T-test results show significant sample mean differences between rich and lean media. This conclusion reinforces the findings of other studies that examined the same issue but in non-acquisition situations. It is the first time this hypothesis has been tested in an acquisition situation.

Academics (e.g., Marks, 1988; Alexander, 1985 ; Gerard, 1986) call for two-way communication between top management and employees in various managerial situations. Kubilus (1989) suggests that although written communication is needed, meetings and one-on-one sessions are essential and much more effective. Fink (1988) concludes that face-to-face communication during uncertain times is a must. He finds that employees believe that rich media can answer various questions and address issues more effectively than lean media. This supports what Lengel and Daft (1988) have concluded that face-to-face, richer media are a more

appropriate communication method when the issue is important, yet subject to various interpretations.

The support of the third hypothesis means employees prefer rich media to reduce the uncertainty of such a transitional period. However, Galls (1991) calls for using more lean communication media such as memoranda, brochures, and videotapes during the integration period with employees below management level. This is due to the fact that management has less time and more work to do during the integration period. The significant results of this hypothesis indicate that Gall's recommendations may be inappropriate. Acquisitions create a great deal of confusion and uncertainty; therefore, more rich, face-to-face media may be needed. Sinetar (1981) suggests that the more stressful the environment, the greater the need for open, honest, and non-manipulative communication. The acceptance of the third hypothesis supports the above conclusion.

Therefore, it pays to keep employees informed as early, consistently, and fully as possible. This can be done ideally through richer, face-to-face communications. Gerard (1986) suggests that every time employees get conflicting information from sources outside the company, management's credibility suffers. Moreover, Productivity falls, as employees worry about their futures. According to Foltz (1985), for a communication strategy to be successful, employees must have the chance to air their feelings and concerns about the new changes. Galosy (1990) calls for more communications between managers and employees in

order to reduce mistrust and enhance confidence. The acceptance of the third hypothesis testifies to the above arguments.

5.4. Impact of Company Support on Employees' Perception about Acquisition Success.

Hypothesis 4

Employees' perception of acquisition success is positively related to feelings of being supported during the integration period as hypothesis four stated. The degree of company support provided to employees during the integration period is measured in part 6 of the employees' questionnaire.

The positive correlation between the amount of support provided by the acquiring company and employees' perception of acquisition success confirms the findings of related studies. Marks and Mirvis (1986) conclude that employees who receive support from supervisors and co-workers have less stress and have fewer suspicions about management's motives and intentions. Marks and Cutcliffe (1988) build the theoretical basis for the significance of company support programs during a period of change. Stress management, training, career counseling, retraining programs, group meetings, and outplacement services are a few examples of these supporting programs.

Schweiger and Walsh (1990) suggest that negative impacts on medical plans, pension plans, and compensation programs may trigger strong reactions. Hence, it is very crucial during the integration period to ensure adequate support for affected employees. Supported employees have the ability to cope with changes in their jobs and in their lives. Otherwise, affected

employees worry more about their own futures and care less about the company's well-being.

Researchers emphasize the importance of sending the right signals to employees during the integration period. Schweiger and Walsh (1990) suggest that unexpected layoffs threaten the security of surviving employees. Employee feelings of being treated fairly and justly depend, to a large extent, on the appropriateness of company support programs (Gerard, 1986). Gerard states that a company has to be fair and supportive to those who will be terminated. Otherwise, retained employees may feel that their own survivability is in jeopardy. This is an example of how important is the issue of supporting acquired firm employees during the integration period. Hence, the acceptance of this hypothesis reinforces the significance of company support given to employees during the integration period and how it may influence the perception of affected employees.

5.5. The Moderating Effect of the Level of Integration.

Hypothesis 5

No support is found for hypothesis five that addressed the moderation effect of the level of integration. The hypothesis evaluates the differences in the relationship between two variables across the levels of another variable. More specifically, the hypothesis argues that the use of human factors is far more effective in securing positive employee attitudes only during times of high integration. Tests using regression analysis show no support for such an argument. The human factors are the independent variables; the employees' perception of acquisition

success is the dependent variable; and the level of integration is the moderating variable.

The theoretical literature shows mixed conclusions with regard to the possible moderating impact of the level of integration. Some researchers argue for the existence of the moderation effect and how it influences the use of human factors in the post-integration period (Baird, 1993; Gall, 1991; Napier, 1989; Buono and Bowditch, 1989). They argue that the less integration occurs, the less organizational changing is needed for the acquired firm. Therefore, fewer employees are affected. In such situations, it is clear that the impact of human factors on employees' perception toward acquisition success is dependent upon the level of integration.

Other researchers call for the utilization of human factors regardless of the level of integration between the two companies (Haspeslagh and Jemison, 1991; Marks, 1982 and 1988; Shirley, 1977). Pritchett (1985) argues that value creation in acquisitions depends largely on the actions and activities of the managers after the deal is signed. The argument here is that how the acquisition is being implemented is more important than the level of integration. The quality of communication, the nature of company support programs provided to employees, and the degree of employees' involvement must not be based upon the level of integration between the two firms.

Taking the above argument into consideration, the conventional view that "integration problems can be addressed either by keeping the people happy or by getting rid of them

(Haspeslagh and Jemison, 1991: 13)" can be very detrimental. The rejection of this hypothesis may indicate that the human factors are important throughout the post acquisition period no matter what the level of integration needed.

5.6. Conceptual Framework of the Study.

The conceptual framework presented in Figure 2.5 on page 32 is only partially supported based on the results discussed above. The framework may be modified to suggest the absence of the level of integration as a moderating variable. Also, the framework can show primary and secondary human factors that influence employee perception. With the presence of informative communication processes and adequate company support programs provided to employees, the impact of employee involvement on employee perception toward acquisition success is minimal. However, it can be speculated that the importance of employee involvement may be overwhelming when the company lacks a good communication strategy and enough support programs for affected employees.

The findings provide a basis for further research and revisions to the framework regarding the impact of human factors on employees' perceptions toward acquisition success. Consideration of additional variables such as employee experience in such situations (Datta, 1986), employee loyalty (Marks, 1982), employee receptivity to change (Fink, 1988), autonomy (Fink, 1988), firm culture (Cartwright and Cooper, 1993), administrative systems (Searby, 1969), and other variables may improve the framework.

Specifically, future studies could examine the following research questions:

1. Do employees who have gone through a previous acquisition view acquisition success differently than employees who have not?
2. Does a change in employees' loyalty have any impact on employees' perceptions about acquisition success?
3. To what extent does the level of autonomy given to employees influence their perceptions about acquisition success?
4. Does employee receptivity to change have any impact on how they perceive acquisition success?
5. To what extent does the new company culture influence the perception of employees toward acquisition success?
6. To what extent do potential changes in job duties and responsibilities influence the perception of employees toward acquisition success?
7. To what extent do potential changes in employees' status and prestige influence the perception of employees toward acquisition success?
8. To what extent do potential changes in employees' power influence the perception of employees toward acquisition success?
9. To what extent does the acquiring firm's name and reputation affect employees' perceptions of acquisition success?

10. What is the nature of the relationship between employees' perceptions of acquisition success and the financial performance of the acquisition itself?

5.7. Major Conclusions of the Study.

The study emphasizes the significance of human factors in influencing employees' perceptions toward acquisition success. Of the three specific hypotheses examining the effects of individual human factors, two are statistically supported by the study (hypothesis 2 and hypothesis 4).

A communication policy where employees feel informed is positively related to the employees' perception of the acquisition success. This relates to hypothesis two that was supported with a score of $r = 0.7036$. Many academics stress that keeping employees informed enhances the prospect of endorsement for any proposed changes including integrating acquisitions.

Moreover, adequate support programs initiated by a company to reduce the pain of the employees in transition is positively related to the perceptual success of the acquisition. This is in reference to hypothesis four that was supported with a correlation score of 0.4713. Providing adequate support for the affected employees is an effective means to ensure the credibility of the acquiring company.

The study gives empirical support to the widely-held viewpoint that employees at times of uncertainty and confusion prefer to be informed via rich communication media. This is in reference to hypothesis three that was supported with a t test value of 15.17, significant at the 0.001 level. This is the first

time that such an hypothesis has been tested in an acquisition context.

The study shows that there is a moderately positive relationship between the perceptions about acquisition success and how much informed and supported an employee may have been during the integration process. This can be implied from both hypotheses two and four. However, the study finds no positive relationship between the amount of involvement employees may have during the integration process and their perceptions about acquisition success.

Hence, the above analyses demonstrate that being fully informed and being adequately supported during the integration period are far more important than merely being consulted about the process. This is a significant finding that could have major implications for executives.

The absence of the moderating effect of the level of integration is what can be concluded from the rejection of the fifth hypothesis. The relationship between the three selected human factors and employees' perception is not affected by the level of integration. The three human factors used in this study are (1) the employees' involvement in the integration process, (2) the extent of employees being informed about integration activities, and (3) the degree of company support provided to employees during integration.

5.8. Research Questions.

The literature suggests that in the post acquisition period, the acquired firm employees want more rich communication media

than lean communication media. This is due to the many uncertainties employees experience during the integration period. The result of the first question shows that the acquiring firm used less rich communication media than what the acquired firm employees have hoped for. However, the result of the second research question shows that the company used more lean communication media than what the acquired firm employees needed. Clearly, employees want more rich communication media and sick and tired of lean communication media.

The results of these two research questions indicate that for acquiring companies, they have to use more rich communication media and may be less lean communication media. One important reason is that concerns and worries of the acquired firm employees are best handled through rich communication media. Companies have to realize that rich communication media are far more productive to reduce the confusion and misunderstanding for their employees during the integration period than lean communication media.

The findings of research question 3 indicates the importance of social support for the acquired firm employees. Acquired firm employees are likely to feel part of the new entity if he/she receives the appropriate social support. Acquiring firm have to present the proper form and magnitude of respect, care, and guidance to the acquired firm employees to enhance the prospects for their support to the proposed changes.

The finding of research question 3 shows that acquiring firms can be more successful if they adopt a more humanistic approach toward the acquired firm employees. The literature suggests that

the retained acquired firm employees monitor closely how the acquiring company treat displaced employees from the acquired side. The acquiring company needs to demonstrate the proper form and magnitude of social support for the acquired firm employees. Otherwise, the consequences of disregarding the issue of social support

5.9. Limitations of the Study.

This study is constrained by a number of limitations. Knowledge of these limitations provides a proper basis for interpreting the findings of the study as intended.

First, the external validity of the study's findings is limited. This is because the sample of the study was taken from two acquisitions of one firm in the banking industry. The two acquired firms operate primarily in the southeastern region of the country. The two acquisitions are much smaller banks in size and more regionally focused. The sample is also limited by its focusing on lower level white collar employees in the same industry. Hence, results predicted for other categories of employees may not be as valid.

Second, the study research design is a cross-sectional survey, one that collects data from a sample selected to describe some larger population at that time (Babbie, 1973). Longitudinal studies may provide more accurate results in terms of the changes in employees' perception of acquisition success as a result of the degree of human factors used.

Third, the study concentrates on just three human factors and their effect on employee perception of acquisition success. There

are other potential variables that were not studied here. However, it is impossible to include all potential variables within a study such as this. Employee experience in acquisition situation, employee loyalty, and employee autonomy are examples of other potential variables.

The fourth limitation relates to the perceptual nature of the data obtained through structured questionnaires. While there are some positive aspects to perceptual data (e.g., data are more accurate in depicting reality), a major problem lies in possible respondent biases. An alternative such as personal interviews with employees of acquired firms may have provided much richer data, but less quantifiable. However, given the time and money required for such a method, a structured questionnaire is an efficient method for collecting the required data.

These limitations, while important, do not represent a threat to the fundamental validity of the study findings. These findings have important implications which are discussed in the next section.

5.10. Research Implications.

Both academicians and executives are likely to find the results of this study useful and meaningful. The following discussion provides the implications of this research for both researchers and executives.

Implications for Future Studies.

In part, the high failure rate of acquisitions has been attributed to the inability of acquiring companies to effectively integrate their acquisitions. The expected synergy and benefits

of an acquisition depend largely on the actions and activities of the top managers (Haspeslagh and Jemison, 1991). This study and its findings hopefully will encourage further research to examine more behavioral factors that could shed more light on effective acquisitions. It is hoped that some research designs will be longitudinal. This would allow determination of the causal effects of the study variables. This study sought to examine the impact of employees' involvement in the integration, the extent employees being fully informed, and the degree of company support provided to employees on their perceptions about acquisition success. Still, more studies, including questionnaire and in-depth case studies, are needed to shed light on the acquisition success

It is understood that there are many difficulties in developing smooth working relationships between the employees of both the acquiring and acquired firms involved in an acquisition. Fears related to job security, lack of trust, misinformation and misunderstanding, threat of transfers, and benefit and wage changes are but a few motives for the acquired firm employees to resist building harmony with one another. For example, if the acquired firm employees perceive inequity with regard to the wage and benefit programs, then hard feelings toward the company may arise. If the acquiring company fails to ensure job security for retained acquired firm employees, productivity and employee's performance will decline. Researchers are urged to look into similar impediments that cause such unhealthy attitudes. A more

comprehensive framework would probably be useful in leading research in this direction.

The study does take into account an employee's level in the company. It does it by focusing only at lower level white collar employees. Therefore, it may be interesting to examine employee perception toward acquisition success at different job levels. It may be possible that employees' perceptions as measured in this study are different depending on the level of job position.

There is a need for further studies since the number of acquisitions is dramatically increasing. The number of employees who are greatly affected by these acquisitions is rising exponentially (Mirvis and Marks, 1991). The difficulty of accessing real life data in this area must not deter ongoing and additional research. The answers to the research questions will be beneficial for the owners of the acquiring companies, the employees of the acquired companies, stockholders who invest in firms, and the general public.

Implications for Executives.

The conclusions of this study have implications for executives who are likely to be involved in future acquisition transactions. This study shows the importance of certain human factors in securing the satisfaction and trust of acquired firm employees. The study gives statistical support to the 2nd and 4th hypotheses which highlight the significance of providing adequate support and information to affected employees.

The absence of a moderating effect of the level of integration, as tested in hypothesis five, on the relationships

between the human factors and employees perceptual success shows the possible ramifications of disregarding such factors. If moderation had existed, it would mean that the importance of utilizing these human factors are not presence all the time. However, the lack of moderation may indicate that these human factors are important for employees regardless of the level of integration between the two firms.

The post acquisition period has been proven to be a period of great uncertainty and confusion, especially for the acquired firm employees. Companies involved in acquisitions should emphasize more the human side of the process regardless of the extensiveness of the integration activities. The acquiring firms need to reduce the fear of the unknown and lessen the impact of change for the acquired firm employees. Such policy is found to be helpful in securing a positive attitude towards the acquisition.

Marks (1982 and 1988), among others, calls for certain steps to be implemented by acquiring companies so that acquired firm employees would have a more favorable attitude toward acquisitions. These steps are as follows:

1. Establishment of a team from both firms prior to the integration process.
2. Appointment of a team leader.
3. Introduction of the team to the integration activities one step at a time.
4. The team shall identify valuable and capable employees.
5. Coordination of the management styles and personnel of both firms.

6. Continuous evaluation of the human policies needed.

This study provides an interesting finding with regard to what would be the best human policy in acquisition situations. The study shows that keeping employees informed and fully supported creates a more favorable attitude toward the acquisition. It seems that employees value being more informed and supported than merely being consulted on particular issues of the integration process.

There is a need to re-examine the impact of human factors on the effectiveness of the integration process. Therefore, executives involved in future acquisition activities should spend more time assessing their human policies in order to minimize the disruption effect and maximize the prospects for integration success.

Unfortunately, practitioners have the tendency to focus on the financial and legal aspects of the acquisition and may tend to downplay the human ramifications of the process (Datta, 1991). Clearly, many of future acquisitions can benefit from including human policy experts in the planning teams who prepare and set the strategy for integrating two different companies. Diven (1984) points out four main advantages for having a human perspective in acquisition strategy. These benefits are:

1. Can help build important personal relationships.
2. Facilitate the implementation of needed organizational changes.
3. Improve the commitment of employees who will later be responsible.

4. Can help plan appropriate means of addressing areas of concerns for employees in advance.

Hence, for the above information to be incorporated in the overall strategy, the presence of human policy experts in the planning team are invaluable. The failure to take the human policies into consideration can adversely affects the success of the acquisition. Obviously, future studies in acquisition areas should also compare human policies with other functional areas such as marketing, production, and finance.

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Appendix A

(Managers' Questionnaire)

Managers' Questionnaire

Virginia Tech Study of Examining the Implication of Human Resource Factors on Post-Acquisition Integration.

ons: The following questions are directed toward participant managers from the following company:

Firm A

Background Information:

he time of the acquisition, what was the name of the pany you worked for ?

Firm B

ıt is your job title now?

the integration activities occur across the board in n B branches? ☐ Yes ☐ No

ɔu say NO to question 3, then name those branches, in n B, which were part of the acquisition integration ɔess.

: Post Acquisition Integration Activities: (place an X in the appropriate box to record your answers)

ase estimate the extent of changes in the formal ıcture of **Firm B** since acquisition. Formal structure ɛrs to the grouping of jobs and tasks within departments, orting relationships, and the grouping of departments hin divisions.

: at all	Slight extent	Moderate extent	Substantial extent	Great extent

w has the number of subunits in **Firm B** changed since ɹuisition? Examples of subunits include departments, ɪisions, and teams.

t at all	Slight extent	Moderate extent	Substantial extent	Great extent

3. Rate the extent of changes in the amount of formal rules, regulations, and procedures in **Firm B** since acquisition.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

4. To what extent has the level of benefits provided to the employees of **Firm B** changed since acquisition?

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

5. To what extent has the level of fixed compensation provided to the employees of **Firm B** changed since acquisition?

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

6. How much has the distribution of operating authority in **Firm B** changed since the acquisition? Operating authority refers to decisions about the daily administration of the firm including marketing activities, lower level hiring, inventory purchases, and equipment replacement.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

7. Over all, indicate the extent of changes that took place in **Firm B** since the acquisition.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

Appendix B

(Employees' Questionnaire)

Employees' Questionnaire

Virginia Tech Study of Examining the Implication of Human Resource Factors on Post-Acquisition Integration.

ons: ***The following questions are directed toward Firm B employees below supervisory level. This survey examines the effects of the acquisition on you and on the company for which you work. The survey will be kept in complete confidence. No individual results will be disclosed to anyone other than the researcher.***

: Background Information

at was the name of your company before the acquisition : place?

Firm B

v would you classify yourself in the company ranks:
Staff employee
Hourly employee

en you heard the news, did you think that the uisition would probably affect you personally?
Never ☐ Often
Almost never ☐ Very often
Occasionally ☐ Always
Sometimes

w do you think the overall effect of the acquisition has n on you personally?

ve	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

what extent would you rate the magnitude of changes de in your unit since the acquisition?
None
Few changes
Moderate level changes
Higher than moderate
Major changes

Part 2: Employees Involvement in the Integration Process

Instructions: *To what extent were you involved in the following acquisition integration activities?* (place an X in the appropriate box to record your answers). Leave any question blank if you do not know how to answer it.

1. Planning the integration decisions.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

2. Involvement in the implementation of the integration decisions.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

3. Consultation on wage and benefits programs.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

4. Consultation on changes made in the work force.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

5. Consultation on changes made in staff policies.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

6. Consultation on changes made in the daily working rules.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

Preferred Communication Means During the Integration Period

ions: ***As a former Firm B employee, to what extent would you have preferred each of the following means to be used for communicating the details of the acquisition. Firm A is assuming the authority over the operation of Firm B.*** (place an X in the appropriate box to record your answers). Leave any question blank if you do not know how to answer it.

A newsletter.

all	Slight extent	Moderate extent	Substantial extent	Great extent

s and presentations by **Firm B** executives.

: all	Slight extent	Moderate extent	Substantial extent	Great extent

announcements by management of **Firm A** and **Firm**

t all	Slight extent	Moderate extent	Substantial extent	Great extent

1 A assigns staff to **Firm B** branches to better explain etails of the acquisition.

t all	Slight extent	Moderate extent	Substantial extent	Great extent

:rs and memos from the **Firm A**'s top management to **1 B** employees.

t all	Slight extent	Moderate extent	Substantial extent	Great extent

:s of **Firm B** employees to **Firm A**'s headquarters.

it all	Slight extent	Moderate extent	Substantial extent	Great extent

:rs and memos from **Firm B**'s top management to their employees.

it all	Slight extent	Moderate extent	Substantial extent	Great extent

8. **Firm A's** annual reports containing information about acquisition integration activities.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

9. Small group and/or one-on-one meetings between **Firm B**'s managers/supervisors and their employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

10. Bulletin boards containing information on acquisition integration activities.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

11. Small group and/or one-on-one meetings between **Firm A**'s managers/supervisors and **Firm B** employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

12. Videotaped messages from **Firm B**'s top management to their own employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

13. Obtaining information from fellow workers at job site.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

14. Videotaped messages from **Firm A**'s top management to **Firm B** employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

15. A 24-hour telephone "hotline" to answer employees questions about the acquisition.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

Communication Means Used During the Integration Period:

'ions: ***In the time following the acquisition announcement, to what extent were the following items used to communicate the details of the acquisition to Firm B employees? Firm A is assuming the authority over the operation of Firm B.*** (place an X in the appropriate box to record your answers). Leave any question blank if you do not know how to answer it.

ı **A** newsletter.

t all	Slight extent	Moderate extent	Substantial extent	Great extent

s and presentations by **Firm B**'s executives.

t all	Slight extent	Moderate extent	Substantial extent	Great extent

. announcements by management of **Firm A** and **Firm**

ıt all	Slight extent	Moderate extent	Substantial extent	Great extent

ı **A**'s staff assigned to **Firm B** branches to better ain the details of the acquisition.

ıt all	Slight extent	Moderate extent	Substantial extent	Great extent

ers and memos from **Firm B**'s top management to their employees.

ıt all	Slight extent	Moderate extent	Substantial extent	Great extent

ts of **Firm B** employees to **Firm A**'s headquarters.

at all	Slight extent	Moderate extent	Substantial extent	Great extent

ers and memos from **Firm A**'s top management to **Firm** nployees.

at all	Slight extent	Moderate extent	Substantial extent	Great extent

8. Small group and/or one-on-one meetings between **Firm B**'s managers/supervisors and their employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

9. **Firm A's** annual reports containing information about acquisition integration activities.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

10. Bulletin boards containing information on acquisition integration activities.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

11. Small group and/or one-on-one meetings between **Firm A**'s managers/supervisors and **Firm B** employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

12. Videotaped messages from **Firm B**'s top management to their own employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

13 Obtaining information from fellow workers at job site.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

14. Videotaped messages from **Firm A**'s top management to **Firm B** employees.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

15. A 24-hour telephone "hotline" to answer employees questions about the acquisition.

Not at all	Slight extent	Moderate extent	Substantial extent	Great extent

Extent of Knowledge About Acquisition Integration Activities:

ions:. To what extent do you feel that you have been kept informed about the decisions made during the post acquisition integration period? (place an X in the appropriate box to record your answers). Leave any question blank if you do not know how to answer it.

kept informed throughout the integration period.

all	Slight extent	Moderate extent	Substantial extent	Great extent

were enough communication means to get nation on the integration process.

all	Slight extent	Moderate extent	Substantial extent	Great extent

erstood the rationale behind the major decisions made g the integration period.

t all	Slight extent	Moderate extent	Substantial extent	Great extent

ıced little validity in rumors during the integration d.

t all	Slight extent	Moderate extent	Substantial extent	Great extent

I was aware of the acquisition activities that took place y company.

t all	Slight extent	Moderate extent	Substantial extent	Great extent

Employees Perception of the Firm A's Degree of Support During the Integration Period.

tions: What effect did the acquisition have on the following items? (place an X in the appropriate box to record your answers). Leave any question blank if you do not know how to answer it.

ct on the amount of job security I have.

e	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

2. Effect on the degree of respect I received during the integration period.

Very Negative	Negative	Slightly Negative	Neutra l	Slightly Positive	Positive	Very Positive

3. Effect on the amount of guidance I received during the integration period

Very Negative	Negative	Slightly Negative	Neutra l	Slightly Positive	Positive	Very Positive

4. Effect on the amount of care provided by the company to the affected employees.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

5. Effect on the amount of feedback provided by the company with regard to employees concerns.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

6. Effect on the overall quality of the supervision I receive in my work.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

7. Effect on the amount of psychological counseling, if any, provided to affected employees.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

8. Effect on the quality of outplacement services, if any, for displaced employees.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

9. Effect on the quality of orientation programs (information on the new status of the company) provided by the company to reduce fear of the unknown.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

10. Effect on the degree of fairness I received during the integration period.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

11. Effect on your job satisfaction.

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

Employees Perception About Acquisition
ss

ions: ***Below are some items concerning the way you feel about the success of the acquisition. On a seven points scale, please indicate the effect of the acquisition on the following items.*** (place an X in the appropriate box to record your answers). Leave any question blank if you do not know how to answer it.

is the effect of the acquisition on management
ver?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

is the effect of the acquisition on employee turnover?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

t is the effect of the acquisition on your productivity?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

t is the effect of the acquisition on fellow workers
uctivity?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

t is the effect of the acquisition on your satisfaction
the company?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

t is the effect of the acquisition on your attendance
rd?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

ıt is the effect of the acquisition on your job
ɔrmance?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

ıt is the effect of the acquisition on staff policies?

	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

9. What is the effect of the acquisition on wage and benefits programs?

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

10. What is the effect of the acquisition on your work knowledge?

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

11. What is the effect of the acquisition on your work motivation?

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

12. What is the effect of the acquisition on your career opportunities?

Very Negative	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Very Positive

Vita

Salem M. Al-Ghamdi

Home Address:
P.O. Box 6298
Dammam 31442
Saudi Arabia

Born: Dhahran
Date: March 15, 1959
Tel: 0119663 8264763
Fax: 0119663 8262574
Signature:

Education:

1994	**Ph.D.**	Strategic Management, Department of Management, Virginia Tech, Blacksburg. Minor in Statistics.
Dissertation Title		The Strategic Implementation of Acquisitions: The Impact of Human Factors on Acquired Firm Employees' Perceptions about Acquisition Success.
1985	**MBA**	Business Administration, King Fahad University of Petroleum and Minerals (KFUPM), Saudi Arabia. Honor List.
1982	**BS**	Industrial Management, King Fahad University of Petroleum and Minerals (KFUPM), Saudi Arabia. Honor List.

Teaching Experience:

1985-1987	Lecturer at College of Industrial Management, KFUPM, Saudi Arabia, for Engineering Economics and Principle of Management.

Work Experience:

1981	Co-op student for eight months in Aramco Service Co. Houston, U.S.

Honors:

1987-1994	Government scholarship for Ph.D. studies.
1989-1992	Member, Academy of Management.