G Model
IBR-1143; No. of Pages 15

ARTICLE IN PRESS

International Business Review xxx (2014) xxx–xxx

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

The human aspect of cross-border acquisition outcomes: The role of management practices, employee emotions, and national culture

Marjaana Gunkel[a,*], Christopher Schlaegel[b], Tobias Rossteutscher[b], Birgitta Wolff[b]

[a] Leuphana University of Lüneburg, Scharnhorststraße 1, D-21335 Lüneburg, Germany
[b] Otto-von-Guericke University Magdeburg, Universitätsplatz 2, D-39106 Magdeburg, Germany

ARTICLE INFO

Article history:
Received 24 April 2014
Received in revised form 1 August 2014
Accepted 10 September 2014
Available online xxx

Keywords:
Acquisition
Employee emotions
Cultural dimensions
Structural equation analysis

ABSTRACT

Employee emotions have received little attention in the literature on M&A outcomes. As acquisitions are highly emotional events for the employees of the acquired organization, strong affective reactions may emerge resulting in positive or negative work-related outcomes, contributing to the success or failure of an M&A. Building upon the model proposed by Sinkovics et al. (2011) *International Business Review*, *20*(1), 27–47, we examine the effects of managerial communication, managerial support, and three cultural dimensions on employee emotions, which in turn influence employee intentions and behaviors. Our study examines these relationships utilizing a cross-country sample of 158 employees in three organizations which all were acquired by the same corporation. Our findings reveal that managerial support influences the employees' emotions as well as active resistance behavior. While managerial communication did not influence the employees' emotions, it has a direct effect on the employees' passive resistance behavior. Though cultural dimensions have only a limited effect on the employees' emotions, all three proposed cultural dimensions have significant direct effects on the employees' work-related outcomes, such as turnover intention.

1. Introduction

Mergers and Acquisitions (M&As) are by no means a new phenomenon in business practice. M&As have a long history and such agreements will most likely continue to stay common given the pressure for organizations to restructure partly due to the recent economic crisis (Sinkovics, Zagelmeyer, & Kusstatscher, 2011). Despite the popularity of M&As, the failure rates of such transactions are very high (Schoenberg, 2006). Therefore, the factors leading to the failure or success of an M&A have been widely researched. A large body of the research concentrates on strategic and financial issues (Cartwright & Schoenberg, 2006; Sudarsanam, 2003) explaining the outcome of an M&A. However, a meta-analysis by King, Dalton, Daily, and Covin (2004) illustrates that none of the most often analyzed variables (degree of diversification of the acquirer, degree of relatedness, method of payment, and acquisition experience) has a significant statistical effect on the success of M&As. More recent literature suggests that aspects related to employees' emotions and national culture could play an important role in determining the outcomes of M&As (Cartwright & Schoenberg, 2006; Rees & Edwards, 2009) making the topic interesting for the strategic HRM of organizations.

M&As, in particular acquisitions, are highly emotional events for the employees of the involved organizations (Cartwright & Cooper, 1990) as the uncertainties related to M&A situations arouse strong psychological reactions resulting in positive or negative behaviors of the employees (Bhal, Bhanskar, & Ratnam, 2009). Nevertheless, research on the influence of emotions on the M&A process is rare (Sinkovics et al., 2011; Kusstatscher & Cooper, 2005). Sinkovics et al. (2011) propose in their theoretical model that managerial stimuli (communication and management behavior) affect employees' emotions. These emotions lead to certain employee attitudes and behaviors contributing to the success or failure of an M&A.

Our paper responds to the call for quantitative research examining the effect of management and firm characteristics on emotions and through emotions on M&A outcomes (Sinkovics et al., 2011). Even though a movement away from only examining accounting and market-based measures of M&A success can be observed, studies examining behavioral issues are still sporadic (Ranft, Butler, & Sexton, 2010). The merger and post-merger

* Corresponding author. Tel.: +49 4131 677 2103.
E-mail addresses: mgunkel@inkubator.leuphana.de (M. Gunkel), christopher.schlaegel@ovgu.de (C. Schlaegel), rossteutscher@web.de (T. Rossteutscher), birgitta.wolff@ovgu.de (B. Wolff).

http://dx.doi.org/10.1016/j.ibusrev.2014.09.001
0969-5931/

process lacks empirical research (Cartwright & Cooper, 1990; Meglio & Capasso, 2012), but especially aspects such as the preparation of employees for M&As (Marks & Mirvis, 2011a, 2013), attributes of effective leaders during an acquisition (Waldman & Javidan, 2009), role of management support during the acquisition process (Marks & Mirvis, 2011a, 2013), and indicators of M&A failure, such as turnover intention of the employees (Cartwright & Cooper, 1990) require further in-depth investigation.

Cross-border M&As are to be beset with more difficulties than domestic ones (Buckley, 2010), given the different institutional contexts in the countries involved. The role of culture in M&As is shown to influence the outcomes of M&As (Stahl & Voigt, 2008). Though research on culture's influence on M&As exists, additional studies are called for (Rottig, Reus, & Tarba, 2013; Marks & Mirvis, 2011a, 2013; Sarala, 2009). The existing studies on culture's influence on M&As have so far examined constructs such as cultural distance, culture clash, culture gap, culture fit, or conflict (Rottig et al., 2013). Nevertheless, to the best of the authors' knowledge, there have not been studies examining culture's effects on the individual behavior in the context of M&As. While Sinkovics et al. (2011) as well as Ranft et al. (2010) point to the lack of research examining emotions in the M&A process, one can also identify a lack of studies examining culture's influence on employee behavior during an M&A. Stahl and Voigt (2005) note in their review on the role of culture in M&As that culture does play an important part in M&A success and encourage further research to examine how exactly national culture affects the M&A process. Rottig et al. (2013) show in their extensive review on the literature on culture's influence on M&As that culture does have an influence on M&As, but call for further research in examining both the context and process factors of M&As at once as most of the studies overemphasize the context factors (such as culture). Therefore, our study aims at answering these calls for research integrating culture in the model proposed by Sinkovics et al. (2011) and thereby combining both the context and process factors of M&As in order to provide a better understanding on how culture might influence emotions during an M&A process and through that the outcomes of a cross-border M&A. The paper is organized as follows. In Section 2 the theoretical framework is introduced and the hypotheses are derived. Section 3 outlines the methodology employed in our empirical analysis. The results are presented in Section 4. In Section 5 the implications of our findings for theory and practice are discussed and directions for future research are offered.

2. Theoretical framework

Even though the literature recognizes M&As as highly emotional events (Buono & Bowditch, 1989), research on emotions during M&As is still rare (Sinkovics et al., 2011; Ranft et al., 2010). Sinkovics et al. (2011) extend the research by proposing an analytical framework on the intermediary role of emotions in cross-border M&As. Building on cognitive appraisal and affective events theory, Sinkovics et al. (2011: 28) define an emotion "as a mental state of (action) readiness that arises from cognitive appraisals of events, social interactions or thoughts." According to the cognitive appraisal perception, an emotion requires cognition in form of appraisal (Frijda, 1986; Mandler, 1984). The interpretations of individuals related to changes in the environment are the appraisals. The relevance, urgency, or magnitude of the changes lead to emotions, which in turn are linked to the readiness to act (Sinkovics et al., 2011). The affective events theory is a useful framework for analyzing affective experiences in a work environment, as it assumes that positive and negative emotions are determined by work events, which in turn are determined by the work environment. The affective states (positive or negative) lead to affect driven behaviors and possibly changes in the work attitudes of the individuals (Sinkovics et al., 2011; Ashkanasy, Härtel, & Zerbe, 2000; Weiss & Cropanzano, 1996). All in all, it can be summarized that emotions, negative or positive ones, may have an influence on the behavior of individuals during an M&A, and these attitudes and behaviors might have an influence on the outcome of an M&A. According to the analytical model proposed by Sinkovics et al., 2011, emotions may occur in any organization and at all hierarchical levels of an organization during an M&A process. As each individual experiences his/her own personal emotions, the emotions during an M&A process might differ greatly between the individuals affected by the M&A.

Managerial stimuli, such as communication and management behavior, influence employee emotions (Sinkovics et al., 2011). Previous literature on this field (e.g., Guerrero, 2008; Vince, 2006; Appelbaum & Gandell, 2003) is rather sporadic work based on single case studies. A study by Ford, Ford, and D'Amelio (2008) suggests that frequent, truthful, and enthusiastic communication about change might reduce the uncertainty the employee could possibly feel during a change process. Communication might influence the emotions individuals experience during an M&A. The behavior of the management, especially the managerial support the employees' experience, influences the satisfaction and the anxiety of the employees (Bennett, Lowe, Matthews, Dourali, & Tattersall, 2001). That is, managerial stimuli may influence the emotions of individuals during an M&A. Based on the rather sporadic literature on emotions and their effects during an M&A, Sinkovics et al. (2011) propose that emotions have an intermediary role in cross-border M&As. That is, a managerial stimulus influences the emotions of the individual affected by an M&A. These emotions then influence the outcome of the M&A. Emotions are seen as intermediary variables between the antecedents and outcome variables, as presented in Fig. 1. In addition to these variables, various contextual variables may have an influence on the antecedents of emotions, emotions themselves, and the potential outcomes.

We will closely follow the analytical framework provided by Sinkovics et al. (2011), use it as the conceptual model of our study, and test it empirically. We will extend the analytical framework by adding national culture as a contextual variable to our conceptual framework. As previous literature shows (for overviews see Stahl & Voigt, 2005; Rottig et al., 2013), culture has an influence on the outcomes of M&As. Nevertheless, the literature has so far focused mainly on issues such as cultural distance (e.g., Ahammad & Glaister, 2011; David & Singh, 1993; Kogut & Singh, 1988), cultural differences (e.g., Angwin, 2001; Larsson & Lubatkin, 2001; Calori, Lubatkin, & Very, 1994), or culture clash (e.g., Monk, 2000). As Sinkovics et al. (2011) propose, emotions might have an intermediary role between the antecedents and the outcomes of cross-border M&As. Therefore, it becomes interesting to examine how emotions of individuals involved in the M&A might be related to their national culture. Taras, Kirkman, and Steel (2010) propose that cultural norms and values are a direct antecedent of individuals' emotions, cognitions, and perceptions which in turn influence individuals' behaviors and, ultimately, the job performance of these individuals (see Fig. 2). The connection between culture and individuals' emotions, cognitions, and perceptions as well as the resulting behavioral consequences, provide a more comprehensive understanding on how culture influences work-related outcomes. Thus, the model of Taras et al. (2010) can function as a theoretical basis that helps to understand how cultural values and beliefs might influence emotions resulting from cross-border M&As and whether, and to which extent, emotions influence job performance during an M&A. Including the aspect of culture as well as emotions to the examination of the