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**The Different Paths to Post-merger Identification for Employees from  
High and Low Status Pre-merger Organizations**

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### **Abstract**

A well-known downside of organizational mergers is that employees fail to identify with the newly formed organization. We argue that developing an understanding of factors that affect post-merger identification requires taking the pre-merger status of the merger partners relative to each other into account. This is because relative pre-merger status determines employees' susceptibility to different aspects of the merger process. Specifically, for employees of a high status pre-merger organization, we expected post-merger identification to be strongly influenced by (a) pre-merger identification and (b) the perceived change in the status. In contrast, we expected post-merger identification of employees of a low status pre-merger organization to be strongly affected by the perceived justice of the merger event. Longitudinal data were obtained from a merger of two public sector organizations and the results supported our hypotheses. Our study shows that the extent to which pre-merger identification, status change and justice are important determinants of post-merger identification depends on the relative pre-merger status of the merger partners. Our discussion focuses on theoretical implications and managerial ramifications of these findings.

**Keywords:** mergers, organizational identification, status, organizational justice, change

## The Different Paths to Post-merger Identification for Employees from High and Low Status Pre-merger Organizations

To cope with global competition and environmental uncertainty, organizations are compelled to find ways to increase their efficacy and competitiveness. One of the more popular means by which they aim to achieve these goals is through organizational mergers and acquisitions. However, despite their popularity, research has indicated that as many as 50-80% of the mergers fall short of expectations, no matter what criteria of success are used (Cartwright & Schoenberg, 2006; Thanos & Papadakis, 2012).

Previous research suggests that one reason for the low success rate is that employees often have great difficulty to view themselves as part of the newly formed organization (Gleibs, Noack, & Mummendey, 2008). Specifically, organizational mergers often decrease employees' identification (Giessner, 2011; van Dick, 2004), which may result in lower job satisfaction, declining organizational citizenship behavior, lower team performance, and increased turnover intentions (Jetten, O'Brien, & Trindall, 2002; Ullrich & van Dick, 2007; van Dick, Ullrich, & Tissington, 2006; cf. also Rousseau, 1998). These findings clearly show that mergers can be challenging for employees. Notably, they show that low post-merger employee identification can lead to disengagement and this undermines the likelihood that intended benefits of the merger emerge. For both employees and organizations it is therefore essential to better understand the determinants of employees' post-merger identification as it may help them to manage the merger event more effectively.

Another reason for why it is imperative to understand what drives post-merger identification is that mergers and acquisitions have broader effects, affecting not only the merging organizations and their employees, but also customers, clients and/or other stakeholders

(Giessner, Horton, & Humborstad, 2016). Unfavorable responses by employees of merging organizations may have downstream effects outside the focal organizations, negatively affecting a wide array of individuals. Giessner et al. (2016) argue that it is particularly likely that such detrimental effects will occur in the public sector, because jobs in this sector are firmly embedded within society, and defined by close connections with members of the public as customers, clients, and service recipients (cf., Brunell, 2006). Decreasing levels of post-merger identification may thus not only concern organizations, it may also affect the social fabric of society more widely.

So far, researchers interested in the determinants of post-merger identification have predominantly focused on identification with the pre-merger organization (van Knippenberg, van Knippenberg, Monden, & de Lima, 2002; van Leeuwen, van Knippenberg, & Ellemers, 2003) and justice perceptions in the lead up to the merger (Gleibs et al., 2008; Lipponen, Olkkonen, & Moilanen, 2004). In addition, several researchers have suggested that perceived change in organizational status as a result of the merger may be an important determinant of post-merger identification (e.g., Amiot, Terry, & Callan, 2007; Gleibs et al., 2008; Hornsey, van Leeuwen, & van Santen, 2003), although this has not been empirically tested. The current longitudinal study takes all these factors into account. Importantly, based on the Social Identity Approach (SIA; see Giessner, Ulrich, & van Dick, 2012; Haslam, 2004), we argue that the influence of these three factors on post-merger identification depends on the relative status of the pre-merger organization. In other words, the relative status of the pre-merger organization determines to which aspects of the merger process workers are particularly sensitive (see Figure 1). Specifically, as we will outline further below, we argue that for employees from high status pre-merger organizations, pre-merger identification and a perceived change in organizational status

(from pre-merger to post-merger organization) should predict post-merger identification. For employees from low status pre-merger organizations, perceived justice should be particularly predictive of their post-merger identification.

With this study we aim to provide new insights into the conditions that may safeguard post-merger identification during the merger process. If employee post-merger identification of relative high or low pre-merger status organizations is indeed shaped by different factors one integration strategy may not fit all. Instead, this would require a more fine-grained analysis and more targeted tools in the hands of those that try to orchestrate a merger event. Furthermore, the present research allows us to deepen our knowledge of the temporal dynamics that take place during the merger process and in the development of a new social identity. This is an important endeavor because researchers have focused traditionally on situational changes in social identities and long-term processes through which new identities develop are relatively understudied (for a similar point see Amiot, Sablonniere, Smith, & Smith, 2015; Lensges, Hollensbe, & Masterson, 2016).

### **The Social Identity Approach to Mergers and the Importance of Relative Pre-merger Status**

Organizational identification has been defined as “the perception of oneness with or belongingness to” the organization (Ashforth & Mael, 1989, p. 34). The more employees identify with an organization, the more their thoughts, feelings, and behaviors are influenced and determined by organizational characteristics and norms (Ashforth, Harrison, & Corley, 2008). As a result, organizational identification increases an employee’s behaviors that support organizational goals and functioning (Riketta, 2005). The importance of post-merger identification for post-merger organizational functioning is acknowledged in the Social Identity

Approach (SIA; see Giessner et al., 2012; Haslam, 2004, for reviews). This approach, which incorporates social identity theory (Tajfel & Turner, 1986), and self-categorization theory (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987) provides a firm theoretical background explaining how mergers challenge employees' organizational identification (Boen, Vanbeselaere, Brebels, Huybens, & Millet, 2007), and how relative pre-merger organizational status shapes employees' experiences.

Most organizational mergers are not mergers of equals (Cartwright & Cooper, 1996). In fact, typically one of the merger parties has a higher status than the other merger party (for instance because it has more revenues, a higher market share or more high-end clients). The organizations' *relative status* can be defined as "the current position of the in-group vis-à-vis a relevant out-group" in a certain context (e.g., Scheepers, Ellemers, & Sintemaartensdijk, 2009, 1077). In the merger context, this relative status refers to the status of the organization when compared with the status of the other merging organization, and this relative status becomes highly salient after the merger announcement. Merged organizations do not live in vacuum, and this relative status naturally reflects each pre-merger organization's general status among similar organizations within the same industry. Organizational members are usually very aware of the relative status of their organization and it largely determines how they will perceive the merger (Jetten, Duck, Terry & O'Brien, A., 2002).

Because an individual's self-concept is in important ways derived from being a member of the organization (i.e., an individuals' social identity), it is argued that any changes to that organization (e.g., through mergers) involve identity change and identity loss. In other words, mergers require employees to abandon an existing social identity (derived from the pre-merger organization) and adopt a new identity (derived from the post-merger organization). A merger,

thus, negatively impacts upon employees' sense of continuity (infringing on their perception of stability in their self-perception over time; Jetten & Hutchison, 2011; Sani, Bowe, & Herrera, 2008) and, as such, a merger forms an identity threat to individuals (Branscombe, Ellemers, Spears, & Doosje, 1999).

Several forms of identity threat have been distinguished in the SIA and the nature of threats may vary depending on the way people define their social identity in a particular context (e.g., Branscombe et al., 1999), suggesting that the nature of the identity threat is different for employees of low and high status pre-merger organizations. Specifically, for employees from low status pre-merger organizations, the most obvious threat revolves around the question whether their pre-merger organization will be properly and fairly represented in the new organization. For employees from high-status pre-merger organizations, one prominent threat is that their organization's status may be dragged down due to the merger with a lower status partner (Hornsey et al., 2003). Organizational status is not fixed, and as a result of the merger, employees may experience status change – a change in rank or position of the organization in the prestige hierarchy within the industry as a direct result of the merger. Such change can be positive (i.e., an increase in status) or negative and thus more threatening (i.e., a decrease in status). Notably, even though (and perhaps because of the fact that) status change may be threatening for the high status pre-merger partner, the high status pre-merger partner is much more likely to define the character and identity of the merged company than the low status pre-merger partner (van Knippenberg et al., 2002). As we will argue further below, this will affect the relationship between pre-merger and post-merger identification.

All in all, it seems that relative pre-merger status may determine to which aspects of the merger process employees are most responsive (Terry & Callan, 1998; Terry, Carey, & Callan,



2001). We will elaborate more on how this may impact on the relationships between pre-merger identification, status change, and organizational justice on the one hand, and post-merger identification on the other.

### **The Role of Relative Pre-merger Status in the Relationship between Employee Pre- and Post-merger Identification**

Research indicates that members from the lower status group usually identify less strongly with the post-merger organization than members from the higher status group (Ellemers, 1993; Terry & Callan, 1998; Terry et al., 2001; Terry & O'Brien, 2001; also compare Mael & Ashforth, 1992; Lipponen, Helkama, Olkkonen, & Juslin, 2005). Van Knippenberg and van Leeuwen (2001) argued that the high status merger partner in the merger is much more likely to define the character and identity of the merged company. Hence, employees of the dominant organization are more prone to feel a sense of continuity of their pre-merger identity in the post-merger organization than employees of the dominated organization. If employees feel that the merged organization is essentially a continuation of their previous organization, they should be able to transfer their level of identification from the pre-merger to the post-merger organization. Consequently, employees of the high status pre-merger organization will identify more strongly with the merged company than employees of the low status pre-merger organization (Boen, Vanbeselaere, Hollants, & Feys, 2005; Giessner, Viki, Otten, Terry, & Täuber, 2006; van Knippenberg et al., 2002; van Dick et al., 2004; van Knippenberg & van Leeuwen, 2001; Ulrich, Wieseke, & van Dick, 2005). Consistent with this, it has been proposed that high pre-merger identification is more likely to transfer to high post-merger identification for employees from high pre-merger status organizations (van Knippenberg et al., 2002). Based on the above, our first hypothesis is the following:

*Hypothesis 1: Organization's pre-merger status moderates the relationship between pre-merger identification and post-merger identification. The positive relationship between pre-merger identification and post-merger identification will be stronger among employees from the high status pre-merger organization.*

### **The Role of Pre-merger Status in the Relationship between Perceived Status Change and Post-merger identification**

Moreover, because it is easier for individuals to achieve or maintain a positive social identity when they belong to a high status group (Tajfel & Turner, 1986), employees are usually more likely to identify with organizations high in perceived status or prestige (e.g., Mael & Ashforth, 1992). Consistent with this, it has been found that a perceived increase in status is often positively related to post-merger identification, and a perceived decrease in status is often negatively related to post-merger identification. Furthermore, because members of high status groups will be motivated to maintain the status quo and their advantaged position in terms of status (Blader & Chen, 2011) these employees in particular may react more strongly to changes in status. This motivation is strengthened by the fact that a high status position affords access to valuable resources, which is something that group members usually highly appreciate and are afraid to lose (cf., Chen, Brockner, & Greenberg, 2003).

For members of low status groups it is more difficult to derive a positive identity from the status position of their group. SIA (Tajfel & Turner, 1986) argues that one strategy in which in members of low status groups may protect or enhance positive identity is by engaging in social creativity strategies. For example, they may seek out ingroup-outgroup comparisons on new dimensions, not related to status (e.g., ethical conduct, group affect, communication style). When group members of low status group have successfully built a social creativity-based narrative,

and become accustomed in using alternative dimensions in intergroup comparisons, the importance of status as a dimension of intergroup comparisons has been found to decrease (see Derks, van Laar, & Ellemers, 2006) and low status group members may be less strongly affected by a change in perceived organizational status during the merger process than high status group members (Terry & Callan, 1998).

Although the effects of perceived changes in organizational status have not been previously studied in the merger context, previous research showed that low and high status groups differ in their reactions to unstable and changing status differences. Consistent with our reasoning, Scheepers and colleagues (2009) found that physiological arousal was higher among high status group members when facing the possibility of future group status loss by instability of status differences than when their high status was secure. Despite the fact that changing status differences could potentially be advantageous, low status groups displayed no physiological arousal when status change was made salient. Marr and Thau (2013) investigated how initial status position influences the quality of task performance after status loss. They found that despite the benefits of having high status, high status individuals experienced more threat, and therefore performed worse after status loss than low status individuals who experienced a comparable loss of status. In line with the previously presented ideas, we argue that status change is more strongly related to post-merger identification for employees of high than for low status pre-merger organization:

*Hypothesis 2: Organization's pre-merger status moderates the relationship between perceived status change and post-merger identification. The relationship between status change and post-merger identification will be stronger for employees from the high status than the low status pre-merger organization.*

## **The Role of Pre-merger Status in the Relationship between Organizational Justice and Post-merger Identification**

In addition to pre-merger identification and status change, employees' perception of organizational justice is also an important predictor of their post-merger identification. Organizational justice has previously been conceptualized in a variety of ways including perceived distributive (fairness of outcomes), procedural (fairness of procedures), informational (accuracy and quality of explanations), and interpersonal (given respect and concern) justice concerns (Colquitt, 2001). Both distributive (e.g., Amiot et al., 2007) and procedural justice (Citera & Stuhlmacher, 2001; Lipponen et al., 2004; Meyer, 2001; Tyler & De Cremer, 2005, Gleibs et al., 2008) have been found to be of major importance in merger contexts. Recently researchers have also underlined the conceptual distinction between experiences of the fairness related to an event versus experiences related to a particular entity (e.g., Jones & Skarlicki, 2013). While a justice event refers to a specific episode in which individuals gain experience with or acquire information about a specific organizational event (e.g., a merger), a justice entity, in contrast, represents a learned assessment of the fairness of a particular source (e.g., a supervisor, the organization).

In this study we focus on employees' justice perceptions of the merger event and we distinguish between distributive justice and process justice (Brockner, Wiesenfeld, & Diekmann, 2009). Process justice combines aspects of procedural, informational, and interpersonal justice facets and is defined as "people's perceptions of how fairly they are treated in the course of interacting with another party or during an event". Thus, the relatively recent conceptualization of process justice focuses on the similarities between aforementioned justice dimensions—excluding distributive justice—and it follows the theoretical progress in the justice literature

integrating different justice dimensions (Colquitt, Greenberg, & Zapata-Phelan, 2005).

Employees usually consider process justice issues in a more holistic sense (Greenberg 2001) and facets measures are often highly correlated. Consistent with recommendations to combine facets, especially in cases when there are no strong theoretical grounds to expect unique effects across process justice facets (Ambrose & Arnuad, 2005; Colquitt & Rodell, 2015), in our research, we use a composite process justice measure.

The perception of justice is one of the key concepts in the group engagement model proposed by Tyler and Blader (2003). The model is closely integrated with SIA and stipulates that justice perceptions are important because they shape people's social identity within groups (which in turn influences attitudes, values, and behaviors). Perceived fairness is argued to affect people's social identity, because it transmits identity-relevant information about the quality of one's relationship with the rest of the group. Fair processes and distributions communicate to individuals that they are respected members within their group, and that they can be proud of their group membership. As a consequence, fairness enhances group identification. In line with the general tenets of the model, the perception of fairness during a merger has been found to influence organizational identification with the newly merged group and adjustment to a merger (Amiot, Terry, Jimmieson, & Callan, 2006; Lipponen et al., 2004; Meyer, 2001; Tyler & De Cremer, 2005).

Although main effects of justice have been found in several previous studies, there is reason to believe that justice may be more important for employees of low status pre-merger organizations than for those of high status. It has been argued that changes in group dynamics, such as those brought about by mergers, heightens the sensitivity to information that provides information about one's standing in the group, particularly for individuals who are more

uncertain about their position (Gonzalez & Tyler, 2013). High status organizations often dominate the merger process and they are therefore usually better represented in the new organization. Lower status group members are relatively vulnerable in the merger process and therefore lower status individuals are more sensitive to and concerned about potential exploitation (Chen et al. 2003). Thus, because members from low status organizations are more uncertain about their position they may be particularly sensitive to the perceived fairness of the way the merger is implemented. Any signs that their subgroup identity is neglected and less valued within the context of the superordinate social identity, negatively affects perceived fairness perceptions (Amiot, 2007; Gleibs, 2008), their endorsement of the leaders of the new merged group (Jetten, Duck, Terry, & O'Brien, 2002), and by extension, their post-merger identification. In line with these ideas Huo and Molina (2006) found that the feeling that one's subgroup is recognized, accepted, and valued is especially important for members of low status subgroups, presumably because they may be more likely to interpret their experiences in terms of the extent to which they are respected and valued members of the group.

Taken together, we derive the following hypotheses:

*Hypothesis 3: Organization's pre-merger status moderates the relationship between distributive justice and post-merger identification. The positive relationship between distributive justice and post-merger identification will be stronger among employees from the low status than for the high status pre-merger organization.*

*Hypothesis 4: Organization's pre-merger status moderates the relationship between process justice and post-merger identification. The positive relationship between process justice and post-merger identification will be stronger among employees from the low status pre-merger organization than among employees from the high status pre-merger organization.*

## **Method**

### **Merger Context**

Participants were employees affected by a merger of two independent ministries in Finnish Government. The Ministry of Employment and the Economy (MEE) was established from the former Ministry of Trade and Industry and the Ministry of Labour. Both organizations had a long history (about 40 years) as independent ministries. The Ministry of Trade and Industry's main responsibilities included improving Finland's economic development by strengthening Finnish firm's competitiveness, support research and development, and innovation. The Ministry of Labour was among others responsible for the functioning of labour markets and unemployment allowance matters. The decision to merge the two organizations was made by the government of Finland. There were no lay-offs as a result of the merger but the process was stressful for the employees due to an extremely tight schedule: within eight months after the announcement of the merger, the newly formed Ministry was operational. The two pre-merger organizations were of about equal size but information derived from several unpublished sources (e.g., interviews) from both pre-merger organizations suggested that there was a clear difference in status between the merger partners (with the Ministry of Trade and Industry having higher status, and the Ministry of Labour having lower status), and this status difference had been prevailed for several years. In addition, a former head from the Ministry of Trade and Industry was appointed as the head of the new ministry (van Knippenberg et al., 2002). From now on we will refer to Ministry of Trade and Industry as organization A (the higher status organization), and to Ministry of Labour as organization B (the lower status organization).

## **Design and Procedure**

The first wave electronic questionnaire was sent via email to the employees of the two pre-merger organizations during a rather hectic preparation phase of the merger one month before the new organization officially started. Employees were contacted directly by the researchers but the invitation to participate also included a support letter written by the heads of the two pre-merger organizations. The second wave questionnaire was distributed approximately 11 months later, and thus about 9-10 months after the new organization started. For each of the two data collections, the questionnaire was sent to all employees and participants were informed that their participation and responses to the questionnaires were anonymous and at no time would they be made available to any ministry personnel. Employees were permitted to participate in the study during work hours but no incentives were given.

## **Participants**

After two reminder emails a total of 317 respondents completed the first questionnaire and 275 completed the second questionnaire. The response rate at Time 1 was 49% (Organization A = 48%; Organization B = 49%) and at Time 2 it was 41% (Organization A = 34%; Organization B = 47%). Participants provided a self-generated code that would allow their Time 2 survey to be matched to their Time 1 survey. A total of 141 participants completed both questionnaires and the final longitudinal data sample consisted of 59 employees of organization A and 82 employees of organization B. Of the respondents 66.2% were females, 71.1% were over 40 years old and the tenure of the participants ranged from 1 year to 42 years ( $M = 15.01$ ;  $SD = 9.59$ ). Respondents were relatively highly educated with 71.0 % having obtained an academic master's degree and a further 8.2% having obtained a PhD degree.



Respondents from the two pre-merger organizations did not differ from each other in terms of age, tenure, level of education or gender distribution. In order to test if participants in the final sample (N = 141) differed (in terms of age, tenure, level of education or gender distribution) from those who had completed only the first (N = 317) or only the second questionnaire (N = 275), Bonferonni t-tests were used. Based on these tests, participants who completed both the questionnaires did not differ in their responses on key measures from those who completed only the Time 1 or the Time 2 questionnaire.

### **Measures**

With the exception of the perceived status measure, all measures were obtained using multi-item scales. As can be seen in Table 1, all measures had adequate reliability. The first questionnaire included measures of perceived status of both the pre-merger organizations, pre-merger organizational identification, and perceived procedural justice of the merger process. The second questionnaire assessed perceived status of the post-merger organization, identification with the new merged organization and distributive justice.

**Organizational identification (Time 1 and 2).** Identification was measured with the six-item Finnish (Lipponen, Wisse, & Perälä, 2012) version of Mael and Ashforth's (1992) Organizational Identification Questionnaire. The six items were identically worded for pre-merger identification (Time 1) and for post-merger identification (Time 2). Scale items include: "When I talk about (name of the former organization), I usually say 'we' rather than 'they'" and "When I talk about (name of the new organization), I usually say 'we' rather than 'they'". All responses were assessed on 5-point scales (1 = *strongly disagree*, 5 = *strongly agree*).

**Perceived status (Time 1 and 2).** Arguably, when assessing status in this context, the most relevant reference points were other ministries, of which (before the current merger) there

were 12 in Finland. Therefore, the status of both participating ministries was measured by asking the respondents to state his/her belief of how state officials and employees of other ministries would estimate the general status of both ministries compared to other ministries of Finland. At Time 1 they were asked to indicate the status of both pre-merger ministries on a 9-point scale (1 = *very low status* and 9 = *very high status*). At Time 2 respondents were asked to indicate the status of the new post-merger organization using the same 9-point scale. Note that our measure of perceived status is similar to Pettit and Lount's measure (2011, Study 4) who also used a context-sensitive one-item scale to measure perceived status.

**Perceived status change.** To test Hypothesis 2 concerning the degree of experienced status change and its effects on post-merger identification, we created a *perceived status change* measure. The changes in status were measured by standardized residual scores (e.g., Smith & Beaton, 2008), which were obtained by regressing T2 scores for post-merger status on the corresponding T1 scores for pre-merger status. Positive residual scores indicate over time increases, whereas negative values indicate over time decreases in status. This method of using residual scores as indicators of change (status increase) has the advantage of not inflating error that might occur when using difference scores (Cronbach & Furby, 1970).

**Process justice (Time 1).** In line with our conceptualization of process justice (Brockner et al., 2009) employees' perceptions of the fairness of the merger process were assessed with an 11-item scale (1 = *strongly disagree*, 5 = *strongly agree*) based on Moorman's (1991) procedural justice scale and Blader and Tyler's (2003) quality of treatment scale (both modified for the present context). The used scale reflects an event-based conceptualization and operationalization of process justice, where the relevant perceptions of justice are those related to merger process itself (apart from daily non-merger related perceptions in the organization). In recognition of the

fact that at Time 1, the most important decisions regarding the restructuring of new organization and operational processes had already been made and in order to focus respondents' attention on the merger process as a whole, they were instructed to think about the planning process of the structural arrangements and the implementation of changes specifically relating to the merger process. Scale items include: "Honest explanations have been given for the decisions made concerning the founding process of the new ministry", "Employees have been treated with dignity during the founding process" and "Everyone who was affected by the decision had a chance to voice their opinion". We carried out a principal component analysis (PCA) with Oblimin rotation and the PCA yielded one single factor for the eleven process justice items.

**Distributive justice (Time 2).** Two months after our first wave of data-collection (T1), an open internal call was issued advertising all positions in a new ministry. All employees from both participating ministries were invited to apply and hiring decisions were made by an assessment and planning group. The perceived fairness of the outcome of this placement event was measured using three items modified for this context from scales developed by Blader and Tyler (2003). Scale items were: "On my part the outcome of the placement was fair comparing to my colleagues working in similar jobs at the ministry", "On my part I am pleased with the outcome of the placement" and "The outcome of the placement was favorable to me" (1 = *strongly disagree*, 5 = *strongly agree*).

At Time 1, respondents were also asked to state their opinion on the relative influence of the participating ministries on the founding process. Each respondent selected one of the following three options: "Both ministries have been equally influential in the founding process", "Organization A has been more influential in the founding process.", and "Organization B has been more influential in the founding process." Of the respondents 73.2% choose the second

option (A dominated) while 20.4% choose the first option (equally influential), and only 3.5% thought that organization B has been more influential.

## Results

### Preliminary Analyses

The summary of descriptive statistics and correlations between the variables are presented in Table 1. When comparing the two groups of respondents we found that members of organization A and B did not differ in the extent to which they identified with their old organization ( $M_{\text{org a}} = 3.82, SD = 0.67; M_{\text{org b}} = 3.74, SD = 0.65, t(139) = 0.71, p = .48$ ) or with the new merged organization ( $M_{\text{org A}} = 3.53, SD = 0.75; M_{\text{org B}} = 3.30, SD = 0.75, t(139) = 1.73, p = .085$ ). However, for both groups, there was a statistically significant drop in the level of organizational identification comparing pre- and post-merger identification ( $M_{\text{org A}} = -0.30, t(58) = 3.21, p < .01$  for organization A;  $M_{\text{org B}} = -0.44, t(81) = 4.62, p < .001$  for organization B). In addition, there was no significant difference between members of organization A and B in the level of perceived process justice ( $M_{\text{org A}} = 2.80, SD = 0.66; M_{\text{org B}} = 2.81, SD = 0.69, t(139) = 0.13, p = .90$ ) or distributive justice ( $M_{\text{org A}} = 3.98, SD = 1.19; M_{\text{org B}} = 3.77, SD = 1.20, t(139) = 1.05, p = .29$ ).

In general, respondents from both organizations agreed on the status difference between the parties at Time 1. Respondents from organization A rated their own pre-merger status as significantly higher ( $M_{\text{status A}} = 7.83, SD = 1.07; M_{\text{status B}} = 5.14, SD = 1.73, t(58) = 10.76, p < .001$ ), and respondents from organization B rated their own pre-merger status as significantly lower ( $M_{\text{status B}} = 4.96, SD = 1.75; M_{\text{status A}} = 7.24, SD = 1.22, t(81) = 10.94, p < .001$ ). There was a marginally significant difference in perceived status of the new organization with employees

from organization A rating the status of the post-merger organization as higher ( $M = 6.24$ ,  $SD = 1.68$ ) than employees from organization B ( $M = 5.71$ ,  $SD = 1.76$ ,  $t(139) = 1.80$ ,  $p = .07$ ).

Notably, the respondents from the two organizations experienced the status change in different ways. While members of organization A experienced a significant status decrease ( $M_{\text{pre-status}} = 7.83$ ,  $SD = 1.10$ ;  $M_{\text{post-status}} = 6.24$ ,  $SD = 1.68$ ;  $t(58) = 6.55$ ,  $p < .001$ ), members of organization B experienced a significant status increase ( $M_{\text{pre-status}} = 4.96$ ;  $M_{\text{post-status}} = 5.71$ ,  $t(81) = 3.35$ ,  $p = .001$ ).

### Main Analyses

To test our four hypotheses relating to the conditional effects of pre-merger identification, status change, process justice, and distributive justice we conducted a moderated multiple regression with centered variables (Aiken & West, 1991; Table 2). At the first step, post-merger identification was predicted by the main effects of pre-merger identification, premerger status, perceived status change (status increase), process justice, distributive justice and organization (dummy coded 1 and 0 for high status organization A and low status organization B, respectively). At the second step, the two-way interactions (i.e., product terms) were entered. Table 2 shows that all the four predicted two-way interactions were significant. Collinearity analyses for regression models indicated that the assumption of multicollinearity was not violated as all Variance Inflation Factor values were under 2.5 and Tolerance values were over .40 (Allison, 1999).

Simple slope analyses indicated that post-merger identification of the high-status pre-merger organization (organization A) was positively and more strongly affected by pre-merger identification ( $\beta = .46$ ,  $p = .000$ ) and status change (status increase) ( $\beta = .44$ ,  $p = .000$ ) compared to low-status premerger organization (organization B) ( $\beta = .14$ ,  $p = .134$ ;  $\beta = .18$ ,  $p = .006$ ,

respectively), see Figures 2 and 3. Furthermore simple slope analyses indicated that post-merger identification of the low-status pre-merger organization (organization B) was positively and more strongly affected by process justice ( $\beta = .31, p = .000$ ) and distributive justice ( $\beta = .22, p = .000$ ) compared to high-status pre-merger organization (organization A) ( $\beta = .02, p = .864$ ;  $\beta = .04, p = .570$ ), see Figures 4 and 5. Importantly, in all four cases the significant interactions reveal a pattern of results that is consistent with the hypotheses.

### **Additional Analyses**

There are certain drawbacks associated with the use of difference scores (Edwards, 2001). For instance, it can be argued that combining distinct measures (perceived pre-and post-merger status) into one status change score may confound the effects of each component measure on post-merger identification. To enhance our confidence in the findings related to the differential effects of status change in the two organizations (Hypothesis 2), we also opted for additional analyses using polynomial regression with response surface analysis (Edwards, 2002; Shannock, Baran, Gentry, Pattison, & Heggstad, 2010). Response surface analysis allows for the examination of the extent to which combinations of two predictor variables relate to an outcome variable, particularly when the difference or incongruence between the two predictor variables is the key issue (Edwards, 2002; Shannock et al., 2010). Predictors (perceived pre- and post-merger status) were standardized on the scale midpoint (5 on a 9-point scale). Squared predictor and interaction terms were computed and added to the regression model. One polynomial regression equation was estimated for the high pre-merger status organization (organization A) and one for the low pre-merger status organization (organization B). The polynomial regression analyses (Table 3) revealed that a significant amount of variance in post-merger identification was explained for both organization A and organization B, which justified our decision to use the

response surface methodology (Edwards, 2002). Significance tests for the slope of perfect agreement ( $a_1$ ), curvature along the line of perfect agreement ( $a_2$ ), slope on the line of discrepancy ( $a_3$ ) and curvature on the line of discrepancy ( $a_4$ ) were conducted and surface plots were examined.

Hypothesis 2 stated that the relation between status change and post-merger identification would be stronger for employees from organization A. That is, we would expect the perceived pre-merger status and perceived post-merger status discrepancy to be significantly related to post-merger identification for this organization. The polynomial regression analysis for organization A revealed that the line of agreement had a positive slope ( $a_1 = 0.24, p < .05$ ; see Table 3) indicating that the lowest level of post-merger identification existed when both pre- and post-merger status was low and that post-merger identification increased towards the end of the graph were both pre- and post-merger status were high. Importantly, we also found that the line of discrepancy had a positive slope ( $a_3 = 0.30, p < .05$ ). This indicates that post-merger identification was relatively high when post-merger status exceeded pre-merger status and low when post-merger status was lower than pre-merger status (see Figure 6). The polynomial regression analysis for organization B only revealed that the line of agreement had a positive slope ( $a_1 = 0.14, p < .05$ ; see Table 3), which again indicates that post-merger identification was lowest when both pre- and post-merger status were low and that post-merger identification increased towards the end of the graph were both pre- and post-merger status were high (see Figure 7). Notably, the slope of the discrepancy was not significant for organization B. These results thus provide further support for Hypothesis 2.

## Discussion

Many organizational mergers fail because employees resist identification with their new organization. This study aimed to provide insight into the obstacles to post-merger identification among members of organizations that differ in their pre-merger status. As expected, we found that low and high status pre-merger groups were concerned about different aspects of the merger. Pre-merger identification and perceived organizational status change was especially predictive of post-merger identification for employees with higher pre-merger organizational status. Moreover, and also as expected, we found that employees from lower status pre-merger organizations were particularly sensitive to process and distributive justice perceptions in relation to the implementation of the merger. Clearly thus, pre-merger organizational status is important when explaining the differences in the responses to mergers.

### Implications for the Social Identity Approach to Mergers

Group status holds a central place in our theoretical framework: the Social Identity Approach (SIA). However, one important, but often overlooked, aspect of status is status change (i.e., gain or loss). So far, previous studies have mainly focused on how members of low-status groups respond to their negative social identity, and research on identity threat in high-status groups is relatively scarce in comparison (see Ellemers & Bos, 1998; Scheepers et al., 2009). The current study implies that members of high status groups may be more sensitive to status change than members of low status groups, but the extent to which this found pattern of relationships can be generalized beyond the organizational merger context to other types of groups or situations is still unclear. Future research is needed in this regard. Notably, this research may also focus on the extent to which the sensitivity to status change may depend on



the degree the given intergroup context offers possibilities to create a plausible social creativity narrative for the members of the low-status group (Tajfel & Turner, 1986).

In addition, longitudinal studies that are geared at advancing the understanding of the temporal dynamics of status change have been lacking. Although the effect of status differences between the merger parties has received ample attention (Giessner et al., 2012), much less attention has been devoted to the temporal dynamics and changes of group status during the merger process. However, when focusing solely on status differences between the pre-merger organizations we may overlook the fact that mergers often imply either a decrease or increase in perceived organizational status for the employees (cf., Hornsey et al., 2003), and that it is a change in status (rather than the relative pre-merger status per se) that may best predict post-merger identification. A failure to take those dynamics into account could hinder a thorough understanding of merger effects on employees and thus potentially obscure measures that could be taken to make mergers less challenging for employees.

### **Implications for Organizational Justice Research**

Previous research has shown that there is a relationship between justice perceptions and post-merger identification and we made an important contribution by examining how this relationship differs depending on pre-merger status. Even though studies that focused on factors that moderate the relationship between justice and post-merger identification have been scarce, recently, Edwards and Edwards (2012) investigated employees' post-merger identification with an acquiring organization. As predicted, they found that the relationship between procedural justice and post-merger identification was stronger for those employees who experienced low job continuity. The argument for this prediction was that in uncertain times, when employees are faced with job-related continuity threats, they are motivated to search for information concerning

whether the acquiring organization is fair (Lind & Van den Bos, 2002). Additionally, they argued that these fairness perceptions would exert a particularly strong influence on post-merger identification when continuity threats are high. Our findings are consistent with those by Edwards and Edwards (2012) suggesting that individuals from lower status organizations may be particularly likely to perceive continuity threat when facing a merger with a higher status partner.

Relevant here too is the finding by Monin, Noorderhaven, Vaara, and Kroon (2013) in their five-year qualitative longitudinal study that in the different phases of the merger process the relevance of different distributive justice rules changed. It appeared that the focus of managers' efforts moved gradually from creating norms of equality to equity to less emphasis on distributive justice. However, Monin and colleagues (2013) focused solely on distributive justice, and it would be interesting to study the sense-making and sense-giving processes that managers use when they are shaping the rules of procedural justice in the context of mergers.

In addition, it could be worthwhile to study whether there are systematic differences between lower and higher status parties in those factors that shape overall justice perceptions. Giessner and colleagues (2006), for example, showed that members of the high-status organization expect assimilation of the low status merger partner or some other form of integration in which the own organization is strongly represented in the post-merger organization. Members of high-status organizations did not respond well to an equal representation in the merged organization. In contrast, employees of the low-status organization tend to strongly support an equal representation in the merger. In other words, high-status and low-status organizations differ in their baseline expectations and these different expectations may also shape perceptions of procedural fairness during the process (Jones & Skarlicki, 2013).

We did not measure expectations or anticipatory justice in this study and suggest that it may be interesting to include such a measure in future studies.

### **Strengths and Limitations**

Of course, our study suffers from certain weaknesses and limitations. First, we cannot rule out the possibility that differences in how employees in each organization responded to status change and justice could be due to a difference other than pre-merger status. Second, in our study, the status difference between the parties was very clear and it is possible that the results may not be generalized or applied to situations in which the status difference between the groups is only minor or more ambiguous. Third, although most employees in our sample experienced massive changes in their work, there were no lay-offs as a result of the merger. The lack of fear for job-loss may be quite unique to this merger and it is possible that this meant that employees redirected their concerns to other aspects of the merger process (e.g., changes in group status, process justice).

Fourth, process justice (T1) and distributive justice (T2) were measured at different time points. Distributive justice was thus measured at the same time as our dependent variable post-merger identification and some time had elapsed since we had measured process justice. However, distributive justice of certain outcomes cannot be evaluated or measured before those outcomes have been realized (as was the case for job replacement in our sample). In addition, many previous merger studies concentrated only on procedural justice without controlling for distributive justice (e.g., Gleibs et al., 2008), or combined procedural and distributive justice into a single scale (e.g., Amiot et al., 2007). We considered it important to have both types of justice represented in the research, even when we had to assess them at different points in time.

Finally, and related to the previous point, our distributive justice measure can be criticized for not distinguishing distributive justice from outcome favorability. According to Skitka, Winkler, and Hutchinson (2003) previous research has generally measured or manipulated outcome favorability, rather than outcome fairness, and these concepts have frequently and uncritically used as interchangeable. Conversely, it has also been argued that there is little distinction between these two constructs and they have been viewed as reflecting the same psychology (e.g., Taylor, 2015). Although we have here adopted this latter approach it is important to be mindful of these measurement issues when interpreting the results of this study.

Our study also has several strengths. For instance, a main strength of our study is that we were able to collect longitudinal data. Clearly, the advantage of longitudinal studies is that they can point to development, trace patterns of change, and possibly paint a picture of cause and effect over time. However, it is difficult to obtain these kinds of data, and only a relatively limited number of studies on mergers were able to report them. Another strength of our study is that we were able to complete the first round of data-collection in the preparation phase of the merger, before the new organization officially started and the pre-merger group still existed. This is important, particularly if one considers that that previously researchers have often been forced to rely on retrospective measures of pre-merger identification (e.g., Amiot et al. 2007; Boen, Vanbeselaere, & Cool, 2006) that may be vulnerable to various distortions.

### **Practical Implications**

Our study may have important implications for change agents and top-level management, as it provides them with a framework for understanding the concerns of employees from high and low status pre-merger organizations. Specifically, it may help them to understand why

employees of the two organizations may react differently to the same organizational change. Moreover, knowledge about the concerns that various employees may have, may guide the implementation of strategies aimed at alleviating these concerns. For instance, our study points to the possibility that the two parties need and are responsive to different kinds of information. Therefore, some kind of dual-strategy in internal communication could be useful. Employees from the former low status organization may be concerned about not being valued and being exploited in the new organization. As a consequence, these employees may benefit from receiving information about, for instance, procedures, time-lines, the option to voice one's opinion, and the reasons for certain decisions. In addition, authority figures (leaders, managers, change agents) should take extra care to give formal responsibilities to employees and managers from both the low and the high status pre-merger organization. Employees from the former high status party may be provided reassurance of future status maintenance. Alternatively, social creativity processes could be stimulated (Tajfel & Turner, 1986; see Matsuzaki & Homma, 2005). Not only can the strategy of social creativity be helpful in creating a superordinate identity (see also Terry et al., 2001), it could also help the employees from both the low and the high status pre-merger organizations to more easily adapt to the new situation. For instance, employees of the low pre-merger organization could be triggered to assess all their particularities, strengths, and competencies, and how these may be valuable to the newly merged organization. In addition, the employees of the high status pre-merger group may be stimulated to think about what they can bring to the table apart from status. This may lead status change to have less strong effects on post-merger identification.

Finally, mergers between organizations as well as internal mergers (e.g., between departments) are marked examples of situations that require employees to abandon their previous

identification (the organization or the department) compelling them to identify with the new merged group. It is important to note, however, that identity changes are not limited to the context of mergers, but are regular occurrences in ones working life. For example, newcomers face identity change when they join a new organization. Likewise, employees who get promoted or relocated to other departments may face changes to their social identities. Although issues related to identity change have received increased scientific attention in recent years (e.g., Amiot et al., 2015; Jetten et al., 2002), we still lack a fine-grained understanding of processes through which various new work-related identities are adopted. Our current study may help to shed some more light on this important topic and provide some pointers as to how identity change can facilitated for employees.

### **Conclusion**

Our study shows that pre-merger status largely determines to which aspects of the merger process employees are particularly sensitive. For employees from high status pre-merger organizations, pre-merger identification and perceived change in status is predictive of their post-merger identification. For employees from low status pre-merger organizations, perceived process and distributive justice is particularly predictive of their post-merger identification. Awareness of these differences may be critical for leaders who wish to manage employees' changing identities and build a new organizational groups, that employees identify with.

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Table 1

*Means, standard deviations, and correlations of the measured variables*

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7
1. Post-merger identification ( <i>T2</i> )	3.40	0.75	(.76)						
2. Pre-merger identification ( <i>T1</i> )	3.78	0.65	.36***	(.80)					
3. Process justice ( <i>T1</i> )	2.81	0.68	.44***	.22**	(.83)				
4. Perceived post-merger status ( <i>T2</i> )	5.93	1.74	.61***	.22**	.30***	(-)			
5. Perceived pre-merger status ( <i>T1</i> )	6.16	2.06	.37***	.23**	.25**	.30***	(-)		
6. Distributive justice ( <i>T2</i> )	3.86	1.19	.54***	.14	.31***	.43***	.28**	(.92)	
7. Organization			.15	.06	-.01	.15	.69***	.09	(-)

*Note.*  $N = 141$ . All scales (except organization and perceived status) ranged from 1 to 5.

Organization was coded lower status = 0 and higher status = 1.

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ , two-tailed.

Table 2 *The results of the multiple regression analysis predicting post-merger identification at time 2*

	B	$\beta$	t
Step 1			
Pre-merger identification ( <i>T1</i> ) (A)	.21**	.18	2.94**
Process justice ( <i>T1</i> ) (B)	.20	.18	2.80**
Perceived pre-merger status ( <i>T1</i> )	.08	.21	2.38*
Perceived status change ( <i>T1-T2</i> ) (C)	.27	.36	5.61***
Distributive justice ( <i>T2</i> ) (D)	.17	.27	4.00***
Organization (E)	-.02	-.01	-0.15
$R^2$	.55***		
Step 2			
Pre-merger identification ( <i>T1</i> ) (A)	.14	.12	1.51
Process justice ( <i>T1</i> ) (B)	.31	.28	3.45**
Perceived pre-merger status ( <i>T1</i> )	.07	.20	2.26*
Perceived status change ( <i>T1-T2</i> ) (C)	.18	.23	2.88**
Distributive justice ( <i>T2</i> ) (D)	.22	.35	4.27***
Organization (E)	.01	.01	0.07
A x E	.33	.19	2.36*
B x E	-.29	-.16	-2.09*
C x E	.27	.23	2.86**
D x E	-.18	-.19	-2.25*
$R^2$	.61***		
$R^2$ change	.06***		

Note.  $N = 141$ . All independent variables (except organization) were centered. Organization was coded lower status = 0 and higher status = 1

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ , two-tailed.

Table 3 *Summary of polynomial regression analyses predicting post-merger identification*

	Post-merger identification predicted for organization A	Post-merger identification predicted for organization B
Variable	<i>b</i> (SE)	<i>b</i> (SE)
Constant	3.47	3.44
Post-merger status ( $b_1$ )	0.27 (.05)**	0.10 (.04)*
Pre-merger status ( $b_2$ )	-0.03 (.09)	0.04 (.04)
Post-merger status <sup>2</sup> ( $b_3$ )	-0.01 (.02)	-0.02 (.02)
Post-merger x pre-merger status ( $b_4$ )	0.01 (.05)	0.03 (.02)
Pre-merger status <sup>2</sup> ( $b_5$ )	-0.00 (.02)	-0.03 (.02)
Pre-merger identification	0.47 (.11)**	0.16 (.10)
Process justice	0.02 (.11)	0.27 (.10)**
Distributive justice	0.04 (.07)	0.21 (.05)**
F	11.12***	12.95***
R <sup>2</sup>	0.64	0.54
<i>Surface tests</i>		
a1 ( $b_1 + b_2$ )	0.24 (.10)*	0.14 (.06)*
a2 ( $b_3 + b_4 + b_5$ )	0.01 (.05)	-0.03 (.02)
a3 ( $b_1 - b_2$ )	0.30 (.10) **	0.06 (.06)
a4 ( $b_3 - b_4 + b_5$ )	-0.01 (.07)	-0.09 (.05)

Note. \*  $p < .05$ ; \*\*  $p < .01$ ; two-tailed.

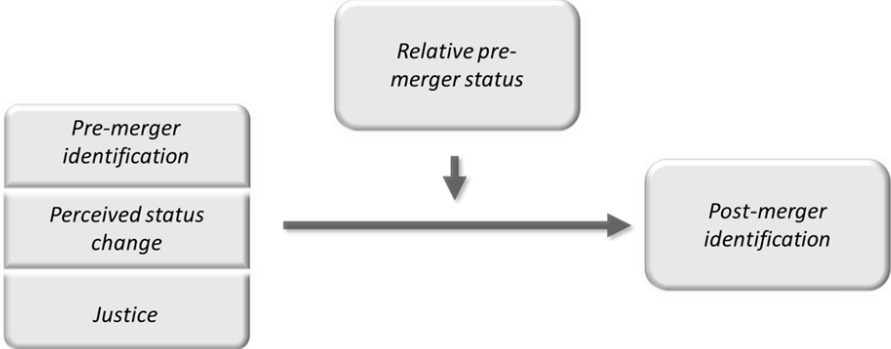


FIGURE 1

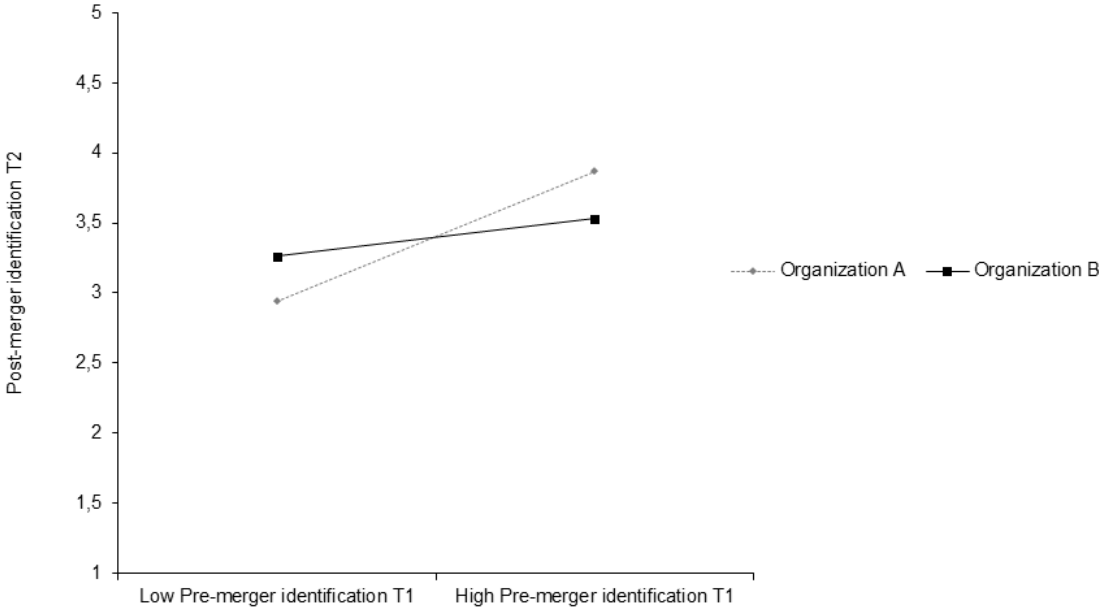


FIGURE 2

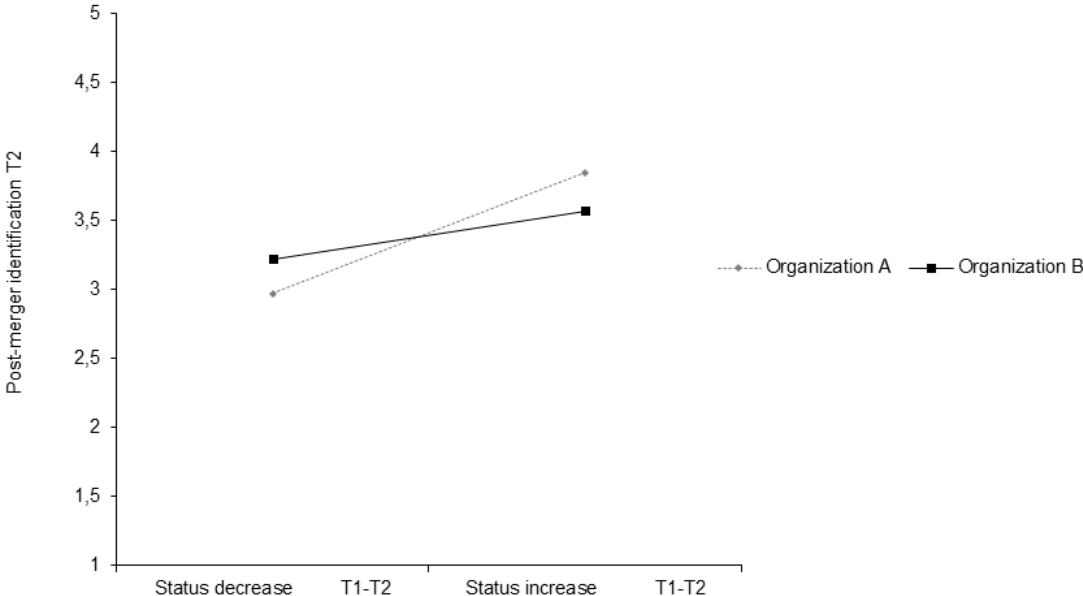


FIGURE 3

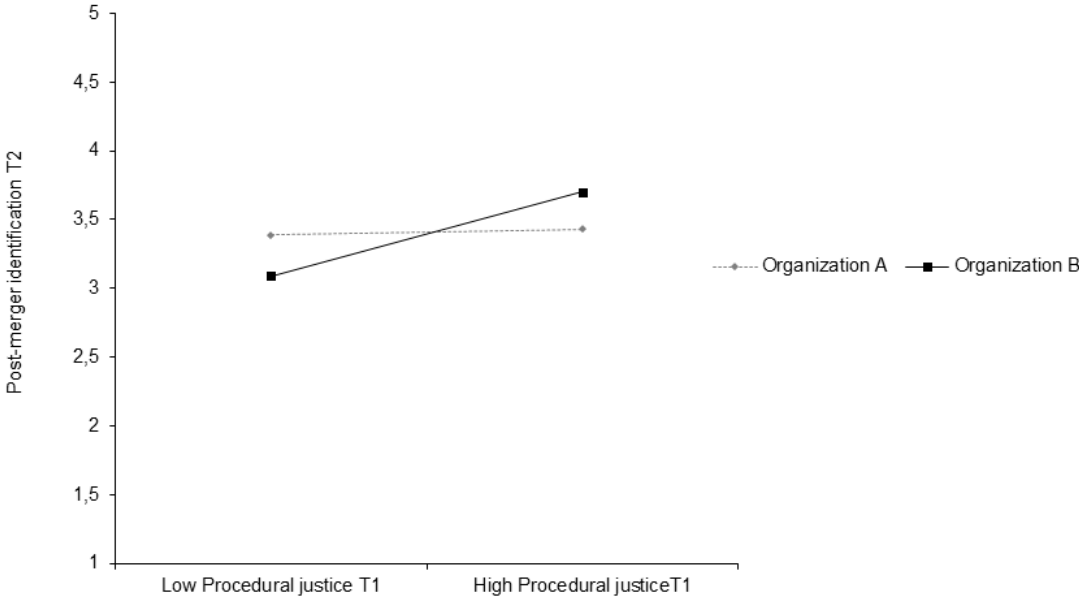


FIGURE 4



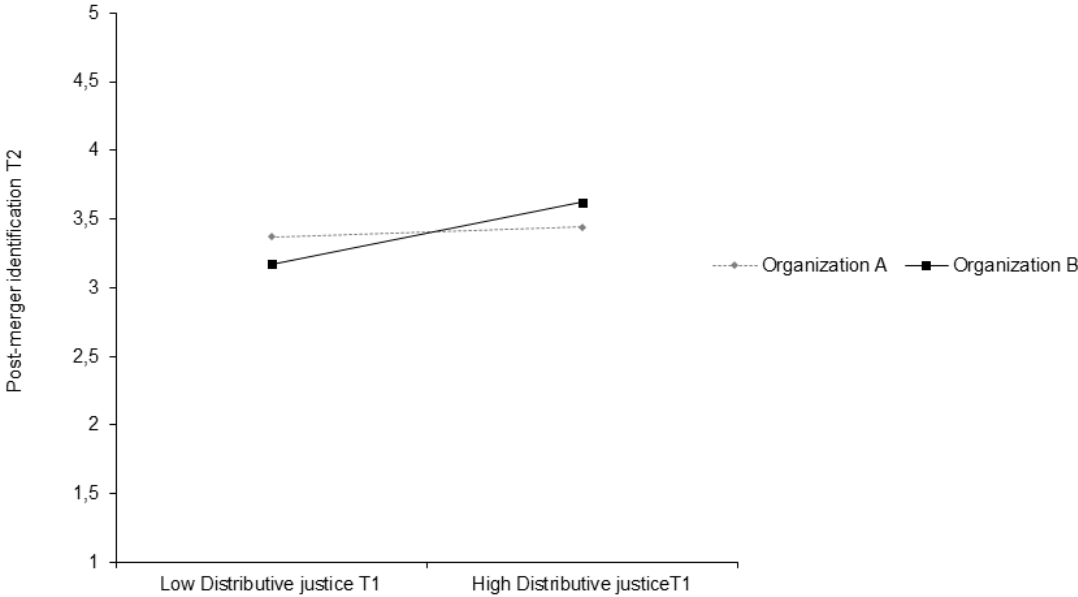


FIGURE 5

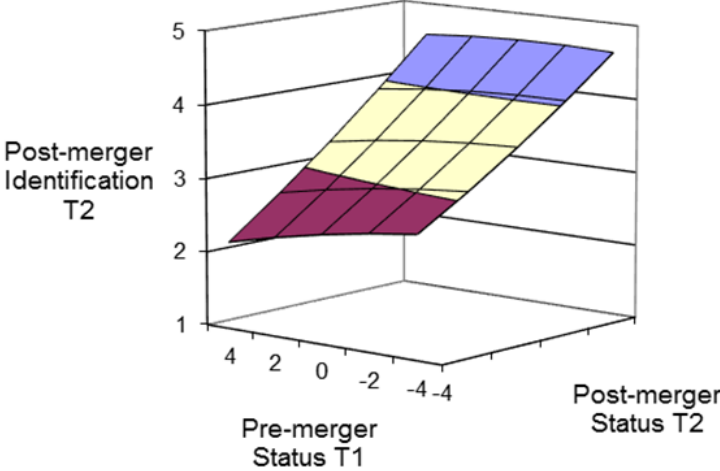


FIGURE 6

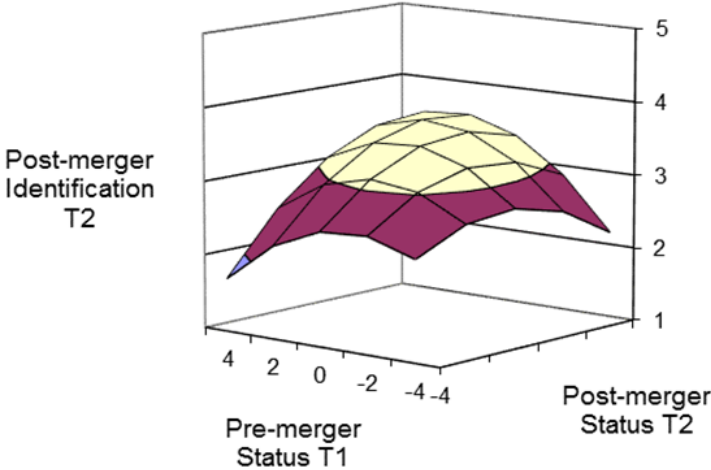


FIGURE 7