

Workshop paper

COMMITMENT BUILDING IN CROSS-BORDER ACQUISITION

Key persons multiple commitments in a European –Indian acquisition in the high-tech industry

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Abstract

Purpose – Mergers and acquisitions (M&As) represent major organizational changes, and create traumatic, stressful situations to employees, which may lead to the loss of key persons. The aim of this research is to study the acquired key employees' organizational commitment from a multiple commitment perspective.

Design/methodology/approach – This study is a longitudinal single case study of a European – Indian acquisition within the high-tech sector. Data was collected for nearly 2 years both with 4 repetitive quantitative surveys and 68 interviews.

Findings – The results imply that the commitment of key persons in the acquired company is very complex and they may experience multiple identities and commitments even 2 years from the acquisition. The results imply that key persons' organizational commitment is closely linked to organizational identity and turnover intentions. Moreover, organizational, job and career commitment correlate moderately indicating they are intertwined. Finally, how they perceive and experience the post-acquisition integration phase seems to play a critical role during the post-acquisition integration phase.

Research limitations – This research is a single case study, and the nature of the data doesn't allow the analysis of causalities. However, this longitudinal research provides deeper understanding to the phenomenon, and strives for analytical generalization rather than statistical generalization.

Contribution/originality – This research contributes to the growing interest in understanding how change is experienced by individuals, and especially how key persons' organizational commitment develops following a cross-border acquisition. This research contributes to organizational behaviour research stream of M&As by providing deeper understanding on the commitment building process in cross-border M&As.

Keywords: *organizational commitment, multiple commitment, job commitment, career commitment, turnover intention, key persons, cross-border acquisition, post-acquisition integration, India, high-tech industry*

INTRODUCTION

Cross-border mergers and acquisitions (M&A) are increasingly part of the everyday business. Mergers and acquisitions (M&As) provide unique opportunities for the acquirer to grow rapidly, to gain new capabilities, which the organisation may have difficulties to develop on its own, and to get access to new markets (e.g. Haspeslagh & Jemison, 1991; Hitt et al., 2001). A great number of the M&As during the past decade have appeared to be motivated by firms' need to obtain critical technologies or capabilities (Ranft & Lord 2000, 296), and in many cases human resource is the key element (Noble, Gustafson & Hergert, 1997; Ranf & Lord 2002).

In acquisitions, where the primary objective is the acquisition of valuable knowledge, the departure of key persons would affect the success of the acquisition (e.g. Hubbard 1999; Ranft & Lord 2000). Research on turnover in the field of M&As has focused on top management departure (e.g. Walsh, 1988; Cannella & Hambrick, 1993; Hambrick & Cannella, 1993; Krug & Nigh, 1998; Krug & Hegarty, 2001). It has been argued that top managers have a great amount of knowledge, and thus represent a critical resource, and indeed, research results do show that the departure of highest ranking executives would be harmful regarding the post-acquisition integration (Cannella & Hambrick, 1993; Kiessling & Harvey 2006). Nevertheless, the loss of other groups of employees may also affect the success of the acquisition (e.g. Cartwright & Cooper, 1999; Castro & Neira, 2005). Recent research has been increasingly interested on topics such as knowledge acquisition and transfer in acquisitions (Birkinshaw 1999; Bresman et al. 2001; Ranft & Lord 2000; 2002). However, little research has been on means to retain critical key persons in knowledge intensive acquisitions (cf. Ranft & Lord 2000). *This research focuses on the acquired key persons critical from the acquirers' perspective.*

Based on earlier research, the strongest predictor of turnover is organizational commitment (c.f. Porter et al. 1974; Mowday et al. 1979; 1982; Allen & Meyer 1990; Meyer & Allen 1997; Price 2000; Elangovan 2001). Consequently, the more the person is committed to the organization, the less he/she will have willingness to leave the organization (e.g. Meyer & Allen 1997). Recent research has been increasingly interested in the organisational commitment of the acquired employees, although research in this field is still very scarce (e.g. Schraeder 2001; Fairfield-Sonn et al. 2002). Moreover, it has been argued that there is limited research on the

HRM practices that lead to organizational commitment among software professionals (cf. Paul and Anantharaman 2004, 79).

There is a gap in literature for research focusing on how to retain the acquired company's key persons and how their commitment towards the acquirer develops during the post-acquisition stage. Moreover, the majority of the commitment literature focuses on measuring the levels of commitment (c.f. Porter et al. 1974; Mowday et al. 1979; Blau 1985; Allen & Meyer 1990; Morrow 1993; Meyer & Allen 1997; Cohen 2003), and there is a gap in commitment literature to understand how the individuals and especially managers experience their commitments following an acquisition (c.f. Lämsä & Savolainen 2000). *This research is conducted from the point of view of the acquired organizations' key persons.*

The main purpose of this paper is to obtain deeper understanding on *how the critical acquired key persons commit to the acquiring organizations, the new parent company.* Consequently, this research will analyze *how does key persons' organizational commitment evolve in relation to other work related commitments following a cross-border acquisition, what are the challenges related to organizational commitment in cross-border acquisitions, and what enhances the most their commitment towards the acquiring company, the new parent company.* When analyzing key persons post-acquisition commitments, this research will adopt a multiple commitment perspective (c.f. Reichers 1985).

This study is a longitudinal single case study of a European – Indian acquisition within the high-tech sector. Research in India has become increasingly interested in organizational commitment and factors enhancing it (c.f. Paul Anantharaman 2004; Bhatnagar 2007). This research implies that organizational commitment is very culturally bound, and in order to define useful means for managers to use in international human resource management, the commitment of acquired key employees has to be explored from their point of view.

This paper is organized as follows. First, the literature review will point out research gaps in organizational commitment and mergers and acquisitions. The methodological chapter will describe more in detail the research process. Finally, the last section of this paper will present the main results and the main contribution including managerial implications.

COMMITMENTS IN CROSS-BORDER ACQUISITIONS

Organizational commitment

Organizational commitment has been topical for several decades, during which it has been conceptualised, measured and studied in various ways (c.f. Kanter 1968; Buchanan 1974; Mowday, Porter & Steers 1982; Allen & Meyer 1990; Brown 1996). The division into attitudinal and behavioural commitment is the most traditional classification of commitment (e.g. Allen & Meyer 1990; Mowday et al 1982). Previous research have found around 25 commitment related concepts and measures (Morrow 1983; Cooper-Hakim and Viswevaran 2005). Thus it is no wonder that the field of research has been fragmented and it has been marked by a lack of consensus concerning the definition of the concept or its measurement (see e.g. Buchanan 1974; Mowday et al. 1982; Allen & Meyer 1990; Benkhoff 1997; Hartman & Bambakas 2001). However, common to all conceptualization is the link between organizational commitment and turnover intentions (c.f. Porter et al. 1974; Mowday et al. 1979; 1982; Allen & Meyer 1990; Meyer and Allen 1997; Price 2000; Elangovan 2001).

It has been argued that the most popular measure, i.e. organizational commitment questionnaire (OCQ) developed by Porter et al. (1974), has in a sense become “the” approach to organizational commitment (Reichers 1985; Mathieu & Zajac 1990; Brown 1996). This definition view commitment as affective and attitudinal commitment, according to which organizational commitment is defined in terms of the strength of an individual’s identification with, involvement in and desire to maintain membership in a particular organization (Porter et al. 1974; Mowday et al. 1979). Consequently, affective commitment can be understood as as a strong belief in and acceptance of the goals and values of the organization, as well as a strong desire to remain a member of the organization (Porter et al. 1974; Mowday et al. 1979). Another frequently used approach to organizational commitment is the three-component conceptualisation of commitment proposed by Allen and Meyer (1990). This conceptualization divides organizational commitment into affective, continuance and normative commitment (Allen & Meyer 1990). However, this research focuses on the affective side of organizational commitment based on Porter’s et al. (1974) conceptualization of commitment.

Organizational commitment is closely linked to organizational identification and it has been viewed as one type of organizational commitment (Hall, Schneider & Nygren 1970), or at least as a close conceptual neighbour to affective organizational commitment (Mowday et al. 1979;

Mathieu & Zajac 1990; Riketta 2005). More recent research argues that organizational identification and organizational commitment are distinct constructs (see Mael & Ashforth 1992; Van Knippenberg & Sleebos 2006; Cole & Bruch 2006). The core issue differentiating between organizational identification and commitment is that identification reflects an individual's self-definition, whereas commitment does not (Ashforth & Mael 1989; Van Knippenberg & Sleebos 2006). In other words, identification reflects the extent to which organizational membership is incorporated into the self-concept, whereas commitment focuses on employees' attitudes towards the organization by considering the costs and benefits it has for them (Bartels, Douwes, de Jong & Pruyn 2006, p.S52¹).

There has been a growing interest on the relationship between HRM practices and organizational commitment (c.f. Meyer and Smith 2000; Paul and Anantharaman 2004; Kinnie, Hutchinson, Purcell, Rayton and Swart 2005; Bhatnagar 2007). Nevertheless, the majority of these studies has been quantitative, and there is gap in research regarding how the individual perceive its commitments and what would enhance his/her commitment (Lämsä & Savolainen 2000, 299). This research adopts a qualitative approach to obtain a deeper understanding on how the employees perceive the committing practices of the new parent organization and what is the most important factor enhancing their organizational commitment towards the acquiring, new parent organization. Quantitative surveys will be used to measure the general levels of commitment in the acquired organization, i.e. the commitment "temperature".

Moreover, previous research has argued that organizational commitment can be viewed as one of employees' work related commitments (c.f. Reichers 1985; Morrow 1993; Meyer & Allen 1997; Cohen & Freund 2005), this research adopts a multiple commitment approach in order to obtain a better understanding how the key persons' organizational commitment evolves following a cross-border acquisition. Next the multiple commitments are defined more in-depth.

Organizational commitment in relation to other work related commitments

There has been a growing interest for the concept of multiple commitments in recent years among researchers and practitioners (Cohen & Freund 2005, 2). It has been argued that organizational

¹ Original source: Van Dick, R. – Wagner, U. – Stellmacher, J. – Christ, O. (2004) The utility of a broader conceptualization of organizational identification: Which aspects really matter? *Journal of Occupational and Organizational Psychology*, Vol. 77, 171 – 191.

commitment can be best understood as a collection of multiple commitments e.g. commitment to managers, customers and/or work groups. Consequently, employees can have varying commitment profiles and employee's commitments may be conflicting with each other, e.g. commitment to work or non-work commitments such as family. (Reichers 1985, 469–470; Meyer & Allen 1997, 17–21.) Traditionally it has been assumed that an employee had to choose one commitment over the other due to conflict between bureaucratism and professionalism. Since then sociological studies have considerably modified earlier approaches and imply that employees may experience both organizational and professional commitment at similar or various levels. (Aranya et al. 1981, 273.)

According to Morrow (1983; 1993) organizational commitment is only one commitment among other employees' work related commitments. Based on Morrow's (1993) definition work commitment comprises job involvement, affective and continuance organisational commitment, work ethic endorsement and career commitment. Work commitment is among the most challenging concepts in organizational behaviour, as it comprises concepts focusing on different aspect of commitment connected with work: the work itself, the job, one's profession or career, and the employing organization. (Morrow 1993, xviii)

Although results indicate that various work commitments represent separate constructs (Mathieu & Zajac 1990, 186), it has been suggested that organizational commitment is based on work commitment. Consequently, work and organizational commitment are strongly intertwined. (Nummela 2004) On the other hand, an employee being very committed to his/her job is unlikely to undervalue the importance of his/her career. Some have argued that professional commitment, i.e. career salience, is antithetical to organizational commitment. (Morrow 1983, 486–487, 490).

Consequently, there are different views regarding how various employee commitments relate to each other. Moreover, a multiple commitments perspective strongly suggests that the commitment experienced by an individual may differ greatly from that experienced by another (Reichers 1985, 473). Consequently, the impact of an acquisition on employees' commitment is not necessarily straightforward and also varies among individuals (Nummela 2004, 104). From the acquirer's perspective organizational commitment is without doubt more important than e.g. career commitment. However, it should not be viewed in isolation of other employees' commitments. Employees are committed to various things in various manners. Knowledge of the source of commitment, which is responsible for the individual's investment in organizational

membership, could allow for the prediction of changes in commitment levels (Reichers 1985, 473). Nevertheless, few researches has focused on understanding how these commitments develop in general nor during a major organizational change process such as the post-acquisition stage (c.f. Beck & Wilson 2001; Fairfield-Sonn et al. 2002). Moreover, little research has been focusing on how the individual experience his/her commitments and what would commit them most to the organization (c.f. Lämsä & Savolainen 2000). As it has been argued that organizational commitment cannot be viewed in isolation, *this research is adopting a multiple commitment approach and studies organizational commitment in relation to job and career commitment* (e.g. Morrow 1993; Brewer 1996).

KEY PERSONS' COMMITMENTS AFTER A CROSS-BORDER ACQUISITIONS

Maintaining employees commitment in the face of downsizings, mergers and acquisitions and other turbulent changes is a challenging dilemma of all managers today (Dessler 1999, 58). The human resource side of mergers and acquisitions (M&As) has been topical for over a decade, and research concentrating on the human integration has emphasised the importance of “human problems” affecting the M&A outcomes and post-acquisition management (e.g. Jemison & Sitkin, 1986; Buono & Bowditch, 1989; Datta, 1991; Cartwright & Cooper, 1992;1999; Hubbard 1999; Risberg, 2001; Fairfield-Sonn et al., 2002; Kusstatscher & Cooper 2005). It has been argued that nearly 70% of restructuring or downsizing programmes fail to achieve their financial or strategic objectives (e.g. Skilling 1996; Cartwright & Cooper 1992; Hubbard 1999; Marks 2006). In M&A literature, uncertainty about the future and fear of job loss together with changes in working conditions and workload, have been identified as major reasons for acquisition-related stress, which might erode their job satisfaction and commitment, and even lead to loss of talented employees (Ivancevich, Schweiger & Power, 1987; Buono & Bowditch, 1989; Cartwright & Cooper, 1992; Hubbard, 1999; Ranft & Lord, 2000; Lees, 2003).

Although jobs would be secure, there are still career uncertainties related to possible organizational restructuring (e.g. Larsson, Driver, Holmqvist and Sweet 2001; Lees 2003). Previous research results imply that employees with higher career commitment have a higher propensity to leave the organisation (Blau 1989; Bashaw & Grant 1994; Cohen & Freund 2005), especially following an acquisition (Larsson et al. 2001). However, although employees may have high M&A-related desire to leave the organisation, their actions may be restricted, for

example, due to a poor employment situation. (Larsson et al. 2001; Meyer & Allen 1997). Thus, employees could have low organizational and work commitment but still remain in the organization.

Since the 1990s acquisitions have increased dramatically in high-technology sectors. In these knowledge-intensive and innovation-driven industries, highly skilled human resources may represent one of the most valuable strategic resources in a specific company. Some key persons are important to retain in order to ensure the success of the acquisition. (e.g. Ranft & Lord 2000; 2002) Nevertheless, if the primary objective of the acquisition is the acquisition of valuable knowledge, the departure of key persons would affect the success of the acquisition, (e.g. Hubbard 1999; Ranft & Lord 2000). Key persons have been defined in various ways; however they all appear to have in common the notion of critical knowledge (Ranft and Lord 2000). Key persons, or knowledge workers, are extremely valuable to the company, as their value to the organization is mostly intangible and not easily replicated (Stovel & Bontis 2002, 304). Critical knowledge does not necessarily refer to technological expertise; in the case of cross-border acquisitions country or continent specific know-how can be critical knowledge (Ali-Yrkkö 2002, 12). *In this research key persons are defined as those managers and/or employees regarded as critical in the acquired organization from the acquiring company's and also the acquired, target company's perspective.*

It has been argued that M&As *per se* can be expected to alter employees' identification, as they essentially redraws or dissolves the category boundaries of two distinct groups within the newly merged entity (van Dick, Ullrich & Tissington 2006, S72). It may take several years before acquired employees really feel committed to the newly merged company and develop a "we"-feeling (Kusstatscher & Cooper 2005, 145). Recent research focusing on identification has made the distinction between pre- and post-acquisition identification (van Dick et al. 2006). There is gap in literature focusing on how commitment builds *towards the acquiring organization*. Thus, instead of making the distinction between pre- and post acquisition commitment, organisational commitment needs to be viewed in relation to the organization i.e. *acquirer and acquired or target commitment* (c.f. Ketchand & Strawser 2001).

Mueller and Lawler (1999) focused on the nested nature of organizations and argued that employees' commitment to a particular organizational unit is primarily affected by the work conditions which are created and controlled by that unit. This approach is based on the logic of proximity as presented by Cohen (2003), which is based on Lawler's (1992) principal of

proximal rules according to which “actors develop stronger affective ties to subgroups within a social system rather than to the social system, to local communities rather than to states, to work groups rather than to the work organization, and so forth” (Lawler 1992, 334). The logic of proximity can explain why a person may feel more committed to his/her work than career (Cohen & Freund 2005). Consequently, target employees’ commitments would be more easily committed to their sub-organizations than to the larger multinational corporation as such. Moreover, the sub-organizations have more influence on employees’ commitments.

Concluding, due to their international nature, cross-border M&As involve unique challenges, due to the various economic, institutional or regulatory and cultural structures (Hoecklin 1995; Child et al. 2001; Very & Schweiger 2001). As cross-border activities have increased, managers are forced to consider human resource issues to an increasing extent in order to implement a global strategy (Dowling, Welch & Schuler 1999, 1). Based on the logic of proximity this research argues that the target organization influences in many ways employees’ commitments following a cross-border acquisition (cf. Gregersen 1993; Mueller & Lawler 1999; Cohen 2003; Cohen & Freund 2005) and the commitment practices need adaptation to local cultures while taking into account individual differences. The next chapter will describe the methodology more in-depth.

METHODOLOGY

Longitudinal case study

This research is a single case study. The case study approach allows for the obtaining of a deeper understanding of the phenomenon under scrutiny (see Yin 2003; Eisenhardt 1989). Conducting research on organizational change and processes in a holistic and comprehensive way is often best approached by using a longitudinal research design (e.g. Pettigrew 1990; Van de Ven 1992; Pettigrew, Woodman & Cameron 2001). *The case* in this research is a European-Indian acquisition, and more specifically the commitment of the acquired company’s key persons in that context. In this research *the unit of analysis* is the individual, i.e. the employees of the target company. The data was collected during the early post-acquisition integration phase for nearly two years from the acquisition.

The case for this research was carefully selected according to several criteria. First, data needed to be collected real-time, hence the researcher had to gain access to the company soon

after the deal was closed. Therefore, the acquisition had to be recent. In addition, the focus of this research is on cross-border acquisitions, thus the international nature of the deal was also a prerequisite. Finally, the researcher needed access for at least a year in order to complete the research, which meant that the company needed to be committed to the research. Consequently, access and the interest of the company were crucial factors regarding the case selection. Only a couple of cases were considered when the research process started, one company was never reached, and finally, the researcher got access to another company.

The case company chosen for this research fulfils all the above mentioned criteria. It is a small and medium sized European high-tech company operating as a sub-contractor in the field of telecommunication, employing around 300 employees. It was acquired in 2006 by an Indian company, which will be referred to as Gamma. Gamma was bigger than the target company in terms of personnel, as it employed a little over 3000 employees and could be considered medium-sized in its domestic market. The deal was paid all in cash. The nature of the deal can be defined as friendly as both companies were looking for a partner in order to grow and become more international. The European company needed to grow internationally and expand its customer base but its resources were limited. Moreover, as competition was becoming fiercer many companies in the high-tech sector in Europe had already transferred all or parts of their production and R&D to low-cost countries in India. On the other hand, the Indian company was looking for new customers, new know-how and a foothold in Europe. The acquisition type could be defined as a conglomerate acquisition as both companies operated in the same field (e.g. Walsh 1988; Cartwright & Cooper 1992), although in different areas, which meant that the technological know-how of the target complemented the capabilities of the acquiring company.

The acquiring company and the target company had a rather similar company history and shared the same values to a large extent. In addition, both companies had similar goals regarding the M&A. However, the Indian and European cultures obviously brought some challenges to the integration phase, although in general both parties were very culturally sensitive from the very beginning. There were concrete challenges regarding the post-acquisition integration as the European target company was geographically spread over six cities. In addition, it had grown through smaller acquisitions and in consequence the target company had two main sites; Alpha and Beta. Alpha acquired Beta in 2004 and the integration of these two organizations was still on-going when the Indian company acquired Alpha. Furthermore, the target company had smaller

sites in four cities, which were located close to or within the premises of the key account, and employees mainly worked at the customers' premises on different projects. Both Alpha and Beta had strong, distinct identities and based on the interviews the cultural differences between the organizations were substantial, even though both companies operated within the same country. Thus, the target company initially had employees with multiple organizational identities.

Nevertheless, approximately six months from the acquisition Gamma required the full integration of Alpha and Beta, and their name was changed to Gamma Europe. However, the level of integration remained very low, as both parties had agreed on a slow approach. Cultural differences and physical distance were big, and the acquirer adopted a slower approach respecting the local culture of Gamma Europe. Gamma sent an integration manager from India to supervise the operational integration for little over six months. Around 14 integration teams were established composed of both European and Indian managers. Nevertheless, due to the huge geographical distance, all of the teams did not even meet, and due to cultural differences best practices were difficult to find and implement. Consequently, the integration phase ended a year after the acquisition, and some considered it hadn't even started yet.

Gamma Europe's HR function expanded only 4 months after the deal when they finally hired their first HR manager. The HR-integration was also hindered by distance and legal issues, and it progressed only slowly. Nevertheless, within the first 6 months an exchange-engineering program was set. Consequently, a dozen of employees from India came to work at Gamma Europe. Nevertheless, exchange to India remained scarce mainly due to unattractive expatriate policies from the European perspective; only one engineer went to Bangalore one year after the acquisition.

The key persons were identified in the case company with discussions with both the CEO of Alpha and Beta and the integration manager from Gamma. Altogether 17 key persons were identified by both companies, and in addition numerous middle managers were viewed as critical from the acquirer's perspective. Hence altogether 48 top and middle managers were viewed as critical. Only a small team of owners of both Alpha and Beta were involved in the deal making and these were also tied to the acquirer with two year contracts. This was decided to be the ending point for the data collection process, as after two years the behavioural aspect of commitment would realize in form of retention or turnover.

Consequently, against this background exploring the organizational commitment of an Indian owned European IT company is extremely interesting. The Indian IT industry is growing fast and globalization, deregulation and digitalization have brought major changes in India. Lifelong commitment used to be the tradition in India, however now that the IT field is short of quality software professionals, the high-tech engineers have a bargaining edge over their employers. (Paul & Anantharaman 2004). Thus, Indian IT companies are used to much higher turnover rates than European companies. Previous studies have recommended the use of a longitudinal research design when studying commitment (e.g. Beck & Wilson 2001). However, the single case study is often criticized for being limited regarding generalizability, and thus multiple case studies have been used in order to increase external validity (Miles & Huberman 1994; Yin 2003). Nevertheless, in order to obtain a deeper understanding of the phenomenon, a rich single case study using data and method triangulation were employed to provide stronger analytical generalisation (Yin 2003).

Data collection

Quantitative questionnaires

The quantitative data was collected through 4 questionnaires within the first 2 years from the acquisition. The main purpose of the quantitative data collection was to measure the levels of organizational commitment, as well as to analyse its relationship with multiple commitments. The majority of the scales were borrowed from well-known and established scales in academic literature. The questionnaire was designed both in the mother tongue of the respondents and in English because there were a small number of foreign employees. Since most of the scales were originally in English, the scales were translated by professional translators.

This research was conducted in one European IT company, thus this wasn't a cross-cultural research and cross-cultural equivalence didn't pose a problem. Back-translation was used to ascertain the quality of the translation, but the emphasis was on translating the meanings to the local culture in such a way that the average engineer was able to adequately understand the items in the questionnaire. (c.f. Peng, Peterson & Shyi 1991) The back-translation provided a more modern version of the original scales, which comprised old fashion wordings. Moreover, they were in American English, and as many of the non-native respondents were non-British or non-American, representing several cultures, it was decided to use the more modern version to the English questionnaire. The number of English questionnaire remained too low (n=7-17 in Q1-

Q4) to be included in the research, and thus the data comprised questionnaires all in the main native language of Gamma Europe.

The responses were measured using the 7-point response scale ranging from 1 (strongly disagree) to 7 (strongly agree). In addition, there was an eighth alternative 0 (I don't know) in case the respondent really did not know about the items in question (see Kline 2005, p.65). The variables were measured with the same scales at all data collection times.

Organizational commitment was measured using the 15-item OCQ developed by Porter et al. (1974) and Mowday et al. (1979). This scale is the most frequently used scale and has been widely tested (e.g. Reichers 1985; Mathieu & Zajac 1990; Cooper-Hakim & Viswevaran 2005). The scale was made slightly shorter for measuring acquirer commitment and two items were removed as the respondents at the target organization had not chosen or decided, as such, to work for the acquiring company when they were acquired. In both cases the scale demonstrated high reliability (see table 1).

Job or task commitment was measured using the 10-item job involvement questionnaire of Kanungo (1982). The job involvement questionnaire of Kanungo (1982) corresponded better to the definition of work commitment given in this paper, and has been recommended by other researchers (c.f. Morrow 1993; Cohen & Freund 2005). *Career commitment* was measured using the 8 item scale of Blau (1985). According to Morrow (1983) this scale is psychometrically the cleanest scale.

As also organizational identification is closely related to organizational commitment (c.f. Riketta 2005; Van Knippenberg & Sleenbos 2006), it was included to the questionnaire. *Organizational identification* was measured using the 6-item scale developed by Mael & Ashforth (1982). This scale captures the conceptualisation of organizational identification rather well and has been recommended by other researchers (e.g. Riketta 2005). This measure is based on a narrow definition of organizational identification and has thus less item overlap with the organizational commitment questionnaire (Mowday et al. 1979) (Meyer, Becker & Van Dick 2006, 678). (see table 1).

In addition the questionnaire comprised two additional variables, alternative job opportunities and turnover intentions, which are typically, part of turnover models (e.g. Kim et al. 1996; Price 2000). *Alternative job opportunities* were measured using a 3-item scale combining the scales of Arnold and Feldman (1982) and Kim et al. (1996) showing good reliability. The original scale of

Arnold and Feldman (1982) was a 1-item scale, and it was considered rather short. Thus including the 2-item scale of Kim et al. (1996) is supposed to increase the validity of the measurement tool. Moreover, these three items together provided a better understanding on the alternative job opportunities.

Turnover intention was measured through six items, combining the scales of Meyer, Allen and Smith (1993) and Kim et al. (1996). Both have been widely used in turnover literature and in the context of organisational commitment. The combination of two different scales provided a deeper understanding of turnover intentions.

- Insert Table 1 here -

The reliability of the scales used in the questionnaire was assessed using several means. First, the items and the construct of the scales were assessed through factor analysis (using varimax rotation). Secondly, the reliability of the scales was assessed through Cronbach alpha analysis at item-level and for the whole scale. Both the factor analysis and Cronbach alpha values indicated that there was no reason to eliminate a single item and the variables loaded on separate factors. In general, the Cronbach alphas were very strong, well above $\alpha > 0,70$, which is considered to be the acceptable level. The Cronbach alpha for alternative job opportunities remained slightly low, but at a satisfactory level considering the shortness of the scale. (see table 1) (Hair 2006; Wagner 2007)

The first data collection round took place only 3 months after the closing of the deal in December 2006, within the first 100 days (c.f. Angwin 2004). The quantitative data collection was initially planned to take place approximately twice a year but the timing of the data collection followed the critical events in the integration process. Consequently, the second data collection round took place five months later in May 2007, shortly after Alpha and Beta were integrated into one subsidiary and the target company changed its name to Gamma Europe. The third data collection round took place in December 2007 shortly after the organizational changes at the parent company, and the resignation of the CEO of Gamma Europe in October 2007. The final survey round took place in June 2008, right after the announcement of a new organizational structure. Table 2 below describes the response rates and final sample sizes for each survey.

- insert table 2 here -

The questionnaire was administered electronically using software called Webropol and was sent individually via email to the entire personnel of the acquired target company. The

participants were told the purpose of the research and were aware of the longitudinal nature of the study. Before each survey they were encouraged to participate in the survey with an email from either the CEO or the marketing manager. However, every time the researcher emphasised the confidentiality of the survey, and ascertained that no one in the company had access to the data, which was analyzed only by the researcher.

The response rate was usually well above 50 per cent (see table 2). The distribution of the respondents well represented the overall organization hierarchically and according to geographical location. Moreover, the age and sex distribution corresponded to the company average; around 90 per cent of the personnel are men, and the average age in the organization is thirty. The personnel were encouraged to participate with small prizes, which were drawn from among the respondents.

Qualitative interviews

In order to obtain a deeper understanding of the development of organizational identity and commitment following a cross-border acquisition, interview data was, in addition to the questionnaire data, also collected. Altogether 68 interviews were conducted during 2007 and 2008. The first interview round was conducted right after the first questionnaire in early spring 2007. At that time mainly top managers and other key persons including the Indian integration manager were interviewed (altogether 18 interviews). The second, more extensive interview round was conducted during autumn 2007, and the third round took place in May-June 2008.

The interviewees were carefully selected. A panel of approximately 15 key persons were interviewed three times (identified with acquired company's CEO and integration manager from the Indian company), but in addition the researcher visited all the sites of the target company Gamma Europe and also interviewed personnel at different organizational layers. The interviewees were selected from among those who participated in the surveys as they were considered to be interested in the research. In order to better understand how organizational identification and commitment evolves during the post-acquisition integration the researcher identified, based on the questionnaire data, very highly and very lowly committed employees within each organizational position. However, this information was used only to identify the respondents and the anonymity of the respondents was not violated. The researcher ascertained that no individuals could be identified from the results or reports. Nevertheless, although

quantitative and qualitative data is not comparable, this selection method enabled the interviewing of “extremes” regarding acquirer commitment, which resulted in richer data compared to randomly selecting the interviewees.

The interviews were semi-structured, and the same structure was used to all interviewees with only minor changes at each interview round. The majority of the interviews were conducted in the mother tongue of both the interviewer and the interviewees. Usually interviewees speak more freely in their own mother tongue (c.f. Welch & al. 2002, 622). The interviews were tape-recorded with the consent of each interviewee. All interviews were conducted face-to-face at the organization, where the interviewee works, either in a conference room or at the office of the interviewee. Altogether six interviews were conducted as a phone interview and recorded from the loud-speaker. The quality of the recording was equal to a face-to-face interview and the interview situation were relaxed. The duration of the interviews varied from a mere 30 minutes to 1 hour and 20 minutes. Notes were made during the interviews merely to explain some concepts or write down the essentials of the answers in case the tape recording failed for some reason (cf. Silverman 2000, 126).

Analysis

The data was transferred from Webropol via Excel to SPSS for further analysis. Once the researcher had assessed the reliability of the items and scales through factor analysis and scale reliability (i.e. Cronbach alpha), the reverse coded items were recoded and then recomputed into sum variables. The main tools of analysis were; comparing means with the “Means” function, testing statistical significance by ANOVA and measures of associations (ETA), T-tests, Mann-Whitney U-tests and, in order to analyse the correlations bivariate correlation Spearman’s Correlations were also analysed. The researcher used mostly nonparametric tests as most of the variables were not normally distributed and the measurement scale used was the Likert –scale which is considered to be an ordinal scale. (Hair et al. 2006; Wagner 2007).

The analysis remained explorative and no causalities were analysed, mainly due to limitations concerning the data. Panel data, i.e. respondents that participated to all four questionnaires, was identified by comparing the respondents to each survey and identifying the cases in Excel. Then these were recoded into 1, 2 or 3 in SPSS whether they were from the panel data (1) or not (2) or if they were panel key persons (3). As literature suggest that the turnover of top management is high during the first years following M&As (see Walsh 1988, Krug & Hegarty 1997; Krug &

Nigh 1998) and that the retention of key persons in general is important in acquisitions in the knowledge intensive sector (e.g. Ranft & Lord 2002), key persons were identified separately. Consequently, key persons, were identified based on discussions and lists obtained from the Indian integration manager and the target company's CEO, and coded 1/0 in SPSS. Identifying the respondents in this longitudinal research was crucial in order to conduct panel analysis. However, once the coding was completed respondents were only numbers in the data and the anonymity of the respondents was respected. The longitudinal analysis was based on a comparison of the four data sets.

The interviews were analysed qualitatively. Due to the large number of interviews the recorded interviews were sent to professionals for transcription. Then the transcribed interviews were read through many times in order to identify key elements and themes. In this research the coding was based on the theory and on the research problems; e.g. organizational commitment (OC), committed persons (COMPERS), career commitment (CCOM) etc. Nevertheless, the data was used widely and therefore the code list was not tied entirely to the theory, which allowed codes to emerge from the data as well. A qualitative research software Nvivo was used in the coding and arranging of the data. As the organizational position and location appear to be important during the interviews, the data was arranged by site and organizational position. The analysis began once the data had been arranged, coded and reduced.

The mixed method strategy, i.e. combining both quantitative and qualitative data and analysis was used to acquire a deeper understanding of the phenomenon under scrutiny (e.g. Hurmerinta-Peltomäki & Nummela 2006). It has been suggested that using multiple methods in order to gain an understanding of the inputs, processes and outcomes of an organizational change (such as an acquisition) might be more useful than focusing on merely one tool (Van de Ven and Huber 1990; Pettigrew, Woodman & Cameron 2001). Consequently, the interview data was used to complement the quantitative data and to provide support or explanations and a deeper understanding regarding the quantitative results. Moreover, the researcher remained open and flexible for new themes emerging from the interview data, and accordingly modifying the questionnaire in the next round by adding new variables

Limitations

This research has several limitations. First of all, this is a single case study conducted in an acquired high-tech company. Consequently, the results are not generalizable to other companies

or countries. Nevertheless, this research aims at analytical generalization, i.e. expanding existing theories of organizational identification and commitment in the context of cross-border acquisition (c.f. Yin 2003). Secondly, the collected data represents the attitudes of the respondents, thus the nature of both the qualitative and quantitative data is subjective, and the quantitative measures used are ordinal. This imposes limitations on the analysis, as it did not enable e.g. the analysis of causalities. Thirdly, the quantitative data collection is based on four cross-sectional, repetitive data collection periods.

Furthermore, this longitudinal research was conducted within the first two years from the M&A deal being closed. Changes often occur over a much longer time period in M&As. Thus a longer time frame would provide a more reliable result and a better understanding of the phenomena. In this research the data collection ended within 2 years from the acquisition, as this was the time the key persons were tied to the company by contract, and then they were free to leave the company. As the focus was on understanding how their commitments evolve and what commits them, it was crucial to interview them before they would leave the company. However, the researcher was able to record the departures of key persons around summer 2008 when their contracts expired.

Finally, a big problem when studying delicate issues are socially acceptable answers. Also survey responses may reflect socially desirable answers. However, interviews were conducted with over 60 interviewees from different organizational positions and locations. Thus the researcher was able to capture a rather good picture of the main issues related to this acquisition and what were the sensitive issues. Despite these above mentioned limitations, this research has ascertained the validity and reliability of the research by several means and should therefore provide reliable findings within the limitations of this study.

RESULTS

The results show that key persons' commitments, i.e. organizational commitment towards target and acquiring company, and task commitment decreased during the first two years. Career commitment showed a more drastic decrease in May 2007. Several reasons may explain this. First, the first major organizational change took place then, as Alpha and Beta merged in Gamma Europe. Second, based on the interviews the CEO of Gamma Europe acted as a gate keeper towards the Indian parent company, and his resignation in October 2007 together with the

organizational restructuration in the parent organization may have restored trust in career opportunities, as in December 2007 the levels of career commitment rose again. Nevertheless, based on interviews some interviewees experienced role ambiguity and empowerment issues stronger in summer 2008, nearly two years after the deal. (see figure 1)

- insert figure 1 here -

Interestingly, in general career commitment was more important than work commitment when looking at the quantitative survey results, when in the interviews many demonstrated strong task commitment. This might imply that the measurement scale wasn't appropriate, or that during the interviews it was regarded as more socially acceptable to be committed to its own job than in career. Moreover, in a project organization such as Gamma Europe professional growth could take place vertically and horizontally, i.e. becoming an expert rather than people manager. However, the strongest predictor of organizational commitment was organizational identification. Both organizational identification towards target and acquiring organization correlated strongly with respective organization. Moreover, as expected turnover intentions and organizational commitment had a negative relationship, meaning the more committed a person is the less she/he has turnover intentions (c.f. Allen & Meyer 1990; Price 2000). By the end of the research process nearly 10 key persons had left the organization.

Alternative job opportunities didn't correlate strongly with any of the other variables; only slightly with turnover intentions. Career, job and organizational commitment correlated only moderately, but the results imply these commitments are intertwined. (see table 3) Based on the interviews, in a project organization such as Gamma and Gamma Europe, the challenging projects were seen as very committing for IT engineers.

- insert table 3 here -

Moreover, the results imply that the key persons' experienced stronger levels of organizational commitment than other employees towards both the target and the acquiring organization. Both target and acquirer commitment decreased steadily in between the data collection periods. Acquirer commitment wasn't measured in December 2007, due to methodological issues as the questionnaire was very long. However, it can be assumed it follows the trend of target commitment. Figure 2 below illustrate the cross-sectional levels of target and acquirer commitment among both panel and key persons. The results show that key persons were still

more committed to the target organization nearly two years after the acquisition. This result is in line with literature implying that it may take years before acquired employees really feel committed to the newly merged company (c.f. Kusstatscher & Cooper 2005).

- insert figure 2 here –

Moreover, target employees in general felt more committed to their subunits within Gamma Europe. Only 4.3 % felt committed to Gamma in May 2007, i.e. 10 months after the deal. Furthermore, when given several alternatives regarding to what are they the most committed to in Gamma, job, work community and the project were the things employees felt the most committed to. These results are in line with the logic of proximity, according to which employees would develop stronger affective ties to subgroups within a social system, to work groups rather than work organizations (Lawler 1992). However, key persons viewed more easily the global group as their organization and also identified more easily to a global Gamma than other employees.

- insert figure 3 here –

Based on the interviews in general the most committing factors according to the target employees were pay and monetary incentives, challenging work, and responsibilities. These were very important among key persons as well. Monetary incentives were regarded as important, as many mentioned it first when asked how the parent company Gamma could commit them. Challenging work and projects were regarded also very important. Key persons became frustrated on the slow speed of the integration. They felt enthusiastic in the beginning of the internationalization and expanding opportunities the acquisition had to offer. However, they realized that the integration process and expected synergies would take much longer to realize.

When key persons were asked how they view Gamma had tried to commit them, some mentioned the contracts they had signed with the parent company. These were viewed as sanctions, having a negative connotation. Most interviewees including other personnel hadn't notice any committing efforts. Some, however, mentioned the monthly motivation letter coming from high ranking managers from India and the visits of top managers to the quarterly meetings and summer festivals. This was viewed as commitment from the acquirers' side. Research implies that there is a circular relationship between employees who feel that the organization is committed to them and thus have a positive perception of HR practices and hence committed to the organization (Meyer and Smith 2000; Bhatnagar 2007)

Finally, the results imply that cross-border acquisitions face many challenges when it comes to committing overseas target key persons. Geographical distance is the obvious obstacle to conker in addition to cultural differences. In India the IT sector is growing fast and skilled IT engineers have the choice among several employers. The turnover rates are huge, and employers are used to much higher turnover rates than in Europe. Gamma commits its employees by providing a working culture with low hierarchy, single status, which refers to equality, voluntary attendance and growth paths. Single status appeared to be very important, and referred to equal treatment and equal say among all personnel. As an example, the CEO of Gamma doesn't have his own office and flies second class like other employees. Nevertheless, based on the interviews the target personnel wasn't aware of the organizational culture of the parent company and felt rather suspicious about the single status approach. The results imply that organizational commitment is not universal, and from a managerial perspective it is crucial to understand how commitment is understood in the local culture. Although, committing factors vary individually there are local and regional similarities based on the local culture and value systems.

CONCLUSIONS

This research attempts to contribute to vast commitment literature as well as M&A literature focusing on the post-acquisition integration issues. The results imply that the commitment of key persons in the acquired company is very complex, and are in congruence with the logic of proximity and suggest that employees commit more easily to issues closer to them (c.f. Lawler 1992; Cohen 2003; Cohen & Freund 2005), and they feel more attached and identify more to their own organization than the acquirer's organization two years after the acquisition (c.f. Kusstatscher & Cooper 2005). This is important to acknowledge in large multinational corporations where the organization can be geographically scattered. Moreover, the results imply that key persons' organizational commitment is closely linked to organizational identity and turnover intentions. Moreover, organizational, job and career commitment correlate moderately indicating they are intertwined. Finally, how they perceive and experience the post-acquisition integration phase seems to play a critical role during the post-acquisition integration phase.

This research contributes to the growing interest in understanding how change is experienced by individuals, and especially how key persons' organizational commitment develops following a cross-border acquisition. This research contributes to organizational behaviour research stream of

M&As by providing deeper understanding on the commitment building process in cross-border M&As. Nevertheless, few researches has focused on understanding how these commitments develop in general nor during a major organizational change process such as the post-acquisition stage (c.f. Beck & Wilson 2001; Fairfield-Sonn et al. 2002). Moreover, little research has been focusing on how the individual experience his/her commitments and what would commit them most to the organization (c.f. Lämsä & Savolainen 2000). It has been argued that studies on commitment remain an important issue in talent retention and the development of human capital (e.g. Bhatnagar 2007). This research has its limitations and a longer time period would be needed to obtain a better understanding of this phenomenon. Hopefully this paper inspires more academic research in this field.

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Table 1 Scales and reliabilities of the quantitative survey

Variable	Borrowed scales	No items	Round 1 Dec 2006	Round 2 May 2007	Round 3 Dec 2007	Round 4 June 2008
Organisational commitment towards acquired/target organisation	Porter, Steers, Mowday & Boulian (1974)/ Mowday, Steers & Porter (1979);	15	N= 112 $\alpha = 0,90$	N= 133 $\alpha = 0,93$	N= 122 $\alpha = 0,915$	N= 140 $\alpha = 0,919$
towards acquiring organisation		13	N= 72 $\alpha = 0,91$	N= 116 $\alpha = 0,92$		N= 127 $\alpha = 0,925$
Organisational identification towards acquired/target organisation	Mael & Ashforth (1992)	6	N= 131 $\alpha = 0,81$	N= 169 $\alpha = 0,89$	N= 143 $\alpha = 0,806$	N= 164 $\alpha = 0,858$
towards acquiring organisation			N= 89 $\alpha = 0,88$	N= 172 $\alpha = 0,88$		N= 156 $\alpha = 0,909$
Career Commitment	Blau (1985)	8	N= 112 $\alpha = 0,82$	N= 149 $\alpha = 0,81$	N= 134 $\alpha = 0,851$	N= 151 $\alpha = 0,852$
Work/task commitment	Kanungo (1982)	10	N= 120 $\alpha = 0,84$	N= 175 $\alpha = 0,86$	N= 155 $\alpha = 0,850$	N= 169 $\alpha = 0,831$
Turnover intentions	Meyer, Allen & Smith (1993) + Kim, Price, Mueller & Watson (1996)	6		N= 170 $\alpha = 0,89$	N= 147 $\alpha = 0,868$	N= 159 $\alpha = 0,909$
Alternative Job Opportunities	Arnold & Feldman (1982), Price (2000), Kim et al. (1996)	3	N= 146 $\alpha = 0,66$		N= 149 $\alpha = 0,644$	N= 158 $\alpha = 0,661$

Table 2 Response rates and final sample size by survey round

	Total personnel	N	Response rate	Final sample
Questionnaire 1	279	163	58 %	151
Questionnaire 2	308	205	67 %	187
Questionnaire 3	338	173	51 %	161
Questionnaire 4	355	195	55 %	175

Table 3 Descriptive statistics and correlations

	May 2007			June 2008		
Descriptive statistics	Mean	Std.Dev.	N	Mean	Std.Dev.	N
Organizational commitment target (OCT)	4,5	0,996	187	4,2	0,977	175
Organizational commitment acquirer (OCAC)	4,0	0,973	180	3,6	1,061	173
Turnover intention (TURNINT)	3,2	1,355	187	3,7	1,465	174
Organizational identification target (OIDT)	4,2	1,288	180	4,3	1,188	175
Organizational identification acquirer (OIDAC)	3,7	1,223	187	3,6	1,310	173
Career commitment (CCOM)	3,8	0,695	187	4,4	1,064	175
Task/job commitment (TCOM)	3,8	0,934	187	3,7	1,465	175
Alternative job opportunities (ALTJOB)	-	-	-	5,7	1,066	172

Correlations/ questionnaire round 4 June 2008

		OCT	OCAC	TURNINT	OIDT	OIDAC	CCOM	TCOM	ALTJOB
Spearman' OCT	Correlation	1							
	Sig. (2-tailed)								
	N	175							
OCAC	Correlation	0,782	1						
	Sig. (2-tailed)	0,000							
	N	173	173						
TURNINT	Correlation	-0,721	-0,714	1					
	Sig. (2-tailed)	0,000	0,000						
	N	174	173	174					
OIDT	Correlation	0,548	0,440	-0,350	1				
	Sig. (2-tailed)	0,000	0,000	0,000					
	N	175	173	174	175				
OIDAC	Correlation	0,442	0,651	-0,389	0,668	1			
	Sig. (2-tailed)	0,000	0,000	0,000	0,000				
	N	173	173	173	173	173			
CCOM	Correlation	0,497	0,400	-0,478	0,333	0,241	1		
	Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,001			
	N	175	173	174	175	173	175		
TCOM	Correlation	0,407	0,361	-0,329	0,374	0,341	0,549	1	
	Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000		
	N	175	173	174	175	173	175	175	
ALTJOB	Correlation	-0,173	-0,220	0,244	-0,023	-0,112	0,127	0,000	1
	Sig. (2-tailed)	0,023	0,004	0,001	0,765	0,144	0,097	0,996	
	N	172	171	172	172	171	172	172	172

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

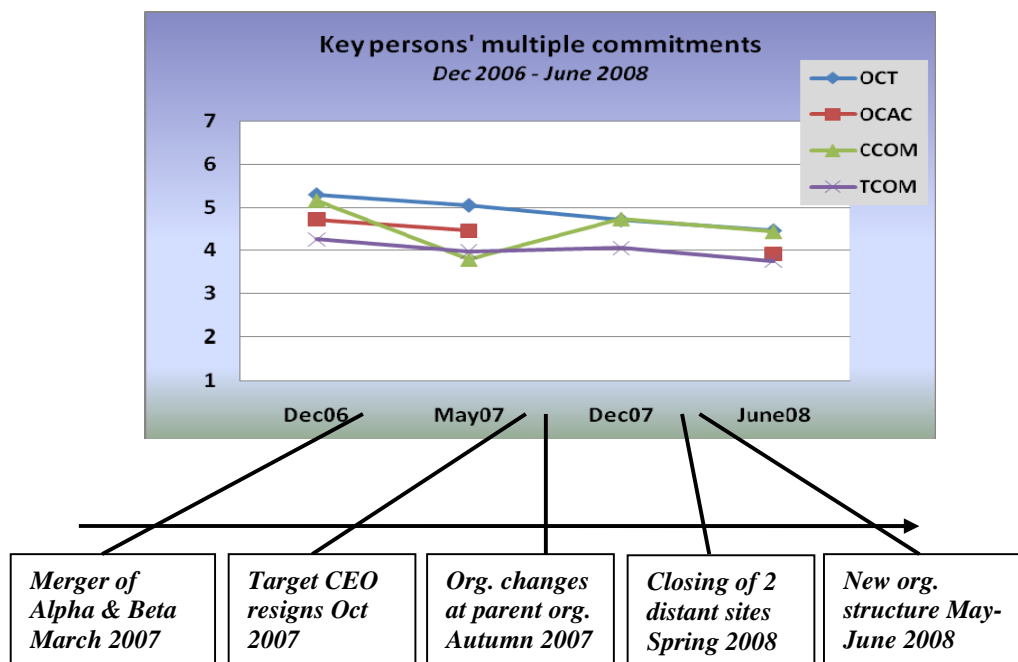


Figure 1 The development of key persons' multiple commitments

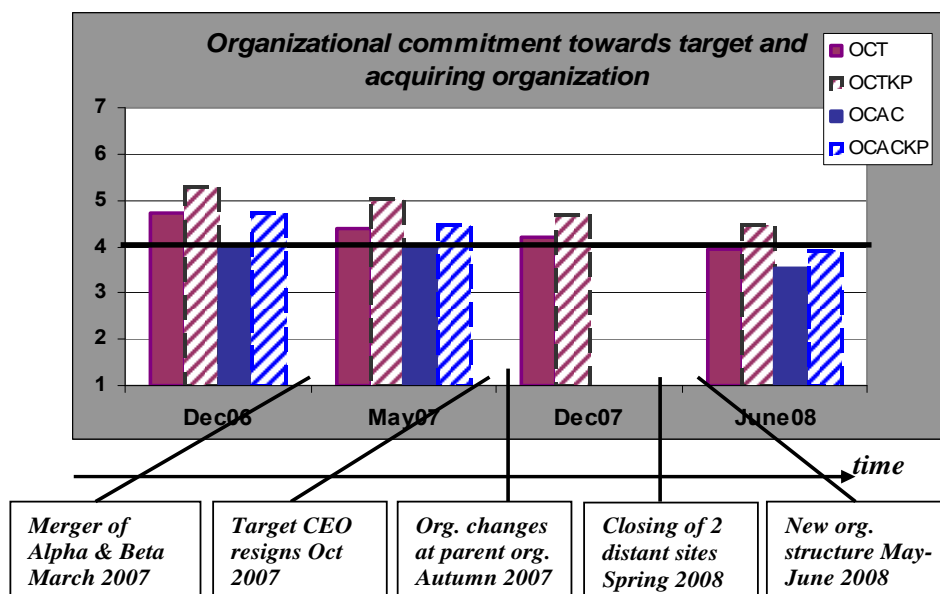


Figure 2 The development of organizational commitment during December 2007 and June 2008

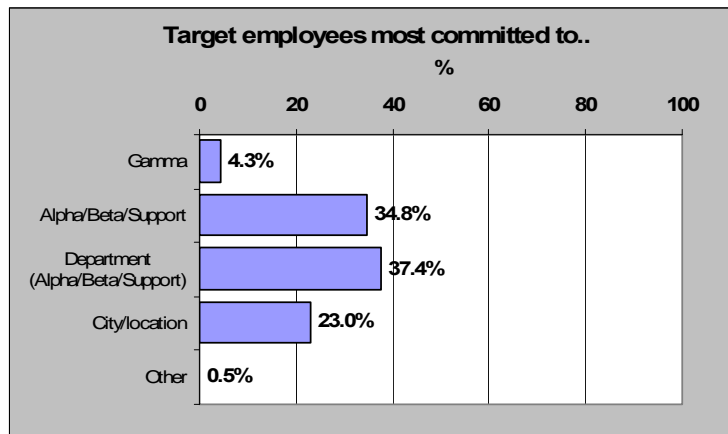


Figure 3 Target employees' organizational commitment 10 months from the deal