

Expectations for Organizational Combinations

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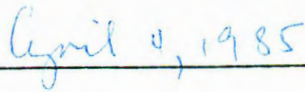
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ABSTRACT

Expectations for Organizational Combinations

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This study is an attempt to learn more about the expectations that people hold for organizational combinations (mergers and acquisitions). A measure of organizational combination expectations was developed to test hypotheses regarding the power, autonomy, identity, job security, and morale expectations that people hold for combinations. It was hypothesized that one's expectations would depend on the individual's perspective in the combination, that is, whether one is in an acquired, merged, or acquiring organization. Expectations were also hypothesized to differ depending on the motive for the combination (e.g. organizational survival or organizational growth). It was expected that perspective would also influence perceived uncertainty. The relationship between perceived uncertainty and motive, and the influence of perspective, and motive on expected satisfaction were also explored. 252 MBA students were presented with scenarios of combinations in which perspective and motive were manipulated. They then responded to the survey of

combination expectations, a measure of perceived uncertainty and a satisfaction scale. Results indicated that motive and perspective did have significant effects on expectations, but they did not influence expected satisfaction. The influence of perspective on uncertainty was not significant. Uncertainty was influenced by motive, such that there was less uncertainty when growth was the motive than when survival was the motive. Exploratory analysis indicated that expectations are better predictors of expected satisfaction than is uncertainty. Implications of the results and the limitations of the study are discussed.

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I. INTRODUCTION

Thousands of organizational combinations may take place in one year (Bleakley, 1984), involving hundreds of thousands of people. Unfortunately, many organizational combinations are considered unsuccessful by those involved (Blake & Mouton, 1983; Kitching, 1967; Rockwell, 1968). In an attempt to contribute to a better understanding of organizational combinations and why they may fail, this study explores the antecedents and consequences of the expectations that people hold for such combinations. More specifically, the project explores how expectations may be influenced by the individual's perspective in the organizational combination (i.e., whether they are a member of an acquired, merged, or acquiring organization), and the motive of their company for participating in the combination (i.e., to survive or to grow). In addition, the relationship between assessed expectations, perceived uncertainty and expected satisfaction were explored.

Organizational Combinations

A great deal of literature addresses the economic outcomes of organizational combinations, but relatively little writing centers on the human side of combinations. Those authors who write about the human side of mergers and acquisitions tend to elaborate the negative consequences of

them. It has been suggested that many employees experience an organizational combination as a major life change event (Sinetar, 1981). The Kubler-Ross (1969) stages of reaction to death and dying have been used to describe the reactions to the stress following organizational combinations (Marks & Mirvis, not dated). That is, people are reported to respond to the announcement of an organizational combination with dismay and disbelief which later turn into anger and depression. These reactions often lead to lower morale, and lower productivity (Sinetar, 1981). Interview data indicate that managers may suffer from physical ailments following organizational combinations (Hayes, 1979; Marks & Mirvis, not dated). Sometimes the situation becomes so unbearable that employees may voluntarily leave the new organization. Generally the turnover is greater for the employees from the selling organization than from the buying organization.

The high turnover and poor attitudes that often seem to follow combinations are in part what makes a combination a failure. There are several other approaches being taken to study the development of these attitudes and the reasons for the high turnover rates. Sales and Mirvis (not dated), for example, attempt to understand the combination process by studying acculturation. They seek to understand how the culture of the new organization emerges.

Another approach is taken by Blake and Mouton (1983, 1984) and Blumberg and Weiner (1971) to understand the psychological processes in a combination. They suggest that

examination of group processes will offer answers to organizational combination failures. Blake and Mouton (1983) employ the "fishbowl" exercise in their consultation to combining organizations, in order to accentuate and alleviate group differences.

Finally the approach taken in this research was the study of expectations for the combination. Presumably when people are informed that their organization is going to combine they form expectations for new life will be in the combined organization. Some of these expectations may not be met in the combined organization. Porter & Steers (1973) report that unmet expectations are related to turnover.

For these reasons it may be useful to learn more about the expectations people hold for mergers and acquisitions. The antecedents of combination expectations of interest in this study were the individual's perspective in the combination and the motive for the combination. To the author's knowledge, this type of research has never been undertaken.

Types of Combinations and Individual Perspectives

It is necessary to clarify how merger and acquisition are defined before considering the individual's perspective in a combination. The lack of conceptual clarity about types of organizational combinations is manifested in the definitions of the terms used to refer to organizational combinations. Organizational combination is the most

general term referring to any case where formerly independent organizations join together as a single organization. Merger and acquisition are the terms most frequently used to describe specific types of organizational combinations. However, inconsistent use of these words to describe a particular type of combination is clearly evident in newspaper reports (Mayer, 1984; Other takeover, 1984), and even in the academic literature that describes the human aspects of mergers and acquisitions. Many authors claim to be writing specifically about a merger or an acquisition, but then proceed to use these two terms synonymously implying that there is no psychological difference between them (e.g., Gorovitz, 1982; Handy, 1969; Hubbartt, 1982; Kitching, 1967; Pfeffer & Salancik, 1978). Humpal (1971) implies that there are psychological differences between mergers and acquisitions. The major difference that Humpal (1971) discusses is that there is a greater power differential between the organizations in an acquisition than in a merger. The definitions that are given to the words merger and acquisition by other writers do not clearly differentiate between the two.

For example, Gill and Foulder (1978) define a merger as "organizational change wherein the object of the change is to create one organizational system from two previously distinct entities" (p. 15). Glueck (1980) defines mergers and acquisitions as forms of organizational growth where one organization loses its identity. Aldrich (1979), on the other hand, states that a merger is the takeover of one

organization by another or simply a combining of two or more organizations to establish a new joint identity.

The Gill and Foulder (1978) definition of a merger more accurately defines the general term, organizational combination, than it does a merger, because the goal of a merger and an acquisition is to create one organization from two or more others. Glueck's (1980) definition seems to describe only an acquisition, because the buying organization usually seems to dominate and the selling organization loses its identity. Finally, Aldrich (1979) seems to have mixed the definitions of merger and acquisition to describe a merger.

Marks and Mirvis (not dated) have clearly defined mergers and acquisitions as distinct types of organizational combinations: "Merger is used to define the combination of firms of roughly equal size, where acquisition generally defines cases where a larger party purchases the stock of a smaller one" (p. 8). By these definitions mergers and acquisitions are distinguished based on the relative sizes of the combining organizations.

Majaro (1972, cited by Barrett, 1973) provides definitions which elaborate the Marks and Mirvis definitions by placing greater emphasis on the power differential between the organizations. Majaro's definitions are: "As the words imply, the merger is ostensibly a marriage between two equal parties. An acquisition is a total or partial purchase of an enterprise by another company, which implies

that one of the parties is dominant--and if a controlling interest has been acquired, it is tantamount to occupation--a conquest."

Majaro (1972) continues and points out that cynics would believe that mergers never really occur. Apparently Majaro (1972) feels that acquisitions are sometimes presented as mergers, because mergers are more "socially acceptable" than acquisitions. Acquisitions have somewhat of a stigma attached to them. Humpal (1971), perhaps one of the cynical types, believes that mergers, or the joining of two equal partners, rarely occur. He seems to believe that there is usually a power differential, and the power differential implies an acquisition.

Thus, at an abstract level organizational combinations can be differentiated as mergers or acquisitions in terms of the relative sizes of the organizations and the power distribution between the organizations. However, more specific categories of mergers and acquisitions have been conceptualized such as vertical, horizontal, conglomerate (Kitching, 1969; Walter, 1984a), or friendly versus unfriendly takeovers.

A vertical combination occurs when one organization is a supplier of resources or products to the other organization. A horizontal combination is the joining of organizations which are in the same industry and have similar production functions. When the organizations joining are not related in industry, technology, production or marketing it is a conglomerate combination. However, this

study focussed on mergers and acquisitions, the broad categories. Very little research has been done on the psychological antecedents and consequences of organizational combinations even at this general level.

In considering these broad categories, it is clear that there are three points of view, or perspectives, from which a combination may be experienced. One variable of interest in this study is the individual's perspective. For example, in an acquisition some individuals will feel that they have been acquired while others will feel that they are members of the acquiring organization.

One purpose of this study was to investigate the expectations held by individuals from different perspectives. As stated earlier it is presumed that many post-combination problems may result from unmet expectations. Part of the problems may stem from the confusion over the terms used to describe combinations. An example could be as follows. Individuals may be told that their organization is merging with another organization. They may form expectations for a merger. Later, they discover that their organization was not merged, but it was acquired. The expectations that they formed for a merger may now be inappropriate, and they may feel disappointed with life in the newly combined organization.

It seems likely that expectations for mergers and acquisitions would be different. For a merger, there may be expectations for equality between the two organizations.

Expectations for an acquisition may be for inequality between the organizations in terms of power. It may be expected that the acquiring organization will hold the dominant position. The differences between the expectations held by individuals from an acquired, merged, or acquiring perspective were examined in this study. Another variable included in the study that was thought to influence expectations is the motive for combining.

Motives for Organizational Combinations

One approach toward better understanding of the combination process is to analyze the motives for combining. Levinson (1970) analyzed mergers using a psychoanalytic paradigm. It was his belief that many problems following an organizational combination can be explained if the underlying motives for combining were understood.

Levinson (1970), focussing on disappointing combinations from the dominant (acquiring) organization's perspective, proposed that two reasons for combining are fear and obsolescence. Fear motivates a combination when organizational decision makers feel that their organization must grow or it will be destroyed by a larger organization. The decision makers perhaps believe that power comes with size, and buy another organization. Obsolescence may inspire a combination when organizations have become too bureaucratic and therefore lack spontaneity and flexibility. Joining with another organization is one way to bring new

ideas to the organization. Levinson postulates that these motives for combining with another organization lead to condescending attitudes toward the people from the acquired organization and tight control over them.

The condescension and control come from underlying attitudes. Levinson states that when one is fearful, "...his first unconscious step in fighting fear is to deny his fear and tighten up." When one is becoming obsolescent "...he tends to adopt a defensive attitude of superiority..." (Levinson, 1970, p.140). It is the denial of fear and the air of superiority that Levinson feels leads to the condescending attitudes. The condescension and tight control, outgrowths from the motive, are primarily what Levinson feels cause combination failure.

Motives for combining also function as the measure of organizational combination success. The perception of the success or failure of an organizational combination depends in part on the motive for the combination (Jemison and Sitkin, 1984). This may be true because the motive for the combination implies a goal for the combination. The degree to which the goal is met then determines whether the combination is considered a success or failure.

In most cases the motives for the combination held by each organization are not shared with the members of the other organization. This secrecy and ambiguity, typical features of combination negotiations, provide the decision makers with room to maneuver in the negotiations (Jemison & Sitkin, 1984). In spite of the ambiguity in the decision

making process expectations for the purpose of the combination and for future performance of the combined organization are formed (Jemison & Sitkin, 1984). Once the decision to combine has been made however, the ambiguity may become a problem. During the process of trying to integrate the combining organizations the ambiguous aspects of the agreement must be made explicit (Jemison & Sitkin, 1984). It is at this time that both parties begin to put their interpretations of the negotiations into practice. Distrust and animosity may develop as decision makers realize that they are not interpreting the negotiated points similarly. This distrust and other negative feelings may be the beginnings of a failed combination.

Thus, Jemison and Sitkin (1984), and Levison (1970) explicate how motives for combining may lead to unsuccessful combinations. Few other authors discuss the impact of the motives on organizational members, but most others provide lists or categories of motives. Several motives for combining listed by Jemison and Sitkin (1984) are: to increase shareholder income (Salter & Weinhold, 1979), to create managerial opportunities (Reid, 1968; Mueller, 1969; Hogarty, 1970; Meeks, 1977) to provide organizational legitimacy (Meyer & Rowan, 1977; Feldman & March, 1981), or to comply with the acquisition service industry (Jemison & Sitkin, 1984). The strategic goal literature has been reviewed by Walter (1984b), who presents a categorization of strategic goals for organizational combinations. Walter

categorizes the goals as productivity, distribution/marketing, entrepreneurial, and financial. Reilly (1983) also sets forth five categories of objectives for organizational combinations. His categories are: marketing, human resources, financial, legal, and operational.

These motives and goals are fairly specific. Perhaps there are more basic motives for combining organizations. Reilly (1983) states that the primary reason for any merger or acquisition is to satisfy an organizational need and that the involved organizations may have different needs. Perhaps two basic needs of organizations that may combine are survival or growth. For example, an organization may be in financial trouble and must take action or go under. A similar situation may be one where organizational decision makers realize that the organization is currently doing well, but its product or service is becoming obsolete. Something must change if the organization is to continue in business. In both of these cases some action must be taken if the organization is to continue on in some form. Combining with another organization is one solution. Thus, one very basic motive to combine is simply organizational survival.

Another rather basic motive for combining organizations may be organizational expansion. Perhaps an organization is profitable, but its growth has reached a plateau. One way for the organization to expand is to combine with another organization. Pfeffer and Salancik (1978) report evidence

that larger organizations experience less environmental uncertainty and instability than smaller organizations. They hold the position that organizations grow in order to gain certainty and stability.

Indeed many organizations expand through combinations rather than internal growth (Bradley & Korn, 1979). Thus, two basic motives for organizational combination are growth and survival.

Considering the secrecy associated with combination decisions (Barrett, 1973; Birley, 1976; Jemison & Sitkin, 1984; Marks, 1982), it seems reasonable to assume that only a few members of the organizations would be aware of specific motives for the combination. Decision makers may not consider the motive for the combining as important to the other employees in the organization. It is likely, however, that most employees would know whether the organization is in trouble and must take action to survive. Similarly, most employees would be likely to know if the organization has reached the stage where additional growth could come from an organizational combination.

Perhaps simply being aware why their organization is combining will influence the expectations that people will have for the combination. When an organization combines in order to survive, it seems likely that the organizational members may expect their organization to be in an inferior position relative to the other organization. Those individuals whose organization combines in order to

grow may form a different set of expectations. The influence of motive to combine on individual's expectations for the combination was explored in this study.

Expectations for Organizational Combinations

The socialization process encountered by individuals in an organizational combination has not received attention in the research literature. However, following an organizational combination some employees may find themselves in a situation similar to their first days on the job. They may have to learn new roles, values, get to know different people, etc. The study of expectations has been useful in understanding the socialization process of new hires. Typically it is thought that new hires possess inflated or unrealistic expectations (Wanous, 1980) and that unmet expectations lead to negative consequences (Louis, 1980). In the study of organizational combinations unmet expectations are a potential problem, and there may be conflicting expectations between the involved organizational members that may cause difficulty.

Presumably, when individuals learn that their organization is going to merge they develop a set of expectations for the merger. Similarly, when individuals are informed that their organization is involved in an acquisition they may form a different set of expectations. In addition, individuals whose organization is combining in order to expand may form expectations unique from expectations from those whose organization is combining in

order to survive. It seems reasonable that problems may arise for people when their expectations for the combination are not met. Problems may also result if there is a discrepancy between the expectations formed by individuals in each organization. For this reason it may be useful to learn more about the expectations that people hold for organizational combinations.

Expectations for what mergers and acquisitions will be like seem to form with respect to four issues: power, autonomy, organizational identity, and job security. These issues tend to be important to people in organizations. Indeed unmet expectations with respect to job security, and autonomy have been found to be related to turnover (Porter & Steers, 1978). Steers and Stone (1982) report that low organizational identity or commitment should be associated with high turnover. Evidence in the literature indicates that these are also points of contention and disappointment following many organizational combinations. The following is a review of the organizational combination (merger and acquisition) literature which highlights the problems along these dimensions.

Power. Typically in a combination of organizations there is a tendency for one organization to be preceived as more influential or powerful than the other (Blake & Mouton, 1983). Power is defined by Hickson, Hinings, Lee, Schneck, and Pennings (1971) as "the determination of the behavior of one social unit by another" (p. 218). The influence of one

party over another is power. Hining, Hickson, Penning, and Schneck (1971) conceive of power as being reflected in the stages of decision making. It seems likely that in a true merger members of both organizations would expect mutual involvement in pre- and post-combination decisions. In an acquisition members of the buying organization may expect that they will be the decision makers and the members of the selling organization will be the followers. In addition, the members of the selling organization would expect that they should have little influence on decisions.

Problems may occur if individuals have incongruent expectations about their roles and the influence of their organization after the combination. One example of how this may be likely to happen is when individuals in the selling organization expect a merger and individuals in the buying organization expect an acquisition. Usually it is the buying organization that is perceived to be the superior organization. The individuals from the buying organization may respond to the individuals from the selling organization in a condescending manner (Levinson, 1970). The condescending attitudes may be partially responsible for the buying company's management to be making most of the decisions with very little influence from the selling organization's management. Data indicate that some selling managers may perceive such an organizational combination to be a merger. Since they believe that they are involved in a merger they expect to be influential in the new organization.

Sales and Mirvis (1984), for example, report data from a longitudinal study where the organizational combination was publicly labelled a takeover. Yet the selling company's management had hopes of influencing the buying organization's management. They hoped to bring participative management to the buying organization, but they were not successful in this endeavor. Eventually, after some resistance the selling management resolved to accept the buying organization's practices.

Autonomy. A topic closely related to power is autonomy. In organizational combinations, managers in particular may experience reduced autonomy. In their consultation to combining organizations, Blake and Mouton (1983) have noticed that many times upper level managers from the selling organization are distressed by their reduced autonomy following a combination. Managers seem to value autonomy highly (Blake & Mouton, 1984; Davis, 1968) and when it is removed they may resent it so much that they resign from their position (Davis, 1968). They often resign, in order to regain their autonomy elsewhere.

Hayes (1979) reports a multiorganization study where only 42% of the top managers remained in the new organization as long as five years after their organization was sold. Most who left claimed they would not sell if they had to do it over again. Some said that if they were to sell again they would want assurance that a philosophy that they found appropriate would guide the organization. They even

said that they would sacrifice on the financial end of the deal if they would be assured that they would retain their autonomy.

Organizational identity. Many times merged or acquired personnel may experience a sense of lost identity after a combination. For example Jick (cited in Marks, 1982) studied merging hospitals. One finding was that after the combination employees experienced lower enthusiasm for their work and a decrease in organizational pride. The merged or acquired employees may find that the values of the combined organization are different from the values of the original organization. These new values may be difficult to accept. These employees may even feel that their own goals and values are no longer congruent with the new organization's goals. In this case, employees may have difficulty transferring their loyalty to the new organization. Managers proposing mergers or acquisitions apparently give little attention to lost identity experienced by their personnel (Levinson, 1972). It seems that managers should not neglect the potential for a loss of identity. Steers and Stone (1983) maintain, people who identify with their organization (or have attitudinal commitment) should have low turnover and high attendance.

Examples involving identity and loyalty issues can be found in the organizational combination research. In one case a large organization acquired a smaller organization and immediately hung a banner bearing its name over the smaller organization's sign. This caused the employees of

the smaller organization great distress (Schneider, personal communication, 1983). It seems that individuals from the smaller, acquired organization may experience a greater loss of identity than those from the larger, acquiring organization (Gill & Foulder, 1978). Often the individuals from the smaller organization feel that they have been taken over even in a so-called merger (Gill & Foulder, 1978). Thus an organizational combination can be publicly labelled a merger, but the involved individuals may experience it as an acquisition.

For example, Wicker and Kauma (1974) report a case that was publicly termed a merger, but actually seems to have been an acquisition. They conducted telephone interviews with organization members eleven months after the combination. Prior to the "merger", members from the smaller organization reported greater support for their organization than members from the larger organization. However, following the combination individuals from the smaller organization felt a sense of lost identity and felt less support for the new organization and less welcomed in the new organization than those from the larger organization. In general, they only identified weakly with the new organization. Possibly the high turnover rates following combinations may be due in part to identity issues.

Job security. Those employees who decide to remain in the organization after the combination may fear for their

job security. This may be especially true for those from the selling organization. Indeed post combination firing rates are high and well recognized. Several authors offer advice on how to recognize and prepare for the possibility of losing one's job following a combination (Gorovitz, 1983; Handy, 1969; Hubbartt, 1982). Handy (1969) has observed that the positions most threatened by organizational combinations are staff officers in administration, legal services, finance or accounting. These are the jobs that are usually duplicated in the other organization.

Apparently buying organizations retain most of their own people and tend to release people from the selling organizations (Handy, 1969). Presumably, employees in an acquired organization would expect that their job security may no longer exist. While individuals in a merger would worry about their job security, they probably will not automatically assume that their jobs are directly threatened.

Another aspect of job security involves pay and promotional opportunities. One such problem that may be faced by combining organizations is that one organization may offer lower wages and benefits than the other. Marks (1982) cites an example where the executives of the smaller organization received more pay and benefits than those from the larger organization. Since the combination was an acquisition, the larger, acquiring, company was faced with a decision. The pay of those from the smaller organization could be reduced to match that of the larger organization's

management. Or they could increase the pay of the larger organization's management. It is because of situations similar to this that many times those from smaller organizations may lose the benefits and high pay after a combination (Ptashkin, 1978).

Summary. In summary, there are two broad types of organizational combinations: mergers and acquisitions. These can be viewed from three perspectives: merging, acquiring, acquired. In addition, there are at least two basic motives for combining organizations: growth and survival. Associated with all of these may be expectations concerning the relationship between the organizations with respect to power, autonomy, identity, and job security.

Individuals in an acquisition are hypothesized to hold expectations for inequality between the organizations with respect to these dimensions. The acquiring organization is expected to be in the dominant position. A merger is hypothesized to be described by expectations for approximate equality between the organizations on these dimensions. Expectations for a combination that was motivated by survival are hypothesized to be characterized by greater inequality in favor of the other organization than for a combination motivated by growth. These hypotheses will be examined in this study. The relationship between individual's organizational combination expectations and uncertainty expectations will also be explored.

Uncertainty in Organizational Combinations.

Due to rapidity of the change and numerous unknowns, mergers and acquisitions are more stressful than other types of organizational reorganizations (Hastings, cited in Marks, 1982). Budner (1962) has identified three categories of uncertain situations. They are: new situations with novel cues, complex situations with many cues, and insoluble situations where cues have contradictory meanings. Since organizational combinations are characterized by novelty, complexity, and insolubility they may fall into any one or any combination of these categories.

Role ambiguity is a part of the uncertainty that follows organizational combinations (Gill & Foulder, 1978), because many individuals' roles may change. Role ambiguity has typically been studied as a source of stress and stress has been found to be related to physiological responses including headaches, backaches, heart disease and hypertension (Jackson & Schuler, in press). These stress responses have been found among top managers involved in organizational combinations (Hayes, 1979; Marks & Mirvis, not dated). However the uncertainty faced by individuals as a result of an organizational combination is broader than role ambiguity.

Uncertainty has been defined and operationalized in various ways (See Schuler, Jackson, and Vredenburg, 1984 and Jackson, Zedeck, Lyness and Moses, 1983 for reviews). A definition appropriate to organizational combinations is

provided by Hinings et al. (1971). They define uncertainty as a "lack of information about future events, so that alternatives and their outcomes are unpredictable" (p. 27). Characteristics of the internal and external organizational environment are usually thought to be the cause of uncertainty (Jackson, et al., 1983).

Another useful conceptualization is presented by Schuler et al. (1984) who conceive of uncertainty as a metaconstruct. Schuler et al. (1984) suggest that uncertainty potentially impacts four levels of analysis: organizational, unit, group, and individual. They present a model of uncertainty that may be useful in further understanding the psychological processes involved in organizational combinations.

They speculate that uncertainty at a particular organizational level provokes responses to reduce the uncertainty at that level and that these responses may change the degree of uncertainty at another level. For example, an organization may be having difficulty in obtaining the resources required to carry on its production function. One response towards reducing this environmental uncertainty is to combine with another organization that produces the needed resources. Pfeffer and Salancik (1978) believe that organizations combine in order to reduce environmental uncertainty and to gain stability. They cite Caves (1970) and Samuels and Smyth (1968) as reporting data that indicate that larger organizations experience less

variability in their profit rates than smaller organizations.

So combining may reduce the uncertainty at the organizational level, but it may increase the uncertainty at the individual level. For example, managers in the organization may perceive an increase in uncertainty after the organizations have joined. In the present study an attempt was made to measure a general sense of uncertainty. Items tapping role ambiguity and uncertainty due to events influencing the organization were included in the measure.

Since power seems to be a key issue in organizational combinations it is hypothesized that events following an acquisition may be more predictable than the events following a merger. An acquisition is thought to be characterized by inequalities and therefore it is thought that less uncertainty will be expected, because it will be relatively clear who has the power. In contrast, a merger may be characterized by expected equality, but by its very equality there may be less certainty about how the new organization will function.

Expected Satisfaction Following a Combination.

Uncertainty operationalized as role ambiguity has been found to be negatively correlated with job satisfaction (See Pearce, 1981, for a review). Gill and Foulder (1978) also suggest that uncertainty following a combination may have several negative consequences including low job

satisfaction, low self-confidence, low confidence in the organization, and increased tension or stress. Thus, it may be hypothesized that a general sense of uncertainty will be associated with lower satisfaction. If this is true then expected satisfaction could be highest for individuals who are in an organization that has acquired another.

An alternative perspective would focus on the perceived inequalities of an acquisition. Because acquisitions are hypothesized to be characterized by inequalities, then the expected satisfaction may be low for the acquired personnel. While the equality in a merger would lead individuals to expect to be fairly satisfied after a merger, regardless of the level of uncertainty.

Hypotheses.

In the present study a measure of organizational combination expectations was developed that was to be composed of four factors: power, autonomy, identity, and job security. This measure was used to test the following hypotheses:

- Hypothesis 1: When presented with a situation of a merger individuals will report expectations for equality between the organizations on the four dimensions. When presented with an acquisition situation individuals will report expectations for inequality on the dimensions with the acquiring organization expected to be in the most favorable position.

Hypothesis 2: Individuals presented with a situation in which their organization is motivated to combine in order to survive will report expectations of greater inequality on the four dimensions in favor of the other organization than individuals who are presented with a situation in which their organization is combining in order to expand.

Hypothesis 3: Individuals presented with an acquisition situation will report less uncertainty than individuals presented with a situation of a merger.

The following exploratory analyses were also undertaken:

- 1) The test of whether uncertainty or expectations is the stronger correlate of satisfaction.
- 2) The effect of motive on uncertainty and satisfaction was explored.

II. METHOD

Part I

Development of the Expectation Scales.

Items for the expectations scales were generated from 18 interviews with individuals who had experienced some type of organizational combination. The sample consisted of six women and twelve men, who discussed a total of ten different combinations of banks. Eight participants felt that they had been members of an acquiring organization and ten individuals felt that they had been members of an acquired organization. Three of the latter individuals no longer worked for the combined organization. Note that no one described a combination as a merger. This is in keeping with Humpal's (1971) and Majaro's (1982) thinking that mergers never occur.

The positions held by the interviewees at the time of the combinations were: chairman of the board (1), president (1), vice president (9), junior officer (2), branch manager (1), assistant director of personnel (1), payroll supervisor (1), secretary (2). Although, only combinations of banks were discussed, the diversity of the sample may increase the generalizability of the interview data.

The interview was semi-structured and lasted approximately 30 to 45 minutes. The questions allowed the interviewees to address the four issues of interest,

power, identity, autonomy, and job security, and anything else that they thought had influenced their feelings following the combination.

The combination expectations scale items were written based on the content analysis of the interview data. Four scales were constructed which tapped the four issues of interest, expectations for power, autonomy, identity, and job security. An additional scale, expectations of post-combination morale, was also constructed because many interviewees spontaneously discussed morale issues. The items arranged by scale and the instructions provided to the participants are presented in Appendix A. The items were randomized on the form participants completed in Part II of the study.

Part II

Participants.

252 MBA students from a large Eastern University participated. 39 reported that they had been involved in some sort of organizational combination prior to participating in this study.

Manipulation of Independent Variables.

Scenarios were developed that described organizational combinations between two organizations. The participant was asked to respond to the combination expectation survey as if they were a member of one of the combining organizations.

The independent variables, perspective of individual in the combination (acquired, merged, acquiring), motive for combining (growth, survival) and organization type (bank, computer, gourmet) were manipulated in the scenarios.

Individual perspective was a three level variable (acquired, merged, acquiring) operationalized using the Marks and Mirvis (not dated) definition of mergers and acquisitions. That is, the relative sizes of the organizations involved in the combination were manipulated. The size of the participant's organization in terms of the number of employees (500) was held constant across all conditions, while the size of the other organization determined the condition, as follows: In the acquired condition the other organization was three times the size (1500 employees) of the participant's organization. In the merging condition the other organization was approximately the same size (510 employees) as the participant's organization, and the acquiring condition was designated by the other organization being approximately one-third the size (160) of the participant's.

Perspective of individual was crossed by two levels of motive for combining, survival and growth. If the participant's organization was combining for the sake of organizational survival the following sentence appeared in the scenario: "It has been clear for some time now that due to past problems and mistakes, (organization's name) is losing business and that some action must be taken if

(organization's name) is to remain in existence." If growth was the motive this sentence was replaced with the following sentence: "It has been clear for some time now that due to (organization's name) management's desire for growth and expansion, some action must be taken to ensure this kind of development."

Finally, in order to enhance the generalizability of the results, organization type was manipulated by varying the names of the organizations in the scenarios. There were three types of organizations: banks (State Security Bank, and First Bank and Trust), computer software developers (Comp-U-Serve, and Computer Experts), and gourmet food caterers (Gourmet's Best, and International Food). Thus the study was a 3 x 2 x 3 factorial design requiring 18 different scenarios. (See Appendix B.)

Procedure.

Participants were randomly assigned to one of the 18 conditions (n=14 per cell). All of the participants were asked to carefully read the scenario and then to respond to the expectation items based on the expectations generated by the scenario. They first completed the expectations items, then a measure of perceived uncertainty (developed for this study, see Appendix C), and finally a general measure of anticipated post-combination (6 months later) satisfaction (Faces Scale, see Appendix D). It took approximately 30 minutes to complete the questionnaire.

III. RESULTS

Scale Construction

Five expectation scales, power, autonomy, identity, job security, and morale were constructed based on a priori item clusters arising from the literature review and the interviews. Reliability optimization was performed to form the final scales such that the items retained in each scale were selected to maximize internal consistency. Reliability optimization was employed rather than factor analysis because of the small observation to item ratio (2.76 to 1). Nunnally (1978) recommends a 10 to 1 observation to item ratio for either procedure in order to avoid taking advantage of sampling error. The results of a factor analysis would be uninterpretable due to capitalizing on chance. However, although reliability optimization also takes advantage of chance, the items were originally clustered on a rational basis which leaves the scales with a basis for interpretation. The major problem, of course, is that replication is required in order to establish stable reliability estimates. However, given the relatively large pool of items for each a priori scale it was decided to proceed. The resulting scale means, standard deviations and internal consistency reliability estimates are presented in Table 1.

The uncertainty scale was constructed in the same manner as described above and the results from this scale are also presented in Table 1. All internal consistency

Table 1

Scale Means, Standard Deviations, and Reliability Estimates

Scale	Mean	SD	rxx	number of items
Power	4.56	.86	.84	11
Identity	3.51	.86	.86	9
Autonomy	3.82	.67	.81	12
Job Security	4.64	.76	.88	16
Morale	4.14	.86	.92	17
Uncertainty	5.40	.73	.73	8
Satisfaction	3.68	.73	--	1

n = 252

The satisfaction measure has a five point scale. All other measures employ seven point scales.

estimates except for the uncertainty scale ($r = .73$) are greater than .80 after the optimization procedure. Nunnally (1978) considers .80 a minimum objective for these kinds of reliability estimates. Sample items from each scale are shown in Table 2. All item means and standard deviations are listed in Appendix A.

The scales were not expected to be independent, but the scale intercorrelations presented in Table 3 are quite high. Inspection of item by scale intercorrelations (Table 4) reveals that items typically correlate more highly with their respective scale than with any other scale. However many items also correlate highly with the other scales, particularly with the morale scale. This indicates that future work is required to obtain relatively more independent scales, such as collecting a large number of observations in order to compute a factor analysis. On the other hand, it may be that when the expectations measure is administered in an actual pre-combination mode, the scales will not be as highly intercorrelated. This might happen because respondents would be describing actual experiences rather than hypothetical circumstances.

Manipulation Check

In order to enhance the possibility of generalizability of the results, type of organization was varied in the scenarios. Generalizability would be enhanced if type of organization did not influence the

Table 2

Sample Items from Each Expectation Scale.

Scale	Item
Power	*The policies that come into place will originate primarily from First Bank & Trust. Top management from State Security will retain highly influential positions.
Identity	Immediately following the combination of these two banks people from State Security Bank will identify with the combined organization. A family feeling will quickly develop in the combined organization.
Autonomy	Required reports will not be more extensive following the combination than they are now. After the combination the new policies and procedures under which we work will be more detailed than those we used before the combination.
Job Security	*There will be cuts in wages of people from State Security Bank after the combination. *Cuts in personnel after the combination will be made by dismissing people from State Security Bank.
Morale	*People from State Security Bank will feel sick, disappointed and/or shocked by the announcement of the combination. Immediately following the combination of these two banks people from State Security Bank will be pleasant toward the people from First Bank & Trust.

* Reversed Scored.

Table 3
Scale Intercorrelations

Scale	1	2	3	4	5	6
Power						
Identity	.62					
Autonomy	.53	.58				
Job Security	.77	.62	.64			
Morale	.74	.84	.56	.76		
Uncertainty	-.34	-.50	-.40	-.44	-.44	
Satisfaction	.35	.42	.32	.38	.37	-.22

n = 252

All correlations are significant at $p = .05$.

Table 4
Item by Scale Correlations

Scale Item	Power	Identity	Autonomy	Job Security	Morale
<u>Power</u>					
1	.44*	.25	.32	.40	.34
30	.41	.48	.35	.37	.48
32	.40	.30	.22	.35	.35
36	.59	.36	.29	.46	.41
40	.43	.40	.26	.42	.48
42	.65	.41	.36	.57	.48
49	.68	.48	.38	.63	.58
50	.46	.44	.35	.45	.47
51	.64	.49	.46	.59	.60
55	.58	.41	.39	.57	.47
70	.50	.37	.29	.49	.47
average	.53	.40	.33	.48	.47
<u>Identity</u>					
18	.30	.39*	.32	.29	.45
65	.37	.54	.35	.31	.50
74	.24	.48	.38	.26	.38
76	.51	.66	.36	.45	.60
77	.53	.62	.34	.43	.58
80	.59	.69	.44	.60	.74
82	.41	.63	.41	.43	.58
89	.42	.65	.48	.52	.66
90	.53	.68	.53	.56	.74
average	.43	.59	.36	.43	.58
<u>Autonomy</u>					
9	.03	.15	.32*	.13	.09
10	.22	.30	.39	.28	.24
12	.42	.40	.45	.50	.40
19	.14	.25	.30	.18	.18
23	.36	.45	.52	.48	.45
43	.52	.49	.55	.52	.49
44	.28	.20	.44	.37	.24
56	.10	.18	.33	.14	.16
60	.45	.33	.51	.50	.31
66	.45	.44	.65	.47	.46
68	.47	.46	.61	.57	.49
69	.21	.35	.54	.34	.33
average	.30	.33	.47	.47	.32

Table 4 (continued)
Item by Scale Correlations

Scale Item	Power	Identity	Autonomy	Job Security	Morale
<u>Job Security</u>					
6	.41	.26	.28	.47*	.37
11	.46	.29	.29	.46	.42
13	.36	.38	.49	.47	.43
17	.45	.30	.30	.53	.40
20	.36	.19	.27	.47	.32
22	.47	.29	.32	.58	.43
28	.30	.31	.33	.36	.28
34	.58	.53	.48	.61	.59
38	.57	.35	.40	.67	.54
45	.54	.36	.42	.55	.46
47	.62	.42	.43	.60	.50
53	.51	.44	.36	.58	.53
54	.53	.47	.45	.66	.55
59	.62	.47	.50	.65	.51
63	.36	.48	.43	.41	.47
64	.28	.41	.40	.42	.44
average	.46	.37	.38	.53	.43
<u>Morale</u>					
2	.65	.44	.41	.59	.54*
14	.57	.47	.37	.58	.57
21	.48	.43	.32	.52	.53
25	.35	.51	.31	.38	.53
26	.40	.49	.32	.52	.56
39	.47	.53	.33	.42	.53
58	.50	.47	.37	.44	.54
73	.39	.52	.35	.46	.57
75	.47	.68	.35	.44	.63
78	.58	.66	.36	.54	.66
79	.43	.67	.39	.45	.66
81	.57	.73	.46	.61	.76
83	.51	.68	.35	.51	.63
84	.54	.56	.43	.55	.61
85	.45	.56	.31	.42	.63
86	.51	.68	.42	.49	.71
91	.53	.74	.45	.56	.75
average	.49	.58	.37	.50	.61

*Note: All correlations of items and their respective scales are corrected item-total correlations.

various post-combination expectations serving as the dependent variables. Seven one-way ANOVAs (the five facets of expectations from the expectations measure, plus uncertainty and satisfaction) were computed to test the effect of type of organization on the dependent variables. The resulting F values shown in Table 5 indicate that there is statistically significant effect due to type of organization for the job security scale ($F = 3.31$, $df = 2$, 249 , $p = .05$). The ratings for job security expectations for banks, computer software developers, and gourmet shops are 4.8, 4.6, 4.5, respectively. However, post hoc Scheffe tests did not indicate significant differences between any of the means. Because there is a significant effect due to organization, type of organization was included in subsequent analyses involving job security expectations.

Tests of Hypotheses.

Hypothesis 1. Hypothesis 1 concerned the effects of perspective (acquiring, merged, acquired) on expectations for the post combination organization. Hypothesis 1 predicted that an individual's perspective in an organizational combination would influence his or her expectations for the manner in which power will be distributed; identity, or how much organizational members will feel a part of the new organization; autonomy, or the formal organizational restrictions on how they do their jobs; and job security.

Table 5
One-Way Anovas for Organization

Dependent Variable	Source	SS	df	MS	F	p
Power	Org	2.70	2	1.35	1.8	ns
	Error	184.91	249	.74		
Identity	Org	.62	2	.31	.41	ns
	Error	187.01	249	.75		
Autonomy	Org	.026	2	.013	.029	ns
	Error	113.73	249	.46		
Job Security	Org	3.79	2	1.90	3.31	*
	Error	142.59	249	.57		
Morale	Org	3.63	2	1.82	2.47	ns
	Error	183.01	249	.74		
Uncertainty	Org	.87	2	.44	.812	ns
	Error	133.76	249	.54		
Satisfaction	Org	2.20	2	1.10	2.067	ns
	Error	132.40	249	.53		

*p = .05
n = 252

Specifically, it was predicted that individuals in the acquiring condition would report expectations for inequality between the organizations on these dimensions with their organization in the dominant position (high means on the expectations scales). The individuals in the acquired condition, on the other hand, were predicted to report expectations that also indicated inequality between the organizations on these dimensions, but their organization would be seen as being in the least favorable, or subordinate, position (low means on the expectation scales). Finally, those in the merged condition were predicted to report expectations for equality between the organizations.

The hypothesis was tested by computing four Anovas where the individual's perspective was the independent variable and power, identity, autonomy, and morale expectations were the dependent variables. A fifth Anova was also computed with job security expectations as the dependent variable and type of organization, and individual's perspective as the independent variables.

The Anova results for the effect of perspective on each expectation measure are presented in Table 6. It can be seen that there is a significant main effect for perspective on power ($F = 20.47, p = .05$), identity ($F = 5.72, p = .05$), autonomy ($F = 7.36, p = .05$), job security ($F = 6.76, p = .05$), and morale ($F = 4.42, p = .05$). Furthermore the means for power, identity, job security, and

Table 6

Anova Results for the Main Effect of Perspective on Expectations

Dependent Variable	MS error	MS	F	p
Power	.585	11.97	20.47	*
Identity	.708	4.05	5.72	*
Autonomy	.425	3.13	7.36	*
Job Security	.509	3.44	6.76	*
Morale	.698	3.09	4.42	*
* $p = .05$				

morale expectations are, with the exception of autonomy, ranked in the predicted order (See Table 7). That is, those individuals in the acquiring condition appear to have the highest means for the expectations scales indicating that they may have expected their organization to hold the most dominant position following the organizational combination. Those individuals in the merged condition typically reported the second highest expectations for the organizational combination, followed by those in the acquired condition.

Note that the predicted ranking did not occur for autonomy expectations. The expectations for autonomy reported by those in the merging condition ($x = 4.01$) are the highest, while the acquiring and acquired groups reported lower expectations for autonomy ($x = 3.83$ and 3.63 , respectively).

Although hypothesis 1 only predicted a main effect for perspective, post-hoc inspection of the source of the effect was carried out. To do this, Scheffe tests were computed in order to test whether the differences between the ranked means were statistically significant. A Scheffe test was computed for each expectation scale where the critical Scheffe values for each scale are: power, .29; identity, .32; autonomy, .25; job security, .27; morale, .32. Inspection of the post hoc results presented in Table 8 reveal that power expectations are significantly lower for the acquired group ($x = 4.14$) than for the merged ($x = 4.67$) and acquiring ($x = 4.87$) groups. However, individuals in

Table 7

Marginal Means for Perspective on Expectations

Dependent Variable	Acquired	Merged	Acquiring
Power	4.14	4.67	4.87
Identity	3.30	3.48	3.74
Autonomy	3.63	4.01	3.83
Job Security	4.40	4.75	4.76
Morale	3.94	4.17	4.32

Table 8
Results of Scheffe Tests for Differences Between
Means of Perspective

Dependent Variable	Perspective	Mean	Difference in Means	
			Merged	Acquiring
Power	Acquired	4.14	.53*	.73*
	Merged	4.67		.20
	Acquiring	4.87		
Identity	Acquired	3.30	.18	.44*
	Merged	3.48		.26
	Acquiring	3.74		
Autonomy	Acquired	3.63	.38*	.20
	Merged	4.01		.19
	Acquiring	3.83		
Job Security	Acquired	4.40	.35*	.36*
	Merged	4.75		.01
	Acquiring	4.76		
Morale	Acquired	3.94	.23	.38*
	Merged	4.17		.15
	Acquiring	4.32		

*p = .05

Note: Data in the columns labelled "Merged" and "Acquiring" are simply differences in means. That is, the .53 under "Merged" results from subtracting the difference between Merged (x = 4.67) and Acquired (x = 4.14).

the merged and acquiring conditions held nonsignificantly different expectations for power. Apparently, individuals presented with a merger or acquiring situation reported significantly higher power expectations than the other two groups.

The same pattern of results held for job security expectations (see Table 8). That is, the job security expectations reported by those in the acquired condition ($x = 4.40$) were significantly lower than the expectations reported by those in the merged ($x = 4.75$) and acquiring ($x = 4.76$) conditions, while the means of the latter two groups were not significantly different at $p = .05$. Thus, individuals presented with a situation in which they belong to an acquired organization report expectations for lower job security than those who were presented with an acquiring or merged situation.

As shown in Table 8 identity expectations, the expectations of feeling a part of the newly combined organization, were significantly different for the acquired ($x = 3.30$) and acquiring ($x = 3.74$) groups. The acquired group reported lower expectations for identity than the acquiring group. The individuals presented with the merging situation reported expectations for identity issues ($x = 3.48$) which did not differ significantly from the expectations reported by those in the acquired ($x = 3.30$) or acquiring ($x = 3.74$) conditions.

The results for morale expectations followed a pattern

similar to the identity expectations (See Table 8). Individuals in the acquired perspective reported the lowest morale expectations ($x = 3.94$) and these expectations were significantly different from the more positive ones held by the individuals in the acquiring perspective ($x = 4.32$). However, those from the merging perspective reported morale expectations ($x = 4.17$) that did not differ from those in the acquired or acquiring conditions.

Finally, the results from the Scheffe procedure support the earlier evidence (Table 8) that autonomy expectations were different than hypothesized. Autonomy expectations were highest for individuals in the merged condition ($x = 4.01$). Although, as predicted the acquired group reported significantly lower expectations for autonomy ($x = 3.63$) than the merged group. Autonomy expectations were not significantly different for the acquiring group ($x = 3.83$) and the merging group (4.01). Furthermore, and more puzzling, the difference between autonomy expectations for the acquired and acquiring groups was not significant.

Summary. The results from the analysis of hypothesis one indicate considerable support. There was a significant effect of perspective on power, autonomy, identity, job security, and morale expectations. In addition, the results from the Scheffe tests suggest that the expectations held by individuals in the acquired conditions were lower for power, identity, job security and morale

than the expectations held by the acquiring group. Although the merged group reported higher expectations than the acquired group for power, autonomy, and job security, the merged and acquiring groups did not report significantly different expectations for any of the dimensions. In general it appears that individuals who are presented with an acquiring or merging situation hold relatively similar expectations, while those presented with an acquired situation hold significantly lower expectations.

Hypothesis 2. Hypothesis 2 was the test of the influence of motive for the organizational combination on individuals' expectations for the combination. It was predicted that expectations for power, identity, autonomy, and job security would be higher when the motive was growth than when the motive was organizational survival. As shown in Table 9 the motive for the combination did influence the expectations for power ($F = 24.94, p = .05$), identity ($F = 4.52, p = .05$), job security ($F = 10.07, p = .05$) and morale ($F = 4.86, p = .05$).

After viewing the marginal means in Table 10 it can be noted that, as predicted, expectations for these dimensions were higher when participants believed that their organization was combining in order to grow (power, $x = 4.80$; identity, $x = 3.62$; job security, $x = 4.78$; morale, $x = 4.26$) than when survival was the motive for combining (power, $x = 4.32$; identity, $x = 3.39$; job security, $x =$

Table 9
Anova Results for the Main Effect
of Motive on Expectations

Dependent Variable	MS error	MS	F	p
Power	.585	14.59	24.94	*
Identity	.708	3.20	4.52	*
Autonomy	.425	.95	2.24	ns
Job Security	.509	5.13	10.07	*
Morale	.698	3.40	4.86	*

* $p = .05$

Table 10

Marginal Means for Motive

Dependent Variable	Growth	Survival
Power	4.80	4.32*
Identity	3.62	3.39*
Autonomy	3.88	3.76
Job Security	4.78	4.49*
Morale	4.26	4.02*
Uncertainty	5.30	5.49*
Satisfaction	3.66	3.71

* $p = .05$

4.49; morale, $x = 4.02$). Autonomy expectations followed the same trend where individuals in the growth conditions reported higher autonomy expectations ($x = 3.88$) than those in the survival conditions ($x = 3.76$), but this difference was not significant at $p = .05$. In summary, then, people in the growth condition expect a significantly more positive post-combination organization.

Inspection of interactions. Although a motive by perspective interaction was not predicted for any dimension of the expectations scale, analyses revealed that the interaction was significant for power ($F = 4.43$, $p = .05$), job security ($F = 6.36$, $p = .05$) and morale ($F = 3.71$, $p = .05$; see Table 11).

Myers (1979) recommends that when a significant interaction is found the simple main effects of the significant interactions should be tested. The simple main effect is tested by computing a one-way anova for each variable in the interaction at each level of the other variable in the interaction. For example, in order to test the simple main effect for perspective on power, two one-way anovas would be computed, one for each motive (survival and growth), where perspective is the independent variable and power is the dependent variable. Typically, post hoc tests are then computed to detect mean differences if a simple main effect is significant.

The simple main effects were computed controlling for the error rate by dividing the alpha value (.05) by the

Table 11
Anova Results for Perspective x Motive Interaction
on Expectations

Dependent Variable	MS error	MS	F	p
Power	.585	2.59	4.43	*
Identity	.708	1.13	1.59	ns
Autonomy	.425	1.03	2.41	ns
Job Security	.509	1.09	6.36	*
Morale	.698	2.59	3.71	*

* $p = .05$

number of treatments, as recommended by Kirk (1968). Following Kirk's procedure, perspective was tested at $p = .05/2 = .025$ because there are two treatments of motive, and motive was tested at $p = .05/3 = .017$ since there are three perspective treatments.

A graph of the perspective by motive interaction for power is shown in Figure 1. The results of the tests of the simple main effects for perspective and motive on power are presented in Table 12. It is shown that perspective is significant at both levels of motive, growth ($F = 20.39$, $p = .025$) and survival ($F = 4.50$, $p = .025$). Results from the post hoc Scheffe tests, presented in Table 13 reveal that when growth is the motive for the organizational combination, those individuals in the acquiring condition reported the highest expectations for power ($x = 5.31$) which were significantly different ($p = .05$) from the lower power expectations held by those in the merging ($x = 4.85$) and acquired ($x = 4.24$) conditions. The acquired group had the lowest expectations for power and the merging group had intermediate expectations for power and these two groups differed significantly on power expectations.

However, when survival is the motive the acquiring and merging groups do not hold significantly different expectations for power ($x = 4.43$, 4.49 , respectively). Furthermore, the acquired ($x = 4.03$) and acquiring ($x = 4.43$) groups reported expectations for power that were not significantly different, but the merged group was found to

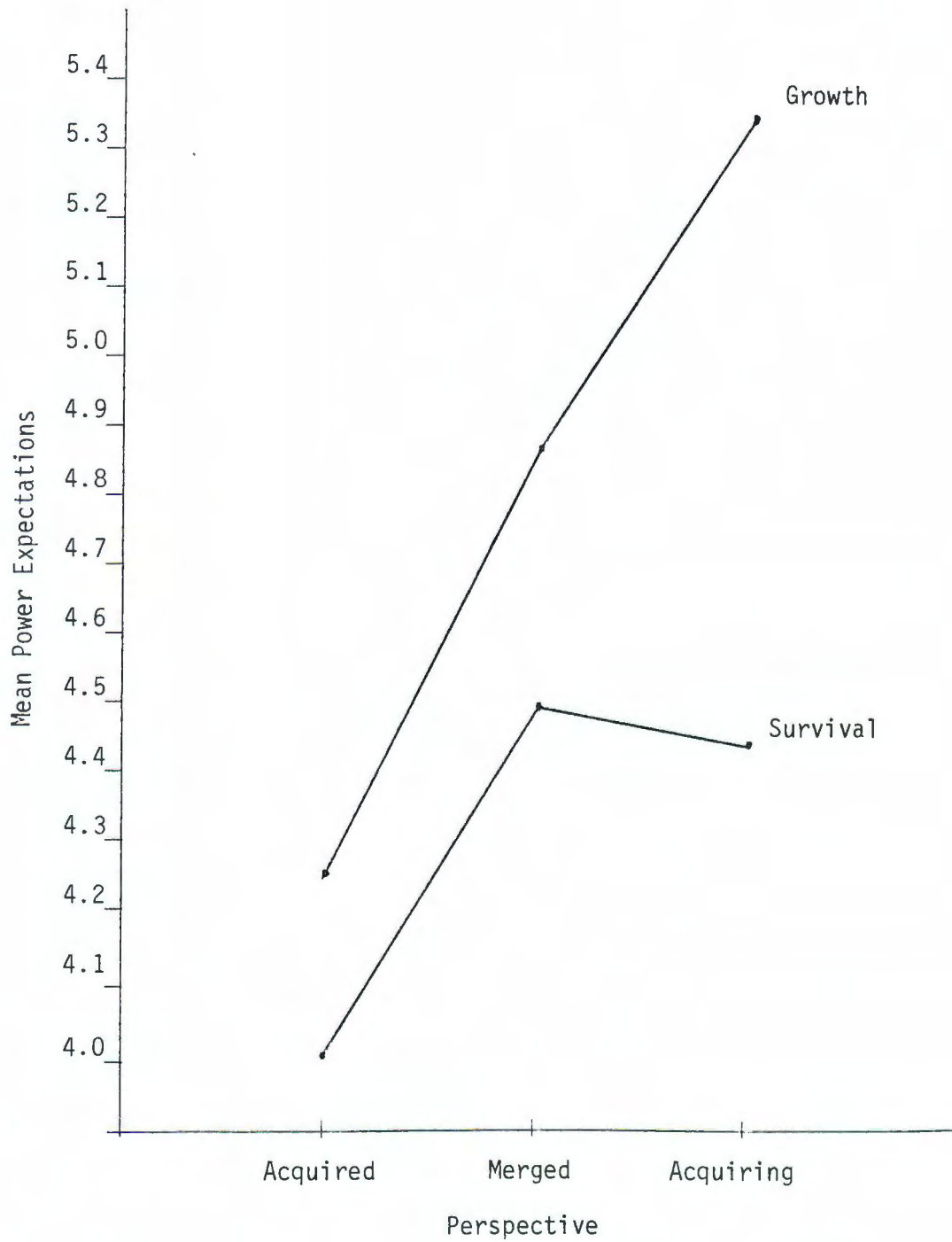


Figure 1. Graph of perspective by motive interaction for power expectations

Table 12
Tests of Simple Main Effects on Power.

Source	df	MS	F	p
Perspective				
at Growth	2	11.93	20.39	**
at Survival	2	2.63	4.50	**
Motive				
at Acquired	1	.95	1.62	ns
at Merged	1	2.61	4.46	ns
at Acquiring	1	16.22	27.73	***
Error	246	.585		

** $p = .025$ *** $p = .017$

Table 13
Results of Post-hoc Tests for Simple Main Effects
of Perspective on Expectations

Dependent Variable (Critical Scheffe)	Motive	Perspective	Mean	Differences in Means	
				Merged	Acquiring
Power (.41)	Growth	Acquired	4.24	.61*	1.04*
		Merged	4.85		.46*
		Acquiring	5.31		
	Survival	Acquired	4.03	.46*	.40
		Merged	4.49		.06
		Acquiring	4.43		
Job Security (.38)	Growth	Acquired	4.40	.42*	.71*
		Merged	4.82		.29
		Acquiring	5.11		
Morale (.45)	Growth	Acquired	3.89	.32	.70*
		Merged	4.21		.38
		Acquiring	4.59		

*p = .05

Note: Data in the columns labelled "Merged" and "Acquiring" are simply differences in means. That is the .61 under "Merged" results from calculating the difference between Acquired ($x = 4.24$ and Merged ($x = 4.85$).

have significantly higher expectations ($x = 4.49$) than the acquired ($x = 4.03$) group.

The simple main effect for motive on power is significant only when the perspective is that of the acquiring individuals ($F = 27.73$, $p = .017$). The means are shown in Table 14 where it can be seen that individuals in the acquiring conditions had significantly higher power expectations when growth was the motive ($x = 5.31$) than when survival was the motive ($x = 4.43$). With respect to power, then, expectations are higher for the acquiring group when growth is the motive than when survival is the motive, but for the merged and acquired groups motive did not affect power expectations.

The interaction of perspective and motive for job security is presented in Figure 2 and in Table 15. As can be seen, job security expectations are explained by a significant simple main effect for perspective only when growth is the motive for combining ($F = 10.63$, $p = .025$). Subsequent post hoc Scheffe tests indicate that when growth is the motive the acquiring groups ($x = 5.11$) and the merging group ($x = 4.82$) were not significantly different in anticipated job security. However, the expectations for job security are significantly higher for the acquiring group ($x = 5.11$) than for the acquired group ($x = 4.40$).

In addition those in the acquired group ($x = 4.40$) reported significantly lower job security expectations than did the individuals in the merging condition ($x = 4.82$; see

Table 14
Means for the Simple Main Effects of Motive
on Expectations

Dependent Variable	Acquired		Merged		Acquiring	
	Growth	Survival	Growth	Survival	Growth	Survival
Power	4.24	4.03	4.85	4.49	5.31	4.43*
Job Security	4.40	4.40	4.82	4.69	5.11	4.38*
Morale	3.89	3.95	4.21	4.06	4.59	4.00*

*p = .05

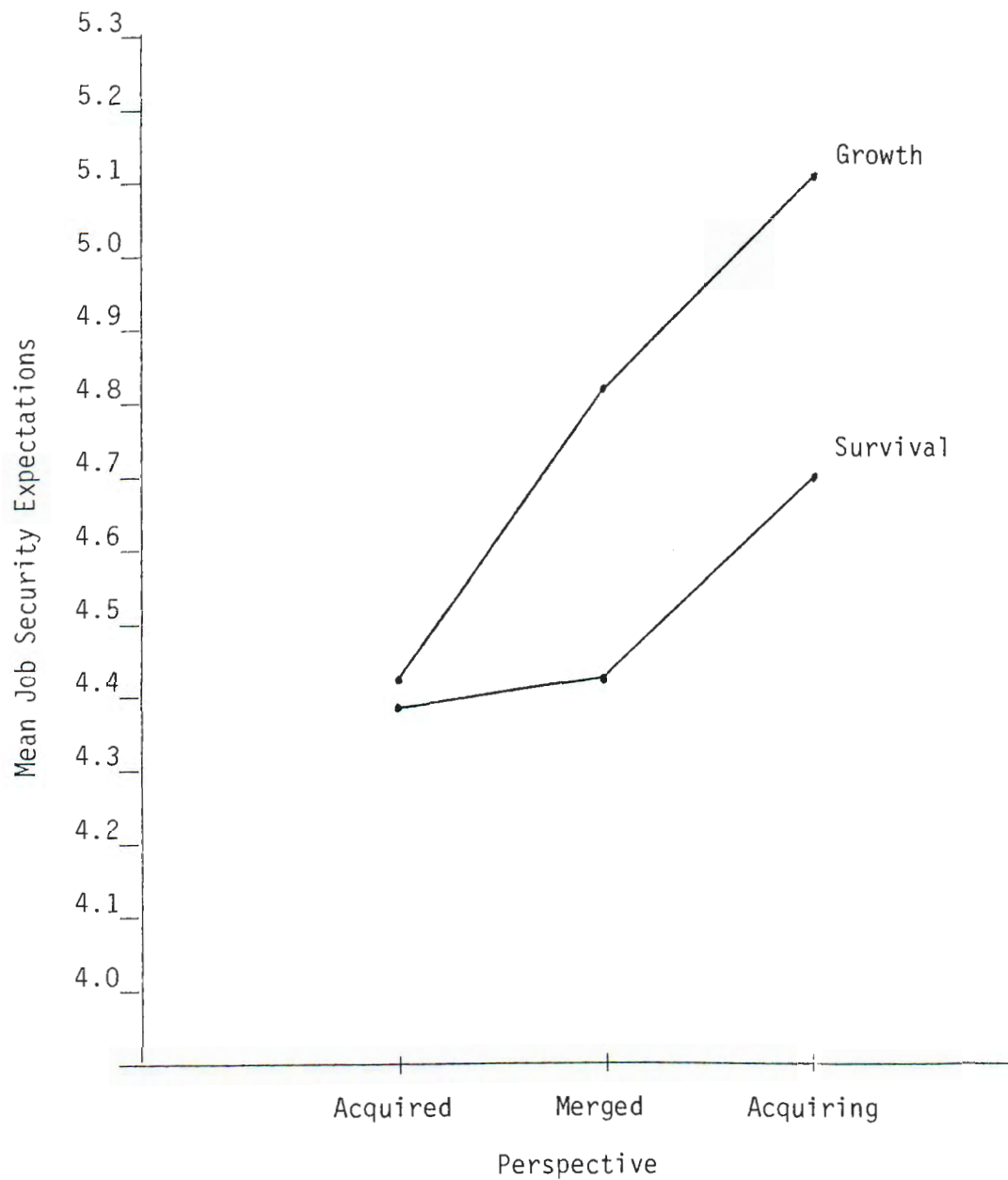


Figure 2. Graph of perspective by motive interaction for job security expectations.

Table 15

Tests of Simple Main Effects on Job Security

Source	df	MS	F	p
Perspective				
at Growth	2	5.41	10.63	**
at Survival	2	1.26	2.48	ns
Motive				
at Acquired	1	.00	.00	ns
at Merged	1	.34	.68	ns
at Acquiring	1	11.26	22.12	***
Error	234	.509		
** $p = .025$ *** $p = .017$				

Table 13). Another look at Table 15 and one readily notes that motive is significant when the perspective is that of the acquiring group ($F = 22.12$, $p = .017$). Inspection of the means for the simple main effects of motive in Table 14 indicates that in the acquiring condition the expectations for job security are higher when the motive is growth ($x = 5.11$) than when survival is the motive ($x = 4.38$).

The acquired group had significantly lower job security expectations than the merged and acquiring groups when growth was the motive, but there were no differences due to perspective when survival was the motive. Also the acquiring group reported higher expectations for job security when growth was the motive than when survival was the motive. However, the motive had no influence on job security expectations for the merged and acquired groups.

Finally, the perspective by motive interaction for morale is presented in Figure 3. When expectations about worker morale is the dependent variable it is noted that the simple main effect for perspective is significant only for the growth motive ($F = 7.50$, $p = .025$, see Table 16). Subsequent Scheffe tests reveal that when growth was the motive the only significant difference is between the acquired and acquiring conditions. The acquiring group held significantly higher expectations for morale ($x = 4.59$) than did the acquired group ($x = 3.89$). The merged group held intermediate morale expectations that did not differ significantly from either of the two other groups.

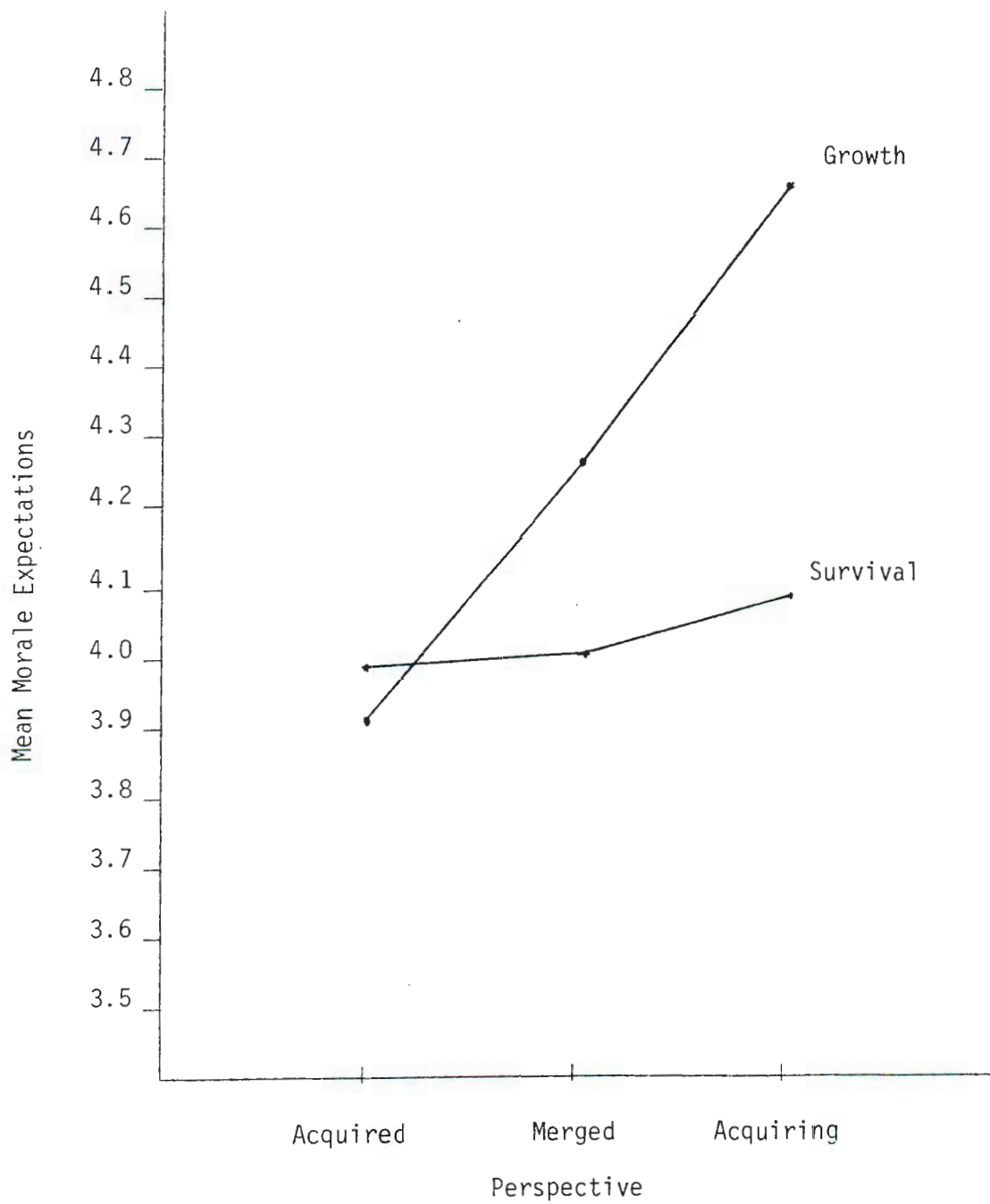


Figure 3. Graph of perspective by motive interaction for morale expectations.

Table 16
Tests of Simple Main Effects on Morale

Source	df	MS	F	p
Perspective				
at Growth	2	5.24	7.50	**
at Survival	2	.12	1.17	ns
Motive				
at Acquired	1	.095	.14	ns
at Merged	1	.51	.73	ns
at Acquiring	1	7.37	10.54	***
Error	246	.699		
** $p = .025$ *** $p = .017$				

Again, the simple main effect for motive is significant when the perspective is that of an acquiring organization's member ($F = 10.54$, $p = .017$, see Table 16). When the perspective is that of the acquiring individual's the expectations for morale are significantly higher when growth was the motive than when survival was the motive (See Table 14).

In summary, there are more differences in expectations for power, job security, and morale when growth is the motive than when survival is the motive. For all three facets of expectations, the acquiring group reported higher expectations when growth was the motive, but motive did not influence the expectations reported by the acquired or merged groups.

Hypothesis 3. Hypothesis 3, the test of the influence of the individual's perspective in the combination on uncertainty perceptions was tested by a two-way anova on uncertainty with perspective and motive as the independent variables. It was hypothesized that uncertainty would be lower for the acquiring and acquired groups than for the merging group. This hypothesis was not supported, since the main effect for perspective was not significant ($F = 1.5$, ns). See Table 17 for the results. Apparently different types of organizational combinations are not likely to yield significantly different levels of uncertainty.

Table 17
Analysis of Variance Summary Table for
Uncertainty

Source	df	MS	F	p
Perspective	2	.83	1.58	ns
Motive	1	2.26	4.29	*
Perspective x Motive	2	.55	1.04	ns
Error	246	.54		
* $p = .05$				

Exploratory Analyses.

Two planned exploratory analyses were conducted. The first was an investigation of whether uncertainty or expectations is the stronger correlate of expected satisfaction. This analysis was conducted to explore two competing hypotheses. As noted earlier, one hypothesis would predict that uncertainty would be the strongest correlate of satisfaction. This hypothesis follows from the view that role ambiguity, a type of uncertainty, has been found to be negatively related to satisfaction (Pearce, 1981). The other hypothesis would predict that expectations would be the stronger correlate of satisfaction. This is grounded in the idea that expectations for a dominant position after the combination would be related to high expectations for satisfaction, while expectations for the inferior position would be related to lower expectations for satisfaction. Tests of the significant differences between dependent correlations (Cohen & Cohen, 1975) were computed (i.e., comparing the correlation of uncertainty and satisfaction to the correlation of expectations and satisfaction). These results can be studied by viewing Table 18.

It appears that expectations for identity, job security, and morale are stronger correlates of expected satisfaction than is uncertainty. In order to assess whether the combined expectation scale was a better correlate of satisfaction than uncertainty a composite

Table 18

The Correlation of Uncertainty and Satisfaction (-.22)
 Compared to the Correlations of
 Expectations and Satisfaction

Dependent Variable	t
Power	1.91
Autonomy	1.53
Identity	3.48*
Job Security	2.58*
Morale	2.41*
* $p = .05$, $t(1,249) = 1.97$	

expectations scale which included the items from the power, autonomy, identity, and job security scales was correlated with satisfaction ($r = .43$) and this correlation was compared to the absolute value of the correlation coefficient of uncertainty and satisfaction, ($r = -.22$). It can be noted that the difference between these two values is significant ($t = 3.63$, $df = 249$, $p = .05$). Thus, expected satisfaction is more strongly correlated with a composite of the expectations scales than with the level of uncertainty.

The second exploratory analysis tested the effect of motive on uncertainty and satisfaction. As seen in Table 17, there is a significant main effect for motive on uncertainty ($F = 4.29$, $p = .05$). Individuals in the growth condition reported significantly less uncertainty ($x = 5.30$) than those individuals in the survival condition ($x = 5.49$). Perhaps when survival is the motive it is uncertain which organization will be the dominant power, even for the acquiring individuals.

Finally, satisfaction was not affected by motive ($F = .27$, ns, see Table 19).

Table 19
Analysis of Variance Source Table for Satisfaction

Source	df	MS	F	p
Perspective	2	.19	.36	ns
Motive	1	.14	.27	ns
Perspective x Motive	2	1.08	2.02	ns
Error	246	.536		
*p = .05				

IV. DISCUSSION

Studies of expectations are an important part of the industrial/organizational psychology literature (e.g. Hoiberg & Berry, 1978; Horner, Mobley, & Meglino, 1979; Porter & Steers, 1973; Vroom & Deci, 1971; Wanous, 1980). These studies have led to some understanding of newcomers' organizational entry experiences, job satisfaction and turnover. One purpose of the present project was to extend the study of expectations into research on organizational combinations in an effort to better understand some of the antecedents and consequences of those expectations. The antecedents studied were individual perspective and motive for combining. The individual's perspective in the combination and the motive for the combination were hypothesized to influence expectations for the post-combination organization. Three treatments of perspective were studied: acquired, merged, and acquiring. Organizational survival and organizational growth were the two motives for combining that were investigated.

A measure of organizational combination expectations was developed for assessing expectations. Expectations for 1) the relative positions of the organizations in terms of power, 2) organizational members' job autonomy, 3) the degree to which organizational members will identify with the combined organization, and 4) job security were assessed by the measure. These are four issues that permeate the

literature that focusses on the human issues in organizational combinations. Also, as stated earlier, a scale for morale expectations was constructed because many participants interviewed in Part I of the study spontaneously addressed morale issues. All five factors, power, autonomy, identity, job security, and morale were measured in order to test the influence of individual perspective and combination motive on expectations. The following is a brief summary of the results followed by a discussion of the implications of these results. Finally the limitations and contributions of the research are presented.

Summary of Results

The major hypotheses, hypothesis 1 and hypothesis 2, received considerable support. Perspective did have an effect on power, autonomy, identity, job security, and morale expectations, as predicted in hypothesis 1. In general, individuals presented with a merging or acquiring situation reported similar expectations. These were typically higher than the expectations reported by those responding from the acquired perspective. Hypothesis 2 was the prediction that expectations would be higher when growth was the motive for combining than when survival was the motive. This was supported for expectations for power, identity, job security, and morale. Reported expectations for autonomy followed the predicted trend, but the difference was not significant at $p = .05$.

Perceived uncertainty and expected satisfaction as consequences of organizational combinations were explored in three ways. First, the test of uncertainty as a function of perspective, hypothesis 3, was not supported. Perceived uncertainty did not differ among the three perspectives. Second, the strength of the relationship between satisfaction and expectations was compared with the correlation of uncertainty and satisfaction as exploratory analysis 1. Uncertainty correlated negatively with expected satisfaction, as could be predicted from the role ambiguity literature (Pearce, 1981). A composite expectations score, however, correlated more strongly with satisfaction than did uncertainty. The composite expectations score included items from the power, autonomy, identity, job security scales.

Lastly tests of the effect of motive for the combination on satisfaction and uncertainty were conducted. Motive did not influence expected satisfaction, but uncertainty was affected by motive. Uncertainty was greater when survival was the motive than when growth was the motive.

Discussion of Results

The effects of perspective on expectations. The post hoc results of the tests of hypothesis 1 showed that the acquiring group had higher expectations than the acquired group for power, identity, job security, and morale. There was not a difference between these two groups for autonomy

expectations, although a difference was predicted. The merged group reported higher expectations for power, autonomy, and job security than the acquired group. These two groups did not differ on identity or morale expectations. Note that the acquired group reported lower expectations for identity and morale than the acquiring group. However, the merging group did not differ from either the acquired or acquiring groups.

One explanation for the latter, null, result is that the items comprising the identity and morale scales tend to focus on expectations for emotional reactions rather than behaviors. It is plausible that expectations about emotions are more difficult to form than expectations for behaviors. This may be particularly true in a situation where it is unclear who has the dominant position, as in a merger. When one is in an acquired or acquiring situation, it may be easier to form clear expectations about emotions. This may be true, since these are extreme conditions where one is either clearly in the dominant organization (acquiring) or clearly in the less dominant organization (acquired).

The design of the study limits the degree to which the results may be used in a prescriptive manner. However, it may be useful to explore some possible implications of the results. One must bear in mind that these possible implications are fairly broad leaps from a study such as this to the real world of mergers and acquisitions.

Overall, the results from the tests of hypothesis 1 may

to indicate that when organizations combine it may be important for personnel to know if the combination is a merger or an acquisition. If it is an acquisition, perhaps it should be made clear which organization is the acquiring and which is the acquired. It may be particularly important to realize the distinction between being merged and acquiring. Apparently people faced with a merging or acquiring situation hold similar expectations. This finding may suggest that people in an acquiring situation expect equality between the organizations, as would be presumed in a merger situation. The same finding could also be interpreted to suggest that individuals in a merger situation believe that they are actually involved in an acquisition. They may believe that they are members of the acquiring organization. If they believe that they are members of the acquiring organization, they may expect inequality where their organization is in the dominant position. Which of these two cases is true remains to be tested. If the latter case is the correct assumption, (i.e., people in mergers believe that they are actually acquiring another organization) there may be an explanation for some merger failures.

One implication, given this assumption, is that in a merger people from both organizations may expect their organization to be dominant following the combination. Therefore they may hold high expectations for power, autonomy, and job security, as if they were in an acquiring organization. Since people from both of the merging

organizations may have the same expectations it seems likely that a struggle for superiority could ensue following the combination. Eventually one group could feel "victorious" over the other. Thus those who were "defeated", or forced to accept the subordinate position would experience unmet expectations.

If this happens, the merger becomes an acquisition, where one group is the acquirer and the other, the acquired. As one participant in Part I of the study said, "There are winners and losers. There is never equality." Humpal (1971) and Majaro (1972, cited by Barrett, 1973) also maintain that a merger, or equality in a combination does not occur. The proposed sequence of events may explain why Gill and Foulmer (1978) report that many times people in a merger perceive that they have been acquired.

In addition, those individuals from the "winning" organization may not perceive that their expectations have been met. For example, if they did believe that their organization was to be dominant, the fact that this dominance may be challenged would not have been expected.

One situation in which the "winners" might have their expectations met to a greater degree is where an acquisition is planned, but a merger is negotiated. That is, as Majaro (1972) suggests, an acquisition is presented (or disguised) as a merger. Thus, those who are planning to be the acquirers may expect a struggle from the organization that they have acquired in a somewhat dishonest fashion.

An upfront acquisition may be the best situation in terms of expectations. The findings from this study indicate that the individuals in an acquired situation may hold lower expectations than those in an acquiring situation. Presumably, neither group would be disappointed following such a combination since they both hold the same expectations for who will be in the most favorable position. The acquired personnel may not like the subordinate position, but they may be less likely to become greatly upset or feel that they have been misled.

In summary, individuals' perspectives in an organizational combination do seem to influence expectations for power, identity, autonomy, job security and morale. Since the perspective by motive interaction was significant for power, job security, and morale expectations, the motive and perspective effects will be considered simultaneously.

The combined effects of motive and perspective. First, recall that expectations for power, identity, job security, and morale, were higher when growth was the motive than when survival was the motive for the combination. As stated above, perspective seemed to influence expectations such that the merging and acquiring groups held similar expectations. These two groups reported expectations that were typically higher than those held by the acquired group. At this point the results from the post-hoc analysis of the perspective by motive interactions may be useful in understanding the impact of motive and perspective on

expectations.

The perspective by motive interaction was significant for power, job security, and morale expectations. Post hoc analysis of these significant interactions indicated that the motive for combining did not affect the power, job security, or morale expectations for either the merged or acquired groups. The perspective in which motive did have an effect was the acquiring perspective. For this group when growth was the motive for combining, expectations were higher than when survival was the motive.

The motive may have been more important for the acquiring group than for the acquired and merged groups. A survival motive for an acquiring organization may have been confusing to the participants. The motive may be less important when one is merged or acquired. For example, an acquired organization may be in a fairly passive role regardless of the motive. The motive may not influence expectations very much because the fact that the organization has been acquired is the critical factor.

Another way of viewing the interactions suggests that the growth motive was associated with differences in expectations between the perspectives. (See Table 13.) When survival was the motive there were essentially no significant differences in expectations among the acquired, merged, and acquiring perspectives. These nonsignificant results may indicate that the survival motive is associated

with more uncertainty than the growth motive.

Perceived uncertainty. The above logic leads to a post hoc hypothesis that uncertainty will be higher when survival is the motive for the combination than when growth is the motive for the combination. This relationship was tested as part of exploratory analysis 2. It was found that perceived uncertainty was indeed greater for those in the survival conditions than for those in the growth conditions (See Table 17).

This result can be used to follow up on some recommendations that motives and objectives for combinations be made explicit as a strategy for directing the rapid change associated with combinations (Birley, 1976; Reilly, 1979; Stotland, 1975). Perhaps when disseminating information about the combination to organizational members one should consider the motive for the combination. More information may be desired by the individuals in an organization that is combining in order to survive.

Uncertainty as a function of perspective was tested and a null relationship was found. One explanation may be that all organizational combinations are perceived as uncertain situations by individuals. This makes sense because combinations can usually be categorized in at least one, if not all, of Budner's (1962) types of uncertain situations (novel, insoluble, complex).

Nevertheless, the only conclusion to be drawn from this study is that perspective did not influence uncertainty. One caution is in order when reviewing the results from the

uncertainty scale. This scale has a relatively low reliability estimate ($r = .73$) and should be replaced or refined for future research. Perhaps future research will also investigate the relationships between uncertainty and combination success or individual satisfaction.

Expected satisfaction. Uncertainty correlated significantly with expected satisfaction, but expectations correlated more strongly with expected satisfaction than did uncertainty. Apparently when individuals expect their organization to hold the most favorable position after the combination they expect to be more satisfied after the combination. Perhaps when individuals expect their organization to be dominant, they may believe that their expectations are more likely to be met.

It should be noted that future oriented response sets were employed with the expectations scales and the satisfaction measure. The participants were asked to respond to the power, autonomy, identity, job security, and morale items based on the expectations they had for the combination. They then rated how satisfied they expected to be six months after the combination. The future orientation may have contributed to the larger correlation between satisfaction and expectations. The response set for the uncertainty scale did not have a future orientation. Participants were asked to respond to the uncertainty items in terms of how they felt after reading the announcement.

Summary. The present study focussed on expectations

that people hold for post-combination organizations. Of primary interest were the expectations held for power, autonomy, identity, job security, and morale as functions of perspective in the combination (acquired, merged, acquiring) and motive for the combination (growth or survival). Perspective did impact expectations such that the acquired group tended to report lower expectations than the merged and acquiring groups. These latter two groups did not report different expectations. Perspective influenced neither perceptions of uncertainty or expectations for satisfaction. One explanation for the first result is that all organizational combinations may be uncertain situations regardless of one's perspective.

Motive for combining, the second independent variable, had an effect on expectations and uncertainty. When growth was the motive expectations tended to be higher and uncertainty tended to be lower than when survival was the motive. Motive did not affect expected satisfaction.

Finally expectations correlate more strongly with expected satisfaction than did uncertainty.

Perhaps this study, in addition to the few other studies (Marks, 1982) and the many other thoughts about mergers and acquisitions, can be consolidated in a way that may be useful in determining the best way to combine organizations.

Limitations

The findings from this study may be viewed as interesting or meaningful, but there are problems with the study which threaten the meaningfulness and generalizability of the results. A few of the most obvious limitations of the study will be discussed.

Scale construction. The first limitation concerns scale construction. Unfortunately the data collected in the interviews was specific to horizontal mergers and acquisitions (primarily acquisitions). Therefore, the relevancy of the expectation items for different types of combinations such as friendly or unfriendly, conglomerate, vertical, etc., is still not clear. In addition, only combinations of banks were discussed in the interviews. Type of organization was manipulated in the scenarios it only had a significant effect on job security expectations. The generalizability of the results for job security expectations may be limited.

Another problem in the scale construction is that the interviewees described the organizational combinations in retrospect. Memory lapses and reality reconstructions may have contaminated the interview data. Therefore, rather than actually tapping and measuring expectations, the items generated from the interviews may only tap reconstructed descriptions of combinations. However, there seem to be similarities that pervade most combinations reported in the literature. Some of these were reflected in the interview

data.

The third and perhaps most obvious limitation in the scale construction is the use of reliability optimization. The reliability estimates obtained in this study may be fraught with sampling error, due to the small observation to item ratio. This study can only be considered a first step in scale development.

Sample/Methodology. Other internal validity questions arise as a result of the sample and methodology used in the study. A merger or acquisition may seem far removed from the lives of most people. This study attempted to examine the expectations people hold for organizational combinations. The sample consisted primarily of business students. Many of the participants had never experienced a merger or an acquisition. Business students were selected to participate, in the hope that they would be sensitive to the impact of a combination on an organizations' members.

Discussions with participants after they had completed the questionnaire revealed that those who had never experienced a combination felt that they could not "relate" to the expectation items or the scenarios. Tests were conducted to explore whether past combination experience influenced expectations. 204 participants reported no experience in a combination. 39 reported that they had combination experience. The experienced participants reported lower expectations for power ($x = 4.3$), job security ($x = 4.4$), and morale ($x = 3.8$) than those who did

not have experience (power, $x = 4.6$; job security, $x = 4.7$; morale, $x = 4.2$).

Perhaps those who had been in a combination had experienced negative events related to power, job security, and morale issues. They now have lower expectations with respect to these issues.

The major methodological issue concerns the scenarios. Scenarios do not have the authenticity of actual combination situations. The responses of the participants who read scenarios are probably different from the responses of people who are in an organization that is about to combine. Thus, the external validity of the study must also be questioned. The implications drawn from the results must be considered with caution.

Analysis. The final limitation to be discussed involves the data analysis. The most obvious problem with the data analysis is the experimentwise error rate. Although there were attempts to control for the error rate, many tests were computed and some of the significant results no doubt occurred by chance. This is yet another reason why the results of this study (and many other studies) should be interpreted with caution. The study is limited by many problems, but the research has a few useful outcomes.

Contributions

Because no general psychological theory was advanced or explored the scientific contribution of this research is not great. This research did extend the study of

expectations to organizational combinations, something not previously done. It was assumed that expectations of members of combining organizations operate similarly to the expectations of new hires, but this was not tested. Although, the expectations of newcomers to an organization have been measured before and after their entry into the organization (Meder, 1984; Vroom & Deci, 1971), this was not done in this study.

Perhaps, the expectations scales for power, autonomy, identity, job security, and morale could be refined so that they may serve a purpose in further research on post-combination expectations. Such a measure could also be employed in studies to test other variables that might influence expectations for a combination. The person's level in the organization, for example, may play a role in the expectations the person has for the combination. That is, people at different levels in the organization may experience very different realities as a result of the combination. Marks and Mirvis (not dated) noticed that the impact of a combination "ripples" through an organization. They noted that people at upper levels experience the impact of the combination more intensely than those at the lower levels.

Finally, a qualitative descriptive study which replicated the findings of other research (e.g., Blake & Mouton, 1983; Hayes, 1970; Marks & Mirvis, not dated) was done in Part I of the study. These replicated findings are reflected in the scale items.

Conclusion

In conclusion, it has been found that an individual's perspective in an organizational combination (acquired, merged, or acquiring) and motive for the combination (growth or survival) influence expectations for power, autonomy, identity, job security, and morale. Perspective does not impact expected satisfaction or perceived uncertainty. Also expectations correlated more highly with satisfaction than uncertainty. Perhaps future research can be directed at exploring the use of expectations in a pragmatic mode to increase the effectiveness of mergers and acquisitions.

APPENDIX A

INSTRUCTIONS AND EXPECTATIONS SCALES

Instructions:

Please answer these questions based on the expectations you have for the organizational combination described above. The items refer to your organization (State Security Bank*) unless otherwise specified in the item.

Please answer ALL of the items, even if you feel that you don't have enough information to answer some of them. Make the best judgment you can and please do NOT leave any item unanswered. Thanks.

Indicate your rating of each item in the line provided next to each item for how likely it is to occur using the following scale:

1	2	3	4	5	6	7
extremely	unlikely	somewhat	equally	somewhat	likely	extremely
unlikely		unlikely	likely	likely		likely
			as			
			unlikely			

REMINDER: You work for State Security Bank*.

PLEASE READ CAREFULLY

Do not put your name on the questionnaire.

*The name of the organization varied across conditions. Gourmet's Best or Comp-U-Serve replaced State Security Bank for the other conditions.

APPENDIX A (continued)

Mean	SD	Item
Power		
4.69	1.52	Employees from State Security Bank will be treated in the combined organization as if they have been purchased.
4.18	1.03	State Security Bank's employees will be respected by First Bank & Trust's** employees after the combination.
4.66	1.56	Both organizations are "winners."
3.90	1.48	*The policies that come into place will originate primarily from First Bank & Trust.
4.67	1.16	State Security Bank's employees will be treated as organizational assets in the combined organization.
4.20	1.49	*We will be forced to do business the way First Bank & Trust does.
5.09	1.54	*State Security Bank is the "loser."
4.47	1.35	All employees will be equally valued in the combined organization.
4.70	1.34	*People from First Bank & Trust are likely to project a "you don't have to like us, but you work for us" attitude.
5.01	1.37	*After the combination our Board of Directors will be reduced to an advisory function.
4.55	1.29	Top management from State Security will retain highly influential positions.

APPENDIX A (continued)

Identity

- | | | |
|------|------|---|
| 3.40 | 1.26 | *People from First Bank & Trust will label us as people from State Security Bank rather than as members of the combined organization. |
| 3.44 | 1.18 | A family feeling will quickly develop in the combined organization. |
| 2.53 | 1.17 | *Immediately following the combination of these two banks\$ people from State Security Bank will be slow in giving up ideas from State Security Bank (e.g., "We did it this way before"). |
| 3.82 | .99 | Immediately following the combination of these two banks people from State Security Bank will be proud to be members of the combined organization. |
| 3.81 | 1.09 | Immediately following the combination of these two banks people from State Security Bank will feel a sense of pride. |
| 3.61 | 1.27 | *Immediately following the combination of these two banks people from State Security Bank will feel like outsiders in the combined organization. |
| 3.81 | 1.09 | Immediately following the combination of these two banks people from State Security Bank will identify with the combined organization. |
| 3.28 | 1.38 | *Immediately following the combination of these two banks people from State Security Bank will experience a sense of lost identity. |
| 3.61 | 1.27 | *Immediately following the combination of these two banks people from State Security Bank will feel like "just another number." |

APPENDIX A (continued)

Autonomy

- | | | |
|------|------|---|
| 3.17 | 1.24 | Required reports will not be more extensive following the combination than they are now. |
| 3.80 | 1.29 | There will be the same number of written rules in place in the combined organization as there are in State Security Bank. |
| 4.27 | 1.20 | *Our jobs will be smaller (i.e., less authority, responsibility) after the combination. |
| 4.27 | 1.20 | After the combination there will be no changes in job autonomy for employees from State Security Bank. |
| 4.07 | 1.26 | *Job autonomy for people from State Security Bank will be less after the combination than it is now. |
| 3.85 | 1.16 | *Our employees will have less latitude in the way they do their jobs after the combination. |
| 4.00 | 1.16 | *There will be an increase in the frequency of performance appraisals following the combination. |
| 3.40 | 1.30 | After the combination there will not be an increase in the number of reports required. |
| 4.44 | 1.09 | *Our employees will keep their job titles after the combination, but their job responsibilities will be reduced. |
| 3.80 | 1.08 | *The policies will be more restrictive after the combination. |
| 3.80 | 1.08 | *After the combination more internal control will be placed on employees from State Security Bank. |
| 3.51 | 1.09 | *After the combination the new policies and procedures under which we work will be more detailed than those we used before the combination. |

APPENDIX A (continued)

Job Security

- | | | |
|------|------|---|
| 4.91 | 1.15 | *After the combination people from State Security Bank will keep the same job, but receive a title with lower status. |
| 5.13 | 1.18 | An attempt will be made to place employees from State Security Bank in positions comparable to the ones they held prior to the combination. |
| 4.46 | 1.48 | *People from State Security Bank will never ultimately reach the level in the combined organization that they would have if the combination had not occurred. |
| 5.16 | 1.15 | *There will be cuts in wages of people from State Security Bank after the combination. |
| 5.15 | 1.07 | *The benefit and retirement plans in the combined organization will be worse than what we now have at State Security Bank. |
| 5.82 | 1.16 | *After the combination people will be dismissed just because they worked for State Security Bank before the combination. |
| 4.42 | 1.12 | Promotional opportunities will increase for employees from State Security Bank after the combination. |
| 4.27 | 1.47 | *Employees from State Security Bank will have to prove themselves over again in order to attain the position they held before the combination. |
| 5.50 | 1.38 | *Employees from State Security Bank will lose their jobs after the combination. |
| 5.14 | 1.17 | *People will be promoted just because they worked for First Bank & Trust before the combination. |

APPENDIX A (continued)

- 4.51 1.38 *People from State Security Bank in duplicated positions (e.g., bookkeeping, accounting) will be removed from those positions, while the people from First Bank & Trust will retain the positions.
- 4.52 1.38 *People from State Security Bank will see the "handwriting on the wall" and voluntarily leave the combined organization.
- 4.92 1.32 *Following the combination situations will be devised such that people from State Security Bank will be in such uncomfortable positions that they will voluntarily leave the organization.
- 4.36 1.25 *Cuts in personnel after the combination will be made by dismissing people from State Security Bank.
- 2.53 1.19 *After the combination people from State Security Bank will be concerned about their job security.
- 3.36 1.30 Voluntary turnover of people from State Security Bank will not increase due to the combination.

APPENDIX A (continued)

Morale

- | | | |
|------|------|--|
| 4.53 | 1.46 | *The members from First Bank & Trust will act as though they are doing our people a favor to keep them in the combined organization. |
| 4.74 | 1.30 | *People from First Bank & Trust will treat our employees in a condescending manner. |
| 4.42 | 1.44 | *A sense of hoplessness will prevail in State Security Bank due to the announcement of the combination. |
| 3.45 | 1.30 | *After the combination a "we-they" attitude will exist between State Security Bank employees and the employees from First Bank & Trust. |
| 4.02 | 1.44 | *People from State Security Bank will feel sick, disappointed and/or shocked by the announcement of the combination. |
| 4.35 | 1.06 | The members of First Bank & Trust will make us feel welcomed. |
| 4.81 | 1.09 | The people from First Bank & Trust will cooperate when working with us. |
| 3.94 | 1.35 | *Immediately following the combination of these two banks people from State Security Bank will experience trauma. |
| 3.74 | 1.04 | Immediately following the combination of these two banks people from State Security Bank will be enthusiastic about the newly combined organization. |
| 3.94 | 1.34 | *Immediately following the combination of these two banks people from State Security Banks will feel a sense of defeat. |
| 3.64 | 1.20 | *Immediately following the combination of these two banks people from State Security Bank will distrust people from First Bank & Trust. |
| 4.16 | 1.36 | *Immediately following the combination of these two banks people from State Security Bank will feel demoralized. |

APPENDIX A (continued)

- | | | |
|------|------|---|
| 3.49 | 1.06 | Immediately following the combination of these two banks people from State Security Bank will experience an increase in morale. |
| 4.71 | 1.11 | Immediately following the combination of these two banks people from State Security Bank will be treated fairly. |
| 4.60 | 1.01 | Immediately following the combination of these two banks people from State Security Bank will be pleasant toward the people from First Bank & Trust. |
| 4.00 | 1.28 | *Immediately following the combination of these two banks people from State Security Bank will feel hostile, bitter, and/or resentful toward the idea of a combination. |
| 3.89 | 1.57 | *Immediately following the combination of these two banks people from State Security Bank will feel a sense of helplessness. |

**This was varied for the other conditions as International Food or Computer Experts.

\$This was changed to organizations for the other two conditions.

* Reversed scored.

APPENDIX B

SCENARIOS

All participants received one variation of the next three sets of two page scenarios

Survival/Bank condition

You have been an employee at State Security Bank since 1970. You started as a teller and have worked your way up to a middle management position. You have established many friendships with the people in the bank and with the customers. Overall you feel that you have an interesting job with fair pay.

State Security Bank was organized in 1969 by D. M. Christopher and, for the most part, it has been profitable. The bank has expanded by establishing a branch system and currently operates 35 branches in five (5) counties. State Security employs approximately 500 people. As a commercial bank it offers loans, deposits, trusts and financial services to individuals and to businesses. It has been clear for some time now that, due to past problems and mistakes, State Security Bank is losing business and that some action must be taken if State Security Bank is to remain in existence.*

*For the Growth/Bank condition this sentence was replaced by: "It has been clear for some time now that, due to State Security Bank management's desire for growth and expansion, that some action must be taken to insure this kind of development."

APPENDIX B (continued)

This morning you received the following notice from the Board of Directors:

Merging/Bank condition

State Security Bank and First Bank & Trust
are Combining

The Board of Directors announces plans for State Security Bank to join with First Bank & Trust. First Bank and Trust is approximately equal* in size to State Security Bank. First Bank & Trust was founded in 1970 by W. D. Franklin. Since then the bank has grown profitable and has opened 37* branches in four (4)* counties. Currently, approximately 510* employees work for First Bank & Trust. It is also a commercial bank and it too offers a full range of banking services.

The legal transactions will be completed in a short while. It is projected that within three months these two banks will join operations and combine personnel. As additional plans develop and decisions are made, information will be disseminated to all personnel.

*These were varied by condition as follows:

Merging	Acquired	Acquiring
equal	three times the size	one-third the size
37 branches	100 branches	10 branches
4 counties	9 counties	1 county
510 employees	1500 employees	160 employees

APPENDIX B (continued)

Survival/Gourmet condition

You have been an employee at Gourmet's Best since 1970. Gourmet's Best is a chain of food caterers. You started as a cashier and have worked your way up to a middle management position. You have established many friendships with the people in the organization and with the customers. Overall, you feel that you have an interesting job with fair pay.

Gourmet's Best was organized in 1969 by D. M. Christopher and, for the most part, it has been profitable. The organization has expanded by establishing a chain system and currently operates 35 stores in five (5) counties. Gourmet's Best employs approximately 500 people. Gourmet's Best specializes in catering gourmet foods and operates gourmet food stores. It has been clear for some time now that, due to past problems and mistakes, Gourmet's Best is losing business and that some action must be taken if Gourmet's Best is to remain in existence.*

This morning you received the following notice from the Board of Directors:

*For the Growth/Gourmet conditions this sentence was replace by: "It has been clear for some time now that, due to Gourmet's Best management's desire for growth and expansion, some action must be taken to insure this kind of development."

APPENDIX B (continued)

Merging/Gourmet condition

Gourmet's Best and International Food are Combining

The Board of Directors announces plans for Gourmet's Best to join with International Food. International Food is approximately equal in size to Gourmet's Best. International Food was founded in 1970 by W. D. Franklin. Since then the organization has grown profitable and has opened 37* stores in four (4) counties.* Currently, approximately 510* employees work for International Food. It also offers food catering services and it specializes in foods from around the world.

The legal transactions will be completed in a short while. It is projected that within three months these two organizations will join operations and combine personnel. As additional plans develop and decisions are made, information will be disseminated to all personnel.

*These were varied by condition as follows:

Merging	Acquired	Acquiring
equal	three times the size	one-third the size
37 stores	100 stores	10 stores
4 counties	9 counties	1 county
510 employees	1500 employees	160 employees

APPENDIX B (continued)

Survival/Computer condition

You have been an employee at Comp-U-Serve since 1970. Comp-U-Serve is a company that develops and services computer software. You started as a low level assistant and have worked your way up to a middle management position. You have established many friendships with the people in the organization and with the customers. Overall you feel that you have an interesting job with fair pay.

Comp-U-Serve was organized in 1969 by D. M. Christopher and, for the most part, it has been profitable. The organization has expanded by establishing a chain system and currently operates at 35 locations in five (5) counties. Comp-U-Serve employs approximately 500 people. Comp-U-serve offers various computer services but it primarily develops software for other organizations. It has been clear for some time now that, due to past problems and mistakes, Comp-U-Serve is losing business and that some action must be taken if Comp-U-Serve is to remain in existence.*

This morning you received the following notice from the Board of Directors.

*For the Growth/Computer condition this sentence was replaced by: "It has been clear for some time now that, due to Comp-U-Serve management's desire for growth and expansion, some action must be taken to insure this kind of development."

APPENDIX B (continued)

Merging/Computer condition

Comp-U-Serve and Computer Experts are Combining

The Board of Directors announces plans for Comp-U-Serve to join with Computer Experts. Computer Experts is approximately equal in size to Comp-U-Serve. Computer Experts was founded in 1970 by W. D. Franklin. Since then the organization has grown profitable and operates at 37 locations* in four (4) counties*. Currently, approximately 510 employees* work for Computer Experts. It is also a company that develops computer software and provides equipment maintenance.

The legal transactions will be completed in a short while. It is projected that within three months these two organizations will join operations and combine personnel. As additional plans develop and decisions are made, information will be disseminated to all personnel.

*These were varied by condition as follows:

Merging	Acquired	Acquiring
equal	three times the size	one-third the size
37 stores	100 stores	10 stores
4 counties	9 counties	1 county
510 employees	1500 employees	160 employees

APPENDIX C

UNCERTAINTY SCALE

Instructions: Remember that you are a member of State Security Bank*. Please answer these questions in terms of how you feel after reading the announcement. Use the following scale.

1	2	3	4	5	6	7
strongly disagree	disagree	slightly disagree	neither agree nor disagree	slightly agree	agree	strongly agree

I am not sure whether my supervisor will retain his/her job in the combined organization

I am uncertain about what the goals of the combined organization will be.

**Work will go on as usual in the combined organization.

I would like more information about this situation.

I am not sure that I will have a job in the combined organization.

**I have enough information to adequately assess my alternatives.

I am not sure what career opportunities I will have in the combined organization.

It is not clear to me whether my job duties will be changed in the combined organization.

*State Security Bank was replaced with Comp-U-Serve or Gourmet's Best in the other conditions.

**These items were reverse-scored.

APPENDIX D

SATISFACTION SCALE

Please circle the number below the pair of faces that best describe how you expect to feel 6 months following the combination.



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