

## How do employees adapt to organizational change driven by cross-border M&As? A case in China

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### ABSTRACT

Globalization has encouraged merger and acquisitions (M&As) across countries. We propose a theoretical model that explains the process through which employees adapt to changes introduced by cross-border M&As. Empirical analyses based on 174 Chinese employees who experienced an unexpected M&A initiated by a Western company suggest that the relationship between change management practices (i.e., provision of training and assurance of job security) and post-change performance is mediated by employees' person–change (P–C) fit perceptions. Integrating the quantitative results with interviews, we further theorize that underlying cultural dynamics (e.g., collectivism and Confucian doctrines) drive change-related attitudes and behavior among Chinese employees.

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“Mathematically, one and one always make two, but practically, one and one make more than two sometimes or less than two more frequently.” – Unknown

Merger and acquisition (M&A) is one of the most difficult organizational changes employees may experience in their professional careers. The spread of globalization in the past several decades has led numerous companies to adopt cross-border M&As as a strategic tool for expanding markets across countries (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009). Cross-border M&As often have negative consequences for organizations and their members because of cultural distance (Hofstede, 1980), cultural clash (Chakrabarti et al., 2009), and work alienation (Brannen & Peterson, 2009). These barriers to synergistic integration are more serious in cross-border M&As than in within-border M&As because employees experience psychological anxiety and distress not only in dealing with different organizational cultures but also in interacting with different national cultures.

Previous studies on M&A have mostly investigated within-border M&As (Clark, Gioia, Ketchen, & Thomas, 2010). Moreover, several studies on cross-border M&As have focused on macro-level dynamics from a strategic perspective, thus overlooking micro-

employee-level processes that often pose a great barrier to synergistic organizational integration (Larsson & Lubatkin, 2001). Furthermore, although some studies have revealed the importance of managerial practices, such as cultural learning intervention and communication initiative (e.g., Schweiger & Denisi, 1991; Schweiger & Goulet, 2005), little attention has been paid to the mechanism through which such interventions lead to favorable outcomes.

In the present study, we examine the micro-processes of cross-border M&As in the context of China. With its increasing role in world economy (Lardy, 1994), China has emerged as one of the largest global M&A markets (e.g., Branstetter & Lardy, 2006; Denga & Moore, 2004). Western companies have used cross-border M&As as a strategic tool for globalization in China such as in the case of Tesco PLC's acquisition of Le Gao Shopping in 2004 (Woodard & Wang, 2004). These cross-border M&A events in China initiated by Western companies present dramatic situations. Chinese employees who are familiar with traditional Chinese culture, which is characterized by Confucianism, collectivism, and socialism, have difficulty adapting to Western management styles, which are often characterized by liberalism, individualism, and capitalism (Du & Choi, 2010).

Maintaining harmony and traditional customs advocated by the collectivistic and Confucian culture do not encourage flexible attitudes toward and proactive engagement in change among Chinese (Hempel & Martinsons, 2009). Nevertheless, administrative changes can be successfully implemented when the Chinese are exposed to participative organizational culture (Zhou, Tse, & Li, 2006). Employees tend to be less skeptical about change when

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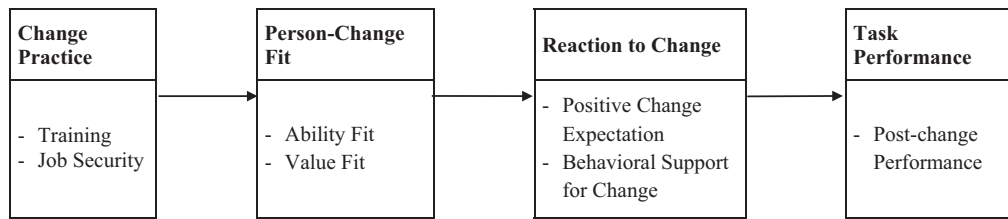


Fig. 1. Theoretical framework of employee adaptation to organizational change.

their firm underscores flexibility (Lau, Tse, & Zhou, 2002). These previous studies suggested that organizational changes in China can be more successfully managed by more thoroughly examining micro-level processes perhaps by using both quantitative and qualitative approaches (Hempel & Martinsons, 2009; Lau et al., 2002).

To explore the micro-level process of organizational change in China, we propose that the assurance of job security and the provision of training promote positive reactions among employees and improve their post-change task performance. Such practices are called for because employees involved in cross-border M&As encounter major challenges, including uncertain job prospects, deficient task skills, and cultural misunderstandings (Amiot, Terry, Jimmieson, & Callen, 2006; Marmenout, 2010). In explaining the link between those change management practices and positive reactions and performance of employees, we draw on the person-environment (P-E) fit theory (Kristof-Brown, Zimmerman, & Johnson, 2005) and isolate employee perceptions of fit between person and change (P-C fit) as immediate psychological reactions toward M&A. Fig. 1 delineates the overall mechanism by which P-C fit conveys the positive effects of job security and training on post-change performance.

The present study makes three important contributions to the literature on organizational change, M&A, and international business. First, by analyzing an international, cross-border M&A case in China, we extend the M&A literature that has mostly focused on within-border issues. Second, we theorize and validate the critical role of P-C fit as the employee-level psychological process through which change management practices operate to improve employee reactions and post-change performance. Our focus on the micro-level adaptation process based on the well-established micro-level theories of P-E fit (Caldwell, Herold, & Fedor, 2004) complements the M&A and international business literature with prevailing macro-level orientations. Finally, considering the substantial cultural implications of cross-border M&As and the idiosyncratic traditional values of China, it is critical to develop deeper understanding and interpretations of employee adaptation processes through qualitative exploration of the research setting. We offer such an in-depth account of cross-border M&A and accompanying employee changes by providing qualitative interpretations of quantitative research findings. In so doing, we reveal the intriguing underlying dynamics of M&A-driven changes and offer additional insights into potential clashes and adaptation during cross-border M&As.

## 1. Conceptual framework and hypotheses

In examining human factors in M&As, researchers have employed psychological, social, and cultural perspectives (Marmenout, 2010). The psychological perspective shows that employees affected by M&As are frequently exposed to high levels of psychological distress, role ambiguity, and anxiety from uncertainty (Cooper, Dewe, & O'Driscoll, 2001). According to the social perspective, employees both in acquired and acquiring firms tend to classify people based on the origin of their firms (cf. social

identity theory; Tajfel & Turner, 1986) so they experience difficulties in overcoming biases (Amiot, Terry, & Callan, 2007). The cultural perspective maintains that combining two distinct organizations with different cultures often leads to a cultural clash or collision that undermines performance (Barry & Slocum, 2003; Marmenout, 2010).

In the present study, we adopt the psychological and cultural perspectives to explain the psychological and behavioral reactions of Eastern employees who are forced to adapt to the Western management style of the acquiring company. In this context, employees may experience unexpected psychological and cultural turmoil caused by cross-border M&A-driven organizational changes. Employees undergoing cross-border M&As experience high levels of job insecurity and career uncertainty, and they are unwillingly exposed to different corporate practices formed from a different national culture. Thus, similar to other organizational change contexts (e.g., Rafferty & Restubog, 2010; Schweiger & Denisi, 1991), the two most severe strains for employees who encounter cross-border M&As are uncertainty of their future career and their anxiety about their competence to fulfill new roles and demands following M&A. Considering these critical challenges of organizational change, we identify the assurance of job security and the provision of training as critical managerial interventions. These change management practices alleviate employee resistance to change by diminishing employees' concern over an uncertain future career and supplying them with clear guidelines and abilities to fulfill the new task and role requirements (Bordia, Hunt, Paulsen, Tourish, & DiFonzo, 2004; Piening, 2011). Training also involves the organization's effort to communicate the intention and benefit of the change, encourage employee participation and feedback regarding the change (Beer, 2011; Coyle-Shapiro, 1999).

As depicted in Fig. 1, we propose that these change practices lead to desirable employee adaptation outcomes, such as positive reactions to change and post-change performance, because they promote employee perceptions of P-C fit. Drawing on the P-E fit and organizational change literature (Burke & Litwin, 1992; Kristof-Brown et al., 2005), we propose that employees react positively to organizational changes when they perceive the congruence of their own values and the values endorsed by the post-M&A company (value fit) as well as the post-M&A congruence between their own abilities and the skills required by new tasks (ability fit). We provide the theoretical justifications of the relationships proposed in our framework.

### 1.1. Change management practices: training and job security

Organizational changes, such as those brought by M&As, often result in unfavorable employee consequences, developing employee resistance (Rafferty & Restubog, 2010). With the goal of reducing such negative reactions, scholars have introduced various change management practices mainly focused on communication and training. Employee participation and information sharing during M&As increase self-efficacy and reduce the level of uncertainty and dysfunctional outcomes among employees (Amiot et al., 2006; Schweiger & Denisi, 1991). Similarly, training

programs that offer employees appropriate information on M&A, new organizational culture, and task-related skills and knowledge can reduce negative reactions and enhance self-efficacy, resulting in improved post-change task performance. Training programs also elicit employee participation by promoting communication and information sharing related to the change among employees as well as by offering opportunities for them to voice their input to specific changes (Beer, 2011; Coyle-Shapiro, 1999).

Another change management practice beneficial to post-change task performance is assuring the job security of employees. When employees are informed that their company will be merged or acquired, they feel substantial uncertainty in their positions and jobs (Rafferty & Restubog, 2010; Schweiger & Denisi, 1991). Job insecurity may lead to increased stress, anxiety, and turnover intentions (Staufenbiel & Konig, 2010), along with decreased commitment, job satisfaction, and task performance (Ashford, Lee, & Bobko, 1989). Threat and uncertainty may be more serious in the context of cross-border M&As in which employees encounter an acquiring company that is different in many respects. Thus, ensuring job security is an effective change management practice in reducing employee uneasiness and distress caused by M&As as well as in maintaining and further enhancing task performance (Stahl & Mendenhall, 2005; Stanwick & Stanwick, 2001).

In the present study, we investigate the effects of change management practices on reactions and performance of individual employees following M&A. In the current research setting, although the acquiring company implemented these practices as corporate-level policies, frontline employees were exposed to supervisors and human resource (HR) managers with different interpretations and appreciations of such policies. They also participated in different sets of training sessions with different goals and contents. This resulted in different psychological and behavioral processes for each employee during the change. Supporting this tendency, macro-level theories, including institutional theory (Meyer & Rowan, 1977) and organizational culture perspective (Argyris, 1976), suggest that organization-level policies (or the espoused theory endorsed by institutional elites) and employee-level enacted practices (or theory in action or actual practice experienced by each employee) tend to be different from each other. Thus, we propose that organization-level change management practices are delivered and executed to different degrees for individual employees, and those provided with high degrees of training and job security exhibit high post-change task performance.

**Hypothesis 1.** Training and job security are positively related to the post-change task performance of employees.

### 1.2. Immediate psychological assessment: value fit and ability fit

Although the provision of training and the assurance of job security may be positively related to post-change task performance, we consider that the positive relationship is not direct; it is realized through indirect psychological and behavioral processes, as depicted in Fig. 1. In this respect, the assessment of the situation by employees based on a comparison between themselves and the organizational context is likely to influence their immediate reactions toward M&A. This comparative process has been long examined as a concept of *fit* defined as “compatibility” (Cable & Parsons, 2001) or “congruence” (O’Reilly, Chatman, & Caldwell, 1991) between two objects, such as person and environment, person and job, person and group, and person and supervisor. These various concepts of fit are positively related to employee job satisfaction, organizational commitment, and task performance (Kristof-Brown et al., 2005).

In the present study, we introduce the concept of person–change (P–C) fit. Caldwell et al. (2004, p. 868) asserted that most studies on P–E fit have highlighted “the assessment of the congruence between two *relatively stable* entities such as the individual and the work environment,” thus overlooking the fit between change initiatives and affected employees. Choi and Price (2005) suggested a construct of person–innovation (P–I) fit to explain how individuals respond to innovations. Drawing on the P–E fit literature, they proposed that two aspects comprise the P–I fit: (a) congruence “between innovation values and personal values” (i.e., value fit) and (b) “congruence between abilities required by the innovation and a person’s current abilities” (i.e., ability fit) (Choi & Price, 2005, p. 85). Similarly, in explaining the process of organizational change, Burke and Litwin (1992, p. 529) also isolated a similar distinction. Specifically, they maintained that performance gains through organizational change could be achieved by (a) transformational factors that involve a new mission, strategy, or organizational culture (thus mostly involving change-related values), and (b) transactional factors that involve new procedures, tasks, and individual skills (thus mostly related to task abilities).

The value fit aspect of P–C fit helps employees adjust to changes because they are more likely to engage actively in expected behavior when their personal values are similar to new organizationally endorsed values. Change practices such as assuring job security and providing training can affect individual needs and beliefs regarding change, thus enhancing value fit (Burke & Litwin, 1992; Stahl & Mendenhall, 2005). Training can inform and make employees familiar with the new organizational culture. Assuring job security can alleviate negative reactions to changes by providing employees with psychological safety (Davy, Kinicki, & Scheck, 1997). With the help of such psychological comfort and information sharing through training, employees are likely to believe that new organizational values are not that different from their own.

**Hypothesis 2a.** Training and job security are positively related to value fit.

The ability fit aspect of P–C fit is also essential in employee adjustment to organizational changes because employees are likely to fulfill organizational duties when their abilities are compatible with new task demands. Management practices may improve ability fit by enhancing “specific skills and knowledge required of people to accomplish the work for which they have been assigned” (Burke & Litwin, 1992, pp. 532–533). Training improves the task skills of employees, enabling them to meet new job demands and promoting their understanding of post-M&A expectations and values. Assuring job security may also put employees in a positive attitude (e.g., increases in job satisfaction and organizational commitment; Davy et al., 1997), which can reduce stress, enhance self-efficacy, and ultimately boost ability fit. Both training and job security may reduce feelings of uncertainty by providing specific information and support during change, thus enabling employees to focus their attention on necessary adjustments and improvements in their task behavior.

**Hypothesis 2b.** Training and job security are positively related to ability fit.

### 1.3. Attitudinal and behavioral reactions and post-change performance

As an immediate psychological assessment of organizational change, P–C fit shapes the attitudes and the behavioral reactions toward change that are directly responsible for post-change task

performance of employees. Specifically, when employees perceive fit, they tend to develop positive attitudes toward change and expect benefits to accrue from such change (Caldwell et al., 2004). Moreover, with a greater value fit perception, employees are more committed to the change with a “minimum cognitive adjustment” (Choi & Price, 2005, p. 86). Similarly, with a greater ability fit perception, employees become more confident with their competence in fulfilling new demands and thus expect positive outcomes from change with a higher level of commitment to the change (Choi & Price, 2005). Therefore, we hypothesize that value fit and ability fit are positive predictors of positive expectation and behavioral support regarding organizational change.

**Hypothesis 3a.** Value fit is positively related to positive change expectation and behavioral support for change.

**Hypothesis 3b.** Ability fit is positively related to positive change expectation and behavioral support for change.

The attitude–behavior connection has been demonstrated in a number of behavioral science disciplines (e.g., theory of planned behavior, Ajzen, 1991). For instance, the technology acceptance model shows that the positive attitudes of individuals toward an innovation, such as perceived benefits of the innovation, lead to actual use of the innovation (Venkatesh, Morris, Davis, & Davis, 2003). Affective commitment to organizational change enhances the behavioral support of employees for change, resulting in their willingness to take modest sacrifices and promote the value of change (Herscovitch & Meyer, 2002). Thus, we hypothesize that positive change expectation increases change-supportive behavior.

**Hypothesis 4.** Positive change expectation is positively related to behavioral support for change.

Employees with positive behavioral reactions toward organizational change are patient in understanding and following new rules and norms in the workplace to accomplish the goals of change (Choi & Price, 2005). They are willing to endure temporary uneasiness, overcome modest disturbances, and consistently work toward organizational change and its goals (Herscovitch & Meyer, 2002). In the current research setting, employees with behavioral support for change are inclined to perform desirable post-M&A task behavior, resulting in favorable task performance as evaluated by their supervisors.

**Hypothesis 5.** Behavioral support for change is positively related to post-change performance.

#### 1.4. Overall process of post-change adaptation

Drawing on the hypotheses we developed, we propose that the effects of change management practices on positive reactions and performance of employees are mediated by their psychological assessment resulting in P–C fit perceptions. Specifically, the provision of training and the assurance of job security are likely to promote the P–C fit of employees, including their value fit and ability fit, which shapes positive change expectation and behavioral support for change. Employees may achieve high post-change performance when they react to change in a positive and proactive manner, thus actively following new rules and overcoming modest difficulties to achieve the necessary adaptation required by M&As. Therefore, we advance the following overall mechanism of employee adaptation to change such as M&A:

**Hypothesis 6.** The positive relationship between change management practices (i.e., training and job security) and post-change

performance is mediated by a sequential process from value fit and ability fit to positive change expectation and behavioral support for change.

## 2. Methods

### 2.1. Research setting and sample

The present M&A context involves a retailer in China (Retailer C) acquired by a giant U.S. retailer (Retailer W). Retailer C was established by a Taiwanese in the late 1990s, and it was operated using Taiwanese management practices based on the traditional seniority-oriented management system. The M&A negotiation had confidentially proceeded for two years. Retailer C informed its employees about the M&A only a few weeks before the M&A actually occurred. Most employees of Retailer C were shocked and anxious about their uncertain future career and unfamiliar Western-style management. To alleviate such negative reactions of employees and facilitate post-merger integration (PMI), Retailer W initiated a three-year PMI initiative focused on intensive employee training programs and the assurance of job security.

When Retailer W made the corporate-level decision to implement PMI initiatives, the offering of training and assuring job security was intended to be consistently applied across work units and employees. When these change practices were implemented in different units and delivered to each individual, they became distinct for each employee. Under the turmoil of M&A, the extent to which supervisors and HR managers interpreted and appreciated the formal policy varied substantially. A myriad of new training programs were introduced, and employees were exposed to a varying number of training sessions with different contents and goals. Thus, the change management practices were implemented and delivered to Retailer C employees in widely varying intensities and contents, resulting in a substantively differentiated context for each employee.

One and a half years after the merger, or in the middle of the three-year PMI plan, we collected the present data from two superstores of Retailer C. With the support of the HR departments of these two superstores and with guaranteed confidentiality, 220 of 263 employees participated in this study. Supervisors were asked to report on the task performance of the participants. Excluding questionnaires with unreliable response patterns and those with missing supervisor performance ratings, our final analysis included 174 employees (response rate of 66.2%). All participants joined the company before the merger. The sample included 47% males. The average age and organizational tenure were 30 years and 3.9 years, respectively. Most participants finished high school or had some form of occupational education after high school.

### 2.2. Measures

All variables were measured using a five-point Likert scale. The response options ranged from 1 (not at all true) to 5 (very true).

#### 2.2.1. Training

Adapting the items from Sun, Aryee, and Law (2007), we used four items ( $\alpha = .78$ ) to assess the amount of change-related training the superstores provided to their employees. The four items are the following: “I received enough training related to organizational change (i.e., M&A),” “I received enough training to adapt to organizational change,” “Training related to organizational change taught me what I need to know about the new organizational culture,” and “I was given enough information regarding the new organizational culture through various training programs.”

### 2.2.2. Job security

A four-item scale ( $\alpha = .62$ ) taken from Kidwell, Mossholder, and Bennett (1997) was utilized to measure job security. This scale includes the following items: “Because of the organizational change (i.e., M&A), I became worried about losing my job (reverse coded),” “In spite of the organizational change, the organization provided a secured future for me,” “In spite of the organizational change, the company offers my present job as long as I wish,” and “Regardless of the organizational change, I will have a job in this company.”

### 2.2.3. Value fit and ability fit

We assessed P–C fit by adapting items from Caldwell et al. (2004). The value fit scale includes two items ( $\alpha = .63$ ): “As a result of this organizational change, (a) my personal values better match my organization’s values, and (b) I feel more comfortable about this organization’s value orientation.” The ability fit scale ( $\alpha = .77$ ) includes three items: “As a result of this organizational change, (a) My abilities better fit what my job requires, (b) I am more qualified to do my job than before, and (c) My skills and experiences help me to do my job better than before.”

### 2.2.4. Positive change expectation

We assessed the positive change expectation using a four-item scale ( $\alpha = .65$ ) adapted from Caldwell et al. (2004). The items included are the following: “This organizational change will (a) make my job more effective, (b) bring positive results for me, (c) improve the way I perform my job, and (d) create problems for my task performance (reverse coded).”

### 2.2.5. Behavioral support for change

We adopted six items ( $\alpha = .74$ ) from Herscovitch and Meyer’s (2002) change-support scale designed to assess the levels of change-related cooperation and promotion. The sample items are the following: “I consistently work toward organizational change,” and “I am tolerant of temporary disruptions and/or ambiguities in my job caused by the organizational change.”

### 2.2.6. Post-change performance

The supervisors rated their employees’ post-change performance using three items ( $\alpha = .86$ ) developed by Van Dyne and LePine (1998). These items are “After the organizational change, (a) this employee better fulfills the responsibilities specified in his/her job description than before, (b) this employee better meets the performance expectations than before, and (c) the overall performance of this employee became better than before.”

## 3. Results

The lower diagonal of Table 1 presents the means, standard deviations, and correlations among the variables. We used structural equation modeling (SEM) to test the hypothesized

model depicted in Fig. 1. The SEM is an appropriate procedure to estimate the relative effect of multiple predictors on multiple outcomes that are linked by more than two causal steps while controlling for measurement errors (Bollen, 1989). Following the two-step analytical strategy recommended by Anderson and Gerbing (1988), we first verified the measurement model using confirmatory factor analysis (CFA). The measurement model fits the data well, as shown by the CFA results:  $\chi^2 (df = 278) = 348.51$ ,  $p < .01$ ; CFI = .95, RMSEA = .038. Thus, we proceeded to test the structural model using the measurement model.

### 3.1. Hypothesized and alternative structural models

We created a structural model based on the overall framework shown in Fig. 1. The results showed a good fit to the present data:  $\chi^2 (df = 288) = 405.8$ ,  $p < .001$ ; CFI = .92, RMSEA = .049. Although the proposed model fits the data well, we examined plausible alternatives that may offer a better explanation. Hence, we identified several theoretically plausible models instead of all possible permutations of alternative relationships among constructs (Aziz, 2008; MacCallum & Austin, 2000). The main principle of the present study is the pivotal mediating role of P–C fit. We tested the possibility of partial mediation by P–C fit constructs by adding the direct effects of change management practices on post-change performance. This alternative model produced a good fit ( $\chi^2 (df = 286) = 403.2$ ,  $p < .001$ ; CFI = .91, RMSEA = .049) but failed to improve the fit of the hypothesized model ( $\Delta\chi^2 (df = 2) = 2.6$ , *ns*). None of the direct paths were statistically significant. We also checked the possibility that change management practices might have independent effects on performance instead of being mediated by P–C fit ( $\chi^2 (df = 290) = 509.7$ ,  $p < .001$ ; CFI = .85, RMSEA = .066). These results provided a worse fit than did the hypothesized model. We further examined the alternative model in which change practices directly affect both the attitudinal and behavioral outcomes of change. This model failed to improve the model fit from the hypothesized model ( $\chi^2 (df = 284) = 401.7$ ,  $p < .001$ ; CFI = .92, RMSEA = .049;  $\Delta\chi^2 (df = 4) = 4.1$ , *ns*). These comparisons confirm the mediating role of P–C fit constructs and their full (rather than partial) mediation role.

### 3.2. Hypothesis testing

Fig. 2 summarizes the results of the best-fitting, hypothesized model. The empirical results present two separate routes through which change management practices affect employee outcomes. In the first route, training and job security predict post-change performance through sequential mediating effects through value fit and behavioral support for change. In the second route, training and job security predict positive change expectation by enhancing ability fit. In the second route, positive change expectation has no further effect on behavioral support for change and post-change performance.

**Table 1**

Means, standard deviations, and inter-scale correlations among study variables.

Variables	M	SD	1	2	3	4	5	6	7
1. Training	3.76	.58	–	.00	.14	.16	.08	.19	
2. Job security	3.37	.65	.26	–	.18	.16	.22	.07	
3. Value fit	3.32	.68	.36	.39	–	.50	.32	.27	
4. Ability fit	3.55	.67	.38	.38	.63	–	.50	.39	
5. Positive change expectation	3.45	.62	.32	.42	.50	.63	–	.22	
6. Behavioral support for change	3.78	.51	.40	.31	.46	.55	.42	–	
7. Post-change performance	3.96	.72	.11	.17	.12	.22	.20	.17	–

Note: Figures in the lower diagonal are zero-order correlations among study variables. Figures in the upper diagonal are CMV-adjusted correlations among self-reported variables.

$r > .16$ ,  $p < .05$ ;  $r > .21$ ,  $p < .01$ ;  $r > .30$ ,  $p < .001$ ;  $r_M > .06$ ,  $p < .001$ .

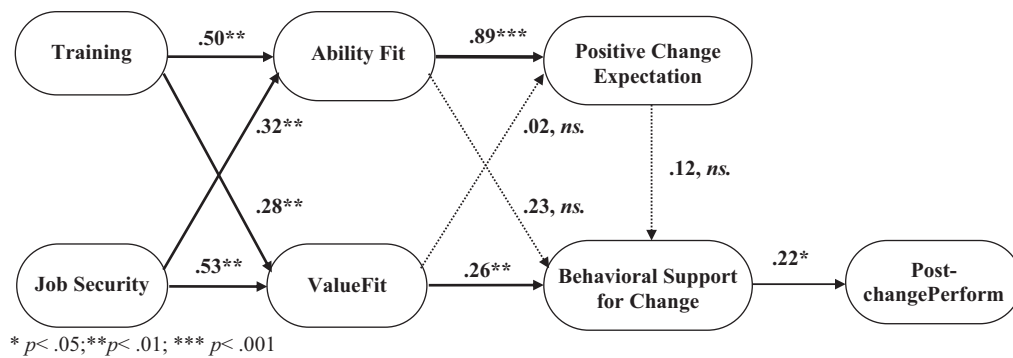


Fig. 2. Best-fitting structural model that predicts post-change performance. \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

Although training and job security have no significant direct effects on post-change performance, they have indirect effects on supervisor-rated performance through value fit and behavioral support for change (Hypothesis 1 supported). As expected in Hypothesis 2a, training and job security are positively related to value fit ( $\beta = .28$ ,  $p < .01$  and  $\beta = .53$ ,  $p < .01$ , respectively). Similarly, as proposed in Hypothesis 2b, training and job security are positively related to ability fit ( $\beta = .50$ ,  $p < .01$  and  $\beta = .32$ ,  $p < .01$ , respectively).

SEM results partially support Hypotheses 3a and 3b. Ability fit is positively related to positive change expectation ( $\beta = .89$ ,  $p < .001$ ), but not to behavioral support for change ( $\beta = .23$ ,  $ns$ ). In contrast, value fit is positively related to behavioral support for change ( $\beta = .26$ ,  $p < .01$ ), but not to positive change expectation ( $\beta = .02$ ,  $ns$ ). Our analysis does not support the relationship between positive change expectation and behavioral support for change (Hypothesis 4 is not supported). Supporting Hypothesis 5, behavioral support for change shows a significant positive relationship with supervisor-rated post-change task performance ( $\beta = .22$ ,  $p < .05$ ). The overall pattern of structural relationships also supports Hypothesis 6, that is, the effects of training and job security on post-change performance are mediated by sequential processes involving P–C fit and the change-related behavior.

#### 4. Discussion

In the past decade, cross-border M&As have increased exponentially, especially in emerging markets, such as China. Few studies have identified managerial interventions and revealed the process of employee adaptation to M&A-driven organizational changes. Accordingly, the present study aims to isolate effective change practices and elaborate intermediate psychological mechanisms, such as P–C fit, which translate these practices into post-change performance of employees. Our empirical validation of the proposed framework in the context of a cross-border M&A in China largely supports the hypothesized employee adaptation processes. We will now highlight the theoretical and practical implications of the present study by using interview data to enrich the interpretation of the current findings and to provide deeper, culture-specific theoretical insights. The use of qualitative interview data also facilitates our interpretation of the reasons for some of the unsupported hypotheses in the final structural model. We also discuss the limitations of the present study and the directions for further research.

##### 4.1. Theoretical implications

The present SEM results reported in Fig. 2 indicate that value fit serves as a critical mediating link between change management

practices and desirable employee behavior and performance following organizational change. Given that behavioral support for change is a form of extra-role, discretionary behavior (Herscovitch & Meyer, 2002), employees are likely to engage in such behavior when they are personally convinced of the value of change and feel comfortable with its directions. This harmonious situation promotes organizational identification and intrinsic motivation toward change (Amiot et al., 2007). This interpretation can be demonstrated by the following statement by an HR manager regarding the new “three-meter smile rule.” This rule, which was imposed by Retailer W, requires former employees of Retailer C to smile always at customers within a three-meter distance:

“Although all employees were required to follow the three-meter smile rule after the M&A, a middle-level manager complained that none of her subordinates understood why they should smile at a customer. They thought that if customers could easily find what they wanted with low prices, they would still visit our supermarket next time. Thus, what matters is not the smile but how to locate what customers want with low prices.”

Employees actively participate in change when they are personally convinced by its rationale (Herscovitch & Meyer, 2002). Thus, offering a cause for change, which is appealing and persuasive in the view of employees, may be a critical determinant of successful change implementation in cross-border M&A situations.

Ability fit is meaningfully related to positive change expectation. Employees feel they can easily benefit from change when they can fulfill the demands of change without much difficulty (Venkatesh et al., 2003). Nevertheless, even when employees have the ability to fulfill the new demands and expect positive outcomes from the change, they may not perform change-supportive behavior (Fig. 2). This disconnection of ability fit and positive change expectation from behavioral support for change in the current data can be explained by two factors: dissatisfaction with the pay gap and Confucianism.

On one hand, in the present M&A case, the US retailer required the employees of the former Taiwanese retailer to change everything and adjust themselves to the new organizational culture, but it did not increase the pay level of employees after the M&A. Given that the pay level of the U.S. retailer was much higher than that of the Taiwanese (approximately 1.5 times or higher), the immediate expectation of the employees during the M&A announcement was that their wage level would be increased. This expectation was not fulfilled, and the wage gap between the acquiring and the acquired firms remained unaffected after the M&A. This situation might have generated a sense of deprivation or

even betrayal, thus discouraging employees from behaviorally supporting the changes introduced by the U.S. retailer. This logic can be gleaned from the following comment by an employee:

“Did I become a member of this U.S. retailer? I’m not sure. Frankly speaking, I’m happy to be a member of this U.S. retailer, which is already the best retailer around the world. This means that I should have a higher salary and better career development chances. As you know, many changes, such as training and advanced managerial practices, were adopted in our daily work after the M&A. Unfortunately, the pay level was only slightly increased after the M&A. The gap between our salary and that in the U.S. retailer is still significantly wide.”

On the other hand, under the collectivistic and Confucian culture of China, if employees exhibit change-supportive behavior because the change benefits them, their peers may regard them as selfish, considering that they support the change just for themselves, not for the organization. In the strong collectivistic culture of China, people may become stressed if others consider them to be self-oriented and self-serving, which often results in losing face and social isolation (Kam & Bond, 2008). Thus, given China’s traditional values, Chinese employees are likely to exhibit behavior that is in accordance with the behavior of people around them so they can maintain a favorable social image or face. In this culture, being considered a unique person by others is almost tantamount to being considered abnormal or sometimes subnormal (Zane & Yeh, 2002). The situation reflects the well-known Confucian *doctrine of the mean* (*Zhongyong* in Chinese), which prescribes harmonious interpersonal relationships. The following story during PMI implementation illustrates such beliefs:

“When a manager asked one of the cashiers why she did not smile at customers, she answered, “None of the other cashiers are smiling.” The manager did not punish this cashier because he understood the cashier’s situation. Keeping up with others’ behavior and avoiding behavior that is different from that of others, the cashier seemed to get along perfectly with the others. She did not want to become a lonely person because of following the new rule.”

In sum, the result that value fit rather than ability fit plays a more significant role for employees to participate in organizational change provides empirical evidence to a previous argument that, “when the change to be implemented contains implicit values that differ significantly from exiting organizational values, then the change initiative will experience considerable resistance and difficulty due to these value incongruities” (Hempel & Martinsons, 2009, p. 494).

#### 4.2. Managerial relevance

Based on the results of the quantitative analysis and the comments from our interviews, managers should be careful in managing changes, such as PMI efforts in China. Similar to the previous findings that communication and cultural learning programs enhance affective commitment to M&A (Rafferty & Restubog, 2010; Schweiger & Goulet, 2005), training as a formal organizational communication facilitates PMI by enhancing P–C fit and post-change performance. Assurance of job security may also be critical in emerging markets such as China because guaranteeing the position is vital for low-skilled workers to survive, given the relatively weak social security system in emerging markets (Sverke, Hellgren, & Näswall, 2002).

Managers need to provide compelling rationale for change and align the change directions and organizational vision with the values of employees. They can act based on a justifiable cause and the sense of contributing to collective rather than self-serving

interests. Moreover, the behavior of Chinese employees seems to be governed by that of the people around them, including their leaders and coworkers. Thus, the decisions of leaders and how their coworkers behave are often more important and powerful in shaping employee behavior than are policies and formal regulations. This is because the core Confucian value in China can be called the “rule of men,” whereas the core value of most Western countries can be called the “rule of law” (Frederickson, 2002).

#### 4.3. Study limitations and directions for further research

In interpreting the present findings, some limitations should be considered. First, although the final outcome of post-change performance was rated by supervisors, the common method variance (CMV) issue might be raised because all variables, except post-change performance, were self-reported. Although the measurement model or CFA supported the validity of the six-factor solution for the self-reported portion of the data, we further assess the effects of CMV with two additional analyses. By applying Harman’s single-factor test, we performed an exploratory factor analysis of the self-reported items (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). This analysis resulted in six distinct factors and the first factor explained only 15.1% of the variance, indicating the absence of a general or method factor. In addition, employing the marker-variable technique (Lindell & Whitney, 2001), we computed the CMV-adjusted correlations. As reported in the upper diagonal of Table 1, the magnitudes of correlation coefficients were reduced with the CMV adjustment; however, the overall relational patterns and their significance remained the same. This pattern indicates that although CMV could inflate the relationships among the current variables, CMV did not distort these relationships. Nonetheless, further validating the present model with additional design features such as a multi-source, multi-wave longitudinal design, is necessary.

Second, the value fit construct was created based on only two indicators, less than the recommended three indicators per latent factor (Ding, Velicer, & Harlow, 1995). Although a latent factor with two indicators can be allowed when the average number of indicators per factor is over three (cf., 3.7 in this study; Bollen, 1989), and the present SEM model has relatively high statistical power (.85), future research should expand the measure of value fit in future research.

Third, the current measure of training includes items related to training programs that are targeted at both values and abilities; thus, it does not differentiate the differing contents that training can address. Given that values and abilities are related to different practices, such as transformational and transactional interactions (Burke & Litwin, 1992), value fit and ability fit may be promoted by training programs designed to inculcate values and those focused on competence building, respectively. By addressing this possibility, future studies may offer fine-grained prescriptions for managerial interventions for change.

Fourth, we focused on the individual-level effects of change practices on employee outcomes. However, change practices may also function as a collective phenomenon that cannot be captured by individual perceptions (e.g., Jensen, Patel, & Messersmith, 2011). Thus, change management practices can shape employee reactions and performance under organizational change through levels other than individual processes, thus exerting direct effects on employee outcomes (multi-level main effects) and shifting the nature and intensity of the individual-level relationships (cross-level moderation). Future research may reveal these multi-level dynamics involving change practices.

Finally, we collected data approximately one and a half years after the M&A took place. The acquiring company’s PMI initiative was initially planned for a three-year period, but the integration

was not completed even after three years. Some employees could have already adapted to the new organizational context so they were not in the middle of change. Nevertheless, our interviews with HR managers, sales managers, and employees clearly indicate that they were still struggling with continuous demands for change and that employees were actively engaged in various forms of resistance at the time of data collection. Further research based on multi-wave data collection from earlier stages of organizational change is necessary.

Despite these limitations, the present study makes several contributions to the literature on organizational change and M&A. First, this study theoretically and empirically expands the literature on change management by expanding the P–E fit to the P–C fit so that the change process can be theorized and investigated further from the fit perspective. Second, the present study is the first empirical investigation on change mechanism and employee adaptation in cross-border M&As in China. Both quantitative analysis and interviews highlight and disclose the process of employee adaptation, manifesting the underlying cultural dynamics that drive change-related attitudes and behavior (e.g., *Zhongyong* values). Finally, unlike prior studies on organizational change and M&A that have focused on satisfaction and turnover intention as outcomes, we utilize post-change performance as rated by supervisors. Our analysis offers valuable practical insights by showing that change management practices, such as assuring job security and offering training programs, are effective managerial interventions to improve post-change performance.

In conclusion, our empirical analysis confirms that value fit among Chinese employees offers a critical mediating mechanism between change management practices and post-change performance by enhancing behavioral support for change. By contrast, ability fit and expectation of personal benefit are not meaningful predictors of change-supportive behavior and post-change performance. This pattern may reflect the inhibition of Chinese employees from engaging in self-serving behavior because of their collectivist and Confucian beliefs. Considering the exponentially increasing number of global strategic alliances and cross-border M&As, researchers and practitioners alike are in need of a greater understanding of managerial interventions and employee adaptation that lead to the successful acculturation and integration of organizations from different cultures. Conceptual and empirical endeavors directed toward an understanding of cross-border M&As and their accompanying organizational changes are relevant and timely in the fields of change management and international business.

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