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When what we get is not what we want - The role of implemented versus desired merger patterns in support for mergers

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Abstract

Integrating an intergroup perspective on mergers with discrepancy theories, we argue that merger partners aim for merger patterns that benefit their group’s standing best. Importantly, we hypothesize and show that the discrepancy between what merger partners want and what they get affects outcomes that are essential to merger success. Specifically, we demonstrate that perceived fit between the implemented and the desired merger pattern predicts support for the merger. We further show that this effect is mediated by perceived fairness (Study 1) and emotional reactions to the merger (Study 2). Our findings generalized across a field study that investigated a real merger between two institutions of higher education (Study 1) and an experiment (Study 2).

Keywords: organizational mergers, merger pattern, pre-merger status, support, fairness, emotions
When what we get is not what we want - The role of implemented versus desired merger patterns in support for mergers

One of the most spectacular mergers in the last years was the one between Daimler-Benz and Chrysler in 1998. However, it also became one of the most spectacular failures when Chrysler was eventually sold in 2007, after massive losses in stock value and job cuts. One of the possible reasons why the merger failed was that cultural incongruence had been eroding the anticipated synergy effects. Although initially advocated as a ‘merger of equals’, it soon became clear that perspectives on how the merger should work diverged between the Chrysler and Daimler management teams. Nine years after the ‘marriage made heaven’, the new CEO Dieter Zetsche announced the divorce and sale of Chrysler. Although the reasons leading to the failure are clearly multi-causal, we argue that the divergent opinions about the way the merger should have been integrated (desired integration) and how it actually was integrated (implemented integration) were important factors.

The perceived discrepancy between desired merger pattern (e.g., merger of equals) and implemented merger pattern (e.g., an acquisition) and how this discrepancy affects merger support is the focus of this paper. We propose that it is this experienced fit between desired merger pattern and implemented merger pattern that affects the merger’s success in terms of organizational support for the merger rather than the (implemented) merger pattern per se that determines the strength of merger support by the members of the merging organizations.

Thus, our point of departure is the perspective that organizational mergers represent an intergroup situation (e.g., Amiot, Terry, & Callan, 2007; Haunschild, Moreland, & Murrell, 1994; Terry, 2001). Findings from the social identity approach suggest that (pre-merger)
group membership, socio-structural characteristics and underlying motivational processes affect people’s responses to a merger (Gleibs, Noack, & Mummendey, 2010; Gleibs, Mummendey, & Noack, 2008; Giessner, Viki, Otten, Terry, & Täuber, 2006; Terry, 2001; van Knippenberg & van Leeuwen, 2001). We further integrate this intergroup perspective with discrepancy theories (e.g., Higgings, 1986; 2004) and argue that merger support depends on discrepancy experiences between ideal (desired) and actual (implemented) merger pattern. In the following we will briefly review insights from these different lines of research on which we base our theoretical argument.

A social identity perspective on mergers

Mergers can be described as fundamental intergroup situations. The Social Identity Approach (SIA), as a general approach of group processes and intergroup relations, has proved fruitful in studying mergers (Gleibs et al., 2008; 2010; Giessner et al., 2006; Giessner, Ullrich, & van Dick, 2011; Hogg & Terry, 2000; Terry, 2001; van Knippenberg & van Leeuwen, 2001). SIA combines Social Identity Theory (SIT, Tajfel & Turner, 1986) and Self-Categorization Theory (SCT, Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). Both theories are distinct but complementary and can be described as theories of psychological group membership (van Knippenberg & van Leeuwen, 2001).

Mergers alter social categorization processes by imposing a new category on two pre-existing groups. According to SIT people strive for a positive social identity (Tajfel & Turner, 1986). Furthermore, the motivation for positive group distinctiveness is manifested fundamentally different by members of high and low status groups. Members of high status groups are motivated to protect their identity and status position, whereas members of low status groups are motivated to enhance their position (Scheepers, Spears, Doosje, &
Manstead, 2006; van Knippenberg & Ellemers, 1993). Because mergers explicitly require a recategorisation processes, they are often perceived as threatening (Ullrich & van Dick, 2007) and members of both organizations will likely endorse different merger patterns that optimize their group’s position in the newly merged group (Dovidio, Gaertner, & Saguy, 2009). The question is which merger pattern best resembles this optimal representation and what happens when the desired pattern does not correspond to the implemented pattern.

**Merger patterns and merger support**

Research on mergers and organizational change aimed at defining the different ways of combining two or more organizations in terms of the degree of anticipated change (Giessner et al., 2006; Marks & Mirvis, 2001; Nahavandi & Malekzadeh, 1988; Schoennauer, 1967) as well as the dominance or power relations in the newly merged organization. Thus, Giessner and colleagues (2006) distinguished between four different ways to merger defined as merger patterns. When mergers follow an integration-equality pattern, two organizations are integrated in such a way that they are equally represented in the new organization (Cartwright & Cooper, 1992). Organizations can also merge proportionally. In this case, the organization’s pre-merger status would delineate their representation in the integrated organization. More specifically, although both pre-merger organizations are represented in the new organization, one is clearly the more dominant merger partner. When a transformation pattern is applied, the merging organizations both undergo fundamental changes. In the new organization none of the merger partners are represented in a way that resembles their pre-merger status. Finally, the assimilation (Mottola et al., 1997) pattern may be used. This pattern implies that one merger partner is fully absorbed by the other group. This method of integration is also known as a takeover or acquisition. Only one group (usually the
organization with the higher pre-merger status) is dominant in the new organization and the identity of the acquired group is dissolved.

Giessner and colleagues (2006) found that support from members of the organization for the merger (e.g., employees) for a specific merger patterns varied as a function of pre-merger status. Here, merger support is conceptualized as a subjective evaluation of organizational members (e.g., employees) in terms of their attitudes towards the merger (Klendauer, Frey, & Greitemeyer, 2006; Mottola et al., 1997) and depends on a favourable social comparison with the merger partner (see also Gleibs et al., 2010). Thus, organizational members in a merger process could positively evaluate the merger (and consequently support it) if they think that their pre-merger organization is well-represented in terms of previous strength and least threatening in terms of job status, security, and identity.

Thus, members of the high status group support the merger and evaluate the merger more positively in those conditions where their group is strongly represented in the newly merged organization; an ‘assimilation’ or ‘integration-proportionality’ merger pattern (Giessner et al., 2006). Conversely, members of low status groups favor ‘integration-equality’ and ‘transformation’ patterns, both of which foster equal status of the two pre-merger groups within the new organization. Thus, the crucial finding in this work is the interaction between status of the merger partners and the implemented merger pattern. Further, the authors argue that in merger situations both organizations strive to optimize their position in the new group. This means that group members try to gain or maintain status; in the logic of the social identity approach, low-status group members are most likely to perceive status-enhancement to be most beneficial for their own group; this can be achieved through equality or a transformation merger pattern. For the high-status group maintenance of their higher status is
most favourable, which can be achieved through integration-proportionality or assimilation. Consequently, members of unequal status groups will disagree about “the best way” to merge (e.g., status-maintenance vs. status-enhancement). Along with recent theoretical attempts to identify the different needs, motives, and goals of high- and low-status groups (Demoulin, Leyens, & Dovidio, 2009), we further argue that merger support—thus a positive and supportive attitude towards the change of the structure of the organization by its members—will be highest when group members perceive a fit between desired and implemented merger pattern. More precisely, we suggest that it is not the (implemented) merger pattern per se that determines the strength of merger support, but the (mis-)fit between desired and implemented merger pattern.

_Divergence experiences_

Discrepancy theories (Carver & Scheier, 1981; Higgins, 1987) describe the psychological consequences of perceiving a mismatch between a current state and a desired state. These theories are prevalent in many psychological sub-disciplines. In organizational psychology, for instance, theories of person-environment (PE) fit have been dominant for almost 100 years (see Kristof-Brown, Zimmerman, & Johnson, 2005 for a review). PE fit is defined as the compatibility between an individual and a work environment and it is suggested that when the individual’s characteristics match the demands of the environment (i.e., there is a fit), individuals will express higher levels of satisfaction and performance (Darris & Lofquist, 1984).

Similarly, in social psychology, individual level theories on discrepancies, aspiration levels and self-regulation focus on individuals who compare their perceived self with an idealized self (Higgins, 1987, 2004). A vast amount of research demonstrated that individuals
are motivated to align their actual self with their ideal self, and that discrepancies between actual and ideal self cause psychological distress (e.g., Moretti & Higgins, 1990, 1999). The underlying idea is based on the assumption that humans are generally sensitive to discrepancies and aim at reducing those. Importantly, recent research showed that individuals are equally sensitive to discrepancies between their group’s goals and current group conditions. For example, Bizman, Yinon, and Krotman (2001) demonstrated that discrepancies between the actual and the ideal social self elicit the same psychological reactions as discrepancies at the individual level. Moreover, Sassenberg and Woltin (2008) provide a compelling review of group-based self-regulation research. They showed that discrepancies between the actual and the desired states of an ingroup motivate self-regulation at the group-level.

The above considerations can be integrated with intergroup research on mergers. We know that both organizations involved aim for “best-way-to-merger” – thus, both organizations have a clear sense of what the desired state is. Specific merger patterns can be used to represent the desired states (Giessner et al., 2006). To our knowledge, the impact of discrepancies between the desired and the implemented state on merger support has not been studied so far. Participants in the studies by Giessner and his colleagues (2006) were only presented with the implemented patterns (i.e., current state), but in how far the discrepancy between the desired and the implemented pattern affected post-merger support was not investigated. Filling this gap in research, we set out to test the idea that merger support is a function of the perceived discrepancy between what organizational members want (desired merger pattern) and what they get (implemented merger pattern).
Consequences of divergence experiences

Discrepancy theories predict that the perceived misfit between a desired and an actual state leads to negative emotions such as sadness, disappointment, reduced happiness and reduced enthusiasm. These affective responses differ as a function of whether the discrepancy is attributed to internal or external causes. Interestingly, individuals respond to discrepancies that are externally caused with feelings of discontent and the impression that they deserve better (Petrocelli & Smith, 2005). Thus, externally attributed discrepancies between desired and actual states appear to be closely related to perceived fairness.

Fairness issues are among the most important topics with respect to mergers (Giessner et al., 2012) because organizational change often involves the redistribution of resources including power, prestige, responsibilities, and financial gains (Coob, Folger, & Wooten, 1995). Research on organizational change has found that perceived fairness is a structural mechanism that mediates resistance to change (Folger & Sharlicki, 1999). The question emerges when and how the merger process influences fairness perceptions. Merger patterns define parts of the redistribution of resources, and they are related to aspects of procedural justice (Lind & Tyler, 1988). Outcomes and procedures in the merger process work together to create a sense of (in-)justice or perceived (un-)fairness. Similarly, group members might evaluate the fairness of an actual outcome by comparing it with a desired outcome.

Giessner and colleagues (2006) found that the effect of merger patterns on merger support was mediated by the extent to which group members perceived their position in the newly merged organization to be fair (see also Amiot et al., 2007; Terry & O’Brien, 2001). According to SIT, the extent to which individuals perceive their group’s status position to be fair is an important determinant of their willingness to identify with that group (Ellemers,
However, as we noted before, perceived fairness might not solely depend on comparisons between the two groups involved but also on comparisons within the groups, namely with regard to the fit between desired and implemented merger pattern. When expectations about certain outcomes (such as the representation of the pre-merger organization in the newly merged organization) are not met, organizational members may feel unfairly treated and support the merger less.

The Present Research

The present research extends previous research on organizational mergers in several ways. First, we test the assumption that merger support, as one crucial factor for merger success (Gleibs et al., 2010; Giessner et al., 2011), is a function of fit between desired and implemented merger pattern. Second, we aim to show that the effect of fit between desired and implemented merger pattern is mediated by perceptions of fairness and emotional responses to the merger. Our research thus aims to extend prior research (e.g., Giessner et al., 2006; Nahavandi & Malekzadeh, 1988) by showing that discrepancy experiences are the driving force behind the impact of implemented merger pattern and pre-merger status on merger support.

More precisely, we predict that members of the high- and low-status group desire merger patterns that optimize their status position in the newly merged organization in terms of status. Consequently, the high-status group is expected to favor the integration-proportionality or assimilation pattern; the low-status group is expected to favour the equality and transformation pattern. Further, implemented merger patterns that deviate from the desired ones should induce feelings of misfit (Hypothesis 1). Second, we extend prior research by testing the hypothesis that perceived fit impacts on merger support (Hypothesis
2). Moreover, we assumed that perceived fit between implemented and desired merger pattern elicits feelings of being treated fairly among group members. Therefore, we expected that the effect of perceived fit is mediated by perceived fairness (Hypothesis 3). Figure 1 summarizes the proposed relations.

Study 1

The effects of merger pattern on merger support and fairness have not been previously tested in a field study. Previous studies (Giessner et al., 2006; Mottola et al., 1997) relied on group membership established via scenarios rather than based on participants’ own well-established group affiliations. Therefore, we aimed to provide external validity of previous results. Extending former research, Study 1 tests the importance of desired merger patterns in a real merger between two higher education institutions. We tested our main hypothesis in an ongoing merger. Participants were students of two organizations that were in the process of a merger. Students\(^2\) are central members of a university and are often highly identified with it (Mael & Ashforth, 1992). As members of the institution their role and functioning in the organization is likely to depend upon their post-merger organizational identification (Boen, Vanbeselaere, Hollants, & Fey, 2005). Nonetheless, different from employees within a merged organization, identity issues are considered as independent from job loss, membership loss, and changes in roles, which usually come along with a merger.

Method

The Field Situation. This study was conducted in the context of a merger between two higher education institutions: a university (high-status group) and a polytechnic (low-status group).\(^3\) The merger was initiated by a governmental decision and merger plans were first launched in September 2003. After a year of negotiations, the federal state passed a law
regulating the merger process. The official day of the merger was January 1st 2005. A new organizational structure with three departments was introduced in October 2005 and implemented in April 2006. Although these data were collected after the merger had happened, the organization still underwent major changes such as the introduction of a new steering committee after May 2006.

Participants. A total of 316 students enrolled in courses at the two merging organizations completed this questionnaire in April 2006 (approximately one year after the merger was established). Participation was voluntary and participants were rewarded with participation in a lottery and with vouchers. Participants were enrolled in Economics (polytechnic, n=127) or Economics and Social Science (university, n=189). Age varied between 20 and 37 (M=24.57, SD=2.58). One hundred seventy-two participants were female and 144 were male.

Measures. In order to measure perceptions of implemented and desired merger patterns, we asked participants to read a small description of six different merger patterns and then decide which of the patterns best represented the present merger and the one they wished for (for description of measure see appendix). We distinguished six instead of four merger patterns because we differentiated between patterns that favor the ingroup (assimilation by ingroup, integration-proportionality by ingroup), equality, patterns that favor the outgroup (assimilation by outgroup, integration-proportionality by outgroup) and transformation. In this way, the merger patterns represent a continuum from one-representation as assimilation by ingroup to equality (equal representation) to one-representation as assimilation by outgroup plus the representation of a new entity. More precisely, integration-proportionality was described as follows: “Organization [name of university] and organization [name polytechnic
college] are represented in the newly merged organization [name new university]. However, organization [name of university] is more strongly represented than organization [name polytechnic college]” (see appendix). Participants were asked to read these descriptions and to indicate which best described the implemented merger their organizations were undergoing. Second, participants were asked to indicate which of the described merger patterns best represented the pattern of integration they desired.

To assess perceived fit between the implemented and the desired merger pattern, we used a single item measure of perceived fit (“Do you think that the implemented merger plans are in accordance with what you wished for?”). Merger support was measured with three items (“My willingness to participate in the planned merger is high”, “The integration of both institutions will lead to success”, “I am looking forward to the planned merger”). The scale was reliable (Cronbach’s α=.80). To assess perceived fairness, four items (adapted from Giessner et al., 2006 and Terry & O’Brien, 2001) were used (e.g., “I think it is fair how students of my former institution are treated in the merger process”, “Both groups’ vantage point is legitimate”). The scale was reliable (Cronbach’s α=.89).

Results

Descriptive Analysis and Group Differences. One year after the merger was implemented, little differences in the perception of the implemented merger pattern were expected. Indeed, most participants (63% of the polytechnic students and 68% of the university students) perceived the actual merger pattern to be best described by integration-proportionality with a stronger representation of the high-status group within the new organization, $\chi^2(5)=216.89, p<.001$.

However, when asked about the desired merger pattern, participants differed
substantially. Most university students opted for the assimilation by ingroup (34.4%) or the integration-proportionality (30.7%) pattern, $\chi^2(5)=122.21, p<.001$. The majority of polytechnic students wished for the integration-equality (45%) and transformation (31.5%) patterns, $\chi^2(3)=18.76 p<.001$.

Consequently, and in line with Hypothesis 1, students from the low-status group perceived less fit ($M=2.28, SD=.83$) between the implemented and the desired merger pattern compared to students from the high-status group ($M=2.71, SD=.87$), $t(314)=-4.38, p<.001$.

Likewise, a significant difference for perceived fairness was observed, $t(314)=-5.36, p<.001$. Students from the low-status group perceived the merger to be less fair ($M=3.13, SD=1.10$) compared to those from the high-status group ($M=3.80, SD=1.05$). However, students from both organizations did not significantly differ regarding merger support, $t(314)=.94, p=.35$ (see Table 1).

**Perceived Fit and Merger Support.** To investigate our Hypothesis 2, we regressed merger support on perceived fit. Merger support increased as a function of perceived fit between implemented and desired merger pattern, $\beta = .41, p<.001, t(315)=7.99$.

**Mediation Analysis.** We predicted that perceived fit affects merger support and that this is mediated by perceived fairness. Shrout and Bolger (2002) suggested that mediation can also be demonstrated by showing that the indirect effect (product of the regression coefficients $a$ and $b$) is significantly different from zero. They recommend a bootstrap technique that has recently been successfully applied in various contexts (see also Preacher & Hayes, 2004). To test for mediation, a confidence interval is computed around the product-term ($a*b$). If zero is not included in the interval, the indirect effect is significant and thus, a mediation effect can be assumed. For calculation, we used a
procedure provided by Preacher and Hayes (2009). This method includes a SPSS syntax to conduct the analysis of indirect effects with this bootstrapping method.

First, as outlined above, the direct effect of perceived fit on merger support was significant, \( B=.56, S.E.= .07, t(315)=7.96, p<.001 \). The direct effect of fit on fairness was also significant, \( B=.73, S.E.= .05, t(315)=12.61, p<.001 \). Moreover, the mediator predicted merger support, \( B=.42, S.E.= .06, t(315)=6.54, p<.001 \), and when included, the direct effect of fit on merger support dropped to \( B=.25, S.E.= .08, t(315)=3.10, p=.002 \). The indirect effect (\( a*b \)) was significant, as the 95% confidence interval did not contain zero (.20 to .42), indicating that perceived fairness partially mediated the effect of perceived fit on merger support.\(^4\)

Discussion

Study 1 was conducted in the context of a real merger, with group members in a natural intergroup context was, to our knowledge the first study that examined the effects of merger patterns in the field. Such research is important in order to demonstrate that the effects obtained in the lab can be transferred into real life contexts. Although responses to such a setting are likely to be influenced by more variables than the ones considered in the present research, the results of Study 1 support our hypotheses. Members of the high- and low-status group strongly agreed on the merger pattern that was actually implemented. Consistent with the hypothesis that groups varying in status and power prefer different merger patterns, the two groups were hugely divergent regarding the merger pattern they desired. Members of the low-status group favored a merger pattern where both groups are equally represented, whereas members of the high-status group preferred integration-proportionality and assimilation. As discussed above, this preference is likely to reflect an attempt to improve the
pre-merger group status. Importantly, we predicted and found that perceived fit significantly affected merger support and that this effect was partially mediated by perceived fairness, thereby confirming Hypotheses 2 and 3.

Study 1 was cross-sectional and thus correlational in nature. Thus, we cannot make any claims about causality or the direction of effects. Furthermore, as this was a “real” merger, only one merger pattern was implemented. Also, the data were collected after the merger had happened, meaning that there was no direct assessment of prior desires for merger patterns. An experimental study was conducted to overcome some of these issues. In Study 2 we examine the effects by indicating the desired merger pattern before the actual merger pattern is implemented using an experimental design.

Study 2

In the previous study, perceived fairness only partially mediated the effect of fit. That suggests that the process could be further driven by other variables. For example, unfulfilled expectations could trigger feelings of threat (especially for the high-status group that may face a status loss) or negative emotions such as anger or anxiety (see also Amiot et al., 2007). In addition, and as outlined earlier, discrepancy experiences that are externally attributed lead to negative feeling such as discontent (Petrocelli & Smith, 2005). However, in Study 1 participants could only express their negative experience by showing less support. Yet, other merger researchers (Fugate, Kinicki, & Scheck, 2002; Kiefer, 2002, 2005) have outlined the importance of understanding emotions as a reaction to mergers. They suggest that (negative) emotions are an indicator for an individual’s unwillingness to support change. The research by Kiefer (2005), for example, showed that the status and organizational treatment influence negative emotions that determined withdrawal and trust. Similarly, we argue that the
relationship of perceived fit (as an indicator of treatment and ingroup representation) and merger support is not only mediated by perceived fairness but also by emotional reactions towards the merger. Perceptions of fit should thus enhance (positive) emotional reactions, which should mediate the effect of fit on merger support (Hypothesis 4).

Method

Participants. One hundred and seventy three business administration students of the Erasmus University, Rotterdam (Netherlands) participated in the study. Age varied between 17 and 26 years ($M=20.92$, $SD=1.75$). Seventy-eight participants were female and ninety-five male. Half of the participants (n=86) were currently employed.

Design and Procedure. We used a similar scenario describing hypothetical merger situations as in Giessner et al. (2006). Participants were randomly assigned to the conditions of a 2 (status: high vs. low) by 5 (merger pattern: assimilation OG, integration-proportionality OG, integration-equality, assimilation IG, integration-proportionality IG) between-subjects design. Merger patterns and pre-merger status were manipulated via written scenarios. These consisted of three parts: First, participants read a standard introduction that aimed to manipulate group status. Status was manipulated by describing the companies differently on economic dimensions. The low-status company was described as being founded in 1989, a financial profitable organization that was domestically focused, and current market-value of € 235 Mio. In contrast, the high-status company was described as being founded in 1919, a financial successful organization that acted worldwide and a market-value of € 550 Mio. Participants further got the
information that their respective organization would merger with another organization (either of high- or lower status). Participants then had to indicate merger pattern they desired on a similar rating scale as used in Study 1 (see appendix). Then, a specific merger pattern was introduced and described in detail (see appendix for a summary); here participants were randomly assigned to one of five different scenarios. After this second part of the manipulation, participants answered a questionnaire that included the outcome variables as described below. Finally, participants read a standard conclusion, which was the same in all conditions. The two merging companies in the scenario were called ACME PLC and BOLT PLC. Participants in all conditions were members of ACME PLC.

Measures.

Fit between desired and implemented merger pattern. To examine whether our design induced perceptions of (mis-)fit, we computed a variable that reflects the relationship between desired (the one the participant chose) and implemented merger pattern (manipulated). To do so, we first collapsed the assimilation IG and integration-proportionality IG into one category that reflected an advantage regarding the ingroup’s representation within the new organization because the variation on the desired merger pattern (see Figure 2) was skewed. The assimilation OG and integration-proportionality OG were collapsed into one category that reflected an ingroup disadvantage. The equality pattern remained the third category. Thereby, we created a trichotomous measure that was coded -1 for ingroup disadvantage, 0 for equal representation, and 1 for ingroup
advantage; this was done for both the desired and the implemented merger pattern. In a next step, we computed a fit-index that was a difference score between the recoded desired merger patterns and recoded implemented merger patterns. For example, if a participant desired equality (0) but was in the integration-proportionality condition (1), her score on the fit-index would be 1.

The other dependent variables were assessed directly after the scenario was presented. We measured perceived fit with one item asking participants whether the implemented merger pattern matched the merger pattern they desired. Merger support was measured with the same three items used in Study 1 (α=.71). Perceived fairness was measured with the same four items used in Study 1 (α=.84). Emotional reactions towards the merger were measured with 5 items (“I am annoyed (recoded)”, “I am angry (recoded)”, “I am relaxed”, “I am confident”, “I am glad”). These items formed a reliable scale (α=.89). Status was measured with two items asking “The ACME Plc [BOLT Plc] is economically more successful”. These items were correlated (r(172)=.60, p<.001) and formed a reliable scale. All items were measured on 7-point Likert-scale (1 = strongly disagree to 7 = strongly agree). Finally, demographic questions regarding gender, study course, and age were presented.

Results

Desired Merger Pattern. After the status manipulation, but before the introduction of the actual merger plan, participants had to indicate which merger pattern best described what they wished for. Participants’ desired merger patterns differed substantially as a function of group status, $\chi^2(4)=45.06, p<.001$. In the high-status
condition, the majority of participants wished for the integration-proportionality IG (71.6%) pattern, $\chi^2(3)=108.45$, $p<.001$. Most participants in the low-status condition wished for the integration-equality pattern (36.5%); however, 27.1% preferred integration-proportionality IG, and 31.8% an integration-proportionality OG pattern, $\chi^2(4)=46.11$, $p<.001$ (see Figure 3).

**Manipulation Check.** A 2 (status) x 3 (fit index: loss vs. fit vs. gain) ANOVA yielded the expected main effect of pre-merger status, $F(1,167)=33.43$, $p<.001$, $\eta^2_p=.17$. The main effect for the fit index was not significant, $F<.10$, ns and the interaction between status and the fit index did not reach a conventional significance level, $F(2,167)=2.89$, $p=.06$. Participants in the high-status condition perceived their ingroup to have higher status compared to the other organization ($M=4.98$, $SD=.94$). In contrast, participants in the low-status condition agreed that their organization was lower in status ($M=3.98$, $SD=1.24$).

We conducted an ANOVA with the status manipulation as well as the fit-index as between-factors on the perceived fit measure. We found a significant main effect for the fit-index, $F(2,167)=33.30$, $p<.001$, $\eta^2_p=.28$, but no effect for status or the interaction between status and fit-index, all $F$’s <2.3, ns. Participants in the fit condition perceived more fit ($M=4.36$, $SD=1.78$) than participants in the gain ($M=3.70$, $SD=1.28$) or loss condition ($M=2.33$, $SD=1.10$). Both these comparisons were significant, $p$’s<.001.

**Merger Support.** We hypothesized that merger support depends mainly on the fit between desired and implemented merger patterns. Thus, we conducted a 2 (status: high vs. low) x 3 (fit index: loss vs. fit vs. gain) ANOVA. The analysis revealed only a strong main effect for fit, $F(2,167)=18.70$, $p<.001$, $\eta^2_p=.18$, but no significant effects for status,
$F(2,167)=0.40, p=.52, \eta_p^2=.01$ or the interaction, $F(2,167)=1.14, p=.32, \eta_p^2=.02$. Merger support was strongest in the fit condition ($M=4.17, SD=.83$), and lowest in the loss condition, ($M=3.25, SD=.85$). Pairwise comparisons confirmed that this difference was significant ($p<.001$). The difference in the gain condition, however, did not significantly differ from the fit condition ($M=3.96, SD=.76; p=.27$).

**Perceived Fairness.** We conducted a 2 (status) x 3 (fit-index) ANOVA on perceived fairness. This analysis yielded a significant effect of fit on perceived fairness, $F(2,167)=21.81, p<.001, \eta_p^2=.20$. Again, there was no significant effect of status, $F(1,167)=0.36, p=.55, \eta_p^2=.002$ and also the interaction did not yield a significant result, $F(2,167)=0.29, p=.75, \eta_p^2=.003$. Perceived fairness was highest in the fit category, ($M=4.75, SD=1.07$), and lowest when participants experienced misfit that indicated a loss for the ingroup, ($M=3.59, SD=1.10$). Pairwise comparisons showed that this difference was significant ($p<.001$). Perceived fairness was also lower in the misfit condition that indicated a gain for the ingroup, ($M=4.17 SD=0.98, p=.002$). Different from the effect on merger support, differences between all conditions were significant (all $p<.05$).

**Emotions.** We conducted a 2 (status) x 3 (fit-index) ANOVA on the emotions. This analysis yielded a significant effect of fit, $F(2,167)=23.89, p<.001, \eta_p^2=.22$. There was no significant effect of status, $F(1,167)=0.35, p=.55, \eta_p^2=.002$ and also the interaction did not yield a significant result, $F(2,167)=0.45, p=.63, \eta_p^2=.003$. Positive emotions were highest in the fit category, ($M=4.40, SD=1.25$), and lowest when participants experienced misfit that indicated a loss for the ingroup, ($M=3.08, SD=.95$). Pairwise comparisons showed that this difference was significant ($p<.001$). The difference in the gain condition, however, did not significantly differ from the fit
condition (M=4.21, SD=1.07; p=.50).

**Mediation Analysis.** One aim of this study was to investigate whether the effect of fit on merger support is positively related to perceived fairness. Therefore, we examined whether perceived fairness mediates the link between perceived fit and merger support. In the previous analysis we established that fit affects merger support and perceived fairness. However, we further hypothesized that emotional reactions towards the merger influence (and mediate) the effect of fit on merger support. We therefore conducted an analysis using bootstrapping with perceived fairness and emotional reactions as multiple mediators (Preacher & Hayes, 2008). The total effect from fit to merger support was significant, $B=.43$, $S.E.=.08$, $t(173)=5.03$, $p<.001$. Moreover, fit was positively related to perceived fairness ($B=.45$, $S.E.=.11$, $t(173)=4.00$, $p<.001$) and emotional reactions ($B=.68$, $S.E.=.11$, $t(173)=6.22$, $p<.001$). Both mediators were positively related to merger support in the way that merger support was increased by perceived fairness, $B=.20$, $S.E.=.05$, $t(173)=4.09$, $p<.001$, and by positive emotional reactions, $B=.36$, $S.E.=.05$, $t(173)=6.94$, $p<.001$. The direct effect of fit to support was reduced to $B=.09$, $S.E.=.07$, $t(173)=1.22$, $p=.22$. The indirect effects ($a_i*b_i$) were identified as significant, as the 95% confidence interval did not include zero (for emotions: .16 to .36; for fairness: .04 to .18), indicating that perceived fairness and emotional reactions fully mediate the effect of perceived fit on merger support$^7$.$^8$.

**Discussion**

In sum, Study 2 largely replicated the results of Study 1. Fit between the desired pattern (measured) and the implemented pattern (manipulated) predicted merger support. Consistent with Study 1, this effect was mediated by perceived fairness. Study 2 extends the previous findings in demonstrating that emotional reactions to fit play an important role for
merger support. Specifically, we gained insights into what exactly elicits merger support. We saw that although merger support was highest in the fit condition, it did not significantly differ when misfit was related to a gain for the ingroup. Thus, only misfit that indicates a negative outcome for the pre-merger group (i.e., loss) leads to decreased support. By contrast, misfit that indicates a positive outcome for the ingroup (i.e., a gain) did not negatively affect merger support.

Interestingly, perceived fairness varied as a function of whether misfit indicated a loss or a gain for the ingroup. Put differently, although participants may prefer merger patterns that favor their ingroup and satisfy their aim for a positive social identity, they seemed to be aware of the fact that this outcome is not necessarily fair (see Messick & Sentis, 1979). Despite this mean-level difference, the relationship between fairness and merger support was weaker in the gain condition (see Footnote 8) compared to the loss and fit conditions. Thus, it seems that when your group gets more than you hoped for, members do not ‘object’ to a situation in which their ingroup benefits. For future research it would be interesting to focus on the different mis-fit situations.

Importantly, we also showed that perceived fairness and emotional reactions are two independent mediators. This extends the insights gained from Study 1 which only showed a partial mediation of perceived fairness and is in line with previous research on the emotional reactions in organizational change (Fugate et al., 2002; Kiefer, 2002, 2005).

In addition, Study 2 was designed to look at possible differences in the timing of thinking about the desired merger pattern by asking for desired merger patterns before participants knew implementation plans (and not after as in Study 1). Thus, it seems that the timing of the thinking about the desired merger pattern does not affect psychological reactions
to misfit.

One possible limitation was that we did not include a transformation pattern to simplify the design (see also Giessner et al., 2006; Study 3). In Study 1, like in the previous study by Giessner et al., the transformation pattern yielded similar results to the integration-equality pattern. Moreover, transformational mergers are extremely rare. Yet, the transformation pattern could be important because the creation of a new entity could blur the intergroup boundaries and would be helpful to overcome some of the threats that are related to mergers. Thus, future research might aim at focusing especially on the costs and benefits of transformation patterns in mergers.

General Discussion

The studies presented in this article integrated a social identity and intergroup perspective on organizational mergers with a discrepancy perspective. Extending the work by Giessner et al. (2006), we argued that the implemented merger pattern defines the ingroup’s relative representation in a newly merged organization. However, based on a divergence account, we further predicted and showed that the difference in merger support as a function of merger pattern among high- versus low- status groups mainly stems from perceived fit between the implemented and the desired merger pattern within the organization. We thus show that also on a group-level, misfit drives behavior, cognition, and affect, because it indicates something is not as it should be (e.g., Higgins, 2000). Moreover, (mis-)fit affects perceived fairness and negative emotions that in turn impact on merger support. Our findings generalized across a real merger between two institutions of higher education and an experimental study. With this research, we provide empirical evidence for the argument that merger partners appear to aim for merger patterns that are most beneficial to their group’s
standing (Demoulin et al., 2009). Thus, although high- and low status groups members favor different merger patterns, the mechanism that leads to merger support is essentially the same for both groups. When the desired representation in the organization diverts from the actual representation, merger support decreases.

We replicated the finding that members of the low-status group support the merger more if it resembles an integration-equality pattern, whereas members of the high-status group support the merger more if it resembles an integration-proportionality and assimilation pattern (Giessner et al., 2006). However, we assumed that these preferred patterns reflect the merger patterns that denote the respective optimal status position within the merged group. The low-status group aimed at status-enhancement, which can be realized through integration-equality, or even transformation, which implies a new interpretation of the pre-merger status relations. Members of the high-status group hoped for status-protection, which can be obtained through integration-proportionality and assimilation. This ‘optimal’ status position is represented by the desired merger pattern, and if a cognitive balancing between this referent point and the implemented merger denotes fit, merger support increases. The studies showed that perceived fit affected perceived fairness. Perceptions of (mis-)fit between the desired and the implemented outcome led to the perception of (un-)fairness.

Central to this paper is the argument that perceived fairness mediates the effects of perceived fit on merger support. In both studies, our findings were generally in line with this argument. Taking an intergroup perspective, we suggested that the decision to support a merger would be evaluated from the perspective of the person’s group membership. As we stated previously, organizational change often involves the redistribution of resources that can include power, prestige, responsibilities as well as financial gains (Coob et al., 1995). Such a
context may accentuate group-based cost-benefit considerations. Resistance to change may then be influenced by these concerns. Our results are in line with this idea and add that perceived fairness decreases substantially when expectations about certain outcomes (such as the representation of the pre-merger organization in the newly merged organization) are not met. However, as the partial mediation in Study 1 showed, perception of fairness is not the only mediator in this process. In Study 2 we showed that emotional reactions were associated with merger support independent of perceived fairness. Emotional reactions to perceived fit thus complete the picture of the underlying process. These results are in line with the conceptual model on psychological reactions to mergers provided by Hogan and Overmyer-Day (1994) as well as Klendauer, Frey, and Greitemeyer (2006). They stated that the psychological success of a merger depends on multiple causes such as justice perception as well as emotional reactions.

Generally, our findings extend the intergroup perspective on mergers in demonstrating that not only comparisons between the groups involved are important, but that also comparisons within a group are crucial for merger success. Our research thus contributes to existing research on group-based regulation (Sassenberg, 2007; Sassenberg & Woltin, 2009) in showing the consequences of group members’ perceptions that what they get is not what they want, indicating that group members want to experience a certain kind of continuity or relative representation of the pre-merger group within the new organization which are associated with other psychological reactions as outlined above.

**Limitations**

The studies presented here yielded new and interesting results, with practical implications that can support planned mergers as well as ongoing merger processes. However,
several limitations apply. First, in Study 2 a scenario was used, manipulating and assessing a very limited range of variables. Obviously, within a merger, many processes work in parallel, on the individual, the intra- and the intergroup level, which possibly influence each other. We could not control for all these variables in our studies. However, the generalization of our main results across a real merger situation and an experiment speaks for the external validity of the effect. Still, Study 1 was restricted to a merger process in the higher education sector. Future researchers need to examine whether our findings generalize to other mergers, such as mergers of business organizations.

Additionally, the studies were conducted with student samples. We acknowledge that employees’ reactions towards a merger might be different to those displayed by students. More directly involved organizational members (such as members of the workforce) are expected to identify more strongly with their previous organization and experience additional threat and uncertainty (Bartels, Douwes, de Jong, & Pruyn, 2006). However, especially in Study 1, the students were directly affected by the merger, and are seen as an independent entity and an essential part of the university. Students are often highly involved in the university, are active members of the educational process and often perform according to role expectations (Hoffman & Kretovics, 2004). We believe that their relationship with the academic institution was strongly influenced by the merger. Nevertheless, future studies should aim to replicate and extend our findings by applying different methodologies and samples.

Conclusion

The present paper contributes to the growing body of literature that stresses the importance of adopting an intergroup perspective on organizational mergers (intergroup
comparisons) in demonstrating that comparisons between what they want and what they get (intragroup comparisons) are crucial determinants of merger support among members of the groups involved in the merger. Results are consistent with recent research on intergroup misunderstandings (Demoulin et al., 2009) in showing that members of high- and low-status groups endorse different merger patterns because these presumably serve their needs (i.e., status-maintenance vs. status-enhancement) best. From a practical angle, our findings may appear to be a little pessimistic, as it seems hard to find a best way to foster merger support for the involved groups if pre-merger status differs. A single strategy for implementing the best merger seems impossible. Yet, the results point to the fact that implementations and interventions should be tailored for the different merger partners. One lesson learnt from the social identity approach to mergers is that one should be aware of the possible pitfalls posed by diverging expectations of the merger partners, a lesson that might have helped the marriage of Daimler and Chrysler to last.
Footnotes

1 Mergers and acquisitions are legally different transactions. When one company takes over another one and becomes the new owner, the transaction is an acquisition. Herein, the bought organization ceases to exit. A merger, in the pure sense of the term, is when two (or more) organizations agree to join and become one new organization; often this is also perceived as a ‘merger of equals’. In practice the terms merger and acquisition are often used interchangeably (Hogan & Overmyer-Day, 1994).

2 The role of students within the university is discussed. We perceive students as an independent entity and as an essential as well as an indispensable part of the university, regardless of their time-restricted membership. Students are highly involved in the university, are active members of the educational process, and they often perform according to role expectations (Hoffman & Kretovics, 2004). We believe that they are highly attached with the organization and identify with their alma mater. Therefore, we assume it is vital to understand how students react in times of organizational change and that they are not merely customers that are un-affected by change.

3 This study was part of a longitudinal study with three points of measurement over the course of one year (see Gleibs et al., 2008; 2010). However, critical measures for this paper were only assessed at Wave 3. Therefore, we only rely on the cross-sectional data of the last measurement point.

4 We tested whether this mediation was moderated by status of the previous organization testing a moderated mediation (Model 2, Preacher, Rucker, & Hayes, 2007). However, we found no indication for an effect of status on the mediation, $B=.06$, $S.E.=.10$, $t(315) = .56$, $p = .56$. 
We used the same patterns that we used in Study 1. Thus, we independently asked for the desired pattern and then manipulated the implemented pattern (see appendix). To simplify this design, we did not include a transformation pattern (see also Study 3, Giessner et al., 2006).

Merger support averaged across high/low status was highest in the Integration-IG condition ($M=4.31, SD=.69$) and lowest in the integration_OG ($M=3.05, SD=.84$) condition; which was a highly significant difference, $p<.001$. The difference between integration_IG and assimilation_IG ($M=3.94, SD=.85$) was not significant, $p=.053$ and neither was the one between assimilation_IG and equality ($M=3.83, SD=.83$), $p=.58$. For the assimilation_OG pattern merger support was low ($M=3.32, SD=.84$) but not significantly different from support for integration_OG, $p=.18$.

We further controlled for status of the previous organization. However, we found no indication for an effect of status on these processes, $B=-.01$, $S.E.=.11$, $t(173)=-.16$, $p=.86$.

Following a suggestions by a reviewer, we also explored whether the fit, loss, and gain conditions will have differential impact on the proposed process. Whereas the link between fairness and support remains unchanged across conditions (all $\beta=.55, p<.001$), is the effect of fairness on support weaker in the gain conditions ($\beta=.21, p=.16$) compared to the loss ($\beta=.45, p<.001$) and the fit ($\beta=.51, p<.001$) condition.
References


and comparing indirect effects in multiple mediator models. *Behavior Research Methods, 40*, 879-891.


Table 1

Mean and Standard Deviation for the Dependent Variables (Study 1)

<table>
<thead>
<tr>
<th></th>
<th>High-Status</th>
<th></th>
<th>Low Status</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SD</td>
<td></td>
<td>SD</td>
</tr>
<tr>
<td>Merger Support</td>
<td>3.23</td>
<td>1.15</td>
<td>3.35</td>
<td>1.29</td>
</tr>
<tr>
<td>Perceived Fairness</td>
<td>3.80</td>
<td>1.05</td>
<td>3.13</td>
<td>1.10</td>
</tr>
<tr>
<td>Perceived Fit</td>
<td>2.71</td>
<td>0.87</td>
<td>2.28</td>
<td>0.83</td>
</tr>
</tbody>
</table>
Table 2
Mean and Standard Deviation for the Dependent Variables (Study 2)

<table>
<thead>
<tr>
<th></th>
<th>Integration-Equality</th>
<th>Integration-Proportionality</th>
<th>Assimilation</th>
<th>Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M$</td>
<td>$SD$</td>
<td>$M$</td>
<td>$SD$</td>
</tr>
<tr>
<td>Merger Support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Status</td>
<td>3.57</td>
<td>0.67</td>
<td>4.03</td>
<td>1.10</td>
</tr>
<tr>
<td>Low Status</td>
<td>4.19</td>
<td>1.01</td>
<td>3.28</td>
<td>0.73</td>
</tr>
<tr>
<td>Perceived Fit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Status</td>
<td>2.59</td>
<td>1.05</td>
<td>3.60</td>
<td>1.14</td>
</tr>
<tr>
<td>Low Status</td>
<td>2.89</td>
<td>1.24</td>
<td>1.88</td>
<td>0.80</td>
</tr>
<tr>
<td>Perceived Fairness</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Status</td>
<td>4.07</td>
<td>0.96</td>
<td>4.50</td>
<td>1.03</td>
</tr>
<tr>
<td>Low Status</td>
<td>4.35</td>
<td>1.04</td>
<td>2.84</td>
<td>0.99</td>
</tr>
</tbody>
</table>
Table 3

Mean and Standard Deviation for the Dependent Variables (Study 2)

<table>
<thead>
<tr>
<th>Fit Index</th>
<th>Loss  ( (n=79) )</th>
<th>Fit  ( (n=50) )</th>
<th>Gain  ( (n=44) )</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( M )</td>
<td>( SD )</td>
<td>( M )</td>
</tr>
<tr>
<td>Merger Support</td>
<td>3.25</td>
<td>0.85</td>
<td>4.17</td>
</tr>
<tr>
<td>Perceived Fairness</td>
<td>3.47</td>
<td>1.10</td>
<td>4.74</td>
</tr>
<tr>
<td>Negative Emotions</td>
<td>3.08</td>
<td>0.95</td>
<td>4.40</td>
</tr>
</tbody>
</table>
Figure Caption

Figure 1. Summary of relationship between variables

Figure 2. Frequency for Actual Merger pattern by Status (Study 1: n_{low-status}=127; n_{high-status}=189)

Figure 3. Frequency for Desired Merger pattern by Status (Study 1: n_{low-status}=127; n_{high-status}=189)

Figure 4. Frequency for Desired Merger pattern by Status (Study 2: n_{low-status}=85; n_{high-status}=88)
Figure 1
Figure 2.
Desired Integration Pattern

- Transformation
- Assimilation_OG
- Integration_OG
- Equality
- Integration_IG
- Assimilation_IG

Low-Status
High-Status

Figure 3
Figure 4.
Appendix

Summary of merger pattern measure

<table>
<thead>
<tr>
<th>Which of the following descriptions does represent the actual merger processes according to you?</th>
<th><img src="x.png" alt="Diagram" /></th>
<th><img src="y.png" alt="Diagram" /></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>We are concerned how you perceive the fusion of Organization X and Y and how much of each organization is represented in the newly merged one.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The newly merged organization is completely represented by the organization X.</td>
<td><img src="x.png" alt="Diagram" /></td>
<td></td>
<td>Assimilation (IG)</td>
</tr>
<tr>
<td>Both organization X and organization Y are represented in the new merged one. However, organization X is more strongly represented.</td>
<td><img src="x.png" alt="Diagram" /> <img src="y.png" alt="Diagram" /></td>
<td>2</td>
<td>Integration-Proportionality (IG)</td>
</tr>
<tr>
<td>Both organization X and organization Y are represented in the new merged one. Both are equally represented in the newly merged organization.</td>
<td><img src="x.png" alt="Diagram" /> <img src="y.png" alt="Diagram" /></td>
<td>3</td>
<td>Integration-Equality</td>
</tr>
<tr>
<td>Both organization X and organization Y are represented in the new merged one. However, organization Y is more strongly represented.</td>
<td><img src="x.png" alt="Diagram" /> <img src="y.png" alt="Diagram" /></td>
<td>4</td>
<td>Integration-Proportionality OG</td>
</tr>
<tr>
<td>The newly merged organization is completely represented by the organization X.</td>
<td>![Red Circle]</td>
<td>5</td>
<td>Assimilation (OG)</td>
</tr>
<tr>
<td>The newly merged organization is almost entirely new defined. There are hardly any relations to organization X or Y.</td>
<td>![Blue Diamond]</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>
Summary of Manipulations of Merger Pattern (Study 2)

<table>
<thead>
<tr>
<th>Merger Pattern</th>
<th>Assimilation (Ingroup/Outgroup)</th>
<th>Integration-Proportionality (Ingroup/Outgroup)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Control of operation by the headquarter of...</td>
<td>Ingroup [outgroup]</td>
<td>Ingroup- and to a smaller extent by Outgroup</td>
</tr>
<tr>
<td>2. Composition of the top management</td>
<td>Only managers from Ingroup [Outgroup]</td>
<td>From both but majority by Ingroup [Outgroup]</td>
</tr>
<tr>
<td>3. Adoption of technical features</td>
<td>From Ingroup [Outgroup]</td>
<td>Mainly from Ingroup [Outgroup]</td>
</tr>
<tr>
<td>5. Corporate Name</td>
<td>ACME</td>
<td>ACME-B</td>
</tr>
</tbody>
</table>