

Graduate School of Business

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**The Role of the Psychological Contract in Affecting Employee
Behaviour under the Influence of Merger and Acquisition:
A Study of Local Regional Managers in Hong Kong**

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Declaration

To the best of my knowledge and belief, this thesis contains no material previously published by any other person except where due acknowledgment has been made.

This thesis contains no material that has been accepted for the award of any other degree or diploma in any university.

Signature:

Date:

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Every undertaking to be successful is a combined effort of many – some more evident, others less so. This research thesis is no exception – it is the combined effort of myself, and my wife, sister, colleagues, supervisors and all the participants.

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Table of Contents

<i>Acknowledgements</i>	<i>ii</i>
<i>Abstract</i>	<i>1</i>
Chapter 1. Introduction	2
1.1 Mergers and Acquisitions (M&A) – Blessings or Curses?	3
1.2 Riding in Merger Chaos – Employees’ Exposure to Turbulent Changes – A Study with a Hong Kong Profile	7
1.3 Research Focus	10
Chapter 2. Literature Review	14
2.1 M&A – Disturbances to Ecology in the Workplace	15
2.1.1 Definitions and Vocabulary	15
2.1.2 Stages of M&A	19
2.1.3 Key to M&A Success – the People	20
2.2 Human Behaviour Driven by Expectations	22
2.3 Psychological Contracts and Employment Relationship	25
2.4 Psychological Contracts of Work Group Members in Hong Kong in the Last Decade	30
2.5 Development of a Model of the Role of Psychological Contract in Affecting the Post-merger Behaviour of Employees	33
2.5.1 The Merger Turbulence and Employee Expectations and Reactions	34
2.5.2 The Behavioural Determinants	41
2.5.2.1 Trust in the Organization	42
2.5.2.2 Job Security	45
2.5.2.3 Job Satisfaction	47
2.5.2.4 Cultural Similarity	48
2.5.3 Post-Merger Behaviour of Employees	52
2.5.3.1 Loss of Organizational Loyalty	52
2.5.3.2 Reduced Work Effort	55
2.5.3.3 Organization Citizenship Behaviour	56
2.5.3.4 Psychological Contracts Moderating Employees’ Reactions	58
2.5.4 Control Variables	62
2.5.4.1 Demographics	62
2.5.4.2 In-group Variables	63
2.5.4.3 Economic Condition	63
2.5.5 The Post-Merger Behavioural Model	64
Chapter 3. Research Method	67
3.1 Research Interest	67
3.2 Research Design	69
3.3 Research Methodology	71
3.4 Data Collection and Measurements	72
3.4.1 Background of Respondents and the Sample Size	72
3.4.2 Demographics	74
3.4.3 Measurement Scale	75
3.4.3.1 Determinant Variables	75

3.4.3.2	Moderating Variable	77
3.4.3.3	Behavioural Variables.....	79
3.4.4	Development of the Questionnaire and Pilot Run	80
3.5	Data Analyses	81
3.5.1	Formative Indicators and Reflective Indicators	84
3.5.2	Construct Validity	85
3.5.3	Testing the Measurement Model	87
3.5.4	Testing the Structural Model	88
Chapter 4.	Results and Analysis	92
4.1	Demographic Distribution	93
4.2	Economic Climate’s Impact on Psychological Contraction	96
4.3	Test on the measurement model	99
4.3.1	Convergent Validity	99
4.3.2	Discriminant Validity of Sample	107
4.4	Test on the structural model	110
4.5	Summary of Hypotheses and Findings	131
Chapter 5.	Discussion and Implications	139
5.1	Discussion of Findings	139
5.2	Atypical Employees’ Behaviour in Hong Kong - Special Attributes of Chinese Employees Impacted Upon by Mergers.....	147
5.3	Theoretical Implications	156
5.4	Managerial Implications	159
5.5	Limitations	160
5.6	Generalizability of the Model	161
5.7	Further Research Directions.....	162
Chapter 6	Conclusions	163
	REFERENCES	165
	Appendix 1. Questionnaire	181
	Appendix 2. Correlations of latent variables with measuring items	191
	Appendix 3.Bootstrap Outputs.....	192
	Appendix 4 Jackknife Outputs.....	198
	Appendix 5 Computation of Indirect Path Effect.....	204

**The Role of the Psychological Contract in Affecting
Employee Behaviour under the Influence of Merger and
Acquisition: A Study of Local Regional Managers in Hong Kong**

Abstract

In past decades, the expectation of synergy has fueled many thousands of mergers and acquisitions. Meanwhile, economists and analysts have reported a large proportion of merger failures. This apparent contradiction has provided researchers with a rich source of studies. One of the likely causes of a merger failure is the “people factor”. Revolving around the axis of mergers and acquisitions, the peoples affected are, on the one side, the stockholders, top management, and economists who “talk the project” and tend to have a positive attitude and on the other side, the people who “walk the project” – the employees - who have a more hesitant attitude.

This empirical study adopted the construct of Psychological Contracts to measure the expectations of employees who are influenced by mergers and acquisitions. Based on this construct, a model was developed to study employees’ behaviour after a merger, examining it from a multitude of dimensions. Using the PLS-Graph analysis tools, the model was tested with the aim of assessing the factors’ impact on employees’ behaviour. Apart from the direct causal relationship between two variables, the indirect effects caused by other variables are assessed as well.

The first contribution made by this research is the fact that it examines the relevance of a psychological contract in a non-Western geographical region. Next, the study clearly confirms some of the existing conceptualizations regarding psychological contracts and reveals some additional insights, particularly in relation to the consideration of psychological contracts in a non-Western socio-cultural context.

The research aspires to generalize the model for predicting the post-merger behaviour of employees anywhere, across any industry, business segment and profession.

Chapter 1. Introduction

In a merger, as in almost every human activity, the people element is paramount. In fact, it could well be the single most important determinant of a merger's success or failure. The people most directly involved in the merger must be compatible. They must empathize with one another and understand not only the merger program itself but also its various implications. Then and only then will there be a solid base for a successful merger or business combination. (Gussow 1978, p.18)

The subject of mergers and acquisitions has captured my attention and interest since the announcement was made in May 2003 that the organization which I had been serving for years had been acquired by another corporation. The integration process continued for roughly two years after the announcement. During the integration period, as I was observing and interacting with my fellow team members – all of us working in Hong Kong for the Asia Pacific regional sales and support offices of a multinational company - we found ourselves experiencing the gamut of emotions and reactions, ranging from intrigue to anger to humour to mistrust. Interestingly, both the manner of such an incident and its impact on individual employee's behaviour are varied and mixed. As I was, in effect, living a case study on a daily basis, and this coupled with my intense interest in the human factors of corporations, I chose as the subject for this study the impacts, for global multinational companies, of mergers and acquisitions on the managerial workforce in Hong Kong.

Today's business world is like a warfare frontier. Hyper-competition is pushing business managers to adopt strategies for achieving growth. These strategies can be composite that embrace either internal or external growth methods or both inclusively as well as dynamic that cope with changing environment (Grubb & Lamb 2000). Modern business entities can sustain growth through internal organic growth or through 'acquisition growth' arising from external combinations with other entities. Presumably, both internal and external growth is capable of adding value to investors. Internal growth adds value by optimizing the use of internal resources while external growth adds value by the creation of

“synergies” from the merged entities that are beneficial to employees, stockholders and consumers (Schorg, Raiborn and Massond 2004).

External business combinations take many forms, namely, mergers, acquisitions, joint -ventures, as well as strategic alliances. Among these various forms, Merger and Acquisition (hereinafter called “M&A”) has the distinctive merit of having “time saved” in that the acquirer company can consolidate the target company’s contributions into its consolidated accounts almost immediately. In contrast, in terms of the other external growth alternatives and of internal development growth, companies may need to wait for years before revenues come. Accordingly, it is reasonable to deduce that where short-term growth is envisaged and when the market is not capable of supporting another (fast-growing) player, the external growth method through M&A activities prevails.

1.1 Mergers and Acquisitions (M&A) – Blessings or Curses?

Since 1992, trillions of dollars have been spent in the acquisition of tens of thousands of firms (Gupta & Gerchak 2002). According to Pryor (2001), the total number of M&As rose at an average annual rate of 20.8 percent between 1985 and 2000. The Mergers & Corporate Transactions Database of Thompson Financial Securities Data Co. of 2007 has indicated that the value amount of M&As worldwide jumped from less than 0.5 trillion in 1990 to 4.5 trillion in 2007, revealing an annual growth rate of 23.5 percent, speeding forward at a stunning US\$0.72 billion per business hour.

The surge in M&A trends over the past nearly two decades has been fueled by the expectations of value creation of a firm through synergy (Rappaport, 1998). Shareholders have espoused M&A in anticipation of an increase in the values of their shareholdings. CEOs and top management, while being pushed by the investors, have espoused M&A in anticipation of an immediate growth of the firm. Even economists think of M&A in a positive light, expecting M&A to help in the reallocation of capable people not being used by one firm by putting them with another. From a different perspective, the people in the workplace obviously comprises the major party that looks at M&A negatively (Jick and Murray 1982) (Hirsch 1987) , especially when their livelihood and interests will be thrown into

uncertainty or jeopardy. The bitter fact remains, however, that the only voting rights for M&A are vested with shareholders and top managers, not the employees. Yet the employees are the people who have to walk the M&A project even if it may be against their will.

A number of M&A assessments have followed this merger mania period: Wasserstein (2000) researched the business rationale for mergers; Flom (2000) and Lipton (2001) provided insights on developments leading to merger activity during 1980-2000; Holmstrom and Kaplan (2001) focused on the developments in corporate governance supporting increased M&A; Mitchell and Mulherin (1996) set forth their shock theory of mergers.

Weston (2001) identifies 10 driving forces for M&A activities and also the consequential industrial structural changes they have caused. He attributes the root cause for M&A activities to technological changes, which include personal computers, computer services, software, and servers, and the many advances in information systems, including the Internet. The decline in the cost of transportation and of communication has globalized markets, and the technological changes have transformed industries and blurred industry boundaries. Such forces of change have required firms to alter the scope and mix of products and markets in order to adjust to the changing environments and competitive developments. This adjustment process can be a single or multiple one. The merger represents only one major process for value growth by business expansion. Alternative methods to grow value include that of restructuring and reorganization or of financial engineering and governance strategies. The out-performance by the United States of America (USA) during 1993-2000 in terms of the real gross domestic product (GDP) growth rate and employment growth compared with those of the other six major advanced economies combined gives apparent supporting evidence that leads Weston (2000) to suggest that high M&A activity was associated with differentially high economic growth. In addition, the adjustment activities following M&A caused the movement of labour from industries where it was no longer required to the higher growth areas in the economy. The impact of M&A activity on firms is felt to discipline management and move resources to their highest valued uses. Based upon these theories, overall mergers and restructuring

activities have increased the value of firms. There is a lack of empirical research, however, to substantiate the fact that this is what has happened in practice.

On the other hand, apparent contradictory comments have been cited by contemporary researchers. According to McKinsey & Co., nearly 80 percent of all mergers fail to recover the costs incurred in the deal. Fully half result in reduced productivity, profits, or both (Fisher 1994). Tetenbaum (1999) reported that about 60-80 percent of all M&As are financial failures when measured by their ability to outperform the stock market. Additional evidence of the high failure rate of M&As is also provided by Sirower (1997) and Zweig et al. (1995). Merger failure is not a recent phenomenon or a single isolated measurement at one moment in time. A continuing pattern of M&A failures has been well documented since 1950 (Grubb & Lamb 2000).

Ghosh (2001) suggested that previous research which indicates that operating performance improves following corporate acquisitions relative to industry-median firms is likely to be biased because acquiring firms undertake acquisitions following a period of superior performance and they are generally larger than industry-median firms. Tichy (2002), in his valuable comprehensive survey, compiles evidence that acquiring firms lose in the long run.

Despite the large number of event studies of mergers that have been undertaken, considerable disagreement still exists over whether mergers increase the value of the merging firms, and, if so, why. Robust results have been found indicating that, on average and across the most commonly studied variables, the acquiring firm's performance does not positively change as a function of their acquisition activity, and is negatively affected to a modest extent (King et al., 2004). Hence, the hardware factors, namely the business settings, financial structuring, time of acquisitions, previous acquisitions experience, would seem to have no direct impact on the success or failure of an M&A.

On the contrary, the risk attached to an M&A deal could be enormous not only in terms of the prima facie cost a firm has to pay for an acquisition deal but also of the possible disturbances or disruption that may occur after the M&A. In M&A situation, the firm will not only have to face the external objective factors affecting

its performance but also will have to confront a critical factor – organizational changes. Cao, Clarke and Lehaney (2003) used Flood's (1995) four dimensions of an organization to categorize organizational change into process change, structural change, cultural change and political change (Cao, Clarke & Lehaney 2000; Nahavandi & Malekzadeh 1988) and suggested that management needs to manage interaction within these four types of change successfully and through a holistic approach. It is therefore reasonable to suggest that a firm's performance will not only be affected by individual performance but also will be critically affected by the success of organization leaders in managing change.

In addition, merger integration, if poorly planned and badly executed, can create fear, anger and uncertainty among managers and employees. Employees of the acquired firm often feel they have been sold out (Grub and Lamb 2000). Competitors now have the chance to pirate talents from the merged firms by establishing an apparent stronger trusting bond (Grubb & Lamb 2000).

From the discussion abovementioned in this section I have reason to argue that employees generally tend to feel negative upon the declaration of M&A. In the next section I will explore into detail the general stress factors or concerns of employees and their behaviours in response to M&A.

1.2 Riding in Merger Chaos – Employees’ Exposure to Turbulent Changes – A Study with a Hong Kong Profile

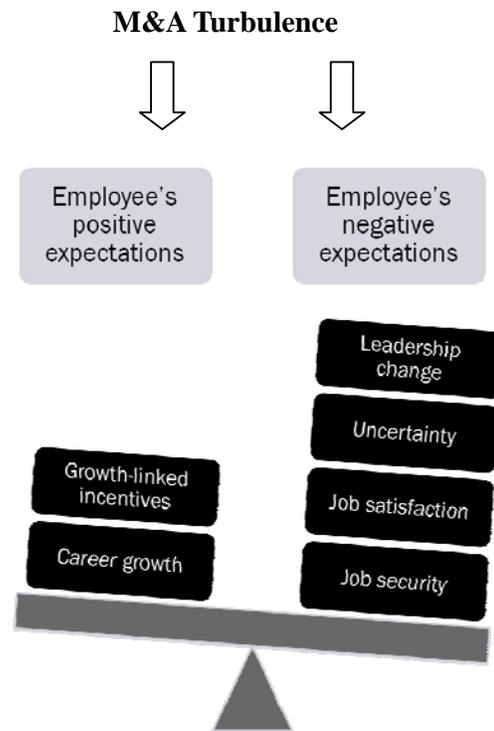


Figure 1A

The term “Merger Syndrome” was coined by Marks and Mirvis (1985) to summarize the initial reaction of employees after their organizations had been acquired. Marks and Mirvis discovered that employees were either overly hostile and aggressive or withdrawn and despondent. They identified anger and sadness as two primary responses related to merger activity. Employees’ anger arising over being unfairly snubbed by a new employer can cause frustration and a desire for revenge, with sub-dimensions that include irritation, resentment and annoyance. Employees’ sadness is linked to the loss felt over the many colleagues displaced by the change and the need to work in a new environment after their organization has been restructured.

After a merger, employees either leave or stay in the merged organization. By staying, he or she may be happy working for, and feel a sense of pride in being a citizen of the organization, or, on the other hand, be unhappy and reluctantly following the new rules of the game. With reference to the framework employed by Robinson (1994), it is found that the following three forms of employee

contributions best describe and embrace the employees that remain in service after a merger and are critical for determining the effectiveness of organizations, namely:

- To choose to remain in the organization (but contribute minimally);
- To dependably perform prescribed duties that are part of one's job;
- To engage in innovative and spontaneous behaviour that is not prescribed and that aims to optimize the effectiveness of organizations - (Robinson & Rousseau 1994)

From a practical perspective the reactions of employees can be interpreted as their effort in terms of a) time at work, (b) attention to quality, (c) focus on work while away from work and (d) behaviour as an organizational citizen. Precedent studies on employees' behaviours have predominantly pivoted on exit (quitting the job), voices (disputes with employers), firm loyalty, neglect, work effort, career loyalty, and job search behavior, as well as organizational citizenship behaviour (King 2000; Rusbult et al., 1988)

Loss of organizational loyalty has been proposed as a major consequence of organizational change and the resulting job insecurity (Reilly, Brett & Stroh 1993). Organizational loyalty refers to one's psychological commitment to a specific organization (Patchen 1965). Traditionally, loyalty is at the center of the employment relationship. As long as an employee is loyal and committed to an organization, he/she will proactively optimize performance. Once organizational loyalty has been lost, the employee exhibits withdrawal behavior. Hence, this research focuses on loyalty factors and views withdrawal factors like exit, voice, job-search behaviour and similar reactions as a consequence of loss of loyalty to the firm.

Meanwhile, time and quality of work are deemed a result of "reduced work effort". Together with organizational citizenship behaviour and the loyalty factor, reduced work effort forms the three employee behavioural variables to be studied in this research.

The target respondents of this research are the regional managerial officers of Hong Kong. Throughout history Hong Kong has been positioned as a crossroad of

Western and Eastern culture and as a place of opportunity for business. The low rates and simplicity of its tax system; its free flow of information; its political stability and security; its corruption-free government and rule of law and independent judiciary; and last, but not the least, its proximity and close relationship with one of the biggest markets in the world – China – all conditions favourable to attracting foreign investment to Hong Kong, and to its management through the setting up of regional headquarters or regional offices in Hong Kong (Hinkelman 2000).

According to the latest survey conducted in 2007 by the Hong Kong Census and Statistics Department, as at June 1, 2007 in Hong Kong there were 1246 regional headquarters, 2644 regional offices, and 2550 local offices of companies incorporated outside Hong Kong. The USA topped both the lists of countries with companies having regional headquarters and those with companies having regional offices in Hong Kong, respectively, followed by Japan and the United Kingdom.

According to the latest report from the Demographic Statistics Section of the Hong Kong Census and Statistics Department, the working population in Hong Kong in 2001 was 3,252,706. Among this working population, 349,637 are working as managers with a median monthly income of HK\$25000 to HK\$29999.

In the past decades there have been four salient events affecting the employees in Hong Kong. First was its transformation from a British territory to a special administration region (SAR) of greater China in 1997. Secondly, there was the economic crisis that devastated much of Asia during 1997 and 1998, which was followed by the de-industrialization and re-commercialization processes in its economy after the accession of China into the World Trade organization (WTO) in 2001. Finally, there was the outbreak of SARS in 2003.

Hong Kong employees felt the adverse impact of these events in a variety of ways: low confidence about the future; job insecurity; job dissatisfaction; and distrust of employers. This topic is analyzed in detail in section 2.4 of the Literature Review.

In such a turbulent environment, what has been the impact on Hong Kong

managerial staff working in the regional headquarters or regional offices of foreign companies which seek M&A activities globally? How does the change brought about by M&A affect Hong Kong regional managers? To fill this research gap, which I have demonstrated in section 3.1, this study utilizes the concept of psychological contract breach to explain two phenomenon. Namely, the impact of M&A to employees and the subsequent behavior of them in regard to work performance.

1.3 Research Focus

Owing to the complex reasons and intertwining factors that are attributed to firm performance, as well as the researcher's own resources constraints, this research does not try to measure post-merger firm performance as most empirical studies have done but rather has focused on measuring the post-merger performance of individual employees. At the same time, by narrowing our sample to regional managers who, from the knowledge-based view, possess both explicit and tacit (codified) knowledge that makes their firm resources unique and successful, the researcher aspires to correlate partially the impact of M&A activities on the post-merger performance of the firm as well. This approach is consistent with suggestions of Harvey and Newgarden (1969) that the greatest risk of merger failure exists in the area of people issues.

The psychological contract is studied in detail in section 2.3 of the Literature Review. It involves an element of trust, a sense of relationship, and a belief in the existence of a promise of future benefits that one party has already 'paid for' (reciprocal obligations) (Rousseau 1989). Psychological contracts are somewhat more subjective than either implied or legally enforceable contracts. A psychological contract is an individual's belief in, or perception of reciprocal obligations between that person and another party (Rousseau 1989;1990). A job security promise contained in a psychological contract can affect an employee's response to the organization (McLean Parks & Schmedemann 1994), so even though it is subjective and not legally enforceable, the violation of a psychological contract can erode an employment relationship (Robinson, Kraatz & Rousseau 1994).

From a keyword search for “psychological contracts” through the Curtin University Digital Library Electronic Journals database I noted that psychological contract theory was mostly cited as an explanation why job insecurity is associated with negative performance of employees (King 2000). From the range of employees that have shown reactions to job insecurity in empirical research and the likelihood that they have differing perceptions of employer obligations, it can be judged that most probably a psychological contract for job security plays a moderating role. Under the influence of M&A, the major adverse effects on employees is not just job insecurity but other factors including: lack of confidence in the future (Krug & Hegarty 2001), mistrust of the merged company (Robinson 1996; Robinson & Rousseau 1994; Rousseau 1989), job dissatisfaction (Lawler 1973; Wanous 1973) as well as a cultural clash (Weber & Camerer 2000; Cartwright & Cooper 1993; Weber 1996; Chatterjee et al 1992; Weber 1996) between the merged companies. This research addresses the reactions of employees pertaining to each of these adverse effects and tests the extent to which a psychological contract moderates employees’ reaction towards the changes brought about by M&A.

Porter and Steers (1985) defined the discrepancy between what employees actually encounter in the job and what they expected to encounter as “unmet expectations”. The literature in this area suggests that such discrepancies lead to decreased job satisfaction, reduced commitment, lower performance, and increased turnover (Wanous et al., 1992). Previous research also suggests that the discrepancy between promised and received outcomes is likely to lead to feelings of inequity and, subsequently, to job dissatisfaction (Lawler 1973; Wanous 1973).

Some recent works of Probst (2002; 2004) and Probst and Brubaker (2001) study the effects of job insecurity on Employee Safety demands, outcomes, production and quality were noted but psychological contract theory were not used to explain the results.

In further keyword searches on “psychological contract” and “mergers” among the top-tier management journals available at the Curtin University’s electronic journal database, I found there were few apparent citations of psychological contract theory to explain directly the employees’ performance under

the influence of M&A, and relatively little empirical research on psychological contracts. Notwithstanding these facts the research being reported in this thesis attempts to test empirically the role of psychological contracts in employee outcomes under the influence of M&A. The research set-up will revolve around and address two important questions: (1) How do employees react to various adverse impacts from M&A?; (2) Does psychological contract exist between employee and employer and; (3) Does the of a psychological contract for each adverse impact exacerbate (moderate) those reactions? The researcher aspires to add to the body of literature that promotes the theories for placing greater emphasis on proactive organizational change initiatives in merger-related discussions and strategies.

The thesis is organized in the following way:

Chapter One provides an introduction to the focus and context of the research. Some of the issues to be covered in more detail in other chapters are signaled here. The objective of this chapter is to set forth the scene for the chapters that follow.

Chapter Two provides a review of the area that is relevant to the issues explored in this thesis. While it is not possible to represent all the literature in the field, the texts chosen reflect the debate and controversy surrounding the current human behaviour debate. Accordingly, this chapter presents a selection of different hypotheses and models of organizational behaviour suggested by well-known academics and researchers in this field. An overview is presented of changes in psychological contracts for employees in Hong Kong where the research data have been collected. Their environmental and cultural factors are also discussed as they are believed to be important contingent factors that may influence employees' behaviour towards M&A.

Chapter Three presents the research design and methodology: a detailed description of the research design; rationale of the study; sampling procedures; data collection methods; development of survey instruments; and the way that data will be analyzed.

Chapter Four presents results and discussions. This chapter describes the

results of the data analysis.

Chapter Five presents a full discussion on the findings in relation to the research questions. Limitations and generalizability of the model are addressed and discussed.

Chapter Six provides conclusions based on the research findings and discussion. The significance of these results for both Human Resources theory and practice under the turbulence of M&A is highlighted. Recommendations for future research on the topic of the thesis are also proposed.

Chapter 2. Literature Review

The general literature surrounding mergers and acquisitions (hereinafter abbreviated “M&A”) activities, organization behaviours, in regard to change as well as psychological contracts, which are the pivot of my research, is presented in this chapter. Further literature that informed the research design is presented in Chapter Three.

The purpose of this part of the literature review is twofold. The first objective is to demonstrate knowledge of the theory and practice of human resource management as it has developed within an M&A framework. The second objective is to be informed of the factors that predict employees’ behaviour under the influence of M&A.

Geber (1987) reported that 84 percent of the top executives of organizations that are party to a merger or acquisition cited “people problems” rather than financial problems as most likely to affect the long-term success or failure of a merger. My research will be conducted around this issue of “people problems”.

My research questions are as follows:

- How do employees react to various impacts of changes from M&A?
- Does there exist a psychological contract between employee and employer?
- Does the psychological contract moderate employees’ behaviour under the influence of M&A?

Whether or not the M&A objectives are properly conveyed by employers will make individual employees react differently to the relevant changes triggered by M&A (Appelbaum et al. 2000). M&A is a macro-factor which is outside the control of the employees of an organization. Notwithstanding this fact, it is of utmost interest to the employees to understand the motive behind the M&A which is impacting on them. From the employers’ perspective, if the post-merger behaviour of employees can be predicted through a psychological contract model, then an exodus of talent can be avoided through the management of employees’ expectations during the integration stage.

This is analogous to a sea adventure. M&A is the weather ahead. The employer is the captain and the shipping crew is the employees. Before the adventure, one must know the weather ahead, wind direction and the resources (fuel, crew members) available. As one cannot direct the wind, in order to reach the destination safely one must sail with it, retaining capable sailors, knowing their expectations and stress factors, and then motivate them to reach the goals.

Similarly, in addressing my research questions, I have decided to proceed through the literature review in the following sequence:

- a) Analyze the economic drivers of M&A and the changes it can cause to employees (section 2.1);
- b) Explain human behaviours in the work place reacting to changes (section 2.2);
- c) Explain the concept of psychological contract and relevant theories to explain its role in moderating the post-merger behaviour of employees (section 2.3).
- d) Provide the brief on the general external factors existing in Hong Kong that affected the shaping of the psychological contract of local employees (section 2.4).
- e) Develop a model of the role of psychological contracts in affecting the post-merger behaviour of employees under the influence of M&A. The reactions of employees and the inherent causal factors will be discussed, notably the most frequently researched withdrawal factors that most affect employees' behaviour under M&A, and the general withdrawal behaviour most probably exhibited during the integration period of M&A (section 2.5).

2.1 M&A – Disturbances to Ecology in the Workplace

2.1.1 Definitions and Vocabulary

“A business combination is the bringing together of separate enterprises into one economic entity as a result of one enterprise obtaining control over the net assets and operations of another enterprise. An acquisition is a business combination in which one of the enterprises, the acquirer, obtains control over the net assets and operations of another enterprise, the acquired, in exchange for the transfer of assets,

incurrence of a liability or issue of equity.” (Standard Statement of Accounting Practices 30 - “Business Combinations” - Institute of Hong Kong Certified Public Accountants).These definitions were first brought into usage by the International Accounting Standard 22 (IAS22) and have been widely accepted.

While defined by statute in a number of jurisdictions, “merger” is not a legal term. Used generically, it can have any number of meanings, many of which are indistinguishable from acquisitions. “A business combination may give rise to a legal merger. The requirements for legal mergers differ among countries. In Hong Kong, a legal merger normally takes the form of a scheme of arrangement. Many legal mergers arise as part of the restructuring or reorganization of a group.” (Standard Statement of Accounting Practices 30 - “Business Combinations” - Institute of Hong Kong Certified Public Accountants).

The general literature in this area accepts that a merger is the combining of one company with another or the absorption or blending of one company into another (Bibler 1989; Geber 1987; Gussow 1978; Schein 1985). There are, however, alternative definitions suggested by scholars in this field. Gaughan (1996) includes the concept of survival in the definition. He suggests that a merger is a combination of two corporations in which only one corporation survives and the merged corporation goes out of existence. On the other hand, based upon how organizational culture issues are handled, Schein (1985) defines mergers as an attempt to blend two cultures without necessarily treating one or the other as dominant (though this refers to a merging of cultures, which is revisited later in section 2.5.2.4, rather than a merging of organizations as legal entities). In this research, our definition for M&A encompasses that of “business combination” and “acquisition”, and refers to the acquisition by one corporation of another entire corporation or of a business from an ongoing corporation.

The motivation behind M&A is primarily the creation of value by exploiting synergies. The word synergy entered the merger lexicon during the 1960s merger wave to describe gains from conglomerate mergers that could not be readily identified, but were presumed to be present to explain why the mergers occurred (Mueller & Sirower 2003). Synergy is defined as the increase in the merging firms’ competitive strengths and resulting cash flows beyond which the

two companies are expected to accomplish independently (Seth 1990; Sirower 1997). Bibler's (1989) definition of synergy is expressed as $1+1=3$. He further proposes that the definition should be "an acquirer's being able to use its significant strengths to improve the performance of the acquired company, or taking one of the acquired company's strengths to bolster a weakness of its own" (p.228). In some situations, from the perspective of synergy, M&A can be win-win for both the target companies and the acquirer companies. Remarkable examples are the hostile acquisitions bids with an aim to create entry barriers for potential competitors or to enhance the influence of the acquirers by increasing the market power through acquisitions.

Under what circumstances can synergy be created in M&A? Bibler (1989) discusses synergy as a primary goal of mergers but one that is rarely achieved. He states that synergy is one of the most overworked, or at least misunderstood, words in the merger literature. On the other hand, Capron and Pistre (2002), by combining an event study with a survey of post-acquisition resources transfer in a sample of 101 horizontal acquisitions, suggested that acquirers do not earn abnormal returns when they only receive resources from the target. In this case, it is likely that multiple bidders, which equally could have captured these resources, competed away all the abnormal returns from the successful bidder. In contrast, it was found that acquirers can expect to earn abnormal returns when they transfer their own resources to the target. The apparent negative synergy can thus be explained by the fact that value creation does not ensure value capture for the acquirer.

In other words, M&A creates value to the acquirer when competitors cannot duplicate the synergy and its resulting cash flows, which prevent the competitive bidding process from fully unfolding. This occurs when the acquirer controls some unique resources that can be leveraged into the target's context. In contrast, when the sources of synergies reside with the target, the market is likely to allocate the full gains to the target because of competition between acquirers (Capron & Pistre 2002).

Different M&A have different strategic motive(s) behind them that make the acquirer believe that the synergy created will justify the cost of the deal. Cost-efficiency theories suggest that cost-based synergies arise when the divestiture of

the assets of the merging firms leads to cost savings. On the other hand, the resource-based view of the firm emphasizes the role of revenue-enhancement synergies arising when the redeployment of the resources of the merged firms leads to revenue-enhancing capabilities (Capron 1999). Schorg, Raiborn and Massoud (2004) suggested a different term, “operating synergy”, to include synergies both through revenue enhancements, cost reductions, or productivity improvements (efficiencies); and through supplementation by “financial synergy”, which results from the ability of the combined companies to lower the cost of capital.

A multitude of reasons can explain the success or failure of an M&A. Apart from the uniqueness of resources or knowledge that may have been possessed by the acquirer that can be leveraged, most if not all M&A are hypothesized to be capable of creating value by exploiting cost-based and revenue-based synergies-even though statistics indicate otherwise. A successful business combination is often attributable to factors such as organizational leadership, clear goals, due diligence on hard and soft issues, and a well-managed M&A team. Given the high failure rates for M&As, however, the reasons behind an unsuccessful process are equally, if not more, important. The synergy expectations for the combined firm may have been unrealistic. M&A is based on managers’ “hubris” or discretion for growth reason rather than for synergy. The supporting strategy might have been hastily constructed, or the merger may have been planned and/or executed improperly. Transaction costs for the combination, including the upfront deal cost, may have been underestimated, creating a fatal financial flaw. Intellectual capital and human talent may have been lost or mismanaged during the combining process.

Analyzing 168 mergers between large companies from 1978 to 1990, Mueller and Sirower (2003) developed a methodology that used the distribution of gains and losses across two samples of firms, and their relationship to one another to test four hypotheses about why mergers occur. They reported that little or no support was found for the hypothesis that mergers create synergies or that shareholders of both the acquiring and acquired firms share gains from these synergies. Instead, considerable support was found for the respective managerial discretion and hubris hypotheses, suggesting that mergers are “purely for growth” and at the discretion or

for the hubris of top management who have vested power to decide on M&A. An interesting citation is made at the introduction of Mueller and Sirower's papers and I would like to reiterate it here for the readers:

Many managers were apparently over-exposed in impressionable childhood years to the story in which the imprisoned, handsome prince is released from the toad's body by a kiss from the beautiful princess. Consequently they are certain that the managerial kiss will do wonders for the profitability of the target company. Such optimism is essential. Absent that rosy view, why else should the shareholders of company A want to own an interest in B at a takeover cost that is two times the market price they'd pay if they made direct purchases on their own? In other words investors can always buy toads at the going price for toads. If investors instead bankroll princesses who wish to pay double for the right to kiss the toad, those kisses better pack some real dynamite. We've observed many kisses, but very few miracles. Nevertheless, many managerial princesses remain serenely confident about the future potency of their kisses, even after their corporate backyards are knee-deep in unresponsive toads. (Warren Buffett from the 1981 Berkshire Hathaway Annual Report) .

2.1.2 Stages of M&A

Bibler (1989) identifies and labels three primary stages in the merger process: pre-acquisition, due diligence and negotiations, and post-acquisition. An understanding of each stage is necessary to explore where the organizational development interests currently are or where they would ideally be located. Typically, the first phase aims at addressing the right target while the second phase - due diligence and negotiations - consists of an analysis that focuses on financial information. Only the post-acquisition phase where the physical integration plans are carried out involves actions of all employees. This is also the phase where researchers and authors typically include the human components that need to be addressed (Bibler 1989). This integration phase may last for months to years. Other resources planning to be included in an integration plan includes communication plans and strategies organizational structure and reporting relationships, new vision, mission, and value plans, personnel plans including benefit packages, compensation packages, policies and procedures.

According to a survey conducted by A.T. Kearney in 2004 to identify the most critical phase to the success or failure of a merger, 30 percent of survey respondents emphasized the importance of the pre-merger phase; only 17 percent indicated that the middle phase presented the greatest risk of failure; while the majority (53 percent) stressed that the actual implementation phase – often referred to as the “post-merger integration” phase – bears the greatest risk (Habeck, Kroger & Tram 2000). It is ironic, however, to find that too often this post-acquisition phase is the most ignored. Catright and Cooper (1995) reported in a study of 40 British companies that all 40 conducted a detailed financial and legal audit of the company they intended to acquire, but that not even one of these same companies made any attempt to carry out an audit of the company’s human resources and culture to assess the challenges concerning integration of the organization they were acquiring.

2.1.3 Key to M&A Success – the People

Harey and Newgarden (1969) suggested that the greatest risk of merger failure existed in the area of people issues. Pritchett (1987) warned that the costs of ineffective mergers will be realized in lost talent, lost productivity, and loss of competitive position as a result of distracted employees. Schorg, Raiborn and Massoud (2004) proposed that a “soft” due diligence audit focusing on human resources may also be performed to identify people who are critical to the success of the merger: those whose leaving after the combination would lower the true value of the merger. Bibler (1989) suggested that loss of key people and a loss of organizational effectiveness can occur in acquisitions. Buono and Bwditch (1989) addressed the hidden costs of combining organizations: tardiness; absenteeism; turnover; reduced output; and declining morale, loyalty, commitment and trust of those who remain in the post-combination firm. Other costs, not hidden, include: separation costs; replacement costs; training costs for each replacement worker; and the costs involved with a high level of turnover.

Hirsh (1985) estimated that the merging of two companies directly affected one-quarter to one-half of all employees in both organizations. Habeck *et al* (2000) suggested that most employees will feel some degree of impact in the process, regardless of whether an individual is directly impacted by the merger

through loss of employment. Meanwhile, people belonging to the buying company, the new parent, do not initially feel much hardship (Habeck, Kroger & Tram 2000).

Bibler (1989) and Schein (1985) believe that a significant cost is realized each time an organization loses the spirit and dedication of one of its employees- a cost that never shows up on an annual report or a budget sheet. The cost can even be multiplied in adverse situations. Grubb and Lamb (2000) described M&A as a double-edged sword.

When your firm wins on the consolidation battlefield you are rewarded with a major source of competitive advantage. But severe injury results from failed mergers and you will place massive self-imposed gravitational forces on your firm. The merger process confronts any company with a risk-versus-reward tradeoff that is like a dynamic fulcrum – with diametrically opposed outcomes. If your firm effectively navigates the tidal waves of consolidation, your benefits are doubled – you are strengthened financially, organizationally, and reputationally which your competitors are simultaneously weakened. You are handed a double-edged sword, the greatest new strategic weapon in your arsenal. But this double-edged sword can work against you just as it can work for you. When you fail in your strategic and operational navigation you hand the sword to your competitors, who then benefit directly at your expense. (Grubb & Lamb 2000, p.23).

Assuming all business managers are opportunistic with an aim for profit, once the battle is initiated by M&A on one side, the competing sides will not negatively wait for the chance of being eaten up but will compete alertly, seeking an opportunity of profiting from the merger chaos of the merging companies. If the market is in a recession, the effect is more remarkable. Following this, the economic climate in the industry in which the acquirer is engaged comes into play affecting employees' expectations and the resulting psychological contracts (detailed discussion in section 2.3) with the firm.

2.2 Human Behaviour Driven by Expectations

Having identified the key success factors of M&A from a macro perspective, this section aims at exploring the human factors from a micro perspective in order to get a holistic framework and model for this research.

Employees are human beings. It is important to study what motivates or de-motivates human beings before putting the employees into the framework of M&A for study. The key questions to address are as follows:

- What normally drives employees to perform well?
- How will employees construe the impact of M&A and react in response?

Locke (1984) suggests that motivation starts with the concept of needs. Needs are the conditions required for an organism's survival and well-being. Physical needs are the conditions required for a healthy, properly functioning body (e.g., food, water, temperature, air). Psychological needs are the requirements of a healthy, properly functioning mind or consciousness (e.g. pleasure, love, efficacy, growth, self-esteem). Need fulfillment or frustration does not, in itself, enable the individual to identify the cause of the experience or provide the knowledge of it. The link between needs and action is learned (Locke 1984). Non-human beings hunt for food because they have the physical need to survive. Human beings have added psychological needs, like "self-esteem", "respect", "peace" and "love" which are acquired through learning.

Maslow's hierarchy of needs theory assumes that human needs are arranged in a hierarchy of importance (Maslow 1943). In this hierarchy, the categories of deficiency needs are physiological, security, and belongingness; while the categories of growth needs are esteem and self-actualization. Within an organization, those who "work for money" are fulfilling their deficiency needs while aggressive employees look for career advancement to fulfill their growth needs as well.

The cognitive link between needs and action is that of knowledge. The motivational link between needs and action is that of values. Values are that which one considers to be good or beneficial (Locke 1976). Applied to the workplace,

employees will perform well only when they learn the value ascribed to their action.

Emotions can be viewed as the form in which one experiences the attainment or frustration of one's values (Locke 1976) and is a result of value appraisal. If the situation is perceived as furthering or facilitating the attainment of one's values, then a positive emotion is experienced. If the situation is perceived as threatening, blocking or destroying one's values, then a negative emotion is experienced. The intensity of an emotion will depend upon the place in one's value hierarchy of the values implicated in the emotion. If the values involved are not important, then attaining or not attaining the values will produce less intense emotion than in the case where the values are important (Locke 1984). This explains why employees feel frustrated as a result of poor performance appraisal and vice versa. The crucial element that drives an employee's performance lies in having his or her value confirmed and recognized.

Vroom (1964) was the first to apply the basic expectancy theory to the motivation of individuals in the workplace. His expectancy theory suggests that people are motivated by how much they want something and how likely they think they are to get it.

Nadler and Lawler III (1977) further elaborated this model with the following assumptions:

- 1) Behaviour is determined by a combination of forces in the individual and forces in the environment.
- 2) People make decisions about their own behavior in organizations.
- 3) Different people have different types of needs, desires and goals.
- 4) People make decisions between alternative plans of behaviour based on their perceptions (expectancies) of the degree to which a given behaviour will lead to desired outcomes.

Based on these general assumptions, expectancy theory states a number of propositions about the process by which people make decisions about their own behavior in organizational settings.

In general, the motivation to attempt to behave in a certain way is greatest when:

- the individual believes that the behaviour will lead to outcomes (performance-outcome expectancy)
- the individual believes that these outcomes have a positive value for him or her (valence)
- the individual believes that he or she is able to perform at the desired level (effort-performance expectancy)

Given a number of alternative levels of behaviour the individual will choose that level of performance that has the greatest motivational force associated with it.

As mentioned in Section 2.1.3, and further supported by suggestions of Soupata (2005), Birkinshaw, Bresmna & Hakanson (2000), Haspeslagh (2002), Nikandrou, Papalexandris & Bourantas (2000), Harvey and Newgarden (1969) and finally Gussow (1978), the most critical factor for organization success is the people factor, especially when the organization is operating under turbulent conditions and across different cultures.

In an M&A environment, a multitude of reasons can be brought forward to explain the variance of behaviour among the affected employees. The following paragraphs try to combine all these aspects into one general notion to form a concept.

The underlying keystone of an employment relationship starts with a contract of employment between an employer and his/her employees. This contract may be written, oral, implied or just a normative. Both parties to this agreement have obligations that are mutually concurred: the employers provides a working environment and specific compensation to employees in return for a specific quality of work done by the employees for the employer. The employees recognize the values ascribed to the jobs, knowing that it is within their capabilities, and are motivated to perform well because it satisfies their needs (Locke 1984; Vroom 1964), ranging from basic hygienic needs, security needs, belongingness needs to

growth needs (esteem and self-actualization needs) (Maslow 1943). On the other hand, an employee withdraws when this employment relationship is jeopardized such as when the employer cannot meet his/her obligation or breaches the employment contract.

Morrison and Robinson (1997) identified two antecedents of contract breach: namely, renegeing and incongruence. Renegeing is when agents of the organization knowingly break a promise to an employee, while incongruence is when the employee and agents have a different understanding of a promise. M&A itself manifests an organization change which Reilly *et al* (1993) described as strategic actions taken to respond to competitive pressures and that are nontrivial, rapid and discontinuous. The organizational change ascribed to M&A leads to uncertainty on the part of employees about the ability of the organization to meet its obligations to employees (Reilly et al, 1993). This uncertainty is even more remarkable when the employer is performing poorly and exhibiting his/her inability to meet its obligation.

From the expectancy theory perspective (Vroom, 1964), employees are motivated by how much they want from the job, job security, for example and how likely they think they are to get it. The implication of M&A to an employee will be an uncertainty about the likeliness of their job security. This uncertainty then constitutes an impairment of the value ascribed to his/her work and negative emotions emerge as a consequence.

Maslow's hierarchy of needs theory; Lock's theory on needs, values and emotions; and expectancy theory as put forth by Vroom (1964) and elaborated by Nadler and Lawler (1977) provide an insight to explaining why employees feel de-motivated in M&A. Little empirical research has been done, however, to measure employees' de-motivation. For this research, as detailed in the next section, a construct – the psychological contract - is utilized as a basis upon which relevant theories are built for this research.

2.3 Psychological Contracts and Employment Relationship

McLean, Parks and Schmedemann (1994), in discussing the *Pine River State Bank*

v. *Mettile* case, suggested that a contract for job security can take one of three forms: legally enforceable contract, implied contract, or psychological contract. The first two forms are defined by law while the last is a subjective concept frequently used in research on employees' behaviour in firms undergoing significant downsizings, reorganizations or M&A.

For example, an employee is in compliance with a legally enforceable contract if he (or she) observes, whether in writing or verbally, the job description; and enjoys the compensation benefits as specified in an employment contract properly structured in accordance with statutory labour laws. Observance of the rules and regulations in the workplace, albeit they are not mentioned in the original employment contract, is in compliance with an implied contract that all employees within an organization should obey the rules and regulations in the workplace. The obligation of an employer, however, to provide job security to employee is a construct only, this is not specified in the employment contract nor is it mandatory by law, nor is this an implied term in the original employment contract This forms a psychological contract with the employer.

Blau (1964) and Homans (1961) define psychological contract as the social exchange relationship that exists between individuals and their organizations. Employees seek to maintain equity between the costs and benefits of such a relationship (Adams 1965). From a business perspective and as applied to the workplace, a psychological contract is an abstract idea encompassing the individual employee's expectation formed as a result of a personal psychological evaluation based on individual needs and values.

Denise Rousseau, an espouser of the psychological contracts concepts who has done voluminous research revolving around this topic, gave her definition as follows:

An individual's belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party. A psychological contract emerges when one party believes that a promise of future returns has been made, a contribution has been given and thus, an obligation has been created to provide future benefits. (Rousseau 1989,

p.121).

Her definition has been used widely by contemporary scholars and researchers in empirical research revolving on the axis of psychological contract. Further, she added that psychological contracts involve an element of trust, a sense of relationship, and a belief in the existence of a promise of future benefits that one party has already “paid for” - reciprocal obligations (Rousseau 1989).

In relation to employment, Rousseau’s conceptualization suggests that the psychological contract is highly subjective, is defined by the individual, and is to be understood from the employee’s perspective, not that of the organization (Guzzo, Noonan & Elron 1994). In other words, there is no mutuality in fact, meaning that the organization’s expectation of employees will be ignored.

Critics of this concept argue that it is neither a theory nor a measure but rather a hypothetical construct drawn from a legal metaphor (Guest 1998). The concept of psychological contract has been criticized as hardly backed by exchange-based promises and therefore not relevant in a contractual context. Given their often-implicit nature, the relevant promises may be hard to identify. Furthermore, the definition of Rousseau (1989) deviates from the traditional approach which emphasizes the mutuality of psychological contract.

In defending the concept against critics, Rousseau (1998a) stressed that the psychological contract is a construct, as are satisfaction, commitment, group cohesion, leadership, and a myriad of other phenomena studied in organizational behaviour and industrial/organizational psychology. To empirically study a construct, researchers operationalize it using indicators that are established to have construct validity. Evidence of construct validity exists when the measures used to operationalize a construct yield results consistent with the theory or nomological network in which the construct is presumed to fall. She indicated that a variety of operationalizations of psychological contracts have supported their construct validity. As to mutuality loss, she stressed that it is the perception of mutuality, not necessarily mutuality in fact, that is at the heart of the psychological contract. Scholars -legal or social scientists- usually take pains to differentiate the psychological contract from the legal contract. Atiyah’s (1981) important book

Promises, Morals and the Law, made it clear that all promises and binding obligations have to be understood in terms of the social context in which they arise.

In addition, Rousseau (1998a) made it clear that contemporary researchers apply two boundaries to the concept of psychological contract. First, by definition, a psychological contract exists at the individual stage, in the form of a person's beliefs regarding the terms of his or her exchange relationship with another. This concept is distinct from an implied contract, which refers to a third party's interpretation of an exchange agreement involving others, and from normative contracts in which members of a social unit, such as a department or a team, share a common set of psychological value with another party, such as a supervisor or a firm. The second boundary specified by psychological contract theory is that individual beliefs comprising the contract involve sets of reciprocal obligations- not expectations alone- to which both the individual and the other party are believed to have committed themselves. Obligations arising from the exchange of promises constitute the building blocks of the psychological contract. Although obligations are a form of expectation, not all expectations held by a person need to be promissory or entail a belief in mutuality or reciprocity. By definition, a psychological contract must be based on a belief that a reciprocal exchange exists that is mutually understood (Rousseau 1998a).

Rousseau (1998a) concluded that the fascinating aspects of the psychological contract lie in its versatility in explaining the dynamics of employment which suggests that the psychological contract, along with related constructs such as violation and change, has a central role to play in organizational behaviour by better specifying the dynamics of the employment relationship.

“...Employment, the exchange of work for compensation, is a social fact the world over. But what that exchange means to workers or employers is a subjective experience for each participant, affected by personal values and upbringing, the relationship's history, and the broader society. All of these factors merge to create a central feature of employment: the psychological contract...” Pp.1 (Rousseau & Schalk, 2000)

“...Historically, the emergence of psychological contracts for work

coincides with the development of voluntary employment relationships. When one person chooses to work for another in exchange for compensation, their employment relationship is distinct from traditional roles (such as feudal duty) and coerced labour (slavery). How the worker and employer understand the terms of this voluntary agreement constitutes a psychological contract.....” Pp.4 (Rousseau & Schalk, 2000)

The belief that a voluntary arrangement exists between workers and employers enhances commitment so that agreed-on actions are more likely to be performed. It also increases the predictability of behaviour, giving each party a better idea of what to expect from the other (Rousseau & Schalk, 2000).

This concept may well have enormous potential to explain the apparent post-merger behaviour of employees serving organizations that have engaged in M&A activities. In effect, to translate into a business context, Vroom’s (1964) expectancy theory suggested that people are motivated by how much they want something and how likely they think they are to get it. Accordingly, it is reasonable to hypothesize that employees are motivated if their psychological contracts are enhanced by their organizations. Conversely, employees who experience psychological contract violations will decrease the contributions that they make to their organizations. For example, when a sales manager is given authority to lead a bigger team, as promised pre-merger by top management by aggregating the sales team of the merged companies, his/her psychological contract is thereby enhanced and the manager feels motivated. In contrast, a promising sales manager with good connections to the top managers may be ignored by the new leader of the merged firms. He/she will not get the reward that was expected pre-merger, thus the psychological contract is violated and he/she will proceed with withdrawal behaviour.

In this research, I believe the organizational changes caused by M&A serve to change the expectations of the employees and jeopardize the employment relationship. While employees’ psychological contracts will be deemed as violated, de-motivators emerge (distrust of the organization, job insecurity, job dissatisfaction and cultural clash) which drive them to pursue withdrawal behaviour in the post-acquisition stage.

2.4 Psychological Contracts of Work Group Members in Hong Kong in the Last Decade

Hong Kong is a Chinese city but, historically, was ruled by Britain for much of the twentieth century. It was ceded to Britain in 1842 and returned to Chinese sovereignty on July 1, 1997. Roughly 98% of the city's 6.5 million residents are ethnic Chinese. Under the influence of both the Chinese philosophies and British governance, Hong Kong has positioned itself as the unique gateway for East/West trade and commerce.

Traditional Hong Kong businesses have been structured around a familial model. Whether an organization was actually family owned or not, the work relations had a familial quality and the management was paternalistic (Lee, Tinsley & Chen 2000). Under the influence of heavy Westernization, however, due to British governance of the city, employees, especially the younger Chinese Hong Kong residents who were educated under the British system, tended to espouse more Western values and be more individualistic. The Western orientation of multinational corporations with regional offices in Hong Kong has pushed the city toward a capitalistic society more typical of the USA or western Europe, with competitive, free-market economies (Lee, Tinsley & Chen 2000). The situation has been further reinforced by China's promise that the city's employment systems (based in part on the British structures), by their inclusion in the Basic Law governing the Hong Kong SAR, that the city's employment systems, which were based in part on the British structures, would not change for 50 years.

It was not until 1968 that Hong Kong first established a labour contract to protect employee wages, regulate general employment conditions, and address related issues (Chapter 57: The Hong Kong Employment Ordinance 1968). Prior to 1968, Hong Kong employees put more weight on mutual trust with the employers rather than an explicit and written contract entailing mutual obligations that parties could enter into and exit at will. The growing Western orientation from then on until the present day has encouraged Hong Kong employees to rely increasingly on explicit employment contract to protect their rewards and benefits against the possibility of intervention by employers.

Ambler (1995) argued that Chinese people believe in building successful relationships that will lead to successful transactions while Westerners attempt to build successful transactions, from which relationships may follow. Given the historical context of employment contracts in Hong Kong, I would expect them to reflect a mixture of Eastern and Western beliefs, values and practices. To gain a deeper understanding of the psychological contracts of Hong Kong employment, the research by Lee, Tinsley and Chen (2000) is highlighted for discussion below.

Rousseau & Tijoriwala (1996) observed three forms of psychological contracts in a sample of American registered nurses: (a) relational, reflecting open-ended obligations without clear performance measures; (b) transactional, reflecting an obligation to provide a prescribed level of performance without a specified time frame or any involvement with the organization; and (c) “team player,” combining obligations that involve highly specified performance levels with broader commitment to the organization.

Based on Rousseau and Tijoriwala’s suggested components of psychological contract, Lee, Tinsley and Chen (2000) surveyed two samples of employees across the Hong Kong and USA cultures and suggested that the relational component is a more important part of psychological contracts in Hong Kong than in the USA and the team player component is an important part of psychological contracts in both Hong Kong and the USA. Further, Hong Kong Chinese employees will be more likely to form relational contracts when they are working with in-group members and more likely to form transactional contracts when they are working with people outside the group. Finally, when Hong Kong Chinese workers identify highly with particular tasks and work, the team player component of the contract will become more salient for them.

The findings by Lee, Tinsley and Chen (2000) reflected the flexible nature of the psychological contracts among Hong Kong employees. For example, while working within a Chinese familial style of company, they (as in-group) will respect and trust the relationship with the employers in preference to very rigid transactional contracts. In contrast, the employment relationship with Western employers (as an outside group) relies heavy on explicit transactional agreements. This flexibility can be both a blessing and a curse. If they observe that the in-group

employers are breaching the relationship - say, changing of long-term employees to a contractual basis in economic recession - their psychological contract will thereupon change to short-term and transactional.

The 1990s were landmark years in Hong Kong's development, leading as they did to two major events: first was the political transition of Hong Kong to China in 1997; and next was the great effect on the Hong Kong economy caused by the great momentum of China's continuous economic reforms in anticipation of its accession to the WTO. During this period, Hong Kong evolved into a post-industrial or post-modern society (Ng & Poon 2004). Adding to this were an economic upheavals – the East Asian financial and currency crisis in 1998 , followed by an epidemic outbreak of SARS in 2003, which touched off a prolonged recession in Hong Kong and the neighbouring countries.

Attesting to these shifts in 1990 have been the dual processes of Hong Kong's de-industrialization and re-commercialization. As a result of these shifts, Hong Kong has become a service center, home to tertiary-level industries, with its manufacturing base shrinking visibly (Ng & Poon 2004). A well-recognized hybrid arrangement, referred to as “the foreyard to specialize as the sales shop” and “the backyard to specialize as the production factory”, has evolved from this restructuring episode during which the Hong Kong operation was scaled down and consolidated into a service and managerial center acting as the head office, distribution center and warehouse.

In response to this economic doldrums and the business restructuring, the employment level fluctuated and dropped in the 1990s. After the turn of the millennium, unemployment levels hovered around the high rate of 5.5 per cent in mid-2000, hitting a record of 6.7 per cent after the SARs outbreak in 2003, only to return to settle at 5.5 per cent in 2005. Also in response to this were disruptions of the old labour and employment practices and their superseding by development of the new ones. “Atypical employment” meaning hiring casual employees, part-time employees or outsourcing job functions, has become the norm in hiring employees by organizations including the SAR government.

As a result of the Asian financial crisis, the economic downturn in Hong Kong,

which forced employers to reduce wages, bonuses, year-end payments, fringe benefits, and other compensation, not only changed the psychological expectations of employees from a relational long-term to a transactional short-term one but also reverted part of the employees' expectation for transactional contracts to an expectation of collective welfare and harmony (Ng & Poon 2004).

2.5 Development of a Model of the Role of Psychological Contract in Affecting the Post-merger Behaviour of Employees

The aim of the research reported here was to model the dimensions influencing employee expectations in an M&A context, and to model the dimensions' interactions with psychological contracts theories to explain the consequential behaviour of employees. Thereupon, through empirical studies on the employees impacted by M&A, the validity of this model was tested.

In section 2.2, Human Behaviour Driven by Expectations, I explained that the cognitive link between needs and action is knowledge while the motivational link between needs and action is that of values. Human beings act only after appraising that the value ascribed to their actions is positive enough to arouse their intention to action, otherwise there is nothing that motivates their action. The findings in the literature on behavioural science show consistent results. Relevant to my research, I found the conceptual and empirical models of labour turnover by Fishbein and Ajzen (1975) provide strong support for the proposition that behavioural intentions constitute the most immediate determinant of actual behaviour..

In M&A affected companies, the only possibility for employees is to stay or leave. When employees elect to stay, then their behaviours will depends on their attitude. An attitude is the psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour (Eagly and Chaiken, 1993). People's attitudes result in them acting in one certain way instead of another (Cooper and Croyle, 1984). Values exist and are communicated through social connections and may vary in different cultures and different countries (Fisher and Lovell, 2003).

Hence, possible actions of employees after the announcement of M&A

throughout the integration stage include: (1) quitting the job as a result of loss of faith or dissatisfaction with the new environment; (2) staying but exhibiting withdrawal behaviour; or conversely (3) working proactively as a team player in the new environment. Each of these will be discussed in section 2.5.3. Based on Fishnbein and Ajzen's findings, in this research model I am using the foresighted intents rather than the hindsight behaviour as criterion variables, namely, (1) loss of loyalty to the organization; (2) (intent for) withdrawal behaviour; and (3) (intent for) organization citizenship behaviour. To support my argument, one obvious example will be the quitting of important personnel, following the announcement of an acquisition, without their waiting until the merger integration stage. Once faith in the new leader is lost, this triggers the intent to leave and the action is just a timing matter (e.g., waiting for the new offer from competitors). The loss in faith is, thus, the most salient determinant of the actual quitting/withdrawal behaviour. Likewise, in determining whether to stay or leave, employees are appraising the value of staying against leaving using their perception rather than actually waiting for the hindsight factual determinants.

Normally in appraising the values of their staying or quitting under the new environment after the merger, predominantly employees will consider the following determinants: (1) trust in the organization; (2) job security; (3) job satisfaction; and (4) cultural differences. Each determinant and the rationale for choosing them are discussed in section 2.5.2. Thereupon, relevant hypotheses for this research are also developed. By a similar rationale to a foresight perspective, focusing on the expectations of employees regarding M&A rather than the actual fact found out after M&A, I used four constructs as criterion variables for this research, namely: (1) perceived trust of organization; (2) perceived job security; (3) perceived job satisfaction and (4) perceived cultural similarity.

Based on the above determinants and after separate discussions in the following sections, a model is built up and depicted in the final part of this chapter.

2.5.1 The Merger Turbulence and Employee Expectations and Reactions

To start with the identification of the dimensions influencing employee expectations in M&As, the discussions in Chapter 1, paragraph 1.2 (Riding in

Merger Chaos), elaborated where appropriate by my discussions in paragraph 2.5 above, are summarized in the diagram below:

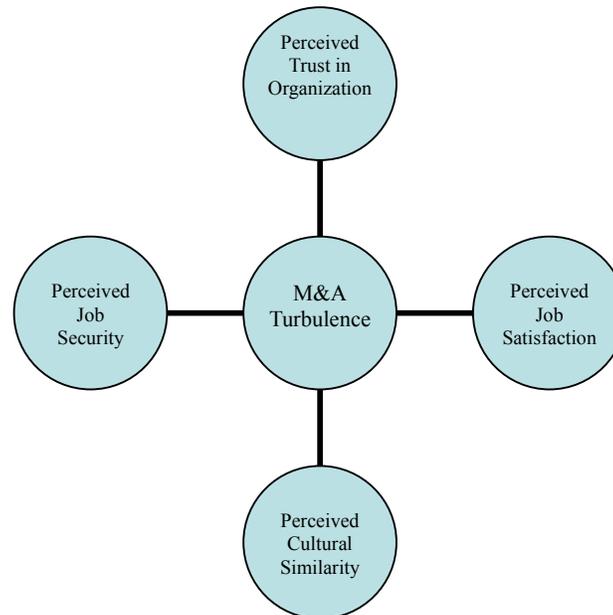


Figure 1B

Reilly, Brett and Stroh (1993) categorized mergers as organizational turbulence, meaning “changes experienced by the organization that are nontrivial, rapid, and discontinuous”. Turbulence is reflected in organizational changes that affect both the day-to-day activities of managers and their expectations for the future. For example, a reorganization disrupts work roles and responsibilities, and alters promotion criteria and opportunities. These changes, then, may be reflected in managers’ attitudes both toward their jobs and their employers. Hirsch (1987;1991), the major academic commentator on the effect corporate turbulence may have on employees, has argued that the theory of psychological contracts may explain how organizational turbulence impacts on employee attitudes. The psychological contract as “a perceived reciprocal obligation between employer and employee” (Rousseau 1989) derives from equity theory (Adams 1963), which focuses on the comparative relationship between two parties. When one party changes its inputs or outputs, equity theory predicts that the comparative other party will adjust inputs or outputs to maintain equity.

Reilly, Brett and Stroh’s (1993) hypothesis that turbulence is negatively related to the satisfaction with job security was fully supported in their findings.

Psychological contract theory explains this result: managers whose companies have broken the psychological contract through turbulence have responded by a show of dissatisfaction with job security. On the other hand, Reilly *et al's* (1993) findings also demonstrated that organizational loyalty was not affected by corporate turbulence and that the greater the turbulence, the greater the employees' job involvement. This was not consistent with psychological contract theory and was partly attributable to the exclusion of leavers from their samples. There were no further studies to substantiate Reilly *et al's* findings so I did not put much weight on them other than noting them for my research if any similar findings should occur.

Hubbard and Purcell (2001) suggested that one aspect of the acquisition process is the way in which the acquiring company management seeks to shape and then meet the expectations of the employees in the firm acquired. This process is akin to the re-negotiation of the psychological contract, but undertaken in circumstances where the expectations of individuals are mixed with wider concerns about how groups of employees will be treated in the new organization. Thus, people can be expected to have dual expectations about how they personally will be managed and how the acquisition will affect their workmates. The assumption, following the psychological contract, is that if employee expectations are properly managed during the implementation process there will be less employee uncertainty and ambiguity and damage to levels of organizational commitment will be minimize. If, however, there is a mismatch in the expectations of employees, and employee perceptions of trust in management and the 'fairness of the deal' are thwarted, the outcome can be expected to be undesirable for both the individual's sense of well-being and organizational performance.

Hubbard and Purcell (2001) suggested that employee expectations are likely to be complex when individuals and groups of employees are forced to transfer employment from one organization to another in an acquisition. They proposed that there would be four elements to employee expectations dealing with expectations about 'me' and about 'us', both at the point of transfer and subsequently as employees in the 'new' organization.

1. Each individual affected has concerns primarily about whether they

will have a job in the new company and what type of job it will be, including the nature of the job and the expectations of job performance required. This requires the psychological contract to be re-formed, both in the sense of what the employees believe is expected of them by the new employer and what they obligate their new employer to provide in terms of Human Resources policies, job design and delivery of the deal (Guest 1998; Patch, Rice & Dreilinger 1992; Rousseau 1990).

2. Individuals affected by acquisitions have additional and unique concerns about employment transfer - about how the change will affect not just themselves as individuals but their group of fellow workers in the acquired firm. This includes, but goes beyond, job security for the work group, section or department. It covers concerns about the maintenance of group roles and responsibilities, the maintenance of relative autonomy and how they will fit in with and work alongside individuals in the new company. These are group expectations on re-socialization. Socialization is the “organizationally-directed process that prepares and qualifies an individual to occupy an organizational position “(Caplow 1964). In acquisitions this takes on group dimensions since, usually, whole work teams are transferred with pre-existing expectations.
3. Individuals express concern about how they will fit into the new firm in terms of status and procedures used in performing job roles, such as codes of behaviour, dress and the management of role conflict if it arises. Feldman (1981) suggests that in the first few weeks in a new job employees try to define their tasks and priorities. He concludes that having a realistic job expectation influences the individual’s ability to define one’s jobs.
4. The concerns individuals have coalesce into wider group or collective worries about the culture of their new organization, its management style, career management and power relationships. This is termed ‘cultural behaviour’, learning about and internalizing as a group “the shared patterns of beliefs, assumptions and expectations held by organizational members, and the group’s

characteristic way of perceiving the organization's environment and its norms, roles and values as they exist outside the individual”(Schwartz & Davis 1981).

Other elements of expectations of employees that are important but not primary as are the above four includes: quality of communication, credibility of leadership, fairness of action, and consistency of action and communication.

Marks and Mirvis (1985) studied the post-merger integration process in more than 50 organizational combinations over 15 years across all industry groups, involving organizations of all sizes, hostile deals and friendly deals, and cross-national borders. They coined a term “Merger Syndrome” to describe the cause of a set of norms that interfere with executives' ability to achieve the combination's hoped-for synergies and final gain:

- Underestimating the multitude of integration issues and problems that arise as organizations come together;
- Underestimating the drain on resources and the distraction from performance required to manage the transition from pre- to post-merger status; and
- Underestimating the pervasiveness and depth of the human issues triggered in a merger or acquisition.

They suggested that the merger syndrome encompasses executives' stressful reactions, the development of crisis-management orientations, and the clash of cultures in combining organizations. It is triggered by the often unavoidably unsettled conditions in the earliest days and months of a combination. The bottom line, if the syndrome is allowed to go unchecked, can be marred performance and poor financial and operational results.

Signs of human stress are present in all combinations, even the friendliest and best-managed ones. Manifestations of the merger syndrome appear in all varieties of corporate combinations, be they mergers or acquisitions, friendly or hostile, domestic or international, and involving companies of similar or different sizes, and

so on. Marks (1997) proposed 12 symptoms of the merger syndrome:

1. preoccupation;
2. imagining the worst;
3. stress reactions;
4. crisis management;
5. constricted communication;
6. illusion of control;
7. clash of cultures;
8. we vs. they
9. superior vs inferior;
10. attack and defend;
11. win vs lose;
12. decisions by coercion, horse trading and default

Preoccupation as a symptom is understandable. Self-interest is the first sign the merger syndrome has taken hold. People become preoccupied with what the combination means for themselves, their incomes and their careers. Job security is prima facie the first thought to flash to mind when confronted by M&A. A study conducted in 1991 found the fear of job loss due to a merger or acquisition to be the prime worry among senior executives in the 1000 largest US companies (Robert Half International 1991). At this initial stage, people get distracted from doing their jobs as they search for information regarding what the combination means for themselves and their careers. It is not unusual to find employees huddling around pantries spreading the latest merger gossip; tying up telephones as they check with friends from other companies who may know of job openings; and sending out their resumes to recruiters.

Soon after a combination announcement, the rumour mill starts and people trade on worst-case scenarios. They tend to focus on the costs and ignore the gains. People fill the void that occurs in formal company communications with gossip and rumours which, invariably, are far more damaging to the organization than would be the truth. To counteract this phenomenon top management may, after the announcement of M&A, though unusually, seek to clarify on the lay-off numbers that have been exaggerated on thegrapevine.

Marks (1997), through her study on merger integrations, suggested that mergers stress affect people psychologically and physiologically. Reports of tension and conflict increase at the workplace and at home (spouses and children worry about their fates and grow anxious). Rates of illness and absenteeism rise in workforces going through M&A. At the acquired Fortune 500 firm, incidents of high blood pressure among employees doubled from 11 percent in the year preceding the combination to 22 per cent in the year following its announcement. Interviews with executives in the early stages of a combination are coloured with reports of headaches, cold and 'flu symptoms, sleeplessness and increased alcohol and drug usage.

To cope with the many tasks of M&A, executive teams in both lead and target companies lurch into a crisis management mode. Decision-making in these top groups can be crisp and decisive. At this early pre-integration stage, the top management is generally insulated and often prepares self-defeating gambits. The top teams miscalculate or wholly ignore the other side's priorities and counter-strategies; they cut themselves off from relevant information and isolate themselves from dissent. All of this is symptomatic of "groupthink" – the result of accepting untested assumptions and striving for consensus without reality – testing the possible consequences (Janis 1972). Apparently, the top executives act as if they are taking their fate into their own hands by devising plans for surviving the crisis. This is only an illusion, however, as all these factors may not actually be in their control (Marks 1997).

Another important issue is the clash of cultures. By their very nature, combinations produce a 'we versus they' relationship, and there is a natural tendency for people to exaggerate the differences as opposed to the similarities between the two companies. What is noted first are differences in the ways the companies do business – maybe their respective emphases on manufacturing versus marketing, or their predominantly financial versus technical orientation. Following this, differences are highlighted in how the companies are organized. Their centralization versus decentralization or their differing styles of management and control are discerned. Finally, people ascribe these differences to competing values and philosophies – with their company seen as superior and the other as backward,

bureaucratic or just plain bad. Then, people begin to attack the other side and defend their own while people from the other side are going through the same stages. Eventually, one side ‘wins’ as their way is adopted in the post-combination organization, leaving the other side feeling like losers (Marks 1997).

Many organizations establish transition task forces and planning groups to study and recommend integration options. Marks (1997) reported that many transition teams are characterized by high levels of conflict: efforts by lead-company executives are met by resistance and countermoves by target-company executives. On the other hand, some are plagued by too little conflict: rather than digging into the integration issues and synergy-creating opportunities, the parties compromise and make decisions by horse trading. “Your side gets human resources, so we get our information systems”. In this way, power dynamics, personal politicking and group dynamics result in decisions that contribute little real value to attaining the synergies and cost-saving targets of M&A.

2.5.2 The Behavioural Determinants

From the findings of Marks (1997) and Hubbard and Purcell (2001) I confirmed “Job security” and “Cultural Similarity” are two integral dimensions of M&A turbulence impacting the expectations of employees. In addition, after further perusal of the literature, I selected “trust in the organization” and “job satisfaction” as another two dimensions, discussion of which is included in the sections below. As an afterthought I noted that the impact of the merger turbulence hitting employees’ thoughts as listed in the findings of Marks (1997), of Hubbard and Purcell (2001), and of other researchers in this field can be categorized into these four big dimensions.

Habeck, Kroger and Tram (2000) suggest that withdrawal factors can be found in any situation where people and change are involved and there is: (a) loss of status and former sphere of influence; (b) lack of transparency about the company’s intentions; (c) fierce fight for survival; (d) increased workloads because some people leave, either voluntarily or involuntarily; (e) the spill-over effect on personal lives. Here the loss of status and former sphere of influence, increased workload

and the spill-over effect on personal lives are evidently elements of job dissatisfaction. A lack of transparency about the company's intentions means an impairment of trust in the organization. A fierce fight for survival is a reflection of job security being in jeopardy.

Turnley and Feldman (1998) studied the extent to which managers in firms that have undergone corporate restructuring (including companies undergoing M&A) differ in their perceptions of psychological contract violations from those of managers whose job situations have been fairly stable. Managers were asked to indicate the extent to which sixteen specific elements of their psychological contracts had been violated. Their research suggests that managers in restructuring firms (including companies undergoing M&A) were significantly more likely to perceive psychological contract violations in the areas of job security, input into decision-making, opportunities for advancement, health care benefits and amount of responsibilities. Job security is already one determinant dimension. Healthcare benefit is hygienic need (in Maslow's model) which is adjustable in the market. All the remaining three factors fall into the dimensions of job satisfaction or trust in the organization. This finding further confirms our four major M&A determinant perspectives while revealing that individual perceptions of psychological contract violations vary across different working situations.

In summary, based on the available literature in this area, the most critical dimensions of an M&A's impacting on employees' expectations will be 1) trust in the future of merged company, 2) job security, 3) job satisfaction, and 4) cultural similarity. Other impacts like cost trimming, basic hygienic needs and like factors also come into play but are categorized as adjustable by job markets.

My research into the literature on M&A-induced organizational changes and their impacts upon employees' behaviour revealed consistent results with the above suggestions made from the employees' perspective.

2.5.2.1 Trust in the Organization

Trust is defined by Mayer *et al.* (1995, p.712) as "the willingness of a party to be

vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor irrespective of the ability to monitor or control that other party”. Underlying this definition of trust is the existence of an expectation that an exchange partner will behave favourably in a situation of risk and uncertainty. Blau (1964) suggests that social exchange requires trusting others to discharge their obligations since there is no way to ensure an appropriate return for a favour.

Rousseau *et al.* (1998) argued that “a dynamic of relational trust is its potential for expansion or contraction, where experiences over time can escalate positive beliefs regarding the intentions of the other or, conversely, exacerbate negative beliefs” (p.400). A psychological contract breach is a direct negative effect caused by such contraction of relational trust. With mutual loyalty and support being impaired, employees will not feel motivated in their job.

Naturally, all employees are likely to view their own futures as bound with the future of the organization. M&A poses for the newly merged organization uncertainty pertaining to changes in company philosophy, missions, human resources, marketing and financial strategies. When employees under the influence of M&A do not share the value of the new leaders and lose faith in the company, naturally such employees feel like avoiding (or harming) objects that are appraised negatively (Locke 1976) and choose to quit or resort to behavioural withdrawal from the job situation (Locke 1976). Krug and Hegarty (2001) indicate that executives' perceptions of the merger announcement, interactions with the acquiring firm's top managers following the merger, and long-term effects of the merger significantly influenced their decision to stay or leave. This implies that a lack of transparency in the top management of the new organization in executing the changes is a critical withdrawal factor for employees. Normally an official statement from the top managers will be addressed to employees, stressing the potential opportunities of the merger without telling of the potential threats to the employees affected. The employees will look at this as word-spinning, sugar-coated to hide the possible job cuts, and the change in policies and strategies that will affect the employees after the merger.

As a social construct, trust lies at the heart of relationships and contracts,

influencing each party's behaviour toward the other. Rare is the theoretical paper on psychological contracts that does not mention the word trust or note its central role in psychological contracts (Robinson 1996). A discrepancy between promised and received outcomes will likely arouse in employees the feelings of inequity and subsequently job dissatisfaction (Lawler 1973; Wanous 1973). Previous research also suggests that psychological contract violations cause employees to feel resentment and mistrust which reduce job satisfaction (Robinson & Rousseau 1994; Rousseau 1989).

Using data from a longitudinal field of 125 newly hired managers, Robinson (1996) examines the theoretical and empirical relationships between employees' trust in their employers and their experiences of psychological contract breach by their employers. Results show that the relationship between trust and psychological contract breach is strong and multifaceted. Initial trust in one's employer at the time of hire was negatively related to psychological contract breach after eighteen months on the job; that is to say, the initial trust helps to foster an employee's impression of his/her employer being trustworthy and reduces the chance of the employee feeling that the employer is breaching their psychological contract. Further, trust (along with unmet expectations) mediated the relationship between psychological contract breach and employees' subsequent contributions to the firm. Finally, initial trust in one's employer at the time of hire moderated the relationship between psychological contract breach and subsequent trust.

Based on this literature in this research I will test empirically the relationship between employees' trust in their employers and their post-merger contribution to firms under the influence of M&A, and test the role of psychological contract in moderating this relationship.

Based on this discussion of organizational trust, I propose the following hypothesis:

Hypothesis A: Following M&A, perceived trust in an organization is directly related (either positively or negatively) to all behavioural variables

Note that this hypothesis was more specifically branched out to hypotheses

H1a, H2a and H3a, respectively, in section 2.5.3.

2.5.2.2 Job Security

Analyzing 253 horizontal acquisitions, Capron *et al.* (2001) showed that the magnitude of the post-acquisition divestiture varies significantly across function. The highest rate of divestiture occurred in the manufacturing functions where 33.8 percent cases have more than 10 percent of assets that have been disposed of and 43 percent of cases have more than 10 percent of staff cutback in the target company, while the corresponding figures for the acquirer company are 13.8 percent for assets disposed and 13.1 percent for staff cutback. This reveals that no matter whether the motive of M&A is restructuring-based or synergy-based, employees of the combining entities have to face the sober reality of job insecurity.

Geber (1987) reports that there is a worry factor that results in an immediate drop-off in productivity after a merger because workers feel their security is threatened and, therefore, are too distracted to do their jobs properly. Ashford *et al.* (1989) suggest that organizational commitment, which includes loyalty, has been shown to have a negative relationship with job insecurity.

Probst (2002) studied in laboratory experiment on how did the employees, in a time when layoffs are on the rise, tradeoff between the competing demands of production targets quality assurance, and adherence to safety policies. Results suggest that participants faced with the threat of layoffs were more productive, yet violated more safety rules and produced lower quality outputs, than participants in the control condition. In addition, results of other researches indicated that employees who report high perceptions of job insecurity exhibit decreased safety motivation and compliance, which in turn are related to higher levels of workplace injuries and accidents (Probst 2001) and organizational safety climate is a moderator of job insecurity and work safety (Probst 2004).

Geber (1987) suggests that job insecurity is a de-motivator under M&A because workers feel their security is threatened and therefore are too distracted to do their jobs properly. Using the feedback of 425 survey responses from

white-collar staff, King (2000) empirically tested the reactions of white-collar workers to job insecurity and the role of psychological contracts in affecting these reactions. His findings suggest that respondents with higher job insecurity tended to report less effort toward producing quality work. They also indicate that white-collar workers who feel insecure about their jobs are less willing to act on behalf of the organization. The most observable aspect of organizational support, however, time at work, did not diminish in the face of higher job insecurity (King 2000). This gives support to the opposing view that individuals who fear that their jobs will be taken away may expend more effort (Brockner 1988), attempting to stave off the possibility of lay-off by making the company more profitable or positioning themselves to be retained if cuts are inevitable.

King's (2000) findings made him propose that white-collar workers faced with job insecurity will show less support for their organization, but only in ways that are not easily detected.

It is interesting to note in King's (2000) research that there was very weak support for the hypothesis that an individual's psychological contract for job security will moderate the relationship between job insecurity and the hypothesized outcomes. Only one specific component exhibited the posited moderating relationship, namely, citizenship behaviour. King (2000) attributes this apparent phenomenon, at odds with the mainstream view, to the possibility that white-collar worker expectations of job security may be overwhelmingly affected by forces beyond a psychological contract with their employer. Following are two examples of these forces: 1) employees only expect job security in an employment relationship based on their status as white-collar or on general grounds; 2) poor economic climates have impaired employees' confidence and diminished their expectations of job security. Such is the impact of changes in expectations regarding job security that they may diminish or totally eclipse the influence of any psychological contract between employee and employer.

Based on this discussion of job security, I proposed the following hypothesis :

Hypothesis B: Following M&A, perceived job security is directly related to all behavioural variables (namely Loss of Organizational Loyalty, Reduced Work

Effort and OCB)

Note that this hypothesis was more specifically branched out to hypothesis H1b, H2b and H3b, respectively, in section 2.5.3.

2.5.2.3 Job Satisfaction

Job satisfaction is a positive emotional response to the job resulting from an appraisal of the job as fulfilling or allowing the fulfillment of the individual's job values. Job dissatisfaction is a negative emotional response resulting from the appraisal of the job as ignoring, frustrating, or negating one's job values. Both job satisfaction and job dissatisfaction are simply emotional responses. All emotions contain built-in action tendencies. Characteristically a person feels like approaching or retaining objects that are appraised positively, and feels like avoiding (or harming) objects that are appraised negatively. Thus one common category of responses to job dissatisfaction is behavioural withdrawal from the job situation (Locke 1976).

As mentioned earlier in this article, Turnley and Feldman (2000), by citing researchers on job satisfaction, suggest that job satisfaction is:

1. negatively related to absenteeism and turnover (Locke 1976; Withey & Cooper 1989);
2. positively related to the performance of organizational citizenship behaviour (Bateman & Organ 1983; Organ & Konovsky 1989; Williams & Anderson 1991)
3. positively related to work effort (Rusbult et al., 1988)

Locke (1976) highlights the following broad similarities among employees that will affect job satisfaction: 1.work content; 2.Pay; 3.Promotion; 4.Recognition; 5.Working conditions and the work environment; 6.values shared by coworkers and subordinates; 7.attitude toward management; 8.union support. This applies generally in normal circumstances.

Under the influence of M&A, employees' job satisfaction will be maintained only if the merged company recognizes the impact of change on employees. By doing so it gives those employees the sense that they are respected and valued; that they are business partners whose interests are included in the ongoing visions, strategies and initiatives of the organization.

In addition, of the above-mentioned five factors identified by Habeck, Kroger and Tram (2000) (see the opening of section 2.5.2), where people and change are involved, the loss of status and former sphere of influence, and the increased workloads because some people leave, either voluntarily or involuntarily – both types of change lead to job dissatisfaction. As both factors signify the ignorance, frustration or negating of employees' job values, my research will add, based on Locke's factors, these two factors to evaluate the extent to which employees under M&A are impacted by job dissatisfaction.

Based on this discussion of job satisfaction, I proposed the following hypothesis:

Hypothesis C: Following M&A, perceived job satisfaction is directly related to all behavioural variables (namely Loss of Organizational Loyalty, Reduced Work Effort and OCB).

Note that this hypothesis was more specifically branched out to hypotheses H1c, H2c and H3c, respectively, in section 2.5.3.

2.5.2.4 Cultural Similarity

In the earlier section 2.5.1, on merger syndrome, cultural clash was mentioned as one of the symptoms. In fact, one critical factor that befalls a merger is cultural conflicts. Tetenbaum (1999) describe culture as the heart of a merger integration. Schein (1985) identifies three levels of culture: artifacts (visible organizational structures and processes); espoused values (strategies, goals, philosophies, espoused justifications), and basic underlying assumptions (unconscious, take-for-granted beliefs, perceptions, thoughts and feelings). Schein (1999) also

explains the resentment felt by employees of change by describing culture as stability, in which members of a group want to hold on to their cultural assumptions because culture provides meaning and makes life predictable. Bibler (1989) suggested that cultural incompatibility is the single largest cause of failure to achieve projected performance, of the departure of key executives, and of time-consuming conflicts in the consolidation of business. According to Habeck, Kroger, and Tram (2000), culture creation starts with the founder or builder, and the employees and managers tend to follow the example of their current leaders. When a leadership exodus occurs upon a merger, the remaining employees feel a loss of their identity in the new organization and feel they have been deserted when their leaders leave.

Organizational culture is the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization (Smircich 1983).

Salk (1992) defines culture as “shared tacit assumptions of a group that it has learned in coping with external tasks and dealing with internal relationships” (p.186). This includes mission, goals, means, measurement, corrective mechanisms, language, group boundaries, and status as well as reward systems. Culture is evident in an organization’s artifacts, espoused values, behaviour, rituals, and climate (Salk 1992). Pritchett (1987) defines culture simply as corporate personality. McManus and Hergert (1988) bracket all of the following to be part of an organization’s culture: the philosophy or style of the company; its technological origins that might provide clues as to basic assumptions; its beliefs about its mission and future; and how it organizes itself internally.

Schein (1999) alternatively thinks of culture as stability, in which members of a group want to hold on to their cultural assumptions because culture provides meaning and makes life predictable. He comments: “Humans do not like chaotic, unpredictable situations and work hard to stabilize and ‘normalize’ them. Any prospective culture change therefore launches massive amounts of anxiety and resistance to change.” (p.26).

Kotter and Heskett (1992) suggest that a strong sense of organizational culture is critical for overall corporate success. As changes occur in any organization's structure, in its tasks, its functions, or its processes, there will most likely be a change of organizational culture (Ingalls 1976).

Empirical studies on the impact of cultural differences on post-merger performance of employees are very limited. This research relies on some previous qualitative evidence to explore the co-relationship between the two.

Weber and Camerer (2000) used laboratory experiments to explore merger failure due to conflicting organizational cultures and found that the differences in culture between merged firms (simulated in a laboratory) lead to consistent decreased performance for both groups of employees after the merger. In addition, they also found evidence of conflict arising from the differences in culture, pointing to a possible source for the high turnover rate following real mergers.

Previous studies have also indicated that cultural similarity (or difference) between merger partners has a direct impact on employee stress (Cartwright & Cooper 1993), organization integration effectiveness (Weber 1996), and post-merger organizational performance (Chatterjee et al., 1992; Weber 1996).

From a social identity perspective, M&A is a re-categorization process where the old organizational identity is replaced with a new organizational identity (Cho 2003). When employees perceive their old organization's culture is similar to that of a new one or the other merger partner, they feel a "sense of continuity" (Rousseau 1998b). Robust empirical results do support the negative effect of cultural difference perceptions on post-merger organization identification (Logan & Mikes 2002; van Knippenberg et al., 2002), but will positively influence employees' identification with their pre-merger organization. The attributable cause is that cultural differences between the merger partners produce more misunderstanding and conflicts between them. This results in the polarization between employee groups and increases the "us against them" tendency, consequently, employees would be more likely to stick to their old social group

membership (Cho 2003). The post-merger operating efficiency will, hence, be in jeopardy without extra integration effort.

Habeck, Kroger & Tram (2000) believe that culture is as much a values driver of an organization as its assets, products, customers, and even the individual capabilities of its people. Bibler (1989) suggests that cultural incompatibility is the single largest cause of failure to achieve projected performance, of the departure of key executives, and of time-consuming conflicts in the consolidation of businesses. According to Bibler (1989), the difficulty of blending two organizations lies in the fact that each group tends to see the world through its own biased cultural filters, which he refers to as “familiarity blindness” or “cultural trance”, and this cannot be overemphasized. Schein (1999) proposes that grief and bereavement are emotions associated with radical culture change and sees the danger of an identity crisis on the part of those being acquired, even if their jobs are not threatened.

Another implicit message for cultural conflicts is the impact of any leadership exodus (Habeck, Kroger & Tram 2000). Culture is created by the people within an organization, but more especially by the leaders. Cultural creation starts with the founder or builder, and the employees and managers tend to follow the example of their current leaders (Habeck et al 2000). Bell (1988) reports that between 1982 and 1984, almost half the 150 executives in the biggest takeover targets got out within a year and most left because they did not like the way their new bosses did things. Levinson (1970) believes this can result in an identification crisis for employees. He describes how management goes to great lengths to integrate people as members of the corporate family, to encourage them to identify themselves with the organization, and to see it as their own. But when a merger takes place, the stronger the identification, the greater the possibility that employees will feel they have been deserted when their leaders leave.

Based on this discussion of cultural similarity, I propose the following hypothesis:

Hypothesis D: Following M&A, perceived cultural similarity is directly related to all behavioural variables (namely Loss of Organizational Loyalty, Reduced Work Effort and OCB).

Note that this hypothesis was more specifically branched out to hypotheses H1d, H2d and H3d, respectively, in section 2.5.3.

2.5.3 Post-Merger Behaviour of Employees

Geber (1987) discussed the withdrawal factor, which results in an immediate drop-off in productivity after a merger because workers who feel their security is threatened are too distracted to do their jobs properly.

Bell (1988) stated that people feel a sense of powerlessness when they see their companies no longer exist or themselves no longer linked to the companies, since the companies had given them status in the world. He described two types of reactions to a merger, some people go into grief and eventually work through the problem while others do not deal with and confront it.

Turnley and Feldman (2000) utilized the framework employed by Robinson (1996) to examine three distinct forms of employee contributions that are critical for determining organizational effectiveness, namely:

1. employees' efforts to find alternative employment;
2. employees' neglect of their in-role job duties and responsibilities;
3. employees' willingness to engage in organizational citizenship behaviour (OCB).

Based on the same framework, with minor elaboration, this research examined the reactions of employees under the influence of M&A in three dimensions: (1) loss of loyalty to the organization; (b) reduced work effort; (c) citizenship behaviour.

2.5.3.1 Loss of Organizational Loyalty

Organizational loyalty refers to one's psychological commitment to a specific organization (Patchen 1965). Mueller *et al.* (1992) suggests that organizational

loyalty is the aspect of organizational commitment that is an effective response to and identification with an organization. Reilly *et al.* (1993), in their research, propose the loss of organizational loyalty as a major consequence of organizational change and the resulting job insecurity.

HeidPaul and Struggles, Inc., an executive recruiting firm, summarized its survey of 1600 executives by the following statement:

“The increasing frequency of corporate mergers and takeovers and the cost cutting that is leading to the elimination of executive positions are affecting how mobile managers define corporate loyalty. Traditional views are being questioned, especially among the under-40 age group. Only one-third of the respondents define corporate loyalty as support and commitment to corporate goals and strategies, and just slightly more than 11% place corporate objectives ahead of personal gain.” (cited in Bell (1988), p.140)

Similar findings are suggested by Levinson (1970) who summarised that old-time loyalties disappear. In the M&A process, leaders leave from the new organization and the presidents sell out after having built organizations that are loyal to them. The long-term identification is exploited and the cohesive organization with the close relationships people had with each other now becomes just another place to work. Accordingly, Levinson (1970) concludes that people learn an important lesson: it does not pay to be loyal or to identify or to invest themselves in an organization or its leadership for fear that they will be sold ‘down the river’.

Loyalty to an organization can also be impaired in cases where the leaders of the acquired company are slighted or leave the company. Deal and Kennedy (1982) argued that those who typically served as role models in an organization have done the most to “sell” others on the corporate values. They represent strong, pivotal figures that command the respect and attention of others. The bail-out, sell-out, termination of service and, finally, the loss of position of influence and prestige of leaders when firms are being acquired and merged, leaves an implicit message for those who stay: “Even the heroes cannot survive, how can I?”

Loss of organizational loyalty has been proposed as a major consequence of organizational change and the resulting job insecurity (Reilly, Brett & Stroh 1993). When loyalty to an organization is reduced employees will start searching for alternative employment or leave the merged company. Organizational commitment, which includes loyalty and a continuance (intent to stay) component (Allen & Meyer 1990) has been shown to have a negative relationship with job insecurity (Ashford, Lee & Bobko 1989). In this research we generalize this theory to cover all determinant variables other than job insecurity.

Based on this discussion of organizational loyalty, I proposed the following hypothesis:

Hypothesis 1: Following M&A, all determinant variables (namely Perceived Trust, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity) are positively related to organizational loyalty (negatively related to the loss of organizational loyalty).

Since the questionnaire in this research used items designed for previous empirical studies assessing the behavioural variable “the loss of organizational loyalty”, to maintain consistency with these studies I adopted this negative term as one of my behavioural variables and thus included the apparently double-negative statement in my hypotheses. This rationale applies to the sub-hypotheses as well.

Combining with the hypotheses developed in section 2.5.2, this can thus be branched into four sub-hypotheses:

Hypothesis 1a: Following M&A, perceived trust of organization is positively related to organizational loyalty (negatively related to the loss of organizational loyalty).

Hypothesis 1b: Following M&A, perceived job security is positively related to organizational loyalty (negatively related to the loss of organizational loyalty).

Hypothesis 1c: Following M&A, perceived job satisfaction is positively related to organizational loyalty (negatively related to the loss of organizational loyalty).

Hypothesis 1d: Following M&A, perceived cultural similarity is positively related to organizational loyalty (negatively related to the loss of organizational loyalty).

2.5.3.2 Reduced Work Effort

Little research on various M&A impacts on employees has been found to have targeted the behavioural outcomes. A few studies have been done addressing job insecurity in terms of its effect on employees' work effort (Brockner et al., 1992; Greenhalgh 1982; Hershey 1972). Job insecurity researchers predict that individuals feeling the pinch of job insecurity will exert less effort toward organizational goals (Greenhalgh & Rosenblatt 1984). Individuals whose jobs are insecure are generally believed to become less enthusiastic about work and less willing to expend time and energy. Brockner (1988) holds an opposing view that individuals who fear the insecurity of their job may exert more effort to demonstrate their worthiness to remain even if others must be let go.

Since the results of previous research are mixed, this research hypothesizes results that are consistent with those of Greenhalgh and Hershey rather than that of Brockner. Hopefully, the results of this research can shed further some light on this topic.

Based on this discussion of reduced work effort, I propose the following hypothesis:

Hypothesis 2: Following M&A, all determinant variables (namely Perceived Trust, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity) are positively related to the work effort (negatively related to the reduced work effort).

This hypothesis addresses “the reduced work effort” of employees. A similar approach is taken to the one used in Hypothesis 1 addressing “the loss of organisational loyalty” to maintain consistency with previous research designed for items assessing the behavioural variable “the reduced work effort”, this negative term was adopted as my second behavioural variable and a double-negative

statement was included in my second hypothesis. This rationale applies to the sub-hypotheses as well.

Combining with the hypotheses developed in section 2.5.2, this can thus be branched into four sub-hypotheses:

Hypothesis 2a: Following M&A, perceived trust of organization is positively related to the work effort (negatively related to the reduced work effort).

Hypothesis 2b: Following M&A, perceived job security is positively related to the work effort (negatively related to the reduced work effort).

Hypothesis 2c: Following M&A, perceived job satisfaction is positively related to the work effort (negatively related to the reduced work effort).

Hypothesis 2d: Following M&A, perceived cultural similarity is positively related to the work effort (negatively related to the reduced work effort).

2.5.3.3 Organization Citizenship Behaviour

Over and above the work effort, behaviour that goes beyond an individual's assigned task may also be affected by the determinants under the influence of M&A.

Katz (1964) identified three categories of employee behaviour essential for organizational effectiveness. According to Katz, individuals must first be induced to enter and remain with an organization; as employees, they must carry out specific role requirements in a dependable fashion; and they must engage in innovative and spontaneous activity that goes beyond role prescription. The last category of employee behaviour was coined "organizational citizenship behaviour" (Smith, Organ & Near 1983).

Organ (1990) defines organizational citizenship behaviour (OCB) as those organizationally beneficial behaviour and gestures that can neither be enforced on the basis of formal role obligations nor elicited by contractual guarantee of

recompense.

Organ (1988) further explained that OCB is behaviour that is discretionary, not directly or explicitly recognized by the formal reward system and that in aggregate promotes the effective functioning of the organization. He suggested that OCB is not an enforceable requirement of the role or job description but is a matter of personal choice. By reason of its discretionary nature, it is believed that citizenship-type behaviour may be the first to be withdrawn by an individual in response to the treatment he/she has received (McLean Parks & Kidder 1994) as this response is likely to carry with it fewer negative repercussions than lowering in-role performance (Turnley & Feldman 2000).

Consistent with the inducement-contribution framework, employees engage in OCB as a form of reciprocity contingent upon the inducements received (Coyle-Shapiro 2002). This suggests that employee reciprocity could be conceptualized as operating on a twin track: reactive reciprocity for present inducements and proactive reciprocity for future inducements.

Under the influence of M&A, individuals who accept the norm of reciprocity and that of trust in the merging organization may not be privy to the continuity of this norm and, thus, proactive reciprocity for future inducement offered by the new organization is jeopardized. This is especially true when injustice is construed by the employees in the procedures of merger integration. Individuals are more likely to alter their citizenship behaviour if they believe that the system is inherently fair or unfair than when they believe a decision outcome was favourable or unfavourable (Bies & Moag 1986).

The suggestion of Organ *et al.* (1990), in their research on job insecurity targeting employees' outcomes that job insecurity would have a negative impact on citizenship behaviour is consistent with the conceptualization of OCB as a social exchange.

My research will generalize this theory to all determinants impacting on employees under the influence of M&A.

Based on this discussion of OCB, I proposed the following hypothesis:

Hypothesis 3: Following M&A, all determinant variables (namely Perceived Trust, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity) are positively related to the organization citizenship behaviour.

Combining with the hypotheses developed in section 2.5.2, this can thus be branched into four sub-hypotheses:

Hypothesis 3a: Following M&A, perceived trust of organization is positively related to the organization citizenship behaviour.

Hypothesis 3b: Following M&A, perceived job security is positively related to the organization citizenship behaviour.

Hypothesis 3c: Following M&A, perceived job satisfaction is positively related to the organization citizenship behaviour.

Hypothesis 3d: Following M&A, perceived cultural similarity is positively related to the organization citizenship behaviour.

2.5.3.4 Psychological Contracts Moderating Employees' Reactions

While psychological contracts have been frequently discussed in theoretical terms, empirical research on this topic is fairly recent. Prior research has demonstrated that violations of psychological contracts are relatively common and that psychological contract violations are associated with a variety of negative outcomes. The likely outcomes from the perception of psychological contract violation include reduced job satisfaction, reduced organizational trust, increased turnover, decreased feelings of obligation to one's employer, reduced willingness to participate in OCB, and decreased work performance (Turnley & Feldman 2000).

Adams (1965) suggests that employees seek to maintain equity between the costs and benefits of psychological contracts with their organizations ("the equity theory". Accordingly, employees who experience psychological contract violations will decrease the contributions that they make to their organizations (Robinson, Kraatz & Rousseau 1994).

In their research, Turnley and Feldman (2000) suggested that psychological contract violations would impact on employee contributions to their organization. Specifically, the degree of psychological contract violation was positively related to the employees' intent to quit, positively related to the neglect of their in-role job duties, and negatively related to the employees' willingness to perform OCB.

Despite the multitude of psychological contract theories that have emerged, few empirical studies (King 2000) have used them as a moderator variable for explaining the post-merger performance of employees. One aim of my research is to test, by the empirical method to what extent the psychological contract, if violated, will impact on employees' contribution after merger.

Using a sample of over 800 managers from a wide variety of research sites, Turnley and Feldman (2000), using both hierarchical regression analyses and structural equation modelling, tested the mediator effects on two mediators; they suggested that psychological contract violations, met expectation and job satisfaction are all correlated with each of the three forms of employee contributions (intent to quit; neglect of in-role job duties; and willingness to engage in OCB).

Porter and Steers (1985) defined the discrepancy between what employees actually encounter in the job and what they expected to encounter as "unmet expectations". Wanous *et al.*(1992) suggest that such discrepancies lead to decreased job satisfaction, reduced commitment, lower performance, and increased turnover. It has been contended by many critics of the psychological contract literature that the sole mechanism underlying employees' responses to psychological contract breach is this sense of unmet expectations.

Robinson (1996), in her study on the relationship between psychological contract violations and subsequent contributions of employees to their organization, suggests that trust and unmet expectations fully mediate the relationship of employees' psychological contract violation and their task performance, and partially mediate the relationship with turnover intentions; that is to say, perceptions of psychological contract violations lead to lower trust in the organization and a sense of unmet expectations, and those reactions, in turn, lead to

poorer job attitudes and job performance. In her study, however, unmet expectations did not mediate the relationship between psychological contract violations and OCB. In contrast, advocates of psychological contracts contend that psychological contract breach involve not only the experience of unmet expectations, but also something deeper and more emotional (Rousseau 1989;1995). Specifically, psychological contracts involve an element of trust, a sense of relationship, and a belief in the existence of a promise of future benefits that one party has already 'paid for' (reciprocal obligations) (Turnley & Feldman 2000).

Thus, psychological contract violations are thought to produce 'more than just unmet expectations' (Rousseau 1989). Studies (Robinson 1996; Turnley & Feldman 2000) in the other research stream suggest that job dissatisfaction and trust in the organization are two plausible mediators of the psychological contract breach and work-outcome relationship.

Notwithstanding the fact that previous research has not yet examined whether job dissatisfaction mediates the relationships between psychological contract breach and employees' contributions to their organizations, Turnley and Feldman (2000) cited by examples of job dissatisfaction that resulted in employees reducing their contributions to organizations in a variety of ways. For example, job satisfaction has been found to be negatively related to absenteeism and turnover (Locke 1976), positively related to the performance of OCB, and positively related to work effort.

Under the influence of M&A, employees have to face the uncertainty of their value to the new firm, job insecurity, reduced job satisfaction and culture clash problems. Bell (1988) suggested that employees feel a sense of powerlessness when they see their companies no longer exist or themselves no longer linked to the companies, since the companies had given them status in the world. This partly explains why the usual norm that holds that the firm is obliged to recognize their value, provide job security, job satisfaction and a comfortable environment will now be in jeopardy. As previously mentioned, a psychological contract is an individual's belief in or perception of reciprocal obligations between that person and another party (Rousseau 1989; 1990). Interpreting the employment relationship, Rousseau's conceptualisation suggests that the psychological contract is highly

subjective and is defined and understood from the employee's perspective, not that of the employer (Guzzo, Noonan & Elron 1994). Hence, according to Robinson *et al.* (1994), the failure of a company to comply with its obligations as perceived by an employee can erode the employment relationship and the injured employee's belief in the contract, thereby altering what the employee feels obligated to offer in return.

Based on this discussion of psychological contracts, I propose the following hypothesis:

Hypothesis 4: Under the influence of M&A, an individual employee's psychological contract for the determinant variables will moderate the relationship between the determinant variable and the hypothesized outcomes.

This can, thus, be branched into seven sub-hypotheses:

Hypothesis 4a: Following M&A, perceived trust of organization is negatively related to the psychological contract violation.

Hypothesis 4b: Following M&A, perceived job security is negatively related to the psychological contract violation.

Hypothesis 4c: Following M&A, perceived job satisfaction is negatively related to the psychological contract violation.

Hypothesis 4d: Following M&A, perceived cultural similarity is negatively related to the psychological contract violation.

Hypothesis 5a: Following M&A, psychological contract violation is positively related to the loss of loyalty.

Hypothesis 5b: Following M&A, psychological contract violation is positively related to the reduced work effort.

Hypothesis 5c: Following M&A, psychological contract violation is negatively related to the organization citizenship behaviour.

2.5.4 Control Variables

2.5.4.1 Demographics

Demographic variables of age and income level were controlled for the following reasons:

- Demographics variables are expected to have direct effects on work-related attitudes (Arnold & Feldman 1982; Bluedorn 1982; Compton 1987). For examples: age is related negatively to turnover (older employees are reluctant to hop between jobs); working female may have lower commitment and higher turnover due to family household chores; family responsibilities, assessed by marital status have generally been associated with decreased turnover.
- Prior research reveals that age is positively related to satisfaction and commitment (Arnold & Feldman 1982; Cotton & Tuttle 1986).
- Prior research suggests that demographic variables may have direct effects on turnover intentions over and above their effects on intentions through satisfaction and commitment (Parasuraman 1982). The examples explaining the direct effect of demographic variables on work-related attitudes abovementioned also apply for the direct effect of demographic variables on turnover intentions.

For these reasons, Age and Income are considered determinants affecting the post-merger behaviour of employees' as well, like Perceived Trust of Organization, perceived job security, perceived job satisfaction and cultural similarity. They were included in my research model and were tested to find out if their effect on the behavioural variables would be moderated by psychological contracts.

2.5.4.2 In-group Variables

M&A involves the integration of two groups of employees working together as one team. Empirical studies revealed that the vulnerability of employees from the acquired company to the effect of post-acquisitions divestiture is greater than that of employees from the acquiring company:

Capron (1999) suggested that post-acquisitions divestiture affects the acquiring and target firms in an asymmetric manner: the target's assets are commonly three to five times more likely to be divested than the acquirer's assets. In Capron's (1999) study, he reported that in the manufacturing function 33.8 percent of cases have more than 10 percent of assets that had been disposed of and 43 percent of cases have more than 10 percent cutback in the target company, while the corresponding figures for the acquirer company are 13.8 percent for assets disposal and 13.1 percent for staff cutback. From this empirical finding, further supported by Grubb and Lamb (2000), it is reasonable to believe that employees of the company to be acquired show more concern than the employees of the acquiring company.

Based on this empirical evidence, in this research this in-group variable (Merger role of the firm as the acquired or the lead company) is a factor affecting directly all the four determinant variables and the following hypothesis is postulated:

Hypothesis H6: The direct effect of all determinants on the employees of the acquired company differs significantly and negatively from that on the employees of the acquiring company.

2.5.4.3 Economic Condition

The economic climate contemporary to the time of M&A is important as it prima facie affects the job market and the flexibility of employees to hop between jobs. From section 2.5.2.2, on the determinant job security, I proposed that the economic climate has a bearing on shaping the level of employees' psychological contracts. Employees, especially those loyal to the company, may not blame their companies for having had to conduct a range of restructuring strategies after M&A: they may

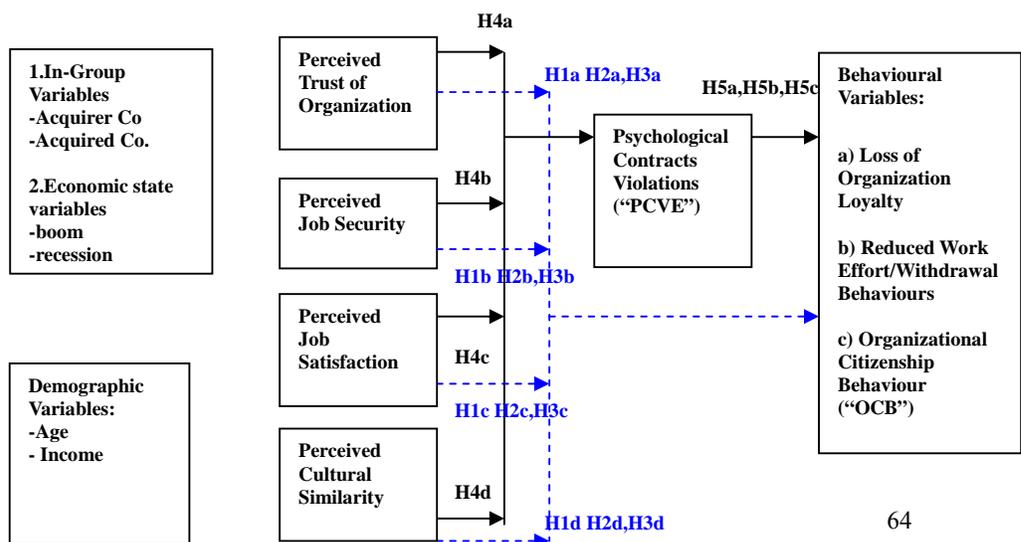
see merger turbulence as endemic to the economy at present. This control variable was, thus, included in my research model.

In this research, concerning economic climate, I am interested in its potential impact on psychological contracts of employees only. To simplify my model analysis I decided to test its relationship with psychological contract violation (PCVE) separately. In this research setting, I asked in my questionnaire if respondents (2000) would change their extent of psychological contract violations under a very poor economic climate (during a recession period when the unemployment rate is high) and under a very good economic climate (during a boom period when the unemployment rate is low). A bivariate correlation was made between each pair of scenarios on the scores of each measuring items of psychological contract to ascertain if there is any significant difference. The null hypothesis thereon is as follows:

H7: The correlation is insignificant between :

- (i) PCVE in normal economic conditions and PCVE in very good economic conditions;
- (ii) PCVE in normal economic conditions and PCVE in very bad economic conditions.

2.5.5 The Post-Merger Behavioural Model



For simplicity of presentation the three behavioural variables are grouped as one. The main theme of this model is to ascertain the role of psychological contracts in moderating the post-merger behaviour of employees from four major dimensions of M&A impacts (the determinant variables), namely: 1) perceived trust of organization; 2) perceived job security; 3) perceived job satisfaction; and 4) perceived cultural similarities. In designing our model consistently, I used a scale across all determinant variables and moderating variables - high scores to represent the positive side and low scores to stand for the negative side. Hence, the moderating variable PCVE is effectively a measure of psychological contract enhancement with low scores to represent the psychological contract violation. Conversely, in compliance with the previous empirical studies, for the three main themes of post-merger behaviour, I used a scale that measures directly the negative sides of loss of loyalty and of reduced effort (high scores represents high loss of loyalty and a high extent of reduced work effort, and vice versa) and the positive side of OCB (high scores represent high exhibits of OCB and vice versa).

The model developed from the literature review is depicted in Figure 1. This model implies a causal direction: M&A impacts cause behavioural changes but not vice versa as the reverse causality seems unlikely. The theoretical background for each variable was given in sections 2.5.2 and 2.5.3 where the hypotheses were postulated accordingly. The objective of this ongoing empirical study was to test this integrated model of the post-merger behaviour of employees, incorporating those variables found to consistently explain and predict post-merger employees' behaviour across studies by using a structural equation modeling approach with Partial Least Squares ("PLS"). A detailed description of this approach and PLS analysis is given in the Methodology section 3.3.

For control purposes the following characteristic variables that help to explain and predict the behavioural variables will be included in relevant analyses: 1)

demographic variables (age and tenure with the company); 2) in-group variables (employees of acquirer/acquired company); and 3) contemporary economic condition (boom/recession).

In summary for this part of the chapter, the construct of psychological contracts is currently being frequently used for explaining and predicting employees' behaviour in reacting to various changes imposed by organizations. The chapter sought to give an overview of the direction in which arguments concerning management of merger integration have been going. There was enough controversy and debate in the literature to further study some of the suggestions as to where the human resources management should be going, given the framework of M&A brings drastic changes to the workplace.

Chapter 3. Research Method

3.1 Research Interest

The research being reported in this thesis empirically addresses two important questions: (a) How do employees react to M&A? and (b) Does the existence of a psychological contract moderate those reactions?

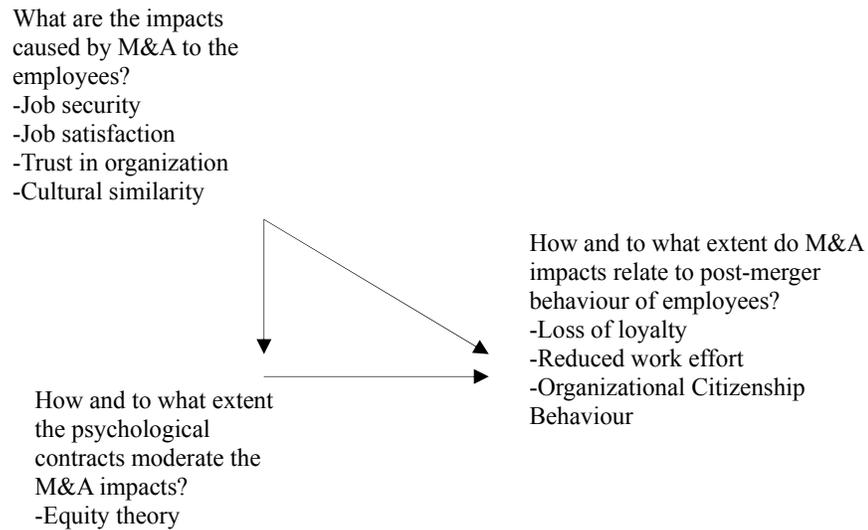
Despite the numerous research studies on M&A debating its casual influence on the people in the workplace, along with the wide interest in defining psychology contracts (Guest 1998; Rousseau 1989;1998a; Rousseau & Tijoriwala 1996), debating how it affects employees whose companies have undergone corporate restructuring (Turnley & Feldman 1998;2000) and employees who are vulnerable to a lay-off as a result of organizational downsizing (King 2000), there seemed to be several research gaps still to be filled. Notwithstanding the difficulties inherent in studying interactive elements of organizational change, psychological contracts and employees' behaviour, it seemed that there was a dearth of empirical work to confirm and substantiate (or otherwise) some of the theorizing being presented in the literature. The design decision was a difficult one, in that there were some fields such as case study reports that were already throwing lights on many of the issues.

Many research studies, however, have already investigated the dynamic of a small number of variables that affect employees' expectations (Reilly, Brett & Stroh 1993) and behaviour (King 2000); while others have focused on the relationship between psychological contract violations and subsequent contributions of employees to their organization (Robinson 1996). No empirical study has directly addressed the M&A impact on behavioural change of employees. Hubbard and Purcell's (2001) study seems closed but it is based on case studies.

The thinking of this research focused on the theories and propositions of psychological contracts and the equity theory (Adams 1963;1965) and became centred around three main areas. These were the casual impact of M&A, the change of psychological contracts of employees and the consequential behaviours. The functions of psychological contracts change and the working of equity theory provides the link to explain the cause-and-effect of M&A impact on employees'

post-merger behaviour. The conceptual framework (figure 2) shows the way that the questions are related to each other.

Figure 2 Conceptual Framework



Question 1

What are the impacts of M&A on the employees? From the literature of a multitude of studies (discussed in section 2.5.1) they are categorized into four dimensions namely, job security, job satisfaction, trust in the organization, and Cultural similarity.

Question 2

How and to what extent do the psychological contracts of employees adjust to the impacts of M&A? Can the theories and propositions suggested by Rousseau (Rousseau 1989; Rousseau & Tijoriwala 1996) and Adams (Adams 1963;1965) adequately explain the causal impacts and consequential behaviour?

Question 3

How and to what extent do they (M&A impact and psychological contract change) relate to the post-merger behaviour of employees?. Is the psychological

contract playing a moderating role?

The next research task was to consider which research design would best enable the research questions to be answered.

3.2 Research Design

The design of research aims at choosing the research activities that will connect each part of the research element together. There is, however, a lack of rigid rules that can be provided for making data-collection and methods decisions in evaluation. Nor there is any recipe or formula to follow (Patton 1980).

Notwithstanding the lack of rigid rules, there are some elements that reflect all research initiatives. One of these is that the research is carried out in a systematic way. This shows itself in the approach taken to the research design. A logical sequence needs to be designed that connects the field data to a study's initial research questions and ultimately to its conclusions. It follows that the rationale for the research must follow a plausible pattern and the sequencing must do the same. It is critical that each part of the study "connects" the other parts to the research question, issue or problem.

The thinking and theorising that form the bases of the research questions is the first place to start in the logical sequence. At the highest level of thinking, philosophical issues about the nature of reality need to be considered. The choice of ontology which also addresses the question about the nature of 'being', was not easy to make. According to Guba and Lincoln (1994) and Schwandt (2000), there is an intuitive sympathy with constructivist ontology whose approach follows the interpretive paradigm and exhibits a tradition of 'giving voice' to respondents in an emergent way (Charmaz 2000). Nonetheless, in this research the realist, or positivist approach was chosen.

Whiteley (2000) suggested that Realist philosophy would be described as a 'being' philosophy. The true nature of things is that they exist and are real (Compton 1853, cited by Whiteley 2000). They can be apprehended and measured and studied in an objective way. A critical examination of the 'being' philosophy is provided by Chia (1997) who explains that to a realist 'Scientific knowledge' [and

the ontology of being] is essentially defined only by the extent to which it can be verified by an appeal to hard facts that are acquired through careful observation and are considered to have value only in so far as they are derived. Not so with the 'becoming'

Two major research perspectives have dominated the social science scene. These are positivism and constructivism (Guba & Lincoln 1994; Taylor & Bogdan 1998). The positivist approach takes the ontological view that there is a reality to be apprehended (Babbe 1995). In contrast, the constructivist approach takes the view that the reality of human interaction is that it is socially constructed (Denzin & Lincoln 2000). The ontological choice impacts upon the epistemology or the nature of the knowledge to be sought. Correspondingly, these will determine the logic of the data collection methods- the methodology.

The paradigm of this research is realist, which assumes that reality is apprehendable and independent from the knower (Smith 1983). The main reason for the adoption of this paradigm is that the research builds upon existing ideas to the extent that a model has been developed through the literature review and this model is best to be tested using quantitative data. In addition, such an approach is consistent with the literature in the field.

Ontologically this follows the positivistic school of thought that sees reality as 'being' rather than 'becoming'. Under this approach, empirical epistemology becomes the way to know a subject-object relationship. As this research is, in the main, designed to test a model formed from the theories already found in literature 'as practice', rather than to gather perceptions about why strategies and practices were chosen and what meaning respondents ascribed to them it was on this basis that the positivist ontology was chosen. The epistemic situation was one where knowledge was objective and value-free in terms of the data collection strategy. The knowledge was empirical in nature Assuming the object of the study can be objectively measured and controlled using a particular instrument, a quantitative approach that relies on equations and statistical modeling will be the methodology used to test hypotheses.

Table 1 The logic of the research design

Design Issue	Perspective chosen	Reasoning
Philosophy	'Being'	An unfolding story was not sought. Rather business and organizational practices were being elicited.
Theory	Expectancy Theory Psychological Contract Theory Equity Theory	The research enterprise centered around debates and controversies surrounding the evolving employees' expectations, psychological contract changes and adjustment for equity
Ontology	Positivism	It was assumed that the practices being reported on were stable and apprehendable. It was the actions, not the people that were considered as 'things'
Epistemology	Empirical	Factual accounts were sought. These were treated as 'instances' and could, therefore, be measured.
Methodology	Quantitative	Following well-established guidelines for ensuring rigor and objectivity
Data Collection Methods	Questionnaire	Making sure that the items were extracted from the literature and test on pilot respondents.

The next element in the research design, once the overarching issues had been resolved, was to design a systematic process that would allow the research to flow in a logical manner

3.3 Research Methodology

This study is a confirmatory one rather than a deterministic one, since all constructs and theories were largely informed by the literature. Based on the theories formulated in the literature review, coupled with the researcher's accumulated knowledge in various business sectors, a structured questionnaire was designed for the survey aiming at assessing, from the perspective of employees under the influence of M&A, the four determinant variables impacting on their post-merger contributions and the role of psychological contracts in affecting their post-acquisition performance. In accordance with the post-merger behavioural model developed in section 2.5.5, all hypotheses were tested on the feedback of the survey.

3.4 Data Collection and Measurements

The essential information required by this study includes employees' comprehension of the changes that M&A is impacting on them, their feeling about the extent of change in psychological contracts, unmet expectations and the subsequent intention to behave in their job role. While many managers are willing to provide data of their own, most of them are reluctant to release data on employers. In addition, a previous study in Hong Kong has shown that managers are reluctant to give numerical data on organizational results (Kirkbride & Tang 1989). Hence, research questions and methodologies needed to be carefully designed to encourage responses.

First, as the information required was about actual practices (of firms for M&A) rather than views (of employees towards M&A), it was decided not to design qualitative activities such as face-to-face interviews. Using research judgement and experience, as well as the literature on organization behavioural issues, it was thought that many employees would prefer to supply information anonymously. Also, the survey questionnaire was designed in such a way as to preserve confidentiality. The use of the email survey method also fulfills the requirement of consistency in data collection and facilitates analyses.

3.4.1 Background of Respondents and the Sample Size

Target respondents for this research were the local regional managerial officers from acquirer or acquired companies in an M&A that occurred during 1998-2008. A local regional manager is defined as:

- a) an employee holding functional managerial positions and servicing regional offices in Hong Kong; and
- b) holding permanent resident status in Hong Kong; and
- c) whose principal place of residence is in Hong Kong.

For this purpose, a person having lived in Hong Kong for at least seven years is regarded as holding a permanent resident status and a person predominantly living in Hong Kong (75 percent of time) is regarded as having his or her principal place of residence in Hong Kong.

From a knowledge-based point of view, a manager is defined as a possessor of the business knowledge that is intrinsic and unique to the company. A sleeping partner or independent director appointed for corporate governance purposes will not be selected in this research. An engineer or administrator actively participating in the company's activities and decision-making is qualified as a manager in this research.

The current research focuses on post-merger events. The regional managers, ranging from top to low management, and from acquirer/acquired companies, were the target sample. The questionnaire was distributed to the respondents by email, by posts or by hand. Data was collected from 20 firms that have been involved in M&A. Due to the relative small size of regional offices in general, 5 to 15 managers were surveyed per organization.

The sample consists of current students of the executive master in business administration program at the Lingnan University of Hong Kong, managers in international business and who are alumni of a graduate program in international business, as well as the managers from the data bank of the various chambers of commerce. The US Chambers of Commerce is a particular focus as about half of the worldwide M&As involved American companies in 2000, according to the Mergers & Corporate Transactions Database of Thompson Financial Securities Data Co.

Both those managers who had left after M&A and staying managers were surveyed. Each participant that stayed was requested to refer to us any managers that had left the companies after M&A.

It was expected that a minimum of one hundred responses be obtained from organizations that had been involved in M&A in the past ten years. One hundred responses is sufficient to meet the sample size requirements of Partial Least Square (PLS), which will be used in this study. To improve the response rate, phone calls were made with follow-up mail which was sent four weeks after the questionnaire was first made.

By focusing on managerial officers in local regional offices of multinational

companies, this research to a great extent ensures the homogeneousness of the sample as respondents have the same cultural background, live and work in the same region, and holds a similar social status.

3.4.2 Demographics

The demographic details were requested in the survey instrument with the following categorization:

Ethnicity: (1) Chinese, (2) American; (3) European; (4) Others

Age group: (1) 18-30, (2) 31-40, (3) 41-50, (4) 51-60, (5) 60 up

Gender: (1) Male (2) Female

Income group: (1) less than HK\$20,000 p.m., (2) HK\$20,001 to 40,000 p.m., (3) HK\$40,001-60,000 p.m. and (4) HK\$60,000 up

The Age and Income group data were included for the reasons given in section 2.5.4.1. Ethnicity was asked as it has been reported in studies pertaining to psychological contracts that there have been differences in construction of the concept between the people in the East and the people in the West (Kickul, Lester & Belgio 2001). Although there has not been any report that indicates differences in view on the psychological contract concepts between the two genders, Gender was included to explore the possible differences in perception and reaction to M&A between the two genders.

All participants were asked, in addition to the simple questions concerning his/her age, gender, salary range, whether they came from the acquirer firm or the acquired firm and the functions they performed in his/her position (one of manufacturing, sales, marketing, distribution, administrative, research and development, others). These in-group variables were included for reasons that have been mentioned in section 2.5.4.1. The function role was included to explore if different job functions were particularly impacted upon by M&A in response to the overall restructuring of Hong Kong industry.

3.4.3 Measurement Scale

The survey instruments used by previous relevant empirical studies for assessing the determinant variables, moderating variables and behavioural variables were used as a reference in customizing a survey instrument for this research. The questions adopted from the empirical studies, as quoted in the following sections, were chosen because their studies revealed that very robust evidence were found that the questions supported the pertaining constructs to which they were ascribed in this research.

For each question, respondents were required to give their answers by giving scores on a 7-point Likert scale ranging from -3 to $+3$ that represents the attached meaning as provided specifically in each question. For example, $+3$ represented strongly agree; 0 represented neutral; and -3 represented strongly disagree. Each item was individually tested for validity by Partial Least Squares analysis mentioned in section 5.4.

For the In-group variables, employees from acquired companies were marked “2” while employees from acquirer companies were give score “1”. Measurable demographic variables Income Group and Age Group are measured from 1 to 4 and 1 to 5 in ascending order of Income/Age they represented.

3.4.3.1 Determinant Variables

Employees’ perceived trust in the merged organization was measured with seven items assessing employees’ trust in the top management of the organization after the M&A. This seven-item scale was adopted from Gabarro and Athos (1976) by Robinson (1996) to test the relationship between trust and breach of the psychological contract. The seven items (with modifications for this research) are as follows:

1. “I believe my employer has high integrity.” (Code: TR1)

2. “I can expect my employer to treat me in a consistent and predictable fashion.” (Code: TR2)
3. “My employer is always honest and truthful.” (Code: TR3)
4. “In general, I believe my employer’s motives and intentions are good.” (Code: TR4)
5. “I think my employer treats me fairly.” (Code: TR5)
6. “My employer is open and upfront with me.” (Code: TR6)
7. “I am sure I fully trust my employer.” (Code: TR7)

Employees’ perceived job satisfaction was measured with item from Hackman and Oldhman (1980) and the two factors identified by Habeck, Kroger and Tram (2000) mentioned in section 2.5.2.3. The three items assessing perceived job satisfaction are as follows:

1. “I do not feel my status and former sphere of influence has been impaired.” (Code: SA1)
2. “I do not feel my workload has been added to because some people leave.” (Code: SA2)
3. “In general, I am satisfied with my job.” (Code: SA3)

Perceived job security was assessed for this research with three items from Ashford, Lee & Bobko’s (1989) instrument measuring perceived job security. The items, addressing the level of certainty an individual has about keeping his or her job, are as follows:

1. To what degree are you certain you will not be laid off shortly after merger? (Code: SE1)
2. To what degree are you certain you will not ever be laid off after merger? (Code: SE2)
3. To what degree are you certain you will not be forced to take early

retirement after merger? (**Code: SE3**)

Hofstede (2003), in his research on cultural differences of employees across nations, adopted and tailor-made the questionnaire used by International Business Machines (IBM) for a survey of its employees in subsidiaries in 72 countries. For this research, to measure the perceived cultural similarity between the merging firms we selected six items from Hofstede (2003) assessing the shared cultural values of employees and asked all participants the following question:

Do you think the newly merged company upholds to the same extent as your previous company the following values?

1. “A corporation should have a major responsibility for the health and welfare of its employees and their immediate families.” (**Code: CU1**)
2. “Competition among employees usually does more harm than good.” (**Code: CU2**)
3. “Employees lose respect for a manager who asks them for their advice before he makes a final decision.” (**Code: CU3**)
4. “Employees in this industry should participate more in the decisions made by management.” (**Code: CU4**)
5. “Most employees in this industry prefer to avoid responsibility, have little ambition, and want security above all.” (**Code: CU5**)

3.4.3.2 Moderating Variable

Previous empirical researchers on psychological contracts normally measure this construct with questions assessing a list of dimensions including or relating to an employment relationship. The degree of psychological contract breach is then assessed by the averaged (Rousseau 1990) or weighted-averaged (Robinson 1996) score of these dimensions. Rousseau (1990) interviewed human resource managers from 13 engineering, accounting and manufacturing firms and identified the following obligations as those commonly promised by employers to MBA

graduates during the recruitment process:

1. promotion and advancement
2. high pay
3. pay based on current level of performance
4. training
5. long-term job security
6. career development
7. sufficient power and responsibility

Most prior research in studying the various factors affecting employees' psychological contracts has utilized single-item, global assessments of psychological contract violations (e.g., Robinson, Kraatz & Rousseau 1994; Robinson & Morrison 1995; Robinson and Rousseau 1994). Accordingly, this research measured psychological contract violations by multiple items assessing the four major significant determinant variables impacting on employees under the influence of M&A.

The respondents participating in this research were asked to indicate the extent to which the following eight specific items of their psychological contracts had been violated:

- promotion and advancement (**Code: PC1**)
- merit increase (**Code: PC2**)
- performance incentive (**Code: PC3**)
- long-term job security (**Code: PC4**)
- career development (**Code: PC5**)
- training (**Code: PC6**)
- sufficient power and responsibility (**Code: PC7**)
- rely upon these people in difficult circumstances (**Code: PC8**)

In this research, to maintain consistency with empirical studies, in the Likert scale of our questionnaire we ranked the highest violations as 1 and the lowest violations as 7. In this way the psychological contract violation is measured in a negative direction.

Some participants felt no violations of psychological contract at all as there had been actually no commitment from the company to begin with. In such cases, it is standard procedures in regression analysis to score it zero so as to rule it out in assessment of the overall psychological contract violations. In other words, the personal expectation of employees was used as the yardstick to compare with actual rewards to measure the degree of psychological contract violations or enhancements.

Some groups of participants did not recognize psychological contract violations simply because they viewed the changes as a normal (and expected) part of doing business, or thought that their organization had done its best to fulfill its commitments, given the economic constraints. Accordingly, in my questionnaire I add two more scenarios by asking participants to re-score the same questions, given the following sets of conditions: 1) the economic climate is good enough to remove constraints from merged companies and it is easy for employees to hunt for jobs offering a similar reward package; 2) the economic climate is adverse and comparative jobs are not easily available.

3.4.3.3 Behavioural Variables

Employees' loss of organizational loyalty was measured with a four-item scale from Patchen (1965) as follows:

1. "If I had to choose all over again, I would take a job with this company." (**Code: LL1**)
2. "I would recommend this company to a friend as a good place to work." (**Code: LL2**)
3. "I would be willing to spend the rest of my career working for this company." (**Code: LL3**)
4. "I feel a sense of pride working for this company." (**Code: LL4**)

Employees' psychological withdrawal behaviour - reduced work effort - was measured with the three-item scale from King (2000). These items focused on the extent to which employees avoided their in-role responsibilities or withdrew

from basic duties required by their jobs from the perspective of time at work, attention to quality, and focus on work while away from it. The items are as follows (minor modifications have been made):

1. “Spending 40 hours weekly or more at work is typical for me.” (**Code: RE1**)
2. “I spend effort to make sure that the quality of my work is higher than my peers.” (**Code: RE2**)
3. “Even when I am not at work, I spend time thinking about ways to improve my company’s performance.” (**Code: RE3**)

Organizational citizenship behavior was measured with five items from Van Dyne *et al.* (1994) assessing the performance of spontaneous extra-role behaviour as critical for promoting organizational effectiveness. The items are as follows (minor modifications have been made):

4. “I give personal attention to subordinates who seem neglected.” (**Code: OC1**)
5. “I delegate responsibilities to subordinates to provide them with training opportunities.” (**Code: OC2**)
6. “I treat each subordinate as an individual.” (**Code: OC3**)
7. “I spend a lot of time coaching each individual subordinate who needs it.” (**Code: OC4**)
8. “I give newcomers a lot of help.” (**Code: OC5**)

3.4.4 Development of the Questionnaire and Pilot Run

A mailed questionnaire was developed to facilitate the collection of relevant information. The mailed questionnaires contained questions that could allow the researcher to measure the impact of M&A on employees in four dimensions (the determinant variables); the post-merger behaviour of respondents (the behavioural variables); and the degree of psychological contract violations (the moderating variables).

The survey questionnaire was approved by the Curtin University Human Research Ethics Committee (Approval Number HR 167/2007) on 8 February, 2008. Accompanying the questionnaire was a covering letter inviting respondents to participate in the survey and a participant information sheet describing the purpose of the survey; respondents' right to reject the invitation (voluntary participation); possible benefits of participation; secrecy and confidentiality of participants' information; as well as the ethical approval from the Curtin University of Technology.

A copy of the research instruments is attached in this thesis as Appendix 1. To ensure they would be interpreted correctly and could be answered easily by the respondents, the questionnaire was pilot-run in an Asia-Pacific regional office of a US multinational company providing wireless measurement instruments and solutions to telecommunication service providers. Two typing mistakes were found that were corrected immediately. Questions have been raised by the respondents about the meaning of 'psychological contracts' and I decided to make presentations to them by live examples. My answers were accepted satisfactorily.

3.5 Data Analyses

The statistical analysis method chosen for this study was Partial Least Squares (PLS) (Wold 1982). PLS is a second-generation multivariate technique used to estimate the parameters of a structural model. In this thesis, Figure 1 in section 2.5.5 represents the structural model being examined. The model describes the relationships or paths among theoretical constructs. Furthermore, for each construct in Figure 1, there is a related measurement model, which links the construct in the diagram with a set of items. Thus, PLS recognizes two components of model building: the measurement model and the structural model. The measurement model has to be assessed first, followed by a test for significant relationships in the structural model.

The main reasons for choosing PLS for this research are manifold. First, Partial Least Squares (PLS) can be a powerful method of analysis because of the

minimal demands on measurement scales, sample size, and residual distributions. Although PLS can be used for theory confirmation, it can also be used to suggest where relationships might or might not exist and to suggest propositions for later testing (Chin 2000)

Second, compared to the better known factor-based covariance fitting approach for latent structural modeling (exemplified by software such as LISREL, EQS, COSAN, and EZPATH), the component-based PLS avoids two serious problems: inadmissible solutions and factor indeterminacy. The philosophical distinction between these approaches is whether to use structural equation modeling for theory testing and development or for predictive applications. In situations where prior theory is strong and further testing and development is the goal, covariance-based full-information estimation methods (i.e., Maximum Likelihood or Generalized Least Squares) are more appropriate. Yet, due to the indeterminacy of factor-score estimations, there exists a loss of predictive accuracy. This, of course, is not of concern in theory testing where structural relationships (i.e., parameter estimation) among concepts is of prime concern (Chin 2000).

Third, for application and prediction, a PLS approach is often more suitable. Under this approach, it is assumed that all the measured variance is useful variance to be explained. Since the approach estimates the latent variables as exact linear combinations of the observed measures, it avoids the indeterminacy problem and provides an exact definition of component scores. Using the iterative estimation technique, the PLS approach provides a general model that encompasses, among other techniques, canonical correlation, redundancy analysis, multiple regression, multivariate analysis of variance, and principal components. Because the iterative algorithm generally consists of a series of Ordinary Least Squares (OLS) analyses, identification is not a problem for recursive models nor does it presume any distributional form for measured variables (Chin 2000).

Fourth, sample size can be smaller, with a strong rule of thumb suggesting that it be equal to the larger of the following: (1) ten times the scale with the largest number of formative (i.e., causal) indicators (note that scales for constructs designated with reflective indicators can be ignored), or (2) ten times the largest number of structural paths directed at a particular construct in the structural model.

A weak rule of thumb, similar to the heuristic for multiple regression, would be to use a multiplier of five instead of ten for the preceding formulae (Chin 2000).

Fifth, second-order factors can be approximated using various procedures. In essence, a second-order factor is directly measured by observed variables for all the first-order factors. While this approach repeats the number of manifest variables used, the model can be estimated by the standard PLS algorithm. This procedure works best with equal numbers of indicators for each construct (Chin 2000).

Finally, PLS is considered better suited for explaining complex relationships (Fornell & Bookstein 1982; Fornell, Lorange & Roos 1990). As stated by Wold (1985, p.589), "PLS comes to the fore in larger models, when the importance shifts from individual variables and parameters to packages of variables and aggregate parameters." Wold states later (p. 590), "In large, complex models with latent variables PLS is virtually without competition" (Chin 2000)

PLS, however, is not without limitations in its application. Being a limited information method, PLS parameter estimates are less than optimal regarding bias and consistency. Furthermore, standard errors need to be estimated via re-sampling procedures such as jackknifing or bootstrapping (Chin 2000). These re-sampling procedures, however, are not a major problem, given that PLS does not assume any underlying distribution.

In this research, the measurement model consists of the relationships between the constructs and the items used to measure them. It implies the examination of the convergent and discriminant validity of the research instrument, which indicates the strength of the measures used to test the proposed model. The structural model assesses the explanatory power of the independent variables, and examines the size and the significance of the path coefficients. Together, the measurement and structural models form a network of measures and constructs (Fornell & Larcker 1981).

3.5.1 Formative Indicators and Reflective Indicators

Two types of relationships between constructs and measures or indicators were distinguished in Fornell & Larcker (1981). If formative indicators are considered, the unobservables are considered effects rather than causes. In this case, the construct is an observable construct which is formed, or is a result of combining in a linear form, the observed variables. It is, in essence, an index. On the other hand, reflective indicators suggest that one or more underlying unobservables cause the observables. The construct is reflected in the measures of the construct. The indicators can be classified as reflective when the construct is relatively well defined.

PLS requires the researcher to specify whether relationships are modelled as reflective or formative. It was suggested by Lohmoller (1981) that theoretical knowledge should be applied as much as possible to specify the constructs. In the absence of such knowledge, Lohmoller (1981) proposed that exogenous constructs be modelled with formative indicators, endogenous constructs with reflective indicators, and mediating constructs with either formative or reflective indicators.

In my model, the two merger-role variables are exogenous and are reflective in nature. All the four latent determinant variable constructs (perceived trust, perceived job security, perceived job satisfaction and perceived cultural similarity) are endogenous and all indicators to them have been specified as formative indicators as they are 'viewed as the cause variables that provide the condition under which the latent variables they are connected to is formed' (Chin 1998a). These indicators are not assumed to be correlated between each other, nor are they supposed to measure the same underlying dimension. Under formative indicators, the latent variable is defined as a function of measurement (Bagozzi 1994) and it is merely thought a summary index of observed variables (Bagozzi & Blaumgartner 1994).

In contrast, all indicators to the latent behavioural variable construct (Loyalty Loss, Reduced Effort and OCB) and the moderating construct - psychological contract violations- are reflective, since these constructs are well developed in the literature and their indicators are viewed as reflecting these underlying constructs.

Comments by Bollen and Lennox (1991) and Diamantopoulos and Winklhofer (2001) on further features of formative indicators, which are noted for our analysis of the result, are as follows:

- i. the correlations among formative indicators are not explained by the measurement models;
- ii. omitting an indicator is omitting a part of the construct;
- iii. specific patterns of signs or magnitudes do not characterize the correlations among formative indicators; and
- iv. formative indicators do not have error terms

The use of loading for formative indicators is misleading (Chin 1998b). Nunnally and Berstein (1994) also suggested the minimal importance of measuring the internal consistency of formative indicators. They reasoned that two variables that might even be negatively related can both serve as meaningful indicators of a construct. Instead, the weights of indicators is used which provide information about the relative importance of the formative indicators toward the creation or formation of the corresponding latent variable. For this reason, the data analysis in my research is, especially in the measurement model, for reflective variables only.

3.5.2 Construct Validity

Latent constructs, also known as latent variables, are research abstractions that cannot be measured directly, variables such as beliefs and perceptions. Where the abstraction is removed from objective reality, a major difficulty arises with surrogates. Because such abstractions cannot easily be measured through direct means, agreed-upon practice dictates that they be measured indirectly through several items in a research instrument (Anderson & Gerbing 1988). Gefen and Straub (2005) suggested that each measurement item, i.e., each actual scale item on an instrument, is assumed to reflect one and only one latent variable. This property of the scale, having each of its measurement items relate to the scale better than to

any other items, is known as unidimensionality.

Unidimensionality cannot be measured with PLS but is assumed to be there *a priori*. The two elements, convergent validity and discriminant validity, however, which are the components of a larger scientific measurement concept known as construct validity, can be examined in PLS. These two validities capture some of the aspects of the goodness of fit of the measurement model (Gefen 2003).

3.5.2.1 Convergent Validity

Convergent validity is shown when each measurement item correlates strongly with its assumed theoretical construct (Gefen & Straub 2005).

Three tests have been recommended to assess convergent validity: (1) item reliability (the traditional approach of multivariate analysis uses the term “factor loading”), which indicates the amount of variance in a measure due to the construct rather than to error; (2) composite reliability of each scale (Cronbach’s alpha); and (3) average variance extracted for each construct (i.e., the amount of variance in the item explained by the construct relative to the amount due to measurement error) (Fornell & Larcker 1981; Grant 1989; Rivard & Huff 1988).

In this research all three tests were used. The guideline for assessing reliability coefficients (Nunnally 1978) was used for evaluating the composite reliability for each measure. The recommendation to retain items that were loaded highly (Fornell 1982) (0.70 is considered to be a high loading since the item explains almost 50% of the variance in a particular construct) on their respective constructs was adopted to test the item reliability of reflective indicators and the criterion that the average extracted variance should be 0.5 or more (Fornell & Larcker 1981) was used to assess the average variance extracted for all constructs. Note that the factor loadings can be less than 0.70 (Hair, Anderson & Tatham 1978; Rivard & Huff 1988). It was suggested that the absolute value of factor loadings of 0.30 is considered significant, loadings of 0.40 is considered more important, and

loadings of 0.50 or greater is considered very significant (Hair, Anderson & Tatham 1978). A criterion of 0.50 was used by Rivard & Huff (1988) for the factor weights of formative indicators, which is consistent with previous practice.

3.5.2.2 Discriminant Validity

Discriminant validity is shown when each measurement item correlates weakly with all other constructs except for the one to which it is theoretically associated (Gefen & Straub 2005).

Discriminant validity is the degree to which items differentiate between constructs, or measure distinct concepts. To assess discriminant validity, the correlations between the measures of two constructs are examined (Grant 1989). The variance shared between measures of two different constructs (the squared correlation) should be lower than the average variance extracted for the items measuring each construct. In other words, measures of constructs should correlate more highly with their own items than with measures of other constructs in the model (Fornell, Tellis & Zinkhan 1982; Grant 1989). This is found to be similar to the suggestion of Santosa, Kwok and Chan (2005) who also suggest that discriminant validity should be checked at both indicator level and construct level.

At the indicator level, Barclay, Higgins and Thompson (1995) suggest that no manifest variable should have a loading higher on other constructs than on the construct it intends to measure. At the construct level, discriminant validity can be assessed by comparing the square root of average variance extracted (AVE) with the correlation of that construct with all other constructs. AVE is the amount of variance captured by the construct in relation to the amount of variance attributable to measurement error.

3.5.3 Testing the Measurement Model

In this research, for identification purposes all responses from questionnaires were

coded with a unique and sequential identification number. The initial analysis was conducted with the whole sample. Missing values were imputed by using the mean of the non-missing items related to the same constructs (Igbaria 1995). Raw data was input first into SPSS and test run for missing data and inconsistency. Thereupon, a raw data file for PLS-Graph testing can be exported by SPSS.

At this stage, first the item reliability was focused to ensure that all items met minimum acceptable thresholds. Reliability examines whether the measurement of a construct can be repeated or, more specifically, can be duplicated over time instead of its being a random event (Hair et al., 1995)

Second, both convergent and discriminant validity are examined to determine if the measuring items predicted to measure a particular construct do, in fact, measure that construct.

After all the items are generated, theoretical guidance and judgement are used to select the items that best fit the domain of the specific construct as defined in this study. Where possible, however, the scales encapsulate items used in previous studies to maintain consistency.

3.5.4 Testing the Structural Model

Following the assessment of the measurement model, the structural model was evaluated. To test the estimated path coefficients, t-statistics were calculated using a nonparametric test of significance known as jackknifing (Tukey 1958; Wildt, Lambert & Durand 1982). Through both bootstrap and jackknife sampling, PLS provides each path coefficient with t-values between each pair of constructs. With these values, we can assess statistical conclusion validity by testing the null hypothesis for each path coefficient.

In this research each determinant variable had a direct effect on each behavioural variable. Meanwhile, as a moderating variable the psychological contract intervened between each determinant variable and behavioural variable. In this way, the indirect effect introduced by the intervening variable came into play in my model.

For decomposing effects into direct and indirect components, Alwin and Hauser (1975) described a general method whereby the systematic application of OLS regression substitutes for the often more cumbersome computation of indirect effects from the structural coefficients (direct effects) of the causal model. The method involves successive computation of reduced-form equations beginning with an equation containing only exogenous variables, then computing equations that add intervening variables in sequence from cause to effect. This generates all the information required to decompose effects into their various direct and indirect parts.

Baron and Kenny (1986) described a procedure developed by Sobel (1982) that provides a more direct test of an indirect effect. This Sobel Test applies in simple cases of mediation; for example, where X is having a direct effect on Y but is accompanied by an intervening M which is mediating this effect X→Y. By comparing the strength of the indirect effect of X on Y to the point that the null hypothesis equals zero, the indirect effect of X on Y is defined as the product of the X→M and the M→Y. The standard error of the indirect effect S is given by Sobel (1982) as:

$$S = \sqrt{(b^2S1^2+a^2S2^2+S1^2S2^2)}$$

where a, b is the path coefficient of X→M and the M→Y respectively and S1, S2 is the standard error of a and b, respectively. One of the assumptions, however, necessary for the Sobel Test is that the sample size is large, so the rough critical value for the two-tailed version of the test, assuming that the sampling distribution of a x b is normal and that $\alpha=0.05$, is + 1.96. As the sample size becomes smaller, the Sobel test becomes less conservative and Sobel suggested the omission of the last part of the equation $S1^2S2^2$.

Igbaria and Greenhaus (1992) used the same logic in their research and

suggested that the path coefficient of an exogenous variable represents the direct effect of that variable on the endogenous variable. An indirect effect represents those effects interpreted by the intervening variables; it is the product of the path coefficients along an indirect route from cause to effect via tracing arrows in the headed direction only. When more than one indirect path exists, the total indirect effect is their sum. The sum of the direct and indirect effect reflects the total effect of the variable on the endogenous variable (Alwin & Hauser 1975).

This research is adopting the same logic of Sobel (1982) and Igbaria and Greenhaus (1992) for interpretation of analyses of the indirect effect.

After my two supervisors (one is from Curtin University of Technology while the other is from Lingnan University of Hong Kong) had concurred upon the methodology, I designed a questionnaire that was, as far as possible, easy to understand and read, while at the same time capturing the data necessary to carry out the research. The final version of the questionnaire (Appendix 1, p.179) contains 62 questions (54 scale items plus 8 general questions). The general flow of the questionnaire uses the ‘funnel approach’ as suggested by Sekaran (2000), where informants are first asked general questions regarding organizational phenomena, and then, in the latter sections of the questionnaire, the questions regarding specific company information. This approach is also used to help mitigate the effects of autocorrelation (Spanos & Lioukas 2001).

After the ethics approval had been obtained from the Curtin University of Technology, I commenced contacting people within my network to identify potential participants for the project. After confirmation by a respondent of their agreement to participate in this survey, he/her was logged in my sample frame.

The survey was conducted over the months of March and April 2008. After the final sample was determined, cover letters and questionnaires were printed. A complete survey kit (cover letter, questionnaire, and reply instructions) was delivered to all informants in my sample frame. One company allowed me, as the

researcher, to present the survey to their employees. In addition, Lingnan University of Hong Kong authorized the survey to be undertaken of two classes of Executive Master of Business Administration students in April 2008. In these cases, I was permitted to deliver the survey kit to the groups with a Powerpoint presentation on the spot to answer any query they raised about the survey. The response rate from these groups was found to be higher than the average for the overall survey.

By the end of April 2008, a reminder letter was sent to the non-responding informants in the sample frame, including a message explaining the objectives of the study and the importance of each of the informants' responses. If additional questionnaire copies were required by the informants, they were subsequently sent for completion.

A full discussion on the findings in relation to the research questions is presented in the next chapter where the limitations and generalizability of the model are also discussed.

Chapter 4. Results and Analysis

The purpose of this chapter is to explain the empirical results of the main study conducted to test the proposed model and research hypotheses. The first section provides evaluation of the response rate, completeness and legibility of data results. Section 4.1 provides general descriptive of the survey respondents. Section 4.2 explores the economic climate's impact on psychological contraction by simple linear regression analysis. Section 4.3 and 4.4 examine and assess the scales measuring the key constructs followed by the last section 4.5 where the results of the statistical tests used to test the hypotheses are provided.

A total of 800 questionnaires were sent out to the regional officers of over 20 multinational companies through emails followed by phone calls. Another 20 respondents were approached by direct contacts on site. No undeliverable informant was observed. A total of 102 respondents feedback with a completed questionnaire package. Thus, the response rate is 12.4 percentage (102 completed and returned surveys divided by the 820 in the usable sample), which is comparable to other social studies survey.

Upon receipt of returned questionnaire a quick scrutiny was made for each questionnaire to spot any missing data. All the 102 respondents were found eligible because they met the requirements of this survey. No missing data was observed in the returned questionnaire.

After preliminary scrutiny, I have used software SPSS to input every data for two purposes:

- To generate the descriptive statistical report by demographic details
- To run additional histograms, correlations, and frequencies to check for miscoded data and outliers.
- To generate a ASCII file for input into PLS-Graph software for further testing.

4.1 Demographic Distribution

Summary of the demographics are given below:

Age Group

	Frequency	Percent	Valid Percent	Cumulative Percent
age 18-30	21	20.6	20.6	20.6
age 31-40	50	49.0	49.0	69.6
age 41-50	23	22.5	22.5	92.2
age 51-60	8	7.8	7.8	100.0
Total	102	100.0	100.0	

Table 2 Demographic Distribution by Age

About half of the respondents were within the range of 31-40 age group. No case was missing for the Age Group data.

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
male	58	56.9	56.9	56.9
female	44	43.1	43.1	100.0
Total	102	100.0	100.0	

Table 3 Demographic Distribution by Gender

57% of the respondents were male and 43% were female. No missing case was found for the Gender data.

Ethnicity

	Frequency	Percent	Valid Percent	Cumulative Percent
Chinese	93	91.2	91.2	91.2
American	1	1.0	1.0	92.2
European	3	2.9	2.9	95.1
Rest of the World	5	4.9	4.9	100.0
Total	102	100.0	100.0	

Table 4 Demographic Distribution by Ethnicity

No missing case was observed. The sample respondents are predominantly Chinese.

Income Group

	Frequency	Percent	Valid Percent	Cumulative Percent
(in HK\$ p.m.) income 20000-	27	26.5	26.5	26.5
income 20001 to 40000	48	47.1	47.1	73.5
income 40001 to 60000	13	12.7	12.7	86.3
income 60000+	14	13.7	13.7	100.0
Total	102	100.0	100.0	

Table 5 Demographic Distribution by Income

The mean and median income of our sample is within the range HK\$20,000-HK\$40,000. This is consistent with the mean income for Hong Kong managers as reported by the Hong Kong Census and Statistics Department, as at June 1, 2007 that "...among this working population, 349,637 is working as manager with median monthly income HK\$25000 to HK\$29999" (above-mentioned in section 2.1)

Merger Role

	Frequency	Percent	Valid Percent	Cumulative Percent
Acquirer	39	38.2	38.2	38.2
50:50 joint venture	2	2.0	2.0	40.2
Acquired	61	59.8	59.8	100.0
Total	102	100.0	100.0	

Table 6 Demographic Distribution by Merger Role

In our sample acquired company is more than the lead company. No missing case was observed.

Descriptive Statistics

My sample comprises of 15 multinational companies hiring people from 15 to over 1000 and across several industries like telecommunication, realty, logistics, banking, electronics manufacturing.

To ascertain if there is system bias in our sample selection a covariate analysis was done between each demographic variable:

	Age group	Ethnicity	Income	Gender	Merger Role
Age group	1				
Ethnicity	-0.143	1			
Income	0.417**	-0.043	1		
Gender	-0.135	0.041	-0.269**	1	
Merger Role	-0.023	0.186	0.000	-0.112	1

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

The result indicates no systematic correlation between each demographic variable except for:

1. Income and Age

Here the indication is that among the sample respondents, the higher the age the higher the income. This is very common in an Eastern business world where employees' income grows in proportion to the seniority of position that needs working experience that accumulates with age.

2. Gender and Income

The negative correlation means that in our sample, male respondents tend to have a higher salary. This is also explanatory in a traditional Chinese society where Male is predominantly aggressive in career while female focus is diverted in taking care of family internal affairs.

4.2 Economic Climate's Impact on Psychological Contraction

Unlike other control variables, like the demographic and merger role variables that can be fitted into the model and tested, Economic Climate's impact on employees' psychological contracts were separately tested for two reasons, namely:

- a) This research is a cross-sectional study but each correspondent's merger incidents occurred in different time. In addition, it is neither possible to request the merger to go back to economic recession or wait till the boom to occur

for evaluation;

- b) Each industry has different timing for economic recession or boom, hence it is not possible to assess the economic climate by generally referring to the year of merger.

Using SPSS, using this sample and before it is loaded into PLS-Graph, I first analysed the effect of economic climate upon psychological contract as addressed in section 2.5.4.2.

In this research, as mentioned in section 3.4.3.2 on moderating variable, the eight items measuring the extent of psychological contract violations were coded as PC1 to PC8. In our survey, participants were asked to re-score for each item in two scenarios, namely, in poorer economic climate and in better economic climate. In inputting these scores I coded them as PCAn and PCBn respectively, where n ranges from 1 to 8. Using SPSS a bivariate correlation was made between PCn against PCAn and PCBn respectively to test on the relatedness of psychological contract violations ('PCV') with economic climate, that is to test if "the correlation between (i) PC and PCAn ; (ii) PC and PCBn are both zero or significantly positive or negative.

Psychological Contract Dimensions	Pearson Correlation	Pearson Correlation
	PCn vs PCAn (against poorer economy)	PCn vs PCBn (against better economy)
PC1 Promotion and Advancement	0.536**	0.772**
PC2 Merit Increase	0.420**	0.794**
PC3 Performance Incentive	0.560**	0.730**
PC4 Long-term Job Security	0.532**	0.744**

PC5 Career Development	0.644**	0.761**
PC6 Training	0.517**	0.714**
PC7 Sufficient Power and Responsibility	0.478**	0.706**
PC8 Rely upon These People in Difficult circumstances	0.687**	0.625**

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

Table 7 Psychological Contracts related to economic climate

Robust results were observed for each item measuring psychological contract violations (“PCV”). Pearson Coefficients range from +0.420 to +0.687 for PCV at merger as related to PCV at poorer economic climate (average +0.547). Pearson Coefficients for PCV at merger as related to PCV at better economic climate range from +0.625 to +0.794 (average +0.731). The correlations were significant with $p < 0.001$ (2-tailed). Hence, I deduced that the extent of psychological contract violations correlates with economic climate at the time of merger. The correlations are both positive and the average effect is +0.299 (0.547×0.547) and +0.534 (0.731×0.731) against poorer economic climate and better economic climate respectively. Both correlations are less than one and considered low and mild. This result implies that the extent of psychological contract violations in economic climate at the time of merger is low and positively correlated to that in poorer economic climate but are medium and positively correlated with that in very good economic climate.

Respondents expressed that their expectations on employers will be moderately lowered in economic recession time. The positive correlation of psychological contract violation of employees during this time with that in normal time is understandable. On the contrary, the booming economic climate will not to a large extent increase the employees’ expectation on their employers to provide better compensations that gives a negative correlation of psychological contracts

violation at time of merger against that would be at better economic climate. Most respondents expressed in the survey feedback area that employers were not responsive to the economic change. Their expectations on employers depend on relationships with employers, not on monetary motives.

4.3 Test on the measurement model

The ASCII file (sourced from the procedures mentioned in section 3.5.4) as produced by SPSS mentioned in the opening section of this chapter was then used to generate a raw data file for input into PLS-Graph for testing. The testing procedures I adopted for this purpose was sourced from Gefen and Straub (2005).

4.3.1 Convergent Validity

A PLS-Graph model was first built. All constructs were linked to relevant measurement items whose scores were collected through section 3.5. A holistic model was sketched using PLS. In summary I first tabulated the variables for this model and the loading items used for measuring them as follows:

Variables	Code	Measuring items code
Perceived Trust	Trust	TR1, TR2,TR3,TR4,TR5,TR6,TR7
Perceived Job Satisfaction	Job Sat	SA1,SA2,SA3
Perceived Job Security	Job Sec	SE1,SE2,SE3
Cultural Similarity	Cultural	CU1,CU2,CU3,CU4,CU5
Psychological Contract Violation	PCVE	PC1,PC2,PC3,PC4,PC5,PC6,PC7,PC8
Loss of Loyalty	LLoyalty	LL1,LL2,LL3,LL4
Reduced Work Effort	REffort	RE1,RE2,RE3

Organizational Citizenship Behaviour	OCB	OC1,OC2,OC3,OC4,OC5
Age	Age	AG
Income	Income	IN
Merger role	MArole	MArole

Table 8 The variables and loading items used in the model

Each code of loading item corresponds to the original question in the questionnaire addressing to measuring the variables. Coding of questions is mentioned in section 3.4.3.1 to section 3.4.3.3.

Due to the fact that the model involved 11 variables and 41 loading items, to depict it using PLS-Graph was too difficult to read. For clarity of presentation I dissected the model into 3 slices from the perspectives of all determinant and demographic variables.

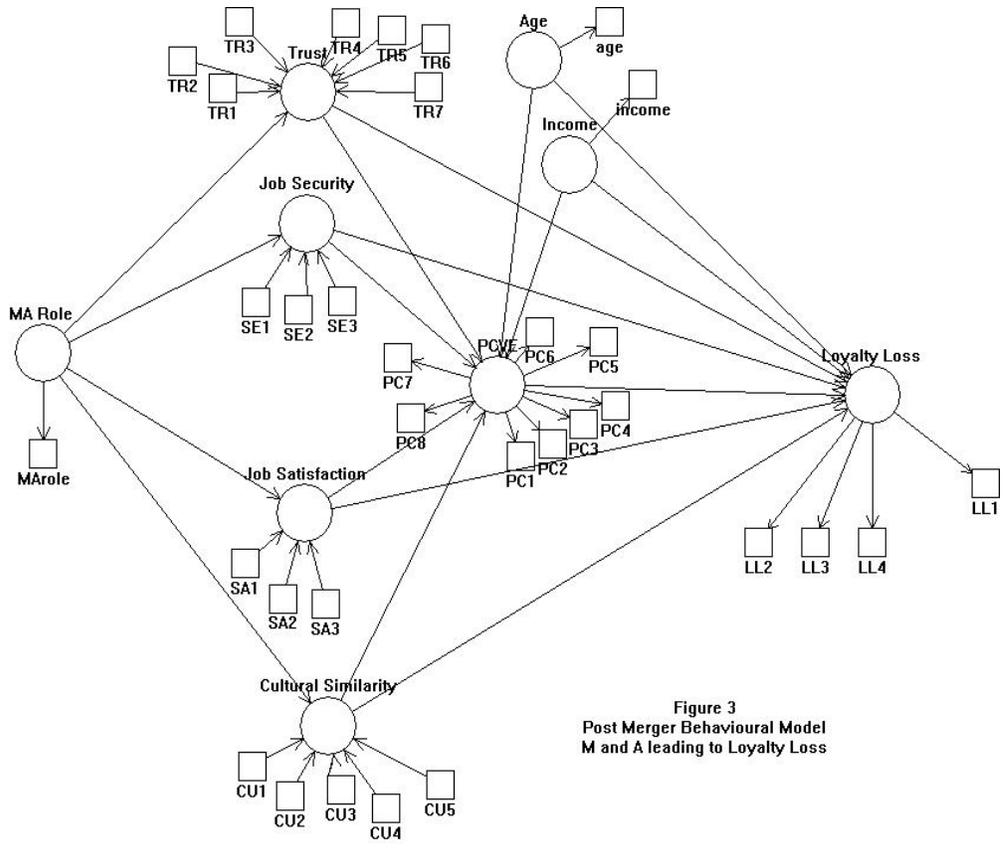


Figure 3
Post Merger Behavioural Model
M and A leading to Loyalty Loss

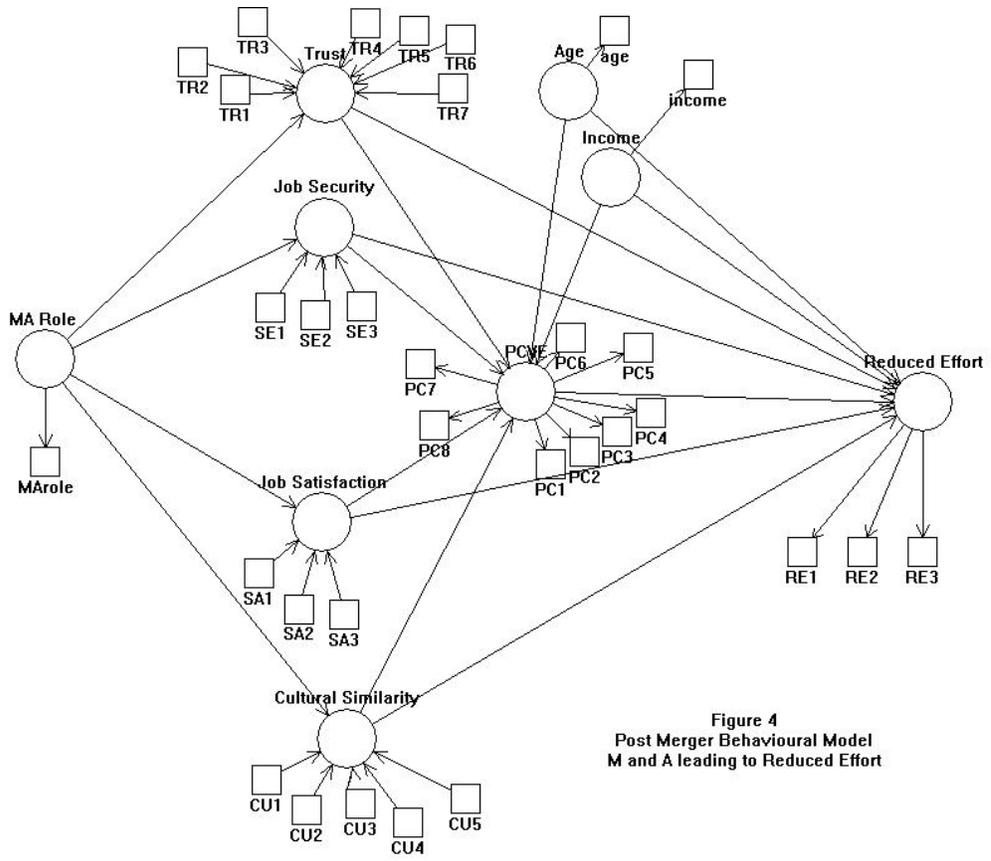


Figure 4
Post Merger Behavioural Model
M and A leading to Reduced Effort

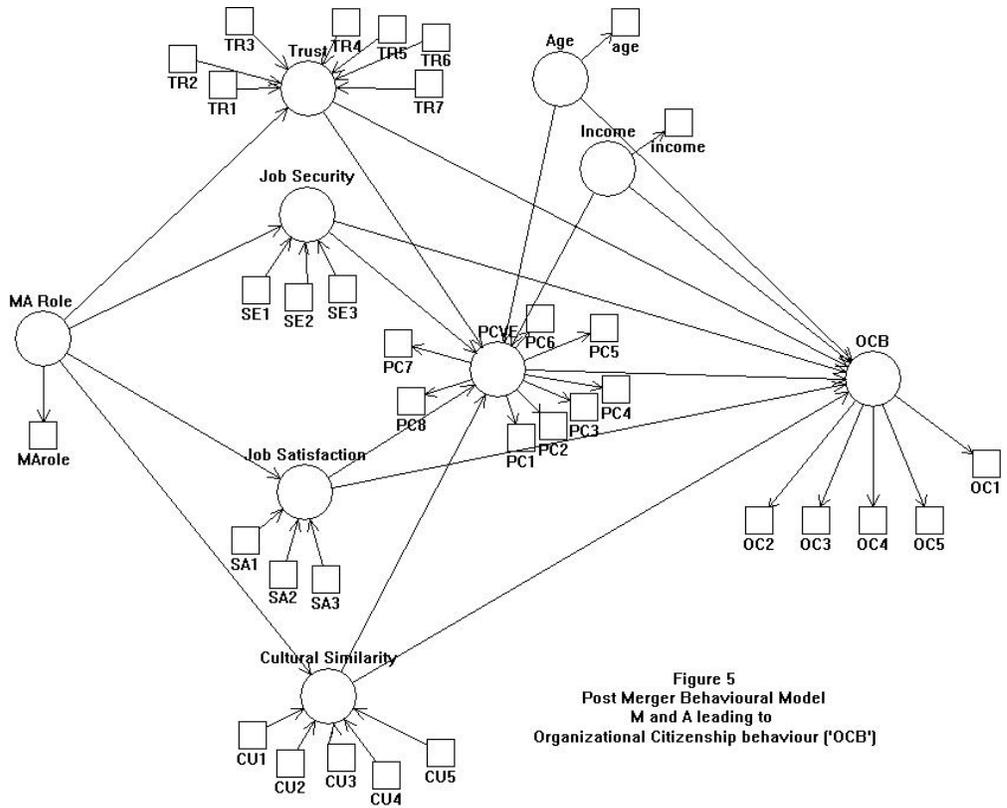


Figure 5
Post Merger Behavioural Model
M and A leading to
Organizational Citizenship behaviour ('OCB')

Using Microsoft Word here I reconstructed the figure to reflect the holistic model picture:

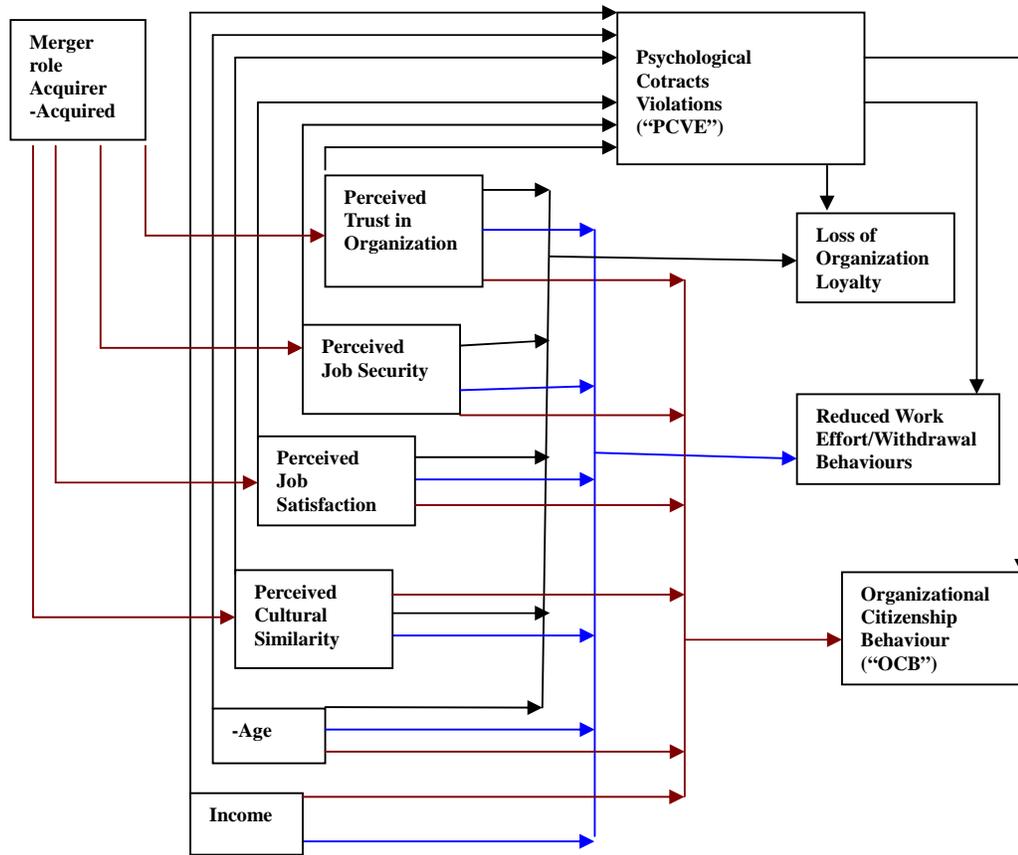


Figure 6
Post Merger Behavioural Model

The Post-merger Behavioural Model in Figure 6 was for a dual purpose, namely:

- With path coefficients for all direct effect of variables shown, the indirect effect of through the intervening variables can be traced through the relevant path shown in the model.
- It provides a platform for cross-referencing the path coefficients to their relevant hypotheses developed in earlier section 2.5.

The raw data file was first tested for convergent validity using bootstrap method of PLS-Graph on all 41 indicators. Generally we founded the loading for all indicators to its latent construct except for CU2, CU3 and CU5. These 3 indicators were discarded and the bootstrap process was run again. Result was then found satisfactory

As mentioned in section 3.5.1, the use of loading for formative indicators is misleading (Chin 1998b; Nunnally & Bernstein 1994), the data analysis presented below, especially in the measurement model, is for reflective variables only. The bootstrap output was printed out and attached in Appendix 3 where the weights for each formative indicator are presented.

Table 9 shows the item reliability for Psychological Contract Violation (PCVE), Loss of Loyalty (LLoyalty), Reduced Effort (REffort) and Organizational Citizenship Behaviour (OCB) obtained from PLS. Item reliability can be assessed by examining its loading to its corresponding latent construct. Gefen and Straub (2005) suggested that convergent validity is shown when each of the measurement items loads with a significant t-value on its latent constructs. Typically, the p-value of this t-value should be significant at least at the 0.05 alpha protection level, that means the t-value should be at least 1.96. Fornell et al (1982) suggested that the item reliability is judged to be adequate if the item's loading to its latent construct is equal or greater than 0.7 ($\lambda \geq 0.7$).

Table 9 Convergent Validity of Measurement Model

Latent variable	Manifest Variable	Item reliability (λ)	Internal consistency ($\rho\xi$)	*T-Statistics
Psychological Contract Violation (PCVE)			0.932	
	PC1	0.8235		18.7999
	PC2	0.8783		31.741
	PC3	0.9101		64.1911
	PC4	0.8299		15.9938
	PC5	0.8809		35.2197
	PC6	0.6715		8.4871
	PC7	0.8053		19.5515
	PC8	0.512		4.8568
Loss of Loyalty (LLoyalty)			0.934	
	LL1	0.8243		17.2268
	LL2	0.9395		73.3995
	LL3	0.8407		20.6375
	LL4	0.9230		56.3617
Reduced Effort (REffort)			0.856	
	RE1	0.7676		7.8894
	RE2	0.8344		5.3564
	RE3	0.8411		9.7163
Organizational Citizenship Behaviour (OCB)			0.918	
	OC1	0.6724		6.4937
	OC2	0.8912		39.9750
	OC3	0.8291		16.8612
	OC4	0.8703		31.7060
	OC5	0.8811		36.6192

It can be seen (Table 9) that all items have loadings greater than 0.7 except PC6, PC8 and OC1 which are marginally below 0.7. However, all items have T-Statistics that is greater than Gefen and Straub's (2005) criteria (1.96). As

such, I concluded that all items were deemed reliable.

Next, I considered the internal consistency, or construct reliability, which is the second reliability measure to evaluate the measurement model. PLS-Graph version 3.0 provides internal consistency score for every latent variable. It can be seen from Table 9 that internal consistency for every reflective latent variable is very high. Therefore, I concluded that every reflective latent variable is deemed reliable.

4.3.2 Discriminant Validity of Sample

The raw data files were tested for discriminant validity using the bootstrap method of PLS-Graph.

Gefen and Straub (2005) suggested that two things happen when discriminant validity is shown:

1. The correlation of the latent variable scores with the measurement items needs to show an appropriate pattern of loadings, one in which the measurement items load highly on their theoretically assigned factor and not highly on other factors;
2. Establishing discriminant validity in PLS also requires an appropriate AVE (Average Variance Extracted) analysis. In an AVE analysis, we test to see if the square root of every AVE is much larger than any correlation among any pair of latent constructs.

Similarly, other researcher Barclay, Huggins & Thompson (1995) suggested that discriminant validity be checked at both the indicator and construct level. At the indicator level, no manifest variable should load higher on other constructs than on the construct it intends to measure. At the construct level, discriminant validity can be assessed by comparing the square root of average variance extracted (AVE) with the correlation of that construct with all other constructs.

Table 10 Loading and Cross-loading Matrix

Construct	Item	Latent Construct			
		Loyalty Loss (LLoyalty)	Reduced Effort (REffort)	Organizational Citizenship behaviour (OCB)	Psychological contract Violation (PCVE)
Psychological Contract Enhancement (PCVE)					
	PC1	-0.419	-0.296	0.002	0.824
	PC2	-0.471	-0.394	0.060	0.878
	PC3	-0.502	-0.357	0.165	0.910
	PC4	-0.445	-0.246	0.250	0.830
	PC5	-0.496	-0.300	0.195	0.881
	PC6	-0.374	-0.219	0.244	0.672
	PC7	-0.481	-0.152	0.295	0.805
	PC8	-0.193	-0.395	0.221	0.517
Loss of Loyalty (LLoyalty)					
	LL1	0.824	0.402	-0.223	-0.486
	LL2	0.939	0.293	-0.215	-0.482
	LL3	0.841	0.162	-0.091	-0.462
	LL4	0.923	0.330	-0.201	-0.477
Reduced Effort (REffort)					

Construct	Item	Latent Construct			
		Loyalty Loss (LLoyalty)	Reduced Effort (REffort)	Organizational Citizenship behaviour (OCB)	Psycholgical contract Violation (PCVE)
	RE1	0.298	0.768	-0.232	-0.276
	RE2	0.112	0.834	-0.220	-0.240
	RE3	0.370	0.841	-0.311	-0.356
	OC1	-0.089	-0.398	0.672	0.105
	OC2	-0.289	-0.344	0.891	0.311
	OC3	-0.136	-0.186	0.829	0.138
	OC4	-0.170	-0.166	0.870	0.154
	OC5	-0.128	-0.276	0.881	0.156

Following the procedures suggested by Gefen and Straub (2005), I ran PLS on sample to output the “Latent Variable Scores”. I viewed the “ETA...Latent variables” section to noted the latent variable scores. To correlate these latent variable scores with the original items, I copied them into Excel spreadsheet, after some minor editing, into SPSS together with the original data for the sample. Bivariate correlations were than run. Since the data is deemed to be interval data with a normal distribution, Pearson correlations are acceptable. The result spreadsheet is displayed in Appendix 2. For our research interest, this loading and cross-loading matrix was highlighted in Table 10 for reflective variables only. I noted all manifest variables load higher o their respective intended latent variable compared to other latent variables. This fulfils criteria 1 of discriminant validity above-mentioned and indicates that discriminant validity at the indicator level is adequate.

Next, I reviewed the bivariate correlation for the 4 reflective latent

variables. This is also available in the PLS report I pulled out. Result is as follows:

Correlations of latent variables

	<u>Latent Variables</u>			
	REffort	OCB	LLoyalty	PCVE
REffort	1.000			
OCB	-0.318	1.000		
LLoyalty	0.333	-0.205	1.000	
PCVE	-0.364	0.219	-0.54	1.000

Table 11 Correlation of Latent Variables

From the Bootstrap file (Appendix 3) I extracted the AVE (Average Variance Extracted) for each latent variable and calculated their square roots as follows:

	AVE	Square Root
Reduced Effort	0.664	0.815
OCB	0.918	0.958
Loss of Loyalty	0.780	0.883
PCV	0.639	0.799

Comparing the square roots of AVE with the construct relations above, all the square roots are much larger than any correlation with other constructs. Thus, criteria 2 of discriminant validity was fulfilled (at the construct level).

4.4 Test on the structural model

The structural model comprises the hypothesized relationship between latent

constructs in the research model. To test the estimated path coefficients, t-statistics were calculated using a nonparametric test of significance known as Bootstrapping or Jackknifing using PLS as mentioned in section 3.5.4. First the Bootstrap and Jackknife output file for the sample was generated and attached in Appendix 3 and 4 respectively. The “Path Coefficient Table (Original Sample Estimates)” table gives the path coefficients between each pair of variables having a direct effect with each other. PLS automatically generated the path coefficients and showed it along the path in the model diagram. T-value for each path coefficient is also obtained from PLS run. With these values, we can assess statistical conclusion validity by testing the null hypothesis for each path coefficient. The explanatory power of the proposed model, or nomological validity can be assessed by observing the R² of endogenous constructs in the structural model estimation. In effect, the R² represents the proportion of which the exogenous variables explain the variance of the variable that is represented by that latent variable.

Again due to the numerous variables in this research the original PLS diagram was not legible. For clarity of presentation in this research section I presented them in 14 figures (Figures 7 to 21) with relevant tabulations to support the findings.

For perusal of the 14 diagrams drawn from PLS, please note that:

1. The number in the middle of each path arrow represents the path coefficient (the direct effect) between the pair of constructs. By section 3.5.4 we also calculate the indirect effect that represents those effects interpreted by the intervening variables. It is the product of the path coefficients along an indirect route from cause to effect via tracing arrows in the headed direction only. When more than one indirect path exists, the total indirect effect is their sum. The sum of the direct and indirect effect reflects the total effect of the variable on the endogenous variable (Igarria 1995; Sobel 1982).
2. The t-value for each direct effect was extracted from the Bootstrap output in Appendix 3. The t-value for each effect was calculated using Sobel’s formula as revised for small samples (section 3.5.4):

$$S = \sqrt{(b^2S1^2+a^2S2^2)}$$

3. The R^2 for each endogenous construct is given below each construct in the PLS generated diagrams (Figures 7 to 21). In summary, we first tabulated them here:

Table 12 The Constructs and the R^2

Constructs	R^2
Loyalty Loss	0.354
Reduced Effort	0.145
Organizational Citizenship Behaviour	0.060
Psychological Contract enhancement/ violation	0.651
Perceived Trust	0.121
Perceived Job Security	0.158
Perceived Job Satisfaction	0.194
Perceived Cultural Similarity	0.138

From the R^2 , in the sample, exogenous variables explained 12.1% of Perceived Trust, 15.8% of Perceived Job Security, 19.4% of Perceived Job Satisfaction, 13.8% of Perceived Cultural Similarity, 65.1% of Psychological Contract Violation, 35.4% of Loss of Organizational Loyalty, 14.5% of Reduced Work Effort and 6% of Organizational Citizenship Behaviour. In social research studies, R^2 below 10% is considered low. Thus all constructs except Organizational Citizenship Behaviour are adequately explained by the exogenous variables.

Analysis 1 - Perceived Trust against Loyalty Loss

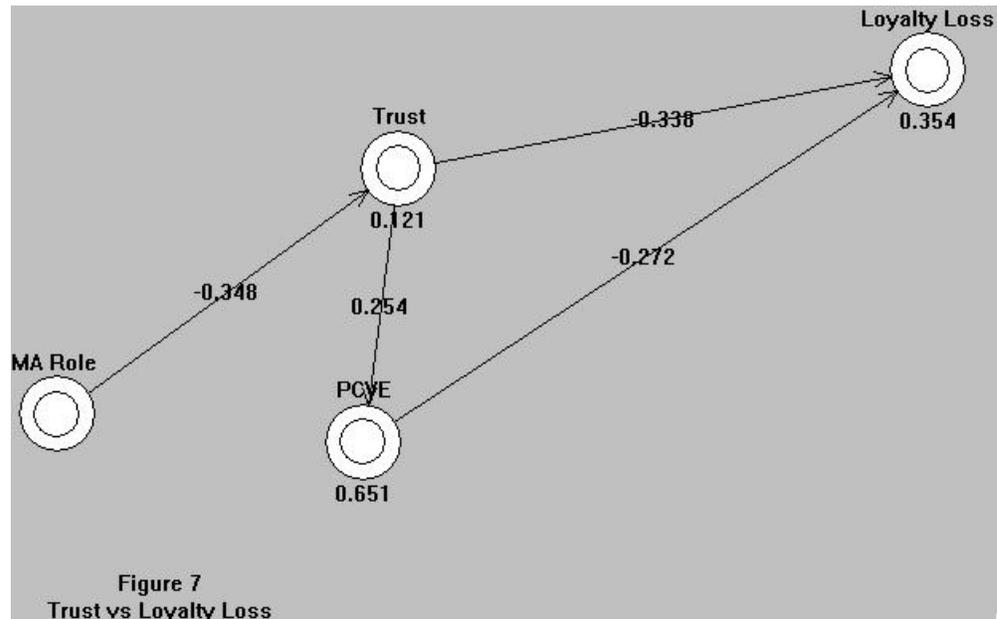


Table 13 Perceived Trust vs Loyalty Loss – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H1a	Trust		LLoyalty	-0.338	2.2985	P<0.015
H4a	Trust		PCVE	0.254	2.8547	P<0.005
Indirect	Trust	PCVE	LLoyalty	-0.069	0.8796	P<0.2
H5a	PCVE		LLoyalty	-0.272	1.6271	P<0.1
H6a	MArole		Trust	-0.348	4.0264	P<0.0005
Indirect	MArole	Trust	LLoyalty	0.118	1.5786	P<0.05
Indirect	MArole	Trust	PCVE	-0.088	1.4258	P<0.10
Indirect	MArole	Trust-PCVE	LLoyalty	0.024		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 2 - Perceived Job Security against Loyalty Loss

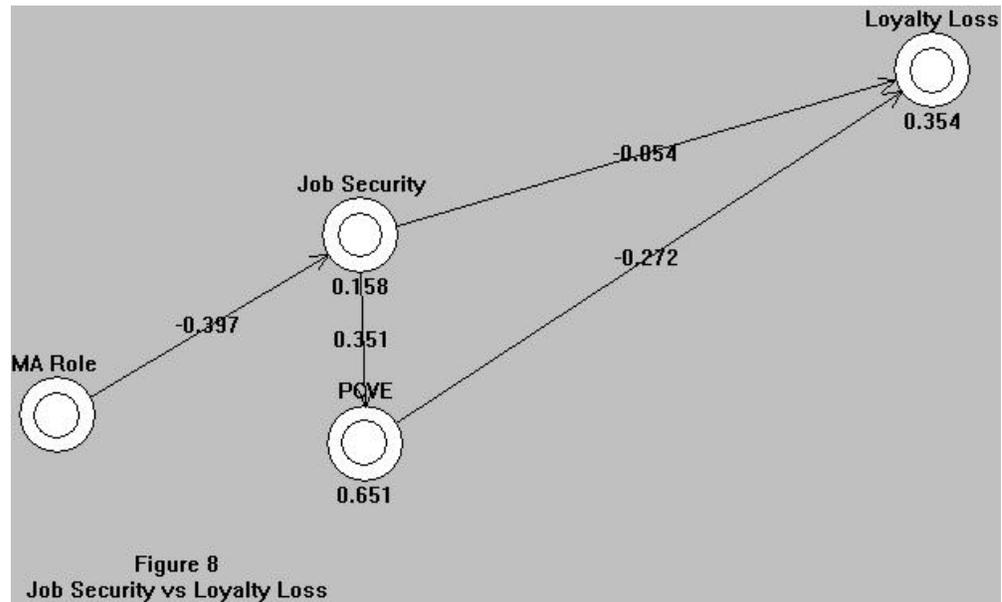


Table 14 Perceived Job Security vs Loyalty Loss – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H1b	JSec		LLoyalty	-0.054	0.3827	P<1
H4b	JSec		PCVE	0.351	3.7189	P<0.0005
Indirect	JSec	PCVE	LLoyalty	-0.095	1.1616	P<0.15
H5a	PCVE		LLoyalty	-0.272	1.6271	P<0.05
H6b	MArole		JSec	-0.397	5.6467	P<0.0005
Indirect	MArole	JSec	LLoyalty	0.021		
Indirect	MArole	JSec	PCVE	-0.139	2.4714	P<0.01
Indirect	MArole	JSec-PCVE	LLoyalty	0.038		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 3 - Perceived Job Satisfaction against Loyalty Loss

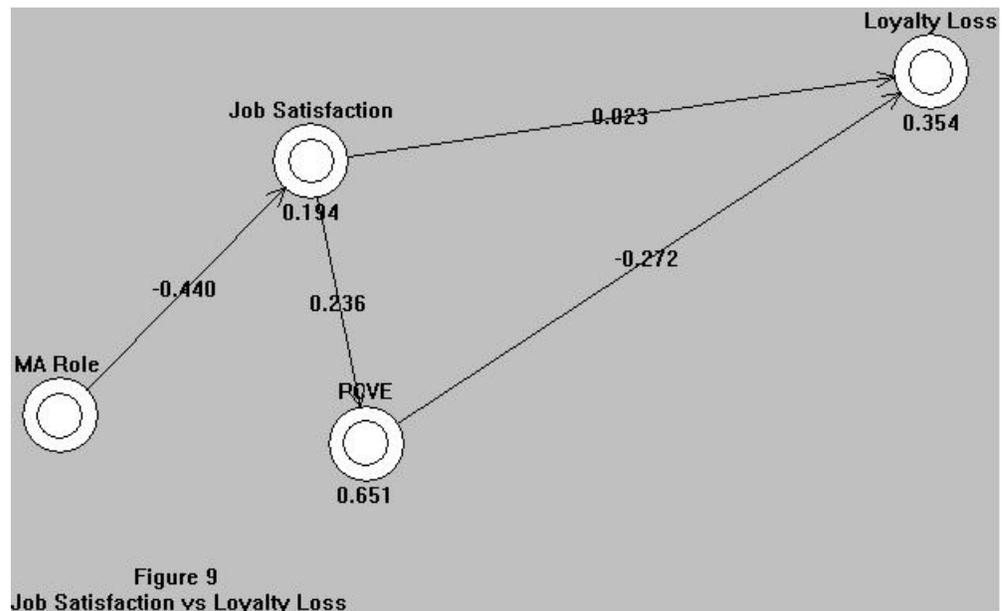


Table 15 Perceived Job Satisfaction vs Loyalty Loss – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H1c	JSat		LLoyalty	0.023	0.1371	P<1
H4c	JSat		PCVE	0.236	2.1290	P<0.025
Indirect	JSat	PCVE	LLoyalty	-0.064	0.6948	P<0.25
H5a	PCVE		LLoyalty	-0.272	1.6271	P<0.075
H6c	MArole		JSat	-0.440	7.006	P<0.0005
Indirect	MArole	JSat	LLoyalty	-0.010		
Indirect	MArole	JSat	PCVE	-0.104	0.018	P<0.05
Indirect	MArole	JSat -PCVE	LLoyalty	0.028		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 4 - Perceived Cultural Similarity against Loyalty Loss

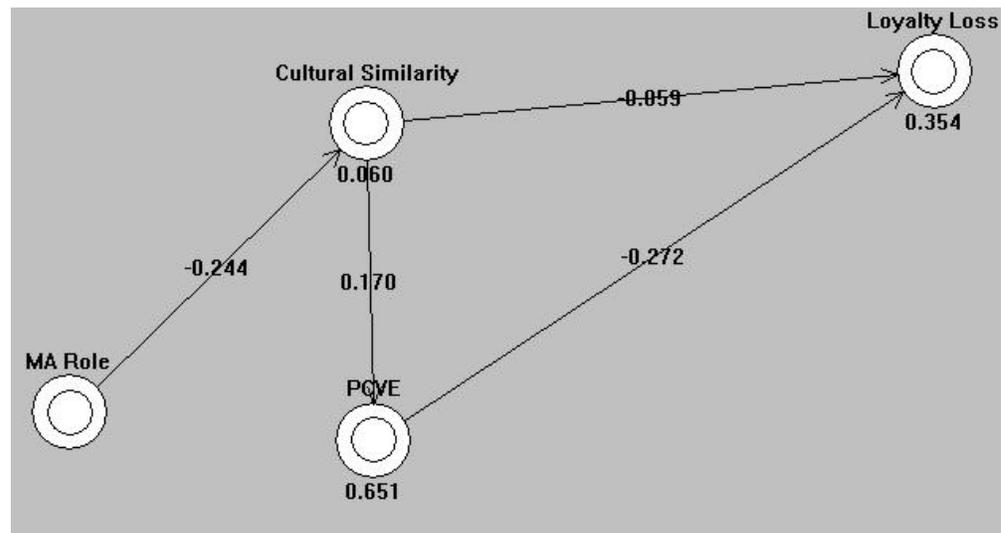


Figure 10
Cultural Similarity vs Loyalty Loss

Table 16 Perceived Cultural Similarity vs Loyalty Loss – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H1d	CS		LLoyalty	-0.059	0.5233	P<1
H4d	CS		PCVE	0.170	2.433	P<0.01
Indirect	CS	PCVE	LLoyalty	-0.046	0.7173	P<0.25
H5a	PCVE		LLoyalty	-0.272	1.6271	P<0.075
H6d	MArole		CS	-0.244	2.7063	P<0.005
Indirect	MArole	CS	LLoyalty	0.014		
Indirect	MArole	CS	PCVE	-0.041	0.751	P<0.25
Indirect	MArole	CS-PCVE	LLoyalty	0.011		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 5 - Perceived Trust against Reduced Effort

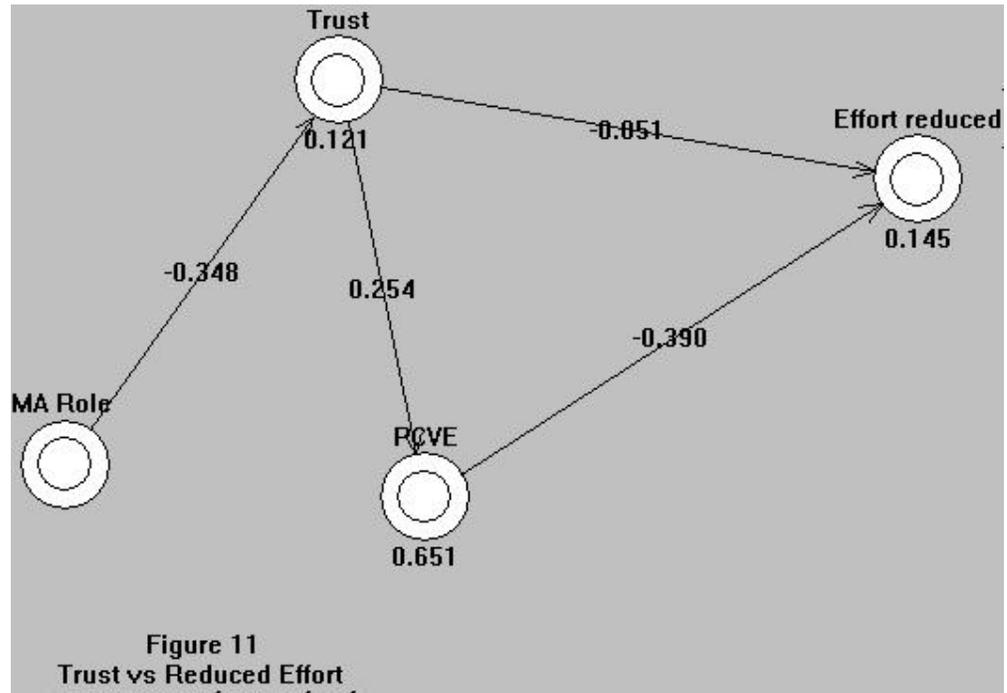


Table 17 Perceived Trust vs Reduced Effort – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H2a	Trust		REffort	-0.051	0.2169	P<1
H4a	Trust		PCVE	0.254	2.8548	P<0.005
Indirect	Trust	PCVE	REffort	-0.099	1.2674	P<0.15
H5b	PCVE		REffort	-0.39	2.3845	P<0.01
H6	MArole		Trust	-0.348	4.0264	P<0.0005
Indirect	MArole	Trust	REffort	0.018		
Indirect	MArole	Trust	PCVE	-0.088	1.4258	P<0.1
Indirect	MArole	Trust-PCVE	REffort	0.034		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 6 - Perceived Job Security against Reduced Effort

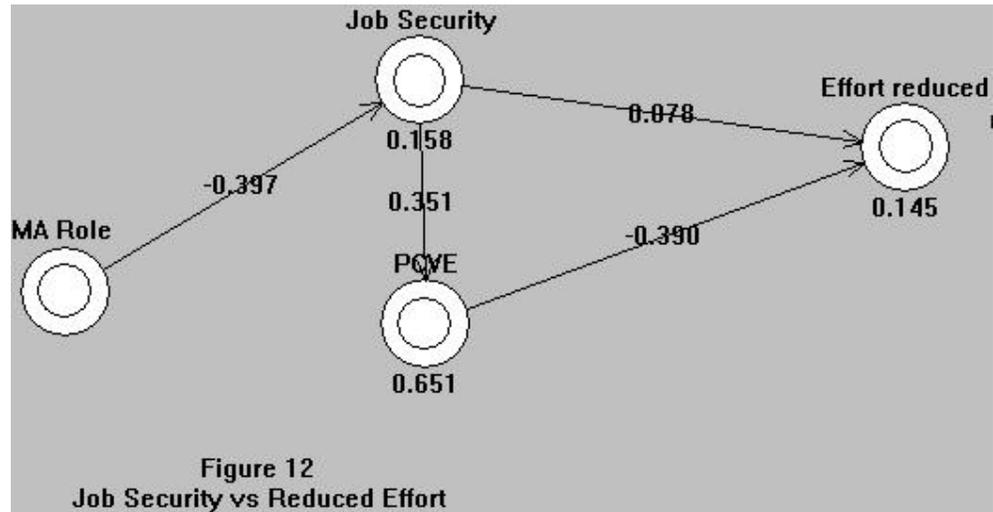


Table 18 Perceived Job Security vs Reduced Effort – Path coefficients and their t-values

Hypothesis	From	Path Through	To	Path Coefficient (β)	t-value	Significance (two-tailed)
H2b	JSec		REffort	0.078	0.4454	P<1
H4b	JSec		PCVE	0.351	3.7189	P<0.0005
Indirect	JSec	PCVE	REffort	-0.137	1.6745	p<0.05
H5b	PCVE		REffort	-0.390	2.3845	P<0.01
H6	MArole		JSec	-0.397	5.6467	P<0.0005
Indirect	MArole	JSec	REffort	-0.031		
Indirect	MArole	JSec	PCVE	-0.139	2.4714	P<0.01
Indirect	MArole	JSec -PCVE	REffort	0.054		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 7 - Perceived Job Satisfaction against Reduced Effort

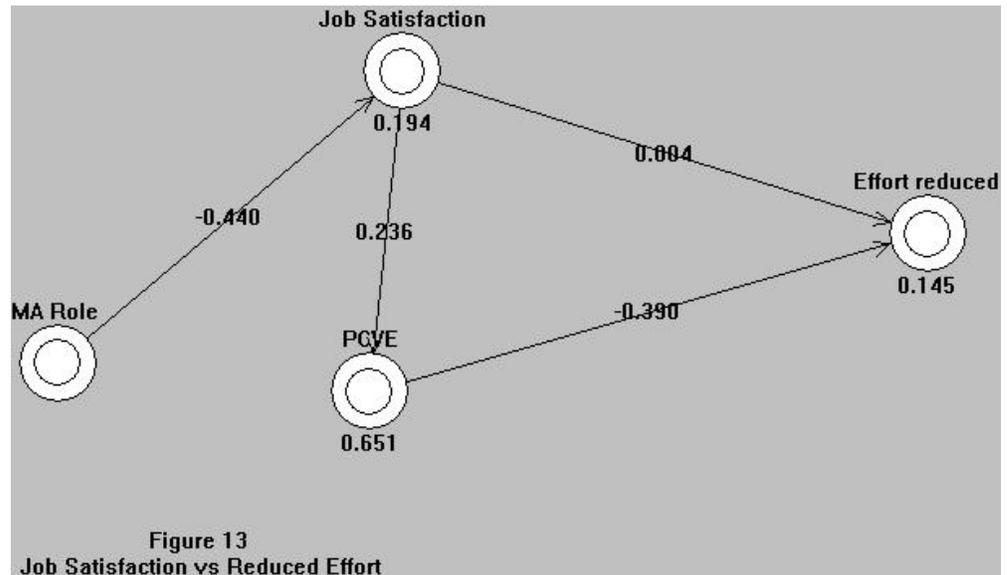


Table 19 Perceived Job Satisfaction vs Reduced Effort – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H2c	JSat		REffort	0.004	0.0189	P<1
H4c	JSat		PCVE	0.236	2.1290	P<0.025
Indirect	JSat	PCVE	REffort	-0.092	1.0030	P<0.15
H5b	PCVE		REffort	-0.390	2.3845	P<0.01
H6	MArole		JSat	-0.440	7.0060	P<0.0005
Indirect	MArole	JSat	REffort	-0.002		
Indirect	MArole	JSat	PCVE	-0.104	1.9003	P<0.05
Indirect	MArole	JSat-PCVE	REffort	0.040		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 8 - Perceived Cultural Similarity against Reduced Effort

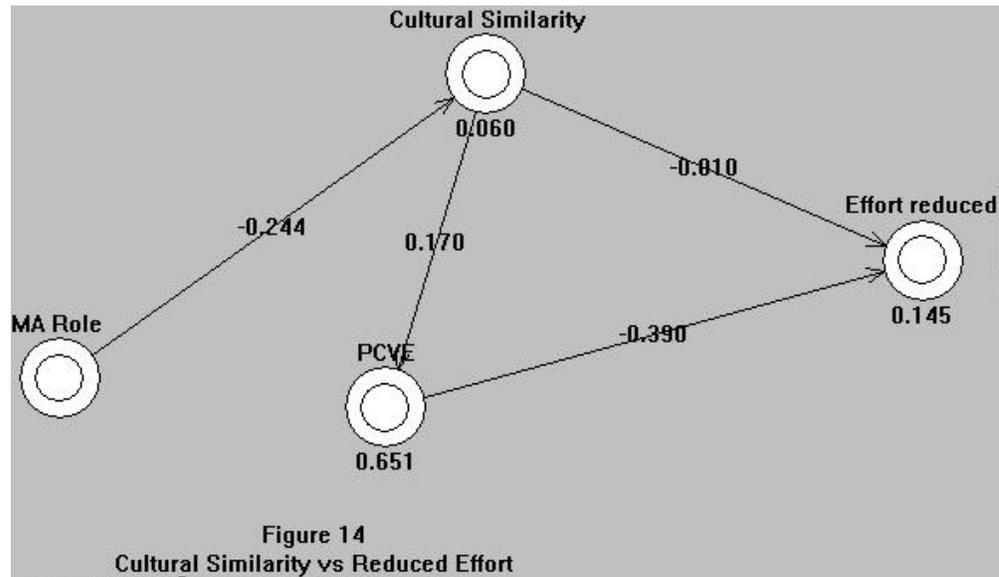


Table 20 Perceived Cultural Similarity vs Reduced Effort – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H2d	CS		REffort	-0.010	0.0789	P<1
H4d	CS		PCVE	0.170	2.4330	P<0.01
Indirect	CS	PCVE	REffort	-0.066	1.0318	P<0.2
H5b	PCVE		REffort	-0.390	2.3845	P<0.01
H6	MArole		CS	-0.244	2.7063	P<0.005
Indirect	MArole	CS	REffort	0.002		
Indirect	MArole	CS	PCVE	-0.041	-0.041	P<0.25
Indirect	MArole	CS-PCVE	REffort	0.016		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 9 - Perceived Trust against Organizational Citizenship Behaviour

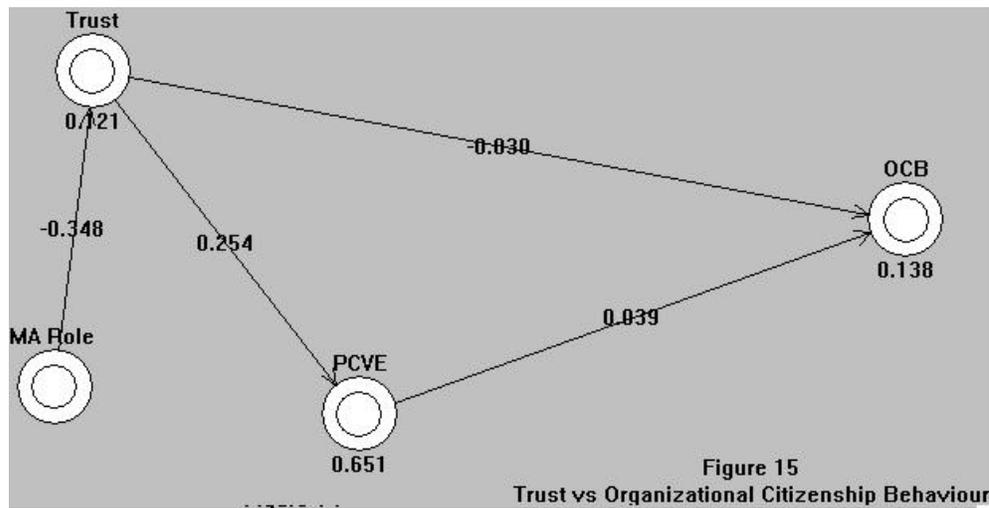


Table 21 Perceived Trust vs Organizational Citizenship Behaviour – Path coefficients and their t-values

Hypothesis	From	Through	To	Path Coefficient (β)	t-value	Significance (two-tailed)
H3a	Trust		OCB	-0.030	0.1121	P<1
H4a	Trust		PCVE	0.254	2.8547	P<0.005
Indirect	Trust	PCVE	OCB	0.010	0.1304	P<1
H5c	PCVE		OCB	0.039	0.2677	P<1
H6	MArole		Trust	-0.348	4.0264	P<0.0005
Indirect	MArole	Trust	OCB	0.010		
Indirect	MArole	Trust	PCVE	-0.088	1.4258	P<0.1
Indirect	MArole	Trust-PCVE	OCB	-0.003		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 10 - Perceived Job Security against Organizational Citizenship Behaviour

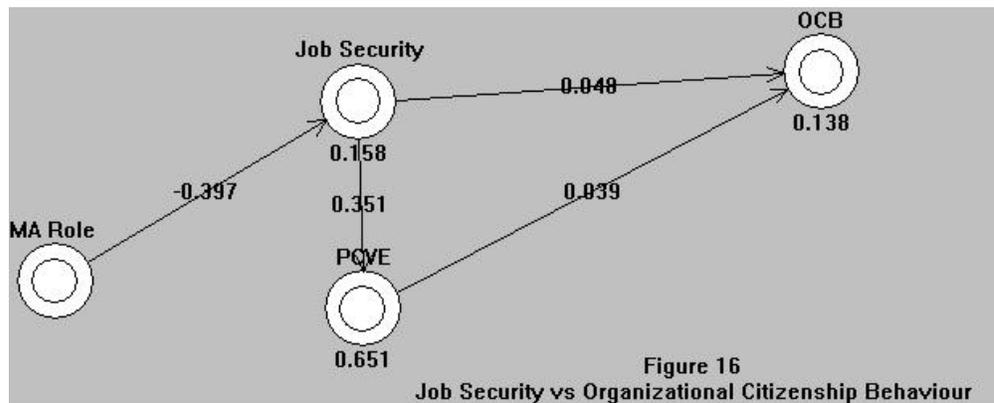


Table 22 Perceived Job Security vs Organizational Citizenship Behaviour – Path coefficients and their t-values

Hypothesis	From	Path Through	To	Path Coefficient (β)	t-value	Significance (two-tailed)
H3b	JSec		OCB	0.048	0.3024	P<1
H4b	JSec		PCVE	0.351	3.7189	P<0.0005
Indirect	JSec	PCVE	OCB	0.014	0.1728	P<1
H5c	PCVE		OCB	0.039	0.2677	P<1
H6	MArole		JSec	-0.397	5.6467	P<0.0005
Indirect	MArole	JSec	OCB	-0.019		
Indirect	MArole	JSec	PCVE	-0.139	2.4714	P<0.01
Indirect	MArole	JSec-PCVE	OCB	-0.005		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 11 - Perceived Job Satisfaction against Organizational Citizenship Behaviour

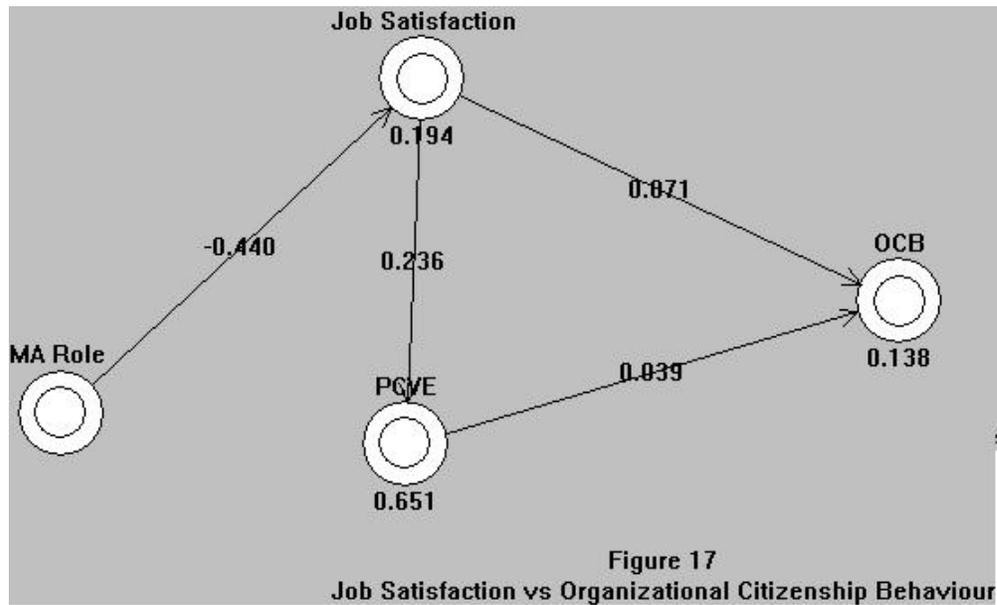


Table 23 Perceived Job Satisfaction vs Organizational Citizenship Behaviour – Path coefficients and their t-values

Hypothesis	From	Path Through	To	Path Coefficient (β)	t-value	Significance (two-tailed)
H3c	JSat		OCB	0.871	0.3376	P<1
H4c	JSat		PCVE	0.236	2.129	P<0.025
Indirect	JSat	PCVE	OCB	0.009	0.1043	P<1
H5c	PCVE		OCB	0.039	0.2677	P<1
H6	MArole		JSat	-0.440	7.0060	P<0.0005
Indirect	MArole	JSat	OCB	-0.383		
Indirect	MArole	JSat	PCVE	-0.104	1.9003	P<0.05
Indirect	MArole	JSat-PCVE	OCB	-0.004		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 12 - Perceived Cultural Similarity against Organizational Citizenship Behaviour

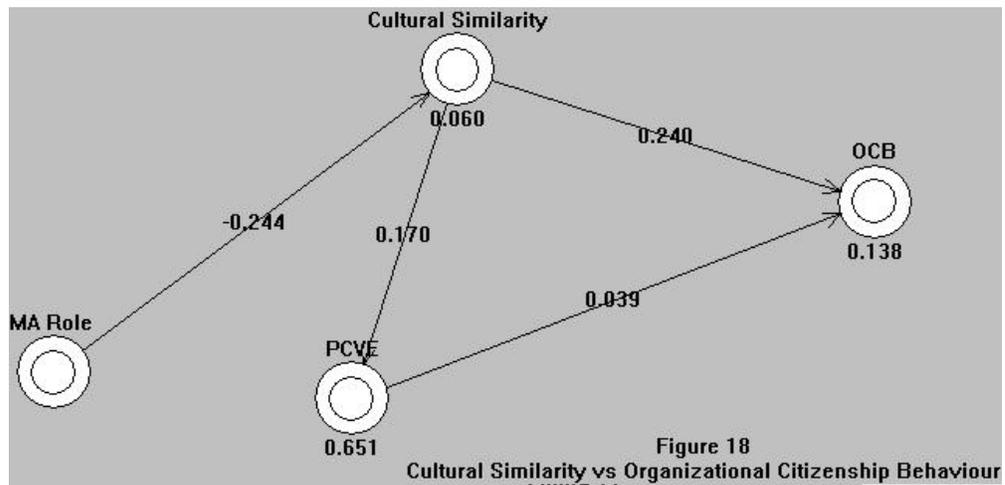


Table 24 Perceived Cultural Similarity vs Organizational Citizenship Behaviour – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
H3d	CS		OCB	0.240	1.9619	P<0.05
H4d	CS		PCVE	0.170	2.433	P<0.01
Indirect	CS	PCVE	OCB	0.007	0.1052	P<1
H5c	PCVE		OCB	0.039	0.2677	P<1
H6	MArole		CS	-0.244	2.7063	P<0.005
Indirect	MArole	CS	OCB	-0.059		
Indirect	MArole	CS	PCVE	-0.041	0.751	P<0.25
Indirect	MArole	CS-PCVE	OCB	-0.002		

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 13 – Age, Income against Loyalty

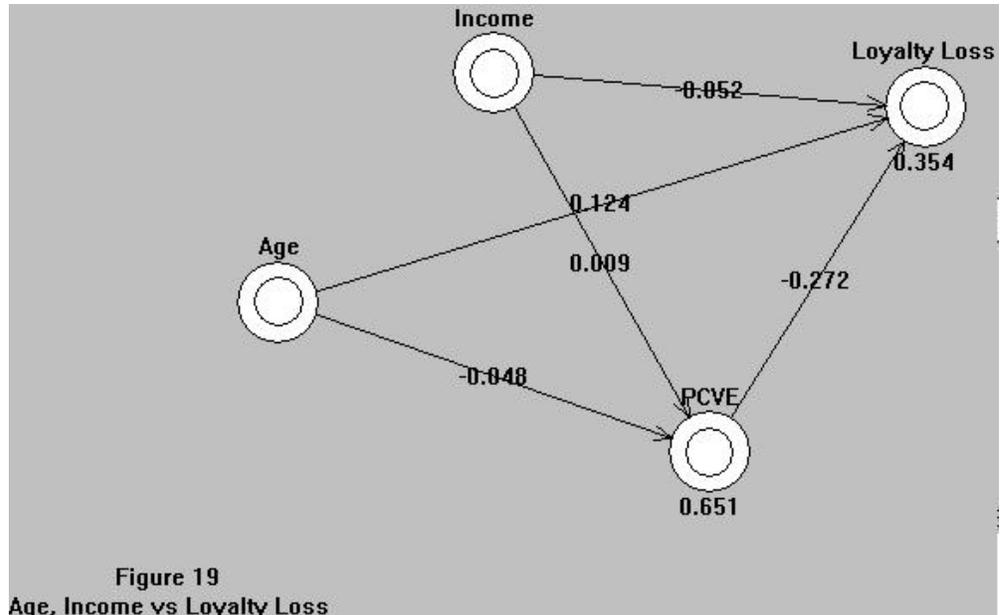


Table 25 Age, Income vs Loyalty Loss – Path coefficients and their t-values

Hypothesis	From	Through	To	Path Coefficient (β)	t-value	Significance (two-tailed)
	Age		LLoyalty	0.124	1.1957	P<0.15
	Age		PCVE	-0.048	0.6415	P<1
Indirect	Age	PCVE	LLoyalty	0.001	0.0800	P<1
	PCVE		LLoyalty	-0.272	1.6271	P<0.1
	Income		LLoyalty	-0.052	0.5263	P<1
	Income		PCVE	0.009	0.1292	P<1
Indirect	Income	PCVE	LLoyalty	-0.002	0.038	P<1
	PCVE		LLoyalty	-0.272	1.6271	P<0.1

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 14 – Age, Income against Reduced Effort

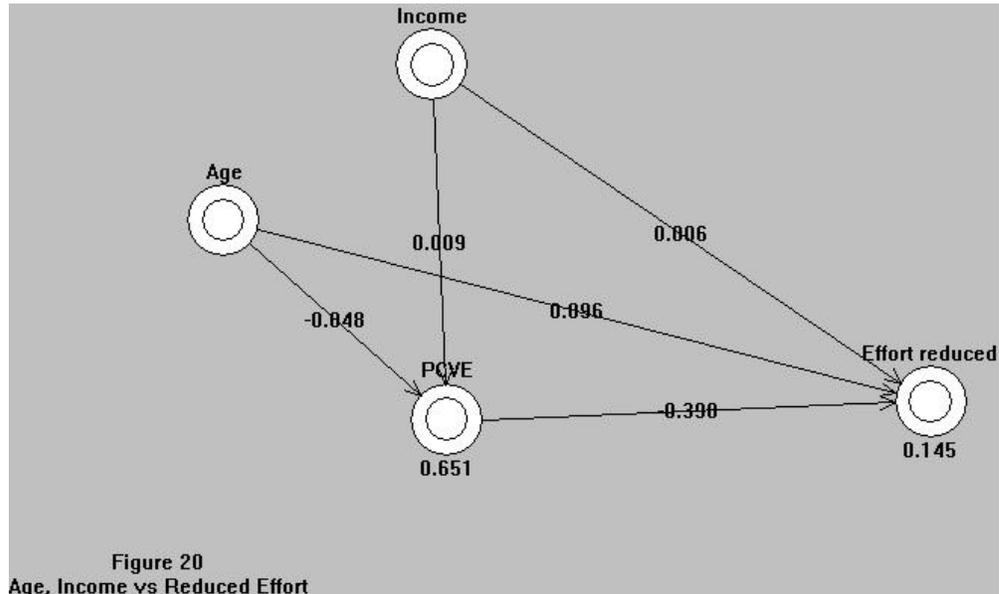


Table 26 Age, Income vs Reduced Effort – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
	Age		REffort	0.096	0.8642	P<1
	Age		PCVE	-0.048	0.6415	P<1
Indirect	Age	PCVE	REffort	0.019	0.1171	P<1
	PCVE		REffort	-0.390	2.3845	P<0.01
	Income		REffort	0.806	0.0605	P<1
	Income		PCVE	0.009	0.1292	P<1
Indirect	Income	PCVE	REffort	-0.000	0.022	P<1
	PCVE		REffort	-0.390	2.3845	P<0.01

Indirect = Indirect Effect as analyzed in Appendix 5

Analysis 15 – Age, Income against Organizational Citizenship Behaviour

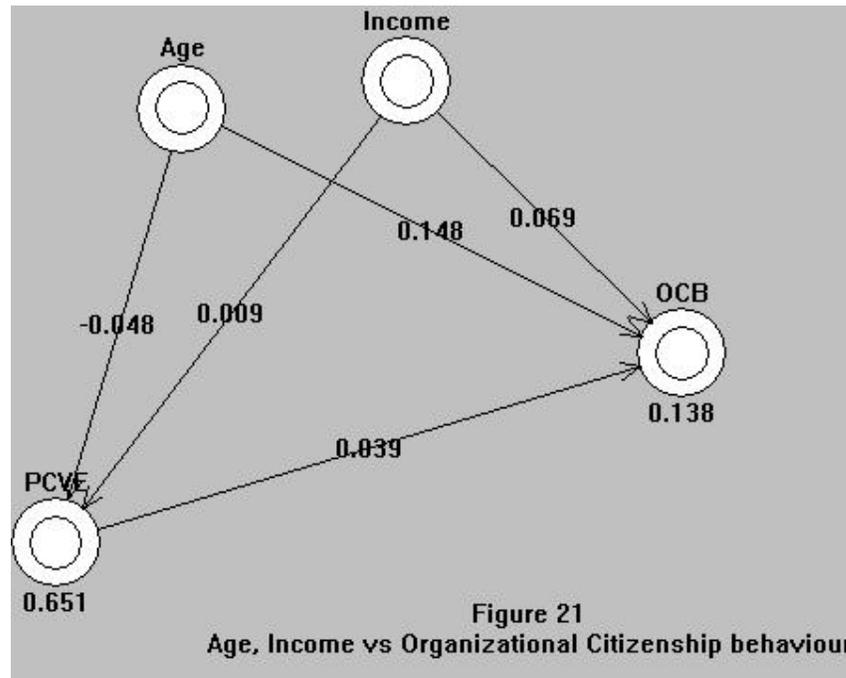


Table 27 Age, Income vs Organizational Citizenship Behaviour – Path coefficients and their t-values

Hypothesis	Path			Path Coefficient (β)	t-value	Significance (two-tailed)
	From	Through	To			
	Age		OCB	0.148	1.1862	P<0.05
	Age		PCVE	-0.048	0.6415	P<1
Indirect	Age	PCVE	OCB	-0.002	0.028	P<1
	PCVE		OCB	0.039	0.2677	P<1
	Income		OCB	0.069	0.576	P<1
	Income		PCVE	0.009	0.1292	P<1
Indirect	Income	PCVE	OCB	0.000	0.0056	P<1
	PCVE		OCB	0.039	0.2677	P<1

Indirect = Indirect Effect as analyzed in Appendix 5

Table 28 was made up to summarize the findings for the total 15 analyses on the structural model. For each endogenous variable, the total effects (sub-categorized into direct and indirect) from each of the exogenous variables and other endogenous variables was also tabulated. By embracing both direct and indirect effect this table gives a holistic picture of this model.

From Table 28, of the 31 direct paths tested in the structural model 12 are statistically significant at 0.05 level or lower.

From my workings I noted that all indirect effect, except for those attached to Merger role (acquired) were found to be attributable to the moderating effect of the variable PCVE.

Path Coefficients (Direct and Indirect Effects) of the Post-merger Behavioural Model (Part A)

Variables	Perceived Trust			Perceived Job Security			Perceived Job Satisfaction			Perceived Cultural Similariy		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Demographic Characteristics: Age Income		n.a. n.a.			n.a. n.a.			n.a. n.a.			n.a. n.a.	
Merger Role (Being Acquired)	-0.348*** Table13	0.00	-0.348***	-0.397*** Table 14	0.00	-0.397***	-0.440*** Table 15	0.00	-0.440***	-0.244* Table 16	0.00	-0.244*
Determinant Variables Perceived Trust Perceived Job Security Perceived Job Satisfaction Perceived Cultural Similariy		n.a. n.a. n.a. n.a.			n.a. n.a. n.a. n.a.			n.a. n.a. n.a. n.a.			n.a. n.a. n.a. n.a.	
Moderating Variable PCVE												
R ²		0.121* Table 12			0.158* Table 12			0.194* Table 12			0.138* Table 12	

*significant at 0.05 or lower ** significant at 0.01 or lower *** significant at 0.001 or lower

Note: The table or appendix reference below each path coefficient represents the cross-reference to relevant Table and Appendix.

Table 28

Path Coefficients (Direct and Indirect Effects) of the Post-merger Behavioural Model (Part B)

Variables	Psychological Contract / Enhancement/Violation (PCVE)			Loss of Organizational Loyalty			Reduced Work Effort			Organizational Citizenship Behaviour		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Demographic Characteristics:												
Age	-0.048 Table 25	0.00	-0.048	0.124 Table 25	0.001 App5	0.125	0.096 Table 26	0.019 App5	0.115	0.148* Table 27	-0.002 App5	0.146*
Income	0.009 Table 25	0.00	0.009	-0.052 Table 25	-0.002 App5	-0.054	0.806 Table 26	-0.000 App5	0.806	0.069 Table 27	0.000 App5	0.069
Merger Role (Acquired)	0.000	-0.373# App 5	-0.372	0.000	0.244# App 5	0.244	0.000	0.133 App 5	0.133	0.000	-0.465# App 5	-0.465
Determinant Variables												
Perceived Trust	0.254*** Table 13	0.000	0.254***	-0.338* Table 13	-0.069 App5	-0.407*	-0.051 Table 17	-0.099 App5	-0.150	-0.003 Table 21	0.010 App5	0.097
Perceived Job Security	0.351*** Table 14	0.000	0.351***	-0.054 Table 14	-0.095 App5	-0.149	0.078 Table 18	-0.137* App5	-0.059*	0.048 Table 22	0.014 App5	0.062
Perceived Job Satisfaction	0.236* Table 15	0.000	0.236*	0.024 Table 15	-0.064 App5	-0.040	0.004 Table 19	-0.092 App5	-0.088	0.871 Table 23	0.009 App5	0.880
Perceived Cultural Similarity	0.170** Table 16	0.000	0.170**	-0.059 Table 16	-0.046 App5	-0.105	-0.010 Table 20	-0.066 App5	-0.076	0.240* Table 24	0.070 App5	0.310*
Moderating Variable PCVE												
				-0.272* Table 14	0.000	-0.272*	-0.390** Table 18	0.000	-0.390**	0.039 Table 22	0.000	0.039
R ²		0.651* Table 12			0.352* Table 12			0.145* Table 12			0.060 Table 12	

*significant at 0.05 or lower ** significant at 0.01 or lower *** significant at 0.001 or lower # significant for certain variables

. Note: The table or appendix reference below each path coefficient represents the cross-reference to relevant Table and Appendix.

Table 28

4.5 Summary of Hypotheses and Findings

To assess whether the proposed model is supported I hereby summarized in Table 29 all hypotheses that have been developed in section 2.5 and checked them against the findings in section 4.3 and 4.4.

Hypotheses	Cross Refer.	Direction	Results
H1: Following M&A, all determinant variables are negatively related to the loss of organizational loyalty (positively related to the organizational loyalty).			
H1a: Following M&A, perceived trust of organization is negatively related to the loss of organizational loyalty (positively related to the organizational loyalty).	Table 13,28	Negative	Supported
H1b: Following M&A, perceived job security is negatively related to the loss of organizational loyalty (positively related to the organizational loyalty).	Table 14,28	Negative	Not Supported
H1c: Following M&A, perceived job satisfaction is negatively related to the loss of organizational loyalty (positively related to the organizational loyalty).	Table 15,28	Negative	Not supported
H1d: Following M&A, perceived cultural similarity is negatively related to the loss of organizational loyalty (positively related to the organizational loyalty).	Table 16,28	Negative	Not supported

H2: Following M&A, all determinant variables are negatively related to the reduced work effort (positively related to the work effort).

H2a: Following M&A, perceived trust of organization is negatively related to the reduced work effort (positively related to the work effort).	Table 17 28	Negative	Not supported
H2b: Following M&A, perceived job security is negatively related to the reduced work effort (positively related to the work effort).	Table 18 28	Negative	Supported
H2c: Following M&A, perceived job satisfaction is negatively related to the reduced work effort (positively related to the work effort).	Table 19 28	Negative	Not supported
H2d: Following M&A, perceived cultural similarity is negatively related to the reduced work effort (positively related to the work effort).	Table 20 28	Negative	Not supported

Hypotheses	Cross Refer.	Direction	Results
H3: Following M&A, all determinant variables are positively related to the organization citizenship behaviour.			
H3a: Following M&A, perceived trust of organization is positively related to the organization citizenship behaviour.	Table 21 28	Positive	Not supported
H3b: Following M&A, perceived job security is positively related to the organization citizenship behaviour.	Table 22 28	Positive	Not supported
H3c: Following M&A, perceived job satisfaction is positively related to the organization citizenship behaviour.	Table 23 28	Positive	Not supported
H3d: Following M&A, perceived cultural similarity is positively related to the organization citizenship behaviour.	Table 24 28	Positive	Supported

H4+5: Under the influence of M&A, an individual employee's psychological contract for the determinant variables will moderate the relationship between the determinant variable and the behavioural variables.

H4a: Following M&A, perceived trust of organization is negatively related to the psychological contract violation (positively related to PCVE).	Table 13,17,21 28	Negative**	Supported
H4b: Following M&A, perceived job security is negatively related to the psychological contract violation (positively related to PCVE).	Table 14,18,22 28	Negative**	Supported
H4c: Following M&A, perceived job satisfaction is negatively related to the psychological contract violation (positively related to PCVE).	Table 15,19,23 28	Negative**	Supported
H4d: Following M&A, perceived cultural similarity is negatively related to the psychological contract violation (positively related to PCVE).	Table 16,20,24 28	Negative**	Supported
H5a: Following M&A, psychological contract violation is positively related to the loss of loyalty (PCVE negatively related to Loyalty Loss).	Table 13,14, 15,16,28	Positive**	Supported
H5b: Following M&A, psychological contract violation is positively related to the reduced work effort (PCVE negatively related to Reduced work effort).	Table 17,18, 19,20,28	Positive**	Supported
H5c: Following M&A, psychological contract violation is negatively related to the organization citizenship behaviour (PCVE is positively related to OCB).	Table 21,22 23,24,28	Negative**	Not supported

****the direction is reversed from that shown in PLS-Graph as PCVE is designed to measure psychological contract violation in a negative direction.**

Hypotheses	Cross Refer.	Direction	Results
H6: The direct effect of all determinants on the employees of the acquired company differs significantly and negatively from that on the employees of the acquiring company.			
H6a: Under M&A, role of “being acquired” is negatively related to the Perceived Trust of Organization.	Table 13,17, 21,28	Negative	Supported
H6b: Under M&A, role of “being acquired” is negatively related to the Perceived Job Security.	Table 14,18, 22,28	Negative	Supported
H6a: Under M&A, role of “being acquired” is negatively related to the Perceived Job Satisfaction.	Table 15,19 23,28	Negative	Supported
H6a: Under M&A, role of “being acquired” is negatively related to the Perceived Cultural Similarity.	Table 16,20 24,28	Negative	Supported

Table 29 Summary of Hypotheses and Findings

Although the present findings provided considerable support for the proposed model, the specific linkages in the model received differential degrees of support. In interpreting the results of my tests on various hypotheses I would like to base on Table 28 (both part A and B) which summarises all our findings on the relationship among the variables used in this model. Moreover, I would like to start with those exogenous variables exhibiting both direct and indirect effects. The reason why I mentioned these indirect effects first is that in the interpretations of the results of other hypotheses, the indirect effect is playing a role in addition to the direct effect.

First thing I noted is the strong support exhibited by all determinant variables for Hypothesis 6 (H6a, H6b, H6c and H6d) which predicts that the direct effect of all determinants to the employees of the acquired company differs significantly and negatively from that to the employees of the acquiring company. In this research, the In-group variable MArole (Merger role) was designed to measure the degree of

employees' status being within the group of "acquired company". MArôle is showing negative relations to all determinant factors means that Perceived Trust, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity is lower for employees coming from the acquired company than those from the lead company. This phenomenon suggests that the Merger role factor is strongly impacting the employees' perceptions of Trust on Organization, Job Security, Job Satisfaction and Cultural Similarity following M&A. Despite this prima facie direct effect, I also noted, during the evaluation of its indirect path effect (Appendix 5), that MArôle also have indirect effect on all other behavioural variables and the moderating variable PCVE as well. The most significant indirect effects of MArôle noted in Appendix 5 are:

- Merger role on PCVE through Job Satisfaction (Appendix 5 - Path 7) – coefficient -0.1038
- Merger role on PCVE through Job Security (Appendix 5 - Path 7) – coefficient -0.1393
- Merger role on Loss of Loyalty through Perceived Trust (Appendix 5 - Path 8) – coefficient +0.118
- Merger role on Organizational Citizenship Behaviour through Job Satisfaction (Appendix 5 - Path 10) – coefficient -0.383

This means following M&A, from the perspective of job satisfaction and job security, employees' from the acquired company are less likely to feel the psychological contracts will be enhanced (more likely to think that they will be violated). From the perspective of organizational trust, employees' from the acquired company are more likely to lose loyalty to the new organization. Following M&A, from the perspective of job satisfaction, employees from the acquired company are likely to display less organizational citizenship behaviour.

Next, the positive correlations of PCVE to all determinant variables (Perceived Trust, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity) received very strong support, particularly with Perceived Trust and Perceived Job Security. In addition, the effect of PCVE on Loss of Organizational Loyalty and Reduced Work Effort are both negative and significant. Only the effect of PCVE on Organizational Citizenship Behaviour is showing weak

support but the positive direction is consistent with that in Hypothesis H5c. Hypothesis 4+5 forecasts that an individual employee's psychological contract for the determinant variables will moderate the relationship between the determinant variable and the behavioural variables. The general strong supports received from all variables substantiate my hypotheses (H4a, H4b, H4c, H4d, H5a and H5b) to confirm the moderating role of psychological contracts. Only hypothesis H5c is invalid by reason of insignificance. On the other hand, from the indirect effect exhibited in Table 28 the moderating indirect effect of PCVE is strongly shown on Perceived Job Security with Reduced Work Effort – coefficient -0.137.

From the indirect paths analysed in Appendix 5, it is evident that the indirect effects of all determinant variables to all behavioural variables are sourced from PCVE as well as the Merger role factor. However, all indirect effects are not very significant except for Perceived Job Security with Reduced Work Effort as mentioned above.

Hypothesis 1 predicts that all determinant variables (Perceived Trust of Organization, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity) are negatively related to the Behavioural Variables – Loss of Organizational Loyalty. From Table 28, the total effects of the four determinants are exhibiting negative correlation with Loss of Organizational Loyalty although only Perceived Trust is showing significant support. This suggests that from an appraisal of direct effect on our model, only Perceived Trust's negative effect on Loss of Organizational Loyalty is strongly supported.

Apparently, all the indirect effects are not significant. However, apart from Perceived Trust, the indirect effects on all other three determinants are comparable to the direct effects. An interesting point is noted - the path coefficient of direct effect Perceived Job Satisfaction on Loss of Organizational Loyalty is a weak positive (opposite to hypothesis 1) but its effect is turn-around by the indirect effect which comes from PCVE and Merger role as mentioned above. However, the low path coefficient, though exhibiting an opposite direction to our hypothesis, is not strong enough to change this hypothesis to the opposite direction. I interpreted this phenomenon as one where employees' loyalty to firm is used to be low and inert to the change in job security (this will be discussed in Chapter 5) but following M&A

when employees think of possible job dissatisfaction that will occur, the psychological contracts effects through equity adjustments (1965) to bring up the loss of loyalty to the firm.

Hypothesis 2 predicts that all determinant variables are negatively related to the Behavioural Variables – Reduced Work Effort. Perceived Job Security's negative effect on Reduced Work Effort is strongly supported. By scrutinizing the direct effects I noted that none of the determinants have a direct effect that is significant on Reduced Work Effort. Perceived Job Security and Perceived Job Satisfaction actually show a positive that is contrary to our hypothesis. However, the low path coefficients, though exhibiting an opposite direction to our hypotheses, are not strong enough to change our hypotheses to the opposite direction.

One special point was noted - the path coefficient of direct effect Perceived Job Security on Reduced Work Effort is a weak positive (opposite to hypothesis H2b) but its effect is turn-around by the strong indirect effect which comes from PCVE and Merger role as mentioned above. All other indirect effects are not significant.

Hypothesis 3 predicts that all determinant variables are negatively related to the Behavioural Variables – Organization Citizenship Behaviour. By scrutinizing the total effects, all correlations are consistency with hypothesis H3. However, the support is only significant between Perceived Cultural Similarity and OCB.

The path coefficient of direct effect Perceived Trust on Organizational Citizenship Behaviour is a weak negative (opposite to hypothesis H3a) but its effect is turn-around by the indirect effect which comes from PCVE and Merger role as mentioned above. All other indirect effects are not significant.

Both the direct and indirect effect of the two demographic variables, namely Age and Income, on PCVE , Loss of Organizational, Reduced Work Effort and Organization Citizenship Behaviour are not significant except for Age on Organizational Citizenship Behaviour – path coefficient +0.148 and $p < 0.05$. I interpreted that age and income level has no bearing on the post-merger behaviour

of employees following M&A except for OCB which was observed to be more followed by seniors by age.

- Summary

In this chapter, the hypotheses developed in Chapter 2 are tested using the methodologies outlined in Chapter 3. The hypotheses are developed to answer the broader research questions with respect to the impact of merger turbulence to the behaviour of employees, as posed in Chapter 2, which are:

- How do employees react to various impacts of changes from M&A?
- Does the existence of a psychological contract moderate employees' behaviour under the influence of M&A?

Based on the results of the statistical analysis, the research questions can be answered partially in the affirmative. The data suggested that items reliability and validity are strong for all variable constructs, I concluded that the variable constructs used in this are effectively operationalized by their indicators. To understand the weak correlation of the determinant variables to the behavioural variables (rendering the weak support of hypotheses H2a, H2c, H2d, H3a, H3b, H3c and H5c), further literature needs to be searched to complete this research analysis. To explore the findings further, the next chapter offers further explanation for unexpected findings, as well as the theoretical and practical implications of the results presented in this chapter.

Chapter 5. Discussion and Implications

This chapter presents and explains the results of the study, describe its limitations, and suggest possible future research directions.

The chapter consists of five sections. Section 5.1 contains a discussion of the results presented in Chapter 4. In the discussion the results of Chapter 4 are placed within the context of the current academic literature. Section 5.2 presents the findings that were not anticipated in my research, especially the atypical behaviours of Chinese employees in Hong Kong in comparison with the Western world where the psychological contract theories are concerned. Following an outline of the theoretical implications given in section 5.3, a discussion of the study's relevance to managers is presented in section 5.4. Next, the study's limitations are highlighted in section 5.5., followed by a discussion in section 5.6 of the generalizability of the model used in this research. Finally, the last section, 5.7, suggests possible directions for future research.

5.1 Discussion of Findings

Unanimously all participants in this research described the environment of their work place after a merger as “turbulent”. Inevitably during the integration process, conflicts between the members of two different teams were created. The impact of mergers on employees can be interpreted by the direct effect of the determinant variables upon the behavioural variables.

5.1.1 Employees' Loss of Loyalty in Organization

My finding that Perceived Trust of Organization negatively varies with Loss of Organizational Loyalty (total effect coefficient -0.407) is consistent with our discussion in sections 2.5.2.1 and 2.5.3.1 of the Literature Review (e.g. Ashford, Lee & Bobko 1989; Bell 1988; Levinson 1970). This phenomenon is consistent with the expectancy theory in that employees expect the value of the work they do to be reciprocated and to get the reward promised or implied. Hence, when they

think the new employer after merger is trustworthy, they will value them, remain in the job and act positively, thus leading to less loss of loyalty. From the scores marked on the research questions, I noted that participants placed high a weighting on integrity, consistency and fairness of employers in regard to building up their trust in the organization. This further enhances the assertions of Lawler (1973) and Wanous (1973) that a discrepancy between promised and received outcomes will likely cause employees to feel a sense of inequity and subsequently, job dissatisfaction

Perceived Job Security varies negatively with Loss of Organizational Loyalty. The result is consistent with the findings of Reilly, Brett and Stroh (1993), though the support is not strong for our hypothesis H1b. Note that the indirect effect (-0.095) is higher than the direct effect (-0.054), meaning that employees were slightly resistant to the job security problem following M&A, and the indirect effect of psychological contract breach or merger role comes into play to further increase the loss of loyalty of employees, especially those who come from the firm who had been acquired. If few participants lose organizational loyalty in a merger by reason of possible job insecurity, this may mean two possibilities: 1) the loyalty to the firm is low and robust; and 2) the loyalty to the firm is high and robust. These two extremes may be attributable to the atypical behaviour of employees, which is discussed in section 5.2.

Perceived Job Satisfaction exhibits a weak effect upon Loss of Organizational Loyalty (direct coefficient -0.024 and indirect coefficient -0.064), though the direction is consistent with our hypothesis H1c. The moderating indirect effect of PCVE is higher than the direct effect. The strongest opinion of participants mainly revolved around increased workload and less authority as a result of change of leadership. Some participants were disturbed by unfair treatment under the new policies. The strong moderating effect of PCVE reveals, to a certain extent, that new employers had failed to manage the expectations of employees after a merger. Based on the same argument as that holding for Perceived Job Security, I attributed the weak support to the atypical behaviour of employees, which is discussed in section 5.2.

A very weak effect was exhibited by Perceived Cultural Similarity from Loss

of Organizational Loyalty (total effect -0.105), though the direction is consistent with our hypotheses H1d. The moderating effect of PCVE was also weak (indirect effect -0.046). Participants expressed the opinion that flexibility is one of the characteristics of people working as regional officers in Hong Kong. Their job position exposes them to customers worldwide and they have had to learn and adapt every day. They adapt to new organizational culture rather than resist it.

5.1.2 Employees' Work Effort Reduced

The negative effect (total effect -0.15) of Perceived Trust of Organization upon Reduced Work Effort was anticipated but the support received is not strong. The indirect effect from Psychological Contract Violation (indirect effect -0.099) is also weak though it is higher than the direct effect. This implies that the direct impact of Perceived Trust may not affect employees' attitude towards work effort but the indirect effect of psychological contract breach does cause them to reduce work effort albeit the effect is trivial. From the scores marked on the returned questionnaires it seems that employees compromise neither in the time nor in the quality of their job. In my discussion in section 2.5.3.2 I pointed out that the literature we found mostly related to the impact of job insecurity in terms of reduced work done by employees. Little study was done to assess how the trust in the organization would affect the work effort of employees. I interpreted this, however, as atypical behaviour of employees in Hong Kong as discussed in detail in section 5.3.

Perceived Job Security varies negatively and strongly with Reduced Effort (total effect -0.059). Greenhalgh and Rosenblatt's (1984) proposition that individuals with job insecurity will exert less effort toward organizational goals is upheld. Meanwhile Brockner's (1988) opposite view that individuals who fear the insecurity of their job may exert more effort to demonstrate their worthiness to remain is not supported in this research. Note that, in this research, this effect was sourced from the indirect effect (-0.137) of both PCVE and M&A role factors, meaning that employees were inert to the job security problem following M&A; it was only the indirect effect of psychological contract breach or merger role coming into play that brought down the work effort of employees especially of those whose firm had been acquired. This indicates that in this research few participants reacted

negatively to a company merger by reason of possible job insecurity. Some participants expressed the view that they had confidence in their capability and were ready to compete. On the contrary, they would work more aggressively to earn the attention of the new bosses (Brochner's view seems upheld to a certain extent). Others expressed their insistence on upholding their quality of work and would not allow standards to dwindle, even though they might be vulnerable to a job loss. Some participants held the views that job opportunities in Hong Kong were abundant and to maintain a good career record for future jobs was more important than working negatively in a position.

Perceived Job Satisfaction exhibits a weak and negative effect (total effect -0.088) on Reduced Work Effort. Inconsistent with our hypothesis H2c, the direct effect is a positive (0.004). The moderating effect of PCVE (-0.092) outweighs the direct effect and turns the total effect into negative. Turnley and Feldman's (2000) suggestion (section 2.5.2.3) that job satisfaction is positively related to work effort (Rusbult et al., 1988) is not upheld in my research. The strongest opinions of participants mainly revolved around increased workload and less authority as a result of change of leadership. Some participants were disturbed by unfair treatment under the new policies. Notwithstanding this unfair treatment, participants did not compromise in their work effort as they preferred the maintenance of a good career record for future job to the stay and working negatively in a position.

A very weak effect was exhibited by Perceived Cultural Similarity on Reduced Work Effort (total effect -0.076). The results of Weber and Camerer (2000) were not replicated in my research. The moderating effect of PCVE was also weak (-0.066). Participants expressed the view that flexibility is one of the characteristics of people working as regional managers in Hong Kong. Their job position exposes them to customers worldwide and they have had to learn and adapt every day. They have never thought that cultural difference would be an obstacle in performing their duties.

5.1.3 Employees' Organizational Citizenship Behaviour ("OCB")

The positive effect (total effect 0.097) of Perceived Trust of Organization upon OCB was anticipated but the support received is not strong. My explanation is similar to that on the effect of Perceived Trust on Reduced Work Effort. This does not support our belief, as discussed in section 2.5.3.3, that OCB by its discretionary nature should be the first to be withdrawn by an individual in response to the treatment he/she has received (McLean Parks & Kidder 1994), as this response is likely to carry with it fewer negative repercussions than lowering in-role performance (Turnley & Feldman 2000). Moreover, the direct negative effect (-0.003) of Perceived Trust on OCB is inconsistent with our hypothesis H3a but this negative effect was out-weighted by the positive indirect effect (+0.010) of the moderating variable PCVE. This implies that the OCB of employees does not vary with their Perceived Trust of Organization following M&A. This is inconsistent with our discussion in section 2.5.3.3 that employees engage in OCB as a form of reciprocation, contingent upon the inducements received (Coyle-Shapiro 2002), and that employee reciprocity could be conceptualized as operating on a twin track: reactive reciprocation for present inducements, and proactive reciprocation for future inducements. Again, I interpreted this as atypical behaviour of employees in Hong Kong, as discussed in detail in section 5.3.

Perceived Job Security varies positively but weakly with OCB (total effect +0.062). This effect is consistent with the suggestions of Organ *et al.* (1990). The indirect effect of both PCVE and M&A role factors are strong. This indicates that employees are slightly resistant to the job security problem following M&A. This effect is further exacerbated slightly by the indirect effect of psychological contract breach or merger role. Few participants reacted negatively to a company merger by reason of possible job insecurity. Some participants feel it an obligation to proactively perform OCB irrespective of the jeopardy of job security. They prefer constructive work for group performance to just working negatively in the position.

Perceived Job Satisfaction exhibits a weak effect on OCB in that it varies positively with OCB (total effect +0.88). The moderating effect of PCVE is also positive but weak in Loyalty Loss and OCB (indirect effect +0.09). Turnley and Feldman's (2000) suggestion (section 2.5.2.3) that job satisfaction is positively

related to the performance of organizational citizenship behaviours (Bateman & Organ 1983; Organ & Konovsky 1989; Williams & Anderson 1991) is not upheld in my research. The strongest opinions from participants mainly revolved around increased workload and less authority as a result of change of leadership. Despite the adverse issue of job dissatisfaction, this did not affect their attitude towards people within the organizations and they felt it obligatory to embrace OCB for the sake of the business and the people.

A very strong and positive effect was exhibited by Perceived Cultural Similarity in relation to OCB (total effect 0.31). The moderating effect of PCVE was not strong (indirect effect 0.07). Participants expressed the view that communication among people was more effective when people thought alike with the same set of values. With more effective communication, OCB is better facilitated.

5.1.4 We against Them (The Merger In-group Variable)

The merger role (MA role – a positive measure of participants being in the group of the acquired company) has very strong and negative effects in relation to all four determinant variables: Perceived Trust, Perceived Job Security, Perceived Job Satisfaction and Cultural Similarity. This substantiates the idea that in a merger, employees from the acquired company are impacted upon more negatively than the employees from the acquiring company. Capron (1999) and Grubb and Lamb's (2000) findings are, thus, upheld. A participant commented that the development of cliques was inevitable when two entities merged into one. Employees from the company being acquired were more likely to be isolated and suppressed in job performance. They felt a loss of identity when their company was bought and their leaders left.

5.1.5 Effect of Age, Income and Economic Climate

Both the demographic variables Age, and Income prove not to be related to any of the variables other than Age having a positive and significant effect on OCB. This phenomenon is explained by the fact that seniors by age have more exposure to, and are more willing to embrace OCB.

On the other hand, in terms of the economic conditions discussed in section 2.5.4.3, my analysis in section 4.2 reveals that psychological contracts violations varies with economic climate significantly. The directions are both positive, for the scenario of a very good economy (average effect +0.731) and that of a very bad economy (average effect +0.547).

5.1.6 The Role of Psychological Contracts

The violations of Psychological Contract (measured negatively by PCVE in my model) in the proposed model has a dual role: a determinant variable having a direct effect on the behavioural variables, and a moderating variable having an indirect effect in moderating the effect of the determinant variables on the behavioural variables. As indicated by Table 28 (part B), the tests done in this research exhibit a very strong relationship of PCVE with all the determinant variables and all the behavioural variables except OCB.

As a determinant variable, it exhibits a significant but positive direct effect on Loyalty Loss (total effect 0.272) and Reduced Work Effort (total effect 0.39).

First, the theories of Levinson (1970) discussed in section 2.5.3.1, holding that following M&A people (employees) think it does not pay to be loyal, or to identify or invest themselves in an organization or its leadership, are confirmed. Also confirmed is Deal and Kennedy's (1982) argument that the bail-out, sell-out, termination of service and, finally, loss of position of influence and prestige of leaders when firms are being acquired and merged, impair the psychological contracts of employees and impair their loyalty to the firm.

Second, as discussed in section 2.5.3.2, my research result supports the theories of Greenhalgh and Rosenblatt (1984) that insecure individuals will exert less effort toward organizational goals as they are generally believed to become less enthusiastic about work and less willing to expend time and energy. On the other hand, the opposing view of Brockner (1988) that individuals who fear the insecurity of their job may exert more effort to demonstrate their worthiness to remain even if others must be let go, does not hold true in this research.

The weak negative direct effect of psychological contract violations (positive PCVE) on OCB was not anticipated in my research. The theories that emerged from section 2.5.3.3 seems not to have been upheld in my research. They include:

1. Employees engage in OCB as a form of reciprocation contingent upon the inducements received. This means that employee reciprocity could be conceptualized as operating on a twin track: reactive reciprocation for present inducements and proactive reciprocation for future inducements (Coyle-Shapiro 2002).

2. Under the influence of M&A, individuals are more likely to alter their citizenship behaviour if they believe that the system is inherently fair or unfair than when they believe a decision outcome is favourable or unfavourable (Bies & Moag 1986).

Again, I interpreted this as an atypical behaviour of employees in Hong Kong as discussed in detail in section 5.2.

As a moderating variable PCVE exhibits a significant and positive direct effect on Perceived Trust (total effect +0.254), Perceived Job Security (total effect +0.351), Perceived Job Satisfaction (total effect +0.236) and Cultural Similarity (direct effect +0.170). On the other hand, from the indirect effect exhibited in Table 28 the moderating indirect effect of PCVE is strongly shown on Perceived Job Security in relation to Reduced Work Effort – coefficient -0.137.

In response to section 2.5.2.1, this confirms the theories of Robinson (1996) who suggested that the relationship between trust and psychological contract breach was strong and multifaceted.

Next, the theory of Geber (1987) that job security is a worry factor that results in an immediate drop-off in productivity, and King's (2000) proposition that the individual's psychological contract for job security will moderate the relationship between job insecurity and the hypothesized behavioural outcomes, both of which are discussed in section 2.5.2.2, are also upheld.

Third, Turnley and Feldman's (2000) suggestion (section 2.5.2.3) that

psychological contracts mediate job satisfaction with the performance of OCB (Bateman & Organ 1983; Organ & Konovsky 1989; Williams & Anderson 1991), and job satisfaction in relation to work effort (Rusbult et al., 1988), are both confirmed.

Fourth, Bell's (1988) theory on cultural similarity (discussed in section 2.5.2.4) is also confirmed. As he suggested, employees feel a sense of powerlessness when they see their companies no longer existing or themselves no longer linked to the companies since the companies had given them status in the world. Psychological contracts played a role in moderating Perceived Cultural Similarity and employees' post-merger behaviour.

All in all, in M&A, from the findings of my research PCVE plays a critical role in moderating the Perceived Trust of Organization, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity of employees and their post-merger behaviours either in the way of losing loyalty to their employers or reducing their work effort.

5.2 Atypical Employees' Behaviour in Hong Kong - Special Attributes of Chinese Employees Impacted Upon by Mergers

The model I built up in this research and the theories that have emerged from it are all based on the constructs of psychological contracts that, together with perceptions of M&A impacts, are primarily sourced from Western researchers who have applied them in Western-culture models. While Hong Kong is a place where employees are predominantly Chinese, I anticipated there would be certain behaviour of employees that is not typical for my model.

Before I go ahead with my analyses it is necessary to articulate the differences of Western cultures against Chinese cultures. Researchers from a wide range of disciplines have studied with regard to values the Western cultures that mainly comprise of the cultures of U.S. and European developed countries (Yoo and Naveen, 2002; Kirkman and Shapiro, 2001; Briley et al, 2000). Alternatively, using a set of eastern as opposed to western values, in order to adequately capture

a social value system that was distinctly Confucian, other researchers (Bond, 1991a, b, 1996; Bond et al, 1992) have examined non-western cultures, specially the Chinese culture. In a longitudinal study covering 50 countries, Hofstede (1983) discovered that US Americans were individualistic rather than collectivist, relatively comfortable with uncertainty and ambiguous situations, valued assertiveness and other traditional “masculine” rather than “feminine” values, and tended not to accept hierarchy and the notion that some individuals in society have power and others do not. Meanwhile, other researchers found that US core values included individual achievement, self-reliance, a belief in equality of opportunity, competitiveness, hard work, materialism, informality, directness, timeliness and a belief that change is good (Daniels & Radebaugh, 1995; Griffin and Pustay, 1996; Harris and Moran, 1996).

With regard to China and other Asian societies where people of Chinese ethnicity inhabit, the ideology of Confucianism has been identified as the major force influencing Chinese values (Xing, 1995). Confucianism has had an impact on Chinese culture over 2000 years and is based on a framework for day-to-day, as well as business, relationships with others (Hill, 2007). As a moral system, Confucianism defines five relational virtues: humanity/benevolence, righteousness, propriety, wisdom, and trustworthiness (Peppas & Yu, 2007). In addition, Chinese values stress hierarchical norms, that is, how people should behave in the relationships of ruler/subject, father/son, husband/wife, elder/younger brother, and friend/friend (Peppas & Yu, 2007). With regard to business, Confucian ideology underlies organizational structure including superior/subordinate relationships, business etiquette and ceremony, as well as other types of work relationships (Xing, 1995). It has further been shown that face, reciprocity, long-term orientation, thrift and frugality are additional values that have an effect on Chinese social and business behaviours (Vatikiotis 1998; Papadimos 2002).

As revealed by some feedback from some participants, their expectations of employers depends on their relationship with employers. Hong Kong is highly westernized but is still Chinese. Ninety-three percent of my sample participants are Chinese. I have reason to infer that the traditional Confucian ethic plays a

major role in fostering the psychological contracts of employees.

Revisiting the literature review section on psychological contracts, the initial researches on psychological contracts in the USA focused on identifying various components of the psychological contract (Rousseau 1998a), and examining the negative consequences that arise when employees perceive that their organization has breached the contract by failing to fulfill one or more of their obligations (Robinson & Rousseau 1994). Westwood, Sparrow and Leung (2001) argued that while these early studies were informative and helped managers identify ways to better manage their domestic workforces, they still did not provide a complete picture of the challenges of (and potential solutions to) effectively managing the employee-employer relationship in other countries.

Though economic conditions play a major role in how psychological contracting evolves (given in section 4.2), it is commonly believed that cultural norms and values may influence the psychological contract perceptions that employees formulate. In relation to psychological contracts, management scholars have identified a number of socio-cognitive dimensions upon which countries may vary in their beliefs and values. Sparrow (1998) argues that national values will influence how employees interpret and process information regarding the content of their psychological contracts. Individual predispositions and motivations will also differ across countries, thereby influencing how employees approach work and/or their psychological contract with their employer. National culture can shape how individuals receive and process information within their environment (Shaw 1990). This can influence perceptions about employment expectations and obligations that define an individual's psychological contract with his/her organization. Hence, I thought it would be prudent to learn more about the differences between psychological contracts of Hong Kong employees and those of the Western world workforce before I concluded my research.

Revisiting Rousseau's research, in the book co-written by Schalk, three cultural factors were identified that may influence the nature of psychological contracts (Rousseau & Schalk 2000):

- Zone of negotiability – the degree to which employees (in their culture)

have the freedom to enter into exchange agreements;

- Extent to which a culture perceives promises as binding; and
- The way in which cultures go about identifying and interacting with in-groups (individuals that identify with one another based on some type of commonality) and out-groups.

The first two factors address the formation of psychological contracts. The zone of negotiability can be influenced by customs, laws and the status and family responsibilities of an employee. Promises, in more rigid cultures, are believed to indicate that someone will do something (and therefore are “binding”), whereas more relaxed cultures tend to have a loose interpretation of promise-making such that they only serve as an indication that the other party will “try” to do something (although the results is not guaranteed). The last factor affects the consequential behaviour under psychological contracts. While some individualistic cultures are very limiting in terms of who is considered to be the in-group (e.g. myself first), other, more collectivistic cultures are more accepting of a broader in-group (e.g. my team of employees) (Rousseau & Schalk, 2000).

Regarding zone of negotiability, a high proportion of the laws of Hong Kong originated in the British Law, and Hong Kong, under the reign of Britain in the past century, has already adopted the British law and policy systems which are typical of the Western world. As to “promise”, the law of Hong Kong is also observing the common law of the United Kingdom in interpreting all promises, verbally or written, expressed or implied. Hence, it sounds reasonable to deduce that there would not be material differences in the perceptions of psychological contracts between the Hong Kong employees and the western employees. Only the reactions of employees will show the differences between the Hong Kong employees and those of the Western world. In my research on Hong Kong,, nearly all hypotheses concerning the psychological contracts receive very strong support as predicted. This supports further my statement above. The “atypical” behaviour of Hong Kong employees comes from the last factor – the identification of in-groups and out-groups.

Before I go on to analyze the atypical behaviour of Hong Kong employees I would like to present the differences between Hong Kong values over and Western

values on the perception of, and the reaction to a psychological contract. As a capitalistic society, the Western world places an emphasis on individual outcomes.

The USA (typically Western) people tend to value personal achievement and short-term gain (Hofstede 1983). To maximize personal outcomes, USA workers often approach their employee-employer relationship with the mindset of “what have you done for me lately?” Consequently, USA culture is characterized by: a wide zone of negotiability, non-binding promises (unless they are in writing), and narrowly defined in-groups.

For Hong Kong people, the “Confucian values” (Hofstede & Bond 1988) that guide the Chinese in their daily life come into play. One key principle of Confucian teaching is that the family is the prototype of all social organizations. Ingrained in this principle is that a person is not primarily an individual, rather he or she is a member of a family. Children should learn to restrain themselves, to overcome their individuality so as to maintain the harmony in the family (if only on the surface) (Hofstede & Bond 1988). If Chinese culture views the company as a “family”, their reactions to psychological contract breach may be driven by a perceived obligation to maintain family harmony. Confucian values also stress that a person should take pride in what one does and demonstrate diligence in one’s own work (Oh 1991). This also may have implications for the obligations on which Chinese people place the most importance, and how the Chinese choose to respond to psychological contract breach if it is perceived. They may decide to continue to perform at a high level, even when the job characteristics may not be personally fulfilling. Thus, the Confucianism promotes a narrow zone of negotiability, binding promises, and a more broadly defined in-group. In my research, the feedback of participants has exhibited this attribute. Even though their scores on Psychological Contract Violation are very high (PCVE low), while their Loyalty Loss is high, generally they score average to low on reduced work done and average to high on OCB.

Kickul, Lester and Belgio (2004) analyzed the results from a sample of sixty American and seventy-six Hong Kong Chinese employees who completed in return the measures related to the psychological contract, job satisfaction, intention to leave, organizational commitment, job performance and OCB. They

suggested that American workers placed higher importance on, and perceived less breach of psychological contract outcomes than the Hong Kong employees. In addition, American employees responded more negatively to perceived breach of intrinsic outcomes (e.g. challenging and interesting work) while their Hong Kong counterparts responded more negatively to perceived breaches of extrinsic outcomes (e.g. salary and benefits). The result of my research is consistent with their findings: the effects of Perceived Trust, Perceived Job Security, Perceived Job Satisfaction and Perceived Cultural Similarity upon Psychological Contract Violation are very strong and negative, indicating that Hong Kong employees perceive a high breach of psychological contract outcomes. Their direct effects from the three behavioural variables, however, are generally weak, suggesting that while Hong Kong employees are negative to perceived breaches of psychological contracts outcomes, their behaviour is robust and less negative. In other words, work quality and quantity, and the attitude to embrace OCB will not be compromised by a breach in psychological contract. This behaviour is not for self-interest, but for the in-role group interest of family, working team, and so on. This is what Hofstede and Bond (1988) called the Eastern value of Confucian work dynamism. This value refers to a belief in the ordering of relationships by status and the importance of respecting tradition by giving credit to the larger collective for organizational successes. Ralston *et al.* (1993) found in their research that Hong Kong employees scored higher on this cultural dimension than their US counterparts.

Another atypical phenomenon was found among Hong Kong employees by Westwood *et al.* (2001). They found that Hong Kong Chinese people felt that the employee was more obliged to his/her employer than the employer was obliged to them. Not only are employees of Hong Kong seen as being obliged to work reliably, but also that they should seek to enhance performance and add value (Westwood, Sparrow & Leung 2001). Westwood *et al.* (2001) found that regardless of contract fulfillment (breach or not), 62 percent of the Hong Kong employees surveyed believe that they were strongly obliged to assist others, and 74 percent felt obligated to work extra hours in order to accomplish their work.

While a psychological contract breach of an intrinsic nature may frustrate

Hong Kong employees, it may be their Confucian values and beliefs that allow them to accept this specific type of breach. In order to preserve harmony and stability within the company and/or work group, Hong Kong employees may not over-react to breaches within their contract that focus on more individualistic or intrinsic factors (e.g. autonomy) of their job/role within the organization. Because Confucian values also emphasize that a person should take pride in and demonstrate diligence in one's own work (Oh 1991), many of the Hong Kong Chinese may continue to perform at the same level, regardless of an intrinsic psychological contract breach.

This atypical phenomenon among Hong Kong Chinese employees is consistent with the Confucian values mentioned in Oh (1991), and further explains the generally weak support in my model for the direct effect of a determinant variable upon the three behavioural variables, namely Loss of Organizational Loyalty, Reduced Work Effort and OCB. Thus, my hypotheses H2a, H2c, H2d, H3a, H3b, H3c and H5c are rendered invalid in this research.

Among the four hypotheses pertaining to the impact of M&A on Loss of Loyalty, only H1a is strongly supported.

The relationship with the employer breeds trust (or distrust) between employer and employee. This trust (or distrust) element directly affects an employee's feeling of PCVE, as shown by the high path coefficient between Trust and PCVE in Table 28 (Part B). In the employer he or she trusts, the employee has developed over years a sense of loyalty (or disloyalty). This is consistent with our results from the model in that Perceived Trust has a high positive effect on Loyalty (negative on Loss of Loyalty).

To explain the nullity of hypotheses H1b, H1c and H1d, I attributed them all to another atypical behaviour of Hong Kong employees – a general lack of loyalty to their organization. As the loyalty of employees to employers is generally low, this implies that employees might think, in the case of M&A, that they may be changing employers in any way (either leaving the firm or staying in the new merged firm), so the effect of possible job loss, job dissatisfaction and cultural similarity is irrelevant to them.

According to a survey conducted by ACNielsen from September 30 to October 10, 2005, interviewing 600 adults in Hong Kong and China, only 38 percent of the employed (aged 18+) is sure they are going to stay in the current job; while one in three is considering changing jobs and one in four is sitting on the fence. On the other hand, in the workforce in Mainland China, half of those surveyed claimed they would be staying and only one-fifth admitted that they are seeking an alternative job. The latest findings and analysis based on the ACNielsen Employee eQTM model indicate that not only is the strength of Hong Kong companies to retain staff weaker than both the Asia Pacific average and China, but also is the risk of losing staff is higher (ACNielsen 2005).

Hong Kong employees' potential dissatisfaction towards their employers can be partly attributed to the fact that a quarter of them consider their current salary, which is five percentage points higher than their counterparts in China, uncompetitive compared to other companies in the same industry. Despite the 41 percent who claimed their pay was competitive, that was another eight points lower than those in China (49 percent). Other alarming findings revealed in the ACNielsen Employee eQ study are that there were significant expectation gaps between the Hong Kong workforce and their employers. Accordingly, while employees regarded areas like Corporate Culture and Communications, Career Enhancement and Development for staff, and Appraisal and Recognition the most important factors for them to stay in a company, they felt their employers had instead done a better job only in pursuing corporate agendas like building corporate reputation and image, delivering company vision and maintaining business performance and stability (ACNielsen 2005).

Another report published by global research firm ISR reported that in a study of 32,700 Hong Kong employees, they are shown to have the lowest level of pride in their organizations compared with workers in Singapore, China, Thailand and Malaysia. The sample of 177,600 employees in the region shows Hong Kong companies need to work harder to improve relations with their staff or risk losing them (Lord 2004).

From the employers' perspective, another survey of Hong Kong employers was done by Hudson Company reported that 35 percent of respondents state that their staff leave within two years (Ramchandani 2007).

The difficulty of fostering loyalty to their organization among Hong Kong

employees is understandable for the following reasons:

- By world standards, unemployment in Hong Kong has been low, with only setbacks in 2003 to 2004 for well over decades.
- The increasing trend of formation of regional offices in Hong Kong has been providing ample opportunities for local managers.
- The economic restructuring of Hong Kong after the accession of China to the WTO, rendering many downsizes of multinational companies in Hong Kong

Thus, the general lack of loyalty has made the behaviour variable – Loss of Organization Loyalty – inert to the impact of potential job loss, job dissatisfaction and cultural clash. In addition, as some participants commented, employees' loyalty to employers depends on their relations, notwithstanding the jeopardy of job loss, job dissatisfaction and cultural clash.

To achieve revenue and cost synergy, many employers unilaterally re-deploy human resources and inevitably either increase the work load for, or take away certain responsibilities from employees. Participant employees revealed that, in their innermost feeling, this was a symbol of breaking the trust they built up with their former bosses. They would like to view employers as partners rather than their lords. To serve in the positions, they expected adequate authority to act, and independent power to do the job. Otherwise, their loyalty to employers would also be lost.

Finally, the negative effect of Age on PCVE reveals that younger employees have lower expectations of employers. The positive effect of Age on Reduced Effort and on Loyalty Loss is against my predictions. As shown in the Age distribution of our sample, the median age group is 31-40. Only 30.3 percent of participants is aged over 40. Hence, the aged group for this study is still far from retirement age. At this age, employees mostly have already served in executive positions and have worked closely with top management or ex-employers. The loyalty they have already fostered for their old employer may make them reluctant to accept the new leaders.

5.3 Theoretical Implications

This section will highlight for discussion the important theoretical implications arising from the study.

First, the results of this research are consistent with those of previous studies examining the direct outcomes of psychological contract violations (e.g. Robinson and Morrison, 1995; Robinson and Rousseau, 1994). Psychological contract violations were found to have a detrimental impact on all types of employee withdrawal behaviour examined here, namely, loss of organizational loyalty and reduced work effort. As to the performance of OCB, the impact is not strong. On the other hand, all determinant impact factors for merger turbulence have very significant outcomes on employees' perception of psychological breach.

Next, the results of this study also highlighted the inception of factors or theories not expected from, or not consistent with the theories of previous empirical research. Further research on the literature in this area helped to expose the atypical reactions of the employees in Hong Kong and to explain the apparent weak support for our hypotheses.

Specifically this study has identified the following five theoretical implications for employees of Hong Kong under the impact of M&A:

1. The most immediate determinant causing Loss of Organizational Loyalty is Perceived Trust of Organization and Psychological Contract Violation.

The employees in Hong Kong have characteristics of flexibility. They are Westernized but are still Chinese. The Confucian ethics still plays a major role in building up an employment relationship (Kickul, Lester & Belgio, 2001). The employment relationship in Hong Kong is a mix of the transactional and relational. Trust between employer and employee is of paramount importance in motivating employees to perform to maximal effectiveness and efficiency. To be effective, the employee must be given adequate information. This includes being in all aspects of the business, not just on a functional or need-to-do basis. Especially in the case of managers, they can't help as much as they might if they don't know the whole story. This means trust, which in turn means that the chemistry must be right. Anything done by the employer that would be perceived by the employee as

breach of trust would cause a feeling of psychological contract breach that would cause the employee to consider to leave or to betray the employer.

2. The most immediate determinant causing Reduced Work Effort is Psychological Contract Violation

Before the research it was anticipated that Perceived Trust and Perceived Job Satisfaction could have been linked, causing the employees to reduce work effort after a merger. The employee expects the employer to treat them as a partner, not a servant. If the employer really trusts the employee, the employee would expect to have adequate authority to act for the employer and that he or she would participate in major decision-making. Only if the employee has enough independent power to do the job and actively participate, will he or she feel job satisfaction. Only if the employee feels job-satisfaction, will he or she more aggressively put greater effort into contributing to the firm.

It is due to the Confucian values rooted within Hong Kong Chinese employees that their behavior has not varied with the four determinant variables as predicted. Confucian values and beliefs allow them to accept this specific type of breach. In order to preserve harmony and stability within the company and/or work group, Hong Kong employees may not over-react to breaches within their contract that focus on more individualistic or intrinsic factors of their job/role within the organization. Because Confucian values also emphasize that a person should take pride in and demonstrate diligence in one's own work (Oh 1991), many of the Hong Kong Chinese employees may continue to perform at the same level, regardless of an intrinsic psychological contract breach.

3. The most immediate determinant of OCB is Perceived Cultural Similarity

This is a direct cause-and-consequence as communication among people is more effective when people think alike with the same set of values in mind. With more effective communication OCB is better facilitated.

Again, it is due to the Confucian values rooted within Hong Kong

Chinese employees that their behavior has not varied with the other three determinant variables. Disregarding this, another issue to note is the possible impact of job insecurity and job satisfaction. Employees feeling the jeopardy of job loss and reduced job satisfaction will exhibit withdrawal behaviour. Employees feeling a high job security and job satisfaction will proactively plan and work for the sake of the employer. A good employee has a commitment to the organization, in turn, to contribute as if he or her were a citizen of the organization. Every citizen has a civil obligation to think and act to preserve the resources of the organization and to grow the business in anyway, anywhere and anytime. Employers espousing the idea of OCB should plan to cultivate the idea of OCB among employees. A critical procedure to instigate this idea is to ensure that employees do not feel the jeopardy of job loss and job-dissatisfaction.

4. Psychological Contract Violation (PCVE) moderates all determinants of post-merger behaviour of employees

Except for OCB, PCVE varies with all behavioural variables. Meanwhile, PCVE moderates the effects of all determinant variables (Perceived Trust of Organization, Perceived Job Satisfaction and Perceived Cultural Similarity) in relation to the behavioural variables, namely Loss of Organizational Loyalty, Reduced Work Effort and OCB.

This moderating effect, together with the direct effect of PCVE as a determinant for all behavioural variables, reflects the critical importance of PCVE in determining the post-merger behaviour of employees.

A direct implication for the employer pursuing merger activities is a proper management of the expectations of employees. Employees' expectation under the influence of M&A must be thoroughly assessed through all dimensions of, not only of legal contracts and implied contracts, but also psychological contracts.

5. Employees of the acquired company react more negatively than employees of the acquirer company.

Very strong evidence has been exhibited in this study that employees of the acquired company react more significantly and negatively compared with the work force member of the acquirer company.

From the time of the announcement of a merger to the completion of the integration phase, employees from the acquired company should be carefully attended, lest an impression is given of us-versus-them for differentiation with employees of the acquirer company.

The theoretical implications that have emerged from this study have provided insights to managers who make the decisions in merger activities and human resources policies. Details are discussed in the following section.

5.4 Managerial Implications

The results of this study have implications for Human Resources Management (“HRM”) on at least two fronts. The first is in the area of M&A. Many companies are not reaping the expected benefits from M&A. The findings here give empirical support to the idea that the negative perceptions produced by M&A among employees may work to lessen or eliminate any predicted gain from M&A. When strategy discussions include M&A as a potential course of action, it is up to HRM to make sure that organizations properly consider employee reaction. The outcomes of this study suggest that to simply forecast financial and productivity projections based on past performance is inadequate. HRM should advocate an analysis that considers and/or factors in some degradation of support from employees who remain after M&A. A good question to ask is “Will the action still be profitable considering it is likely to cause adverse perception among employees?”

The second implication is in the area of Psychological Contract. The role of psychological contract has been assessed empirically in this research. The results here indicated that the negative reactions that have been theorized and found to be associated with perceived distrust, job insecurity, job dissatisfaction and cultural clash are influenced by the psychological contract. Given these results, the HRM should be concerned with and exert effort to avoid creating a psychological contract or limiting it if it exists. It is still incumbent upon HRM to ensure that an

organization's policies and procedures do not unnecessarily legally obligate it to provide more job security and job satisfaction than intended. The limiting of unintended psychological contracts, however, has been seen as an important goal in and of itself.

5.5 Limitations

This research has limitations in that there may be some other factors that have interacted with M&A effects but not been identified and isolated out. Say, an employee may have a personal dislike of the new settings and thereby under-performs others. While this research focuses on four major factors impacting on employees within the turbulence of M&A, it is important to remember that a psychological contract can exist around an infinite number of perceived obligations beyond these four factors. Though I believe these four major factors already cover the expectations of employees, in case any critical factors may have been overlooked, I encouraged in my presentation all participants to state if there was any other factor(s), other than the M&A effects, that may have moderated the respondent's performance. The feedback was nil. As the target respondents of this research are managerial staff, their ability to differentiate M&A effects from other effects is believed to be reliable.

As mentioned in the literature review section, different mergers may be of a different nature. Due to the resources constraints, namely the time and budget for this thesis, it will be impracticable to control for the nature of the mergers and do a finer analysis.

In this research we use cross-sectional studies for M&A activities in the past ten years. As the measurement of variables used in this research is a relative rather than an absolute one, in that managers are requested to compare post-merger psychological contracts with pre-merger expectations, the feasibility and validity of the expected research findings are unlikely to be impaired, notwithstanding that the samples have occurred in different time frames. In spite of this fact, the significant time-lag between the merger event and the sample is a de-facto limitation of this research.

Sample constraints form limitations in two ways: 1) owing to survey fatigue on the part of informants or the overwhelmingly narrow bracket of sample criteria requirements set in this research, it is highly difficult to secure a large sample for the research; 2) due to the resources constraints, namely the time and budget for this thesis, samples across the border covering other cultural backgrounds are impossible.

In the sample the R^2 for all the variables except OCB is high enough to allow them to be explained by exogenous factors. The R^2 for OCB is 0.06, lower than the significance level. The questions that this item invites need to be reviewed to enhance the construct validity. Ideally, the more items added to each construct in the model, the higher the R^2 and, therefore, the higher the probability that latent constructs can be explained by the exogenous factors.

5.6 Generalizability of the Model

As a control I have requested some colleagues and friends working in other areas to complete this survey instrument. Their responses have not been included in my samples as they do not fit our criteria as “officers working in Hong Kong”. Their input, however, will shed some light on generalizing this model geographically, across industry, business segments and the like.

Eleven employers from foreign countries including China, Taiwan, Korea, Singapore and the United Kingdom, and across five different industries and four multinational companies provided feedback. They showed a thorough understanding of the research questions and saw no points that could not be applicable to their country, industries or their business sectors and different professions.

The psychological contracts is itself a universal construct. It can be applied wherever there is a labour market. The model developed in this research is based on abstract constructs exploring the various perceptions of employees towards M&A. The questions in our survey instrument are probing their inner feelings and require no expertise to respond. The population for sampling is considered

homogenous - employees all over the world are vulnerable to merger influence. Hence, the generalizability of the model for our research is likely to be very strong.

5.7 Further Research Directions

There are many possible future research directions. The discussion below focuses on three prominent options

1) profile of participant

This small project is limited in scope to cover local Hong Kong employees. Further contribution could be made by relaxing the selection criteria to cover employees of other locations, regions and countries, and of any race. If this could be done, the employees' different actions could be compared. Global strategy could, thus, be customized in managing employees of different races and in different locations.

2) construct refinement

In this research the low R^2 for the construct OCB is not high enough to allow it to be explained by exogenous factors. Also, the original constructs Perceived Cultural Similarity received a low measure of item reliability demonstrating that there is room for improvement in devising this construct.

3) expanding the determinant variables

This study used the four major determinants that the researcher believes to have covered substantially the major influence of M&A turbulence on employees' behaviour. The literature in this area provided other factors that may affect employees as well. Business philosophy, for example, plays a role. Employees' of profit-making companies could react differently from those working for non-profit-making companies. This provides a vast area of research interest where in fact a finite number of empirical studies can be done by expanding the determinant variables.

Chapter 6 Conclusions

The results of this study give empirical support to the assertions that under the impact of merger turbulence employees who perceived less trust of employers, job insecurity, job dissatisfaction and cultural clash exhibit withdrawal behaviour in performing their job duties. Robust results were found that indicated: 1) employees who perceived less trust of their employers lose loyalty to them; 2) employees who are insecure about their jobs show less effort in their work; and 3) employees who perceived less cultural similarity between their new organization and their old ones exhibit less OCB. In other cases, the features are less remarkable: 1) the Confucian values and beliefs come into play to make employees demonstrate diligence in their job duties for the sake of the in-group; and 2) a general lack of loyalty to their organization emerges after recessionary and post-recessionary periods within which waves of company restructuring have transformed their employment from a long-term to a temporary or contract-based one. In all cases, however, the issue of perceived psychological contract breach does significantly affect the way employees deal with distrust of employers, job insecurity, job dissatisfaction and cultural clash.

The first contribution this research has made is that it examines the relevance of a psychological contract in a non-Western geographical region. Next, the study clearly confirms some of the existing conceptualization regarding psychological contracts and reveals some additional insights, particularly in light of their consideration in a non-Western socio-cultural context.

This Post-Merger Behavioural Model is integrating the adverse impact of merger turbulence and psychological contracts theories, while incorporating those variables found to consistently explain and predict the behaviour of employees across studies. Most previous empirical studies have only explored employees' reactions to a certain dimension within M&A turbulence: for example, Organization Trust by Robinson (1996), Job Security by King (2000), Job Satisfaction by Turnley and Feldman (2000) and Cultural Similarity by Logan and Mikes (2002). My research provides a multi-faceted lens to explore the major adverse impact of merger turbulence on employees.

The researcher conducted this small project, with the powerful tool PLS-Graph, to assess, in the context of M&A, the intertwining relationships of various factors affecting employees' reactions towards the looming drastic changes occurring of organizations. In PLS-Graph it is possible to model indirect as well as direct effects. This feature is unique, and indeed, have made this model unique in indicating, apart from the obvious direct effect predicting the causal relationship between two variables, the indirect effect of other variables that may affect the observable results of this relationship.

The model is original and, based on the results of this study, suitable for measurement and prediction of employees' behaviour after merger. The researcher believes this model can be generalized across geopolitical areas, across industries, business segments and functions. The researcher aspires that this model will be used in the futures on a large scale either to explore whether other factors will be impacting on employees or to predict post-merger behaviour of employees under the influence of M&A.

End of Thesis

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Appendix 1. Questionnaire

(Letterhead)

POST-MERGER EMPLOYEE BEHAVIOURAL MODEL QUESTIONNAIRE

Date: 11 February, 2008

Dear Participant:

While trillions of dollars have been spent in the acquisitions of tens of thousands of firms in the past 20 years, empirical studies on the value created by merger activities to the firms and its shareholders showed mixed to negative results. Scholars and researchers in this field suggested that people element is paramount in determining the success or failure of a merger. Using the construct of “psychological contract”, the focus of this study is to ascertain, based on empirical evidence, how do mergers and acquisitions affect the psychological contracts of employees that lead to post-merger changes in jobs attitudes of employees

Your participation in this research study is very much appreciated. The completion of this questionnaire is very important and should take you less than 15 minutes to complete. It is my hope that the timely completion and return of this questionnaire is representative of your interest in understanding how employees react to M&A activities and how to predict their post-merger behaviour.

Please be open and candid with your responses. All information you provide will be strictly confidential. Furthermore, your responses will only be presented in aggregate and no single firm’s results will be highlighted. Firm demographics will be used for comparative purposes only. Please make sure to complete all items in the questionnaire.

The questionnaire contains 64 questions that have been designed for your convenience. There is minimal writing required for the survey; however, if you wish, you may record any comments regarding the study in the space provided at the end of the questionnaire.

These results will also be available to you should you wish to follow up on this research. If you wish to withdraw from the study at any time you may do so by contacting me. Again, thank you for your participation and if you have any questions or concerns please do not hesitate to contact me directly at 852-90345156.

Sincerely,

Dominic Fong FCPA, FCCA, MBA
Project Director and Principal Investigator
Supervisor: Dr Peter Galvin, Graduate School of Business

(Letterhead)

PARTICIPANT INFORMATION SHEET

1. Invitation

You have been invited to participate in a study about employees' behaviour under the influence of mergers and acquisitions, and in particular about the role of psychological contract in affecting their post-merger behaviour. The research is being conducted through Curtin University of Technology.

2. What is the purpose of the study?

The purpose of the study is to explore the role of psychological contract in explaining and predicting the behaviour of employees vulnerable to organizational changes as a consequence under mergers and acquisitions. The study will be carried out within Hong Kong on the employees holding positions in the regional offices of multinational companies situated within Hong Kong.

3. Do I have to take part and what do I have to do?

Participation in the project is voluntary and completion of the survey is taken to imply consent as to your participation in this research. If you wish to participate in this research, please complete the survey questionnaire and return it as per the instructions.

4. What are the possible benefits of taking part?

The key aim of the project is to provide, by focusing on the people elements, insights for multinational organizations to implement M&A successfully across Asia-Pacific regions. The project has the potential to deliver the following benefits to government, industry, the community and academia, by improving our understanding of:

- Employees' perceptions of M&A.
- Key determinants of employees' contribution under the influence of M&A.
- The role of psychological contract within an organisations.
- Effective human resource management in implementing policies in the integration stage of M&A.

5. Will my taking part in this study be kept confidential?

The research will be conducted in accordance with Curtin University of Technology's Code of Conduct for the Responsible Practice of Research, as well as the guidelines of the Australian National Health and Medical Research Council's National Statement on Ethical Conduct in research. In particular, anonymity and confidentiality will be assured at all times. Participants have a right to confidentiality over data and no data will be made available to anybody other than myself and the research supervisors except in summarised and collated form (thus ensuring that it will not be able to identify any individuals). All returned questionnaires will be held securely and managed in accordance with Curtin University of Technology's research ethical requirements.

6. What will happen to the results of the study?

The information you provide will be published in a doctoral dissertation. It will also be used to write academic papers for publication in academic and industry-based journals and/or presentation at conferences.

7. Contact for further information.

If you have any concerns or further questions, please do not hesitate to contact Dominic Fong, Doctor of Business Administration student at the Graduate School of Business, Curtin University of Technology on 852-90345156 or siu.fong@postgrad.curtin.edu.au. Alternatively you may contact the supervisor of this research – Associate Professor Peter Galvin at Peter.Galvin@gsb.curtin.edu.au

This study has been approved by the Curtin University Human Research Ethics Committee (Approval Number HR 167/2007). If needed, verification of approval can be obtained either by writing to the Curtin University Human Research Ethics Committee, c/- Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth, 6845 or by telephoning 92662784 or by emailing hrec@curtin.edu.au.

(Letterhead)

POST-MERGER EMPLOYEE BEHAVIOURAL MODEL QUESTIONNAIRE

GENERAL INFORMATION

In this research the psychological contract is defined as individual's beliefs regarding the terms and conditions of an exchange agreement between themselves and their organizations. The impact of organization mergers and acquisitions (hereinafter called "M&A") on employees is multi-dimensional. This research seeks to identify the key dimensions that affect the post-merger behaviour of employees and relate this to the role of psychological contract for explanatory and predictive purposes

QUESTIONNAIRE ITEMS: INSTRUCTIONS

(All the following questions address to your perception of your new employer firm after M&A. Please make sure to answer each question and circle(OR UNDERLINE IF YOU WANT TO RETURN BY SOFTCOPY) the correct response [1 = Strongly disagree, 7 = Strongly agree] based on how you feel about the statement)

SECTION A: TRUST IN YOUR ORGANIZATION

	Strongly disagree						Strongly agree
"I believe my employer has high integrity."	1	2	3	4	5	6	7
"I can expect my employer to treat me in a consistent and predictable fashion."	1	2	3	4	5	6	7
"My employer is always honest and truthful."	1	2	3	4	5	6	7
"In general, I believe my employer's motives and intentions are good."	1	2	3	4	5	6	7
"I think my employer treats me fairly."	1	2	3	4	5	6	7
"My employer is open and upfront with me."	1	2	3	4	5	6	7
"I am sure I fully trust my employer."	1	2	3	4	5	6	7

SECTION B: JOB SATISFACTION POST M&A

	Strongly disagree						Strongly agree
"I do not feel my status and former sphere of influence has been impaired."	1	2	3	4	5	6	7
"I do not feel my workload has been added because some people leave."	1	2	3	4	5	6	7
"In general, I am satisfied with my job."	1	2	3	4	5	6	7

(Letterhead)

SECTION C: JOB SECURITY POST M&A

	Strongly disagree						Strongly agree
“I am sure I shall not be laid off shortly after M&A.”	1	2	3	4	5	6	7
“I am sure I shall not be ever laid off after M&A.”	1	2	3	4	5	6	7
“I am sure I shall not be forced to take early retirement after M&A.”	1	2	3	4	5	6	7

SECTION D: CULTURAL SIMILARITY OF FIRMS

	Strongly disagree						Strongly agree
After M&A the newly merged organization uphold to the same extent the following values as the old organization:							
“A corporation should have a major responsibility for the health and welfare of its employees and their immediate families.”	1	2	3	4	5	6	7
“Competition among employees usually does more harm than good.”	1	2	3	4	5	6	7
“Employee lose respect for a manager who asks them for their advice before he makes a final decision.”	1	2	3	4	5	6	7
“Employees in industry should participate more in the decision made by management”	1	2	3	4	5	6	7
“Most employees in industry prefer to avoid responsibility, have little ambition and want security above all ”	1	2	3	4	5	6	7

SECTION E: PSYCHOLOGICAL CONTRACT

In terms of the following dimensions, to what extent do you think your company has violated or enhance its promise to you or has not rewarded you to your expectations:

	Violate						Enhance
promotion and advancement	1	2	3	4	5	6	7
merit increase	1	2	3	4	5	6	7
performance incentive	1	2	3	4	5	6	7
long-term job security	1	2	3	4	5	6	7
career development	1	2	3	4	5	6	7

(Letterhead)

SECTION E: PSYCHOLOGICAL CONTRACT (Continued)

	Violate				Enhance		
training	1	2	3	4	5	6	7
sufficient power and responsibility	1	2	3	4	5	6	7
Rely upon these people in difficult circumstances	1	2	3	4	5	6	7

Note: As empirical studies suggested that the psychological contract of employees is affected by contemporary economic climate. Please re-score for the following scenario:

Scenario A: If the economic conditions are very poor at the time of M&A

In terms of the following dimensions, to what extent do you think your company has violated or enhance its promise to you or has not rewarded you to your expectations:

	Violate				Enhance		
promotion and advancement	1	2	3	4	5	6	7
merit increase	1	2	3	4	5	6	7
performance incentive	1	2	3	4	5	6	7
long-term job security	1	2	3	4	5	6	7
career development	1	2	3	4	5	6	7
training	1	2	3	4	5	6	7
sufficient power and responsibility	1	2	3	4	5	6	7
Rely upon these people in difficult circumstances	1	2	3	4	5	6	7

Scenario B: If the economic conditions is much better at the time of M&A

In terms of the following dimensions, to what extent do you think your company has violated or enhance its promise to you or has not rewarded you to your expectations:

	Violate				Enhance		
promotion and advancement	1	2	3	4	5	6	7
merit increase	1	2	3	4	5	6	7
performance incentive	1	2	3	4	5	6	7
long-term job security	1	2	3	4	5	6	7

(Letterhead)

SECTION E: PSYCHOLOGICAL CONTRACT (Continued)

	Violate				Enhance		
career development	1	2	3	4	5	6	7
training	1	2	3	4	5	6	7
sufficient power and responsibility	1	2	3	4	5	6	7
Rely upon these people in difficult circumstances	1	2	3	4	5	6	7

SECTION F: CHANGES IN ORGANIZATIONAL LOYALTY

	Strongly agree				Strongly disagree		
“If I had to choose all over again, I would take a job with this company.”	1	2	3	4	5	6	7
“I would recommend this company to a friend as good place to work.”	1	2	3	4	5	6	7
“I would be willing to spend the rest of my career working for this company.”	1	2	3	4	5	6	7
“I feel a sense of pride working for this company”	1	2	3	4	5	6	7

SECTION G: CHANGES IN WORK EFFORT

	Strongly agree				Strongly disagree		
“Spending 40 hours weekly or more at work is typical for me.”	1	2	3	4	5	6	7
“I spend effort to make sure the quality of my work is higher than my peers.”	1	2	3	4	5	6	7
“Even when I am not at work, I spend time thinking about ways to improve my company’s performance.”	1	2	3	4	5	6	7

SECTION H: ORGANIZATION CITIZENSHIP BEHAVIOUR

	Strongly disagree				Strongly agree		
“I give personal attention to subordinates who seem neglected.”	1	2	3	4	5	6	7
“I delegate responsibilities to subordinates to provide them with training opportunities.”	1	2	3	4	5	6	7
“I treat each subordinates as an individual.”	1	2	3	4	5	6	7
“I spend a lot of time coaching each individual subordinates who needs it.”	1	2	3	4	5	6	7
“I give newcomers a lot of help.”	1	2	3	4	5	6	7

(Letterhead)

SECTION I: DEMOGRAPHIC DETAILS

This part of the questionnaire is designed to collect demographic information about the respondents. Please respond to each question as indicated.

Please circle or underline your selection for information below:

Your ethnicity: a) Chinese b) American c) European d) other

Your age group: a) 18-30 b) 31-40 c) 41-50 d) 51-60 e) 60+

Your gender: a) male b) female

Your income group: (HK\$) a) 20000-p.m. b) 20001 to 40000p.m. c) 40001 to 60000 p.m. d) 60000+ p.m.

Do you have permanent residence in Hong Kong? a) Yes b) No

Over the past 2 years have you been living in Hong Kong for 75% or more of your time? a) Yes b) No

SECTION J: FIRM'S M&A EXPERIENCE

Please answer the following items with regards to your organization's M&A experience.

How many M&A activities your firm has had from 1998 up to now? _____

Note: If your firm has had multi-M&A activities in the past 10 years then you need to fill in one questionnaire for each M&A activity.

Year of M&A: _____ (the day when the M&A activity is conveyed to employees officially)

Your company's role: a) acquirer; b) acquired (please choose one)

(Letterhead)

OTHER COMMENTS AND FEEDBACK

If there are any comments you would like to make about your experiences following an M&A, please include them below. I also welcome feedback about the questionnaire.

Thank you very much for your time and cooperation in this study. Please make sure that you have completed all items.

(Letterhead)

QUESTIONNAIRE COMPLETION

Once you have answered all the items, please return the survey to

siu.fong@postgrad.curtin.edu.au or send by facsimile to 852-31863678 or post it to :

Unit 2F, G/F, Smithfield Terrace, 71-77 Smithfield Road, Hong Kong
(Attn: Dominic Fong).

If you have any questions, please contact Dominic Fong on 852-90345156 (siu.fong@postgrad.curtin.edu.au).

SUMMARY COPY OF THE RESULTS

Please provide your name and address or enclose your business card if you would like a copy of the summary of the results.

Name: _____

Post
address: _____

City/Postcode: _____

Email
(for an electronic copy): _____

Please be assured that the above information will be used only so that we may send you a summary copy of the results, if desired. Once received, this page will be detached from the rest of the survey and kept separately from all completed questionnaires to ensure confidentiality. Alternatively, you may email me at siu.fong@postgrad.curtin.edu.au to request a copy of the summary results and the summary report so that no identifying information accompanies this questionnaire.

(Letterhead)

Participant Identification

For our further follow-up of any ambiguous area we may come across in your response please leave your business card or:

1.You name: _____

2.Address: _____

3.Email: _____ (if your street address is not available)

4.Telephone (optional): _____

5.Fascimile (optional): _____

Appendix 2. Correlations of latent variables with measuring items

Correlations of Latent Variables with Measurement Items		Effortr	Loyalty	OCB	PCVE
CU1	Pearson Correlation	-0.074	-0.168	0.201	0.184
CU4	Pearson Correlation	-0.141	-0.219	0.244	0.387
LL1	Pearson Correlation	0.402	0.824	-0.223	-0.486
LL2	Pearson Correlation	0.293	0.939	-0.215	-0.482
LL3	Pearson Correlation	0.162	0.841	-0.091	-0.462
LL4	Pearson Correlation	0.330	0.923	-0.201	-0.477
OC1	Pearson Correlation	-0.398	-0.089	0.672	0.105
OC2	Pearson Correlation	-0.344	-0.289	0.891	0.311
OC3	Pearson Correlation	-0.186	-0.136	0.829	0.138
OC4	Pearson Correlation	-0.166	-0.170	0.870	0.154
OC5	Pearson Correlation	-0.276	-0.128	0.881	0.156
PC1	Pearson Correlation	-0.296	-0.419	0.002	0.824
PC2	Pearson Correlation	-0.394	-0.471	0.060	0.878
PC3	Pearson Correlation	-0.357	-0.502	0.165	0.910
PC4	Pearson Correlation	-0.246	-0.445	0.250	0.830
PC5	Pearson Correlation	-0.300	-0.496	0.195	0.881
PC6	Pearson Correlation	-0.219	-0.374	0.244	0.672
PC7	Pearson Correlation	-0.152	-0.481	0.295	0.805
PC8	Pearson Correlation	-0.395	-0.193	0.221	0.517
RE1	Pearson Correlation	0.768	0.298	-0.232	-0.276
RE2	Pearson Correlation	0.834	0.112	-0.220	-0.240
RE3	Pearson Correlation	0.841	0.370	-0.311	-0.356
SA1	Pearson Correlation	-0.264	-0.344	0.140	0.648
SA2	Pearson Correlation	-0.070	-0.242	0.073	0.434
SA3	Pearson Correlation	-0.216	-0.508	0.228	0.648
SE1	Pearson Correlation	-0.227	-0.417	0.204	0.692
SE2	Pearson Correlation	-0.195	-0.241	0.116	0.411
SE3	Pearson Correlation	-0.099	-0.369	0.068	0.453
TR1	Pearson Correlation	-0.207	-0.492	0.001	0.580
TR2	Pearson Correlation	-0.250	-0.470	0.255	0.640
TR3	Pearson Correlation	-0.139	-0.479	0.083	0.654
TR4	Pearson Correlation	-0.095	-0.447	0.062	0.598
TR5	Pearson Correlation	-0.315	-0.458	0.246	0.569
TR6	Pearson Correlation	-0.218	-0.457	0.154	0.530
TR7	Pearson Correlation	-0.250	-0.469	0.195	0.551

Appendix 3.Bootstrap Outputs

BOOT PMB5

Output results with Construct Level sign change preprocessing:

Bootstrap raw data generated for Prof Mohammed Quaddus, PhD

Number of cases in full model: 102

Number of cases per sample: 102

Number of samples generated: 100

Number of good samples: 98

The following samples were not included in the calculations due to error detection:

30,44

Outer Model Weights:

	Original sample estimate	Mean of subsamples	Standard error	T-Statistic
Effort r:				
RE1	0.3817	0.3654	0.1190	3.2069
RE2	0.3616	0.3458	0.1560	2.3186
RE3	0.4818	0.4801	0.1258	3.8313
Loyalty :				
LL1	0.2665	0.2673	0.0276	9.6655
LL2	0.2892	0.2920	0.0179	16.1403
LL3	0.2988	0.2916	0.0318	9.3867
LL4	0.2788	0.2804	0.0175	15.9058
OCB :				
OC1	0.1427	0.1765	0.0723	1.9746
OC2	0.2959	0.2769	0.0313	9.4646
OC3	0.2282	0.2250	0.0378	6.0368
OC4	0.2311	0.2283	0.0331	6.9858
OC5	0.2837	0.2639	0.0425	6.6703
Age :				
age	1.0000	1.0000	0.0000	0.0000
Trust :				
TR1	0.1963	0.1879	0.2597	0.7559
TR2	0.3890	0.3459	0.2605	1.4935

第 1 頁

BOOT PMB5				
TR3	0.1701	0.1911	0.2409	0.7062
TR4	0.0935	0.0895	0.2178	0.4293
TR5	0.2441	0.2582	0.2486	0.9819
TR6	0.0211	-0.0059	0.2162	0.0976
TR7	0.0062	0.0053	0.2547	0.0243
Job Secu:				
SE1	0.9318	0.8834	0.1190	7.8326
SE2	-0.0768	-0.0795	0.1885	0.4074
SE3	0.1742	0.2228	0.1920	0.9072
Job Sati:				
SA1	0.4223	0.4154	0.1287	3.2808
SA2	0.0635	0.1003	0.1567	0.4051
SA3	0.6419	0.6141	0.1558	4.1196
Cultural:				
CU1	0.4142	0.3912	0.2137	1.9379
CU4	0.8549	0.8347	0.1365	6.2618
PCVE :				
PC1	0.1500	0.1511	0.0138	10.8449
PC2	0.1677	0.1664	0.0111	15.0644
PC3	0.1808	0.1781	0.0120	15.1239
PC4	0.1661	0.1676	0.0123	13.4636
PC5	0.1767	0.1706	0.0112	15.7558
PC6	0.1366	0.1317	0.0173	7.9148
PC7	0.1552	0.1563	0.0107	14.5015
PC8	0.1051	0.1037	0.0222	4.7394
MA Role :				
MArole	1.0000	1.0000	0.0000	0.0000
Income :				
income	1.0000	1.0000	0.0000	0.0000

Outer Model Loadings:

	Original sample estimate	Mean of subsamples	Standard error	T-Statistic
Effort r:				
(Composite Reliability = 0.856 , AVE = 0.664)				
RE1	0.7676	0.7593	0.0973	7.8894
RE2	0.8344	0.8137	0.1558	5.3564
RE3	0.8411	0.8392	0.0866	9.7163

BOOT PMB5

Loyalty :

(Composite Reliability =	0.934	, AVE =	0.780)
LL1	0.8243	0.8341	0.0478 17.2268
LL2	0.9395	0.9387	0.0128 73.3995
LL3	0.8407	0.8354	0.0407 20.6375
LL4	0.9230	0.9231	0.0164 56.3617

OCB :

(Composite Reliability =	0.918	, AVE =	0.694)
OC1	0.6724	0.7057	0.1035 6.4937
OC2	0.8912	0.9046	0.0223 39.9750
OC3	0.8291	0.8246	0.0492 16.8612
OC4	0.8703	0.8748	0.0274 31.7060
OC5	0.8811	0.8791	0.0241 36.6192

Age :

(Composite Reliability =	1.000	, AVE =	1.000)
age	1.0000	1.0000	0.0000 0.0000

Trust :

(Composite Reliability =	0.956	, AVE =	0.756)
TR1	0.8657	0.8207	0.0847 10.2211
TR2	0.9357	0.8856	0.0638 14.6583
TR3	0.8960	0.8592	0.0621 14.4292
TR4	0.8306	0.7985	0.0820 10.1321
TR5	0.8745	0.8439	0.0748 11.6856
TR6	0.8162	0.7769	0.1076 7.5878
TR7	0.8619	0.8145	0.0843 10.2283

Job Secu:

(Composite Reliability =	0.818	, AVE =	0.611)
SE1	0.9932	0.9727	0.0279 35.6092
SE2	0.6041	0.6059	0.1425 4.2382
SE3	0.6945	0.7039	0.1133 6.1278

Job Sati:

(Composite Reliability =	0.837	, AVE =	0.641)
SA1	0.8545	0.8410	0.0616 13.8668
SA2	0.5533	0.5682	0.1229 4.5026
SA3	0.9410	0.9235	0.0504 18.6590

Cultural:

(Composite Reliability =	0.702	, AVE =	0.557)
CU1	0.5319	0.5031	0.2336 2.2765
CU4	0.9119	0.8943	0.0981 9.2924

PCVE :

BOOT PMB5

(Composite Reliability = 0.932 , AVE = 0.639)

PC1	0.8235	0.8246	0.0438	18.7999
PC2	0.8783	0.8789	0.0277	31.7410
PC3	0.9101	0.9124	0.0142	64.1911
PC4	0.8299	0.8407	0.0519	15.9938
PC5	0.8809	0.8764	0.0250	35.2197
PC6	0.6715	0.6812	0.0791	8.4871
PC7	0.8053	0.8094	0.0412	19.5515
PC8	0.5172	0.5391	0.1065	4.8568

MA Role :

(Composite Reliability = 1.000 , AVE = 1.000)

MArole	1.0000	1.0000	0.0000	0.0000
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Income :

(Composite Reliability = 1.000 , AVE = 1.000)

income	1.0000	1.0000	0.0000	0.0000
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Path Coefficients Table (Original Sample Estimate):

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	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role										
Effort r	0.0000	0.0000	0.0000	0.0960	-0.0510	0.0780	0.0040	-0.0100	-0.3900	
0.0000	0.0060									
Loyalty	0.0000	0.0000	0.0000	0.1240	-0.3380	-0.0540	0.0230	-0.0590	-0.2720	
0.0000	-0.0520									
OCB	0.0000	0.0000	0.0000	0.1480	-0.0300	0.0480	0.0710	0.2400	0.0390	
0.0000	0.0690									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.3480	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.3970	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.4400	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.2440	0.0000									
PCVE	0.0000	0.0000	0.0000	-0.0480	0.2540	0.3510	0.2360	0.1700	0.0000	
0.0000	0.0090									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									

=====

BOOT PMB5

Path Coefficients Table (Mean of Subsamples):

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role Income										
Effort r	0.0000	0.0000	0.0000	0.1082	-0.1120	0.0881	0.0378	-0.0299	-0.3712	
0.0000	-0.0113									
Loyalty	0.0000	0.0000	0.0000	0.1217	-0.3496	-0.0636	0.0050	-0.0535	-0.2335	
0.0000	-0.0519									
OCB	0.0000	0.0000	0.0000	0.1418	-0.0156	0.0253	0.0991	0.2418	0.0152	
0.0000	0.0912									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
-0.3603	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
-0.3891	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
-0.4443	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
-0.2689	0.0000									
PCVE	0.0000	0.0000	0.0000	-0.0414	0.2762	0.3597	0.2200	0.1509	0.0000	
0.0000	0.0043									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									

Path Coefficients Table (Standard Error):

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role Income										
Effort r	0.0000	0.0000	0.0000	0.1111	0.2351	0.1751	0.2112	0.1268	0.1636	
0.0000	0.0992									
Loyalty	0.0000	0.0000	0.0000	0.1037	0.1470	0.1411	0.1677	0.1128	0.1672	
0.0000	0.0988									
OCB	0.0000	0.0000	0.0000	0.1248	0.2677	0.1587	0.2103	0.1223	0.1457	
0.0000	0.1198									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0864	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0703	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0628	0.0000									

BOOT PMB5									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0902	0.0000								
PCVE	0.0000	0.0000	0.0000	0.0748	0.0890	0.0944	0.1108	0.0699	0.0000
0.0000	0.0697								
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000								
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000								

Path Coefficients Table (T-Statistic)

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role										
Income										
Effort r	0.0000	0.0000	0.0000	0.8642	0.2169	0.4454	0.0189	0.0789	2.3845	
0.0000	0.0605									
Loyalty	0.0000	0.0000	0.0000	1.1957	2.2985	0.3827	0.1371	0.5233	1.6271	
0.0000	0.5263									
OCB	0.0000	0.0000	0.0000	1.1862	0.1121	0.3024	0.3376	1.9619	0.2677	
0.0000	0.5760									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4.0264	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
5.6467	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7.0060	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
2.7063	0.0000									
PCVE	0.0000	0.0000	0.0000	0.6415	2.8547	3.7189	2.1290	2.4330	0.0000	
0.0000	0.1292									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									

Appendix 4 Jackknife Outputs

JACK PMB5								
Job Secu:								
SE1	0.9318	0.9316	0.9480	1.2645	0.1252	7.5722	0.1771	5.3544
SE2	-0.0768	-0.0769	-0.0698	1.7359	0.1719	0.4059	0.2431	0.2870
SE3	0.1742	0.1742	0.1712	1.9695	0.1950	0.8780	0.2758	0.6209
Job Sati:								
SA1	0.4223	0.4222	0.4350	1.4856	0.1471	2.9571	0.2080	2.0910
SA2	0.0635	0.0636	0.0539	1.4333	0.1419	0.3798	0.2007	0.2685
SA3	0.6419	0.6418	0.6489	1.5709	0.1555	4.1722	0.2200	2.9502
Cultural:								
CU1	0.4142	0.4140	0.4294	1.9771	0.1958	2.1937	0.2769	1.5512
CU4	0.8549	0.8548	0.8635	1.2212	0.1209	7.1414	0.1710	5.0497
PCVE :								
PC1	0.1500	0.1501	0.1449	0.1278	0.0127	11.4461	0.0179	8.0936
PC2	0.1677	0.1677	0.1630	0.1064	0.0105	15.4829	0.0149	10.9481
PC3	0.1808	0.1808	0.1761	0.1222	0.0121	14.5578	0.0171	10.2939
PC4	0.1661	0.1660	0.1723	0.1212	0.0120	14.3657	0.0170	10.1581
PC5	0.1767	0.1767	0.1802	0.1230	0.0122	14.7955	0.0172	10.4620
PC6	0.1366	0.1366	0.1382	0.1738	0.0172	8.0309	0.0243	5.6787
PC7	0.1552	0.1552	0.1580	0.1077	0.0107	14.8100	0.0151	10.4723
PC8	0.1051	0.1051	0.1052	0.2490	0.0247	4.2673	0.0349	3.0175
MA Role :								
MArole	1.0000	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Income :								
income	1.0000	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
=====								
Outer Model Loadings:								
=====								
	Original	Mean of	Jackknife	Standard	Standard	T-Statistic	Standard	T-Statistic
	sample	subsamples	estimate	deviation	error		error	
	estimate				(adjusted)		(adjusted)	
Effort r:								
RE1	0.7676	0.7675	0.7744	0.8941	0.0885	8.7473	0.1252	6.1853
RE2	0.8344	0.8343	0.8396	0.6738	0.0667	12.5860	0.0943	8.8996
RE3	0.8411	0.8410	0.8516	0.6605	0.0654	13.0205	0.0925	9.2069
Loyalty :								
LL1	0.8243	0.8243	0.8217	0.4444	0.0440	18.6731	0.0622	13.2039
LL2	0.9395	0.9395	0.9438	0.1195	0.0118	79.7557	0.0167	56.3958
LL3	0.8407	0.8407	0.8447	0.4221	0.0418	20.2096	0.0591	14.2903
LL4	0.9230	0.9230	0.9250	0.1602	0.0159	58.3135	0.0224	41.2339

JACK PMB5								
OCB :								
OC1	0.6724	0.6726	0.6523	1.1013	0.1090	5.9819	0.1542	4.2298
OC2	0.8912	0.8912	0.8954	0.2955	0.0293	30.6000	0.0414	21.6375
OC3	0.8291	0.8291	0.8317	0.4768	0.0472	17.6178	0.0668	12.4577
OC4	0.8703	0.8703	0.8732	0.2848	0.0282	30.9679	0.0399	21.8976
OC5	0.8811	0.8811	0.8843	0.2524	0.0250	35.3889	0.0353	25.0238
Age :								
age	1.0000	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Trust :								
TR1	0.8657	0.8653	0.9016	0.7639	0.0756	11.9212	0.1070	8.4296
TR2	0.9357	0.9352	0.9845	0.4762	0.0471	20.8812	0.0667	14.7653
TR3	0.8960	0.8956	0.9414	0.5064	0.0501	18.7736	0.0709	13.2750
TR4	0.8306	0.8303	0.8652	0.7291	0.0722	11.9834	0.1021	8.4735
TR5	0.8745	0.8741	0.9165	0.6953	0.0688	13.3130	0.0974	9.4137
TR6	0.8162	0.8158	0.8553	0.9003	0.0891	9.5946	0.1261	6.7844
TR7	0.8619	0.8615	0.9024	0.6953	0.0688	13.1076	0.0974	9.2685
Job Secu:								
SE1	0.9932	0.9930	1.0095	0.1521	0.0151	67.0503	0.0213	47.4117
SE2	0.6041	0.6039	0.6219	1.3005	0.1288	4.8299	0.1821	3.4153
SE3	0.6945	0.6944	0.7087	1.2060	0.1194	5.9348	0.1689	4.1965
Job Sati:								
SA1	0.8545	0.8543	0.8708	0.6247	0.0619	14.0785	0.0875	9.9550
SA2	0.5533	0.5533	0.5550	1.2428	0.1231	4.5101	0.1740	3.1891
SA3	0.9410	0.9409	0.9546	0.4236	0.0419	22.7599	0.0593	16.0937
Cultural:								
CU1	0.5319	0.5317	0.5522	1.9512	0.1932	2.8582	0.2732	2.0211
CU4	0.9119	0.9118	0.9220	0.8909	0.0882	10.4521	0.1248	7.3907
PCVE :								
PC1	0.8235	0.8235	0.8209	0.4139	0.0410	20.0310	0.0580	14.1641
PC2	0.8783	0.8783	0.8766	0.2575	0.0255	34.3762	0.0361	24.3077
PC3	0.9101	0.9101	0.9077	0.1566	0.0155	58.5586	0.0219	41.4072
PC4	0.8299	0.8299	0.8271	0.4953	0.0490	16.8668	0.0694	11.9267
PC5	0.8809	0.8809	0.8758	0.2549	0.0252	34.7049	0.0357	24.5401
PC6	0.6715	0.6715	0.6707	0.7522	0.0745	9.0049	0.1053	6.3674
PC7	0.8053	0.8053	0.8043	0.4015	0.0398	20.2329	0.0562	14.3068
PC8	0.5172	0.5172	0.5221	1.2883	0.1276	4.0924	0.1804	2.8938
MA Role :								
MArole	1.0000	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Income :								
income	1.0000	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000

JACK PMB5

Path Coefficients Table (Original Sample Estimate):

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role										
Income										
Effort r	0.0000	0.0000	0.0000	0.0960	-0.0510	0.0780	0.0040	-0.0100	-0.3900	
0.0000	0.0060									
Loyalty	0.0000	0.0000	0.0000	0.1240	-0.3380	-0.0540	0.0230	-0.0590	-0.2720	
0.0000	-0.0520									
OCB	0.0000	0.0000	0.0000	0.1480	-0.0300	0.0480	0.0710	0.2400	0.0390	
0.0000	0.0690									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.3480	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.3970	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.4400	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.2440	0.0000									
PCVE	0.0000	0.0000	0.0000	-0.0480	0.2540	0.3510	0.2360	0.1700	0.0000	
0.0000	0.0090									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									

Path Coefficients Table (Mean of Subsamples):

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role										
Income										
Effort r	0.0000	0.0000	0.0000	0.0962	-0.0522	0.0775	0.0043	-0.0098	-0.3899	
0.0000	0.0056									
Loyalty	0.0000	0.0000	0.0000	0.1241	-0.3380	-0.0541	0.0230	-0.0586	-0.2719	
0.0000	-0.0517									
OCB	0.0000	0.0000	0.0000	0.1475	-0.0291	0.0476	0.0710	0.2397	0.0389	
0.0000	0.0694									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.3487	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.3972	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.4401	0.0000									

JACK PMB5									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
-0.2440	0.0000								
PCVE	0.0000	0.0000	0.0000	-0.0478	0.2539	0.3512	0.2357	0.1699	0.0000
0.0000	0.0094								
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000								
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000								

Path Coefficients Table (Jackknife Estimate):

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role Income										
Effort r	0.0000	0.0000	0.0000	0.0732	0.0698	0.1275	-0.0307	-0.0278	-0.3989	
0.0000	0.0426									
Loyalty	0.0000	0.0000	0.0000	0.1161	-0.3400	-0.0411	0.0240	-0.0956	-0.2849	
0.0000	-0.0847									
OCB	0.0000	0.0000	0.0000	0.1935	-0.1231	0.0856	0.0730	0.2727	0.0489	
0.0000	0.0284									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.2777	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.3782	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.4311	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
-0.2400	0.0000									
PCVE	0.0000	0.0000	0.0000	-0.0708	0.2619	0.3282	0.2697	0.1819	0.0000	
0.0000	-0.0286									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									

Path Coefficients Table (Standard Deviation):

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role Income										
Effort r	0.0000	0.0000	0.0000	1.2205	2.4883	1.7795	2.3369	1.2305	1.6242	
0.0000	1.2369									
Loyalty	0.0000	0.0000	0.0000	1.3247	1.8404	1.3928	2.2354	1.1808	1.8591	
0.0000	1.0635									
OCB	0.0000	0.0000	0.0000	1.3076	3.1064	1.4844	2.7225	1.4223	1.7172	

JACK PMB5

0.0000	1.2849									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.9424	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.8598	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.7146	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.9048	0.0000									
PCVE	0.0000	0.0000	0.0000	0.7858	1.0765	0.9578	1.2273	0.6959	0.0000	
0.0000	0.7431									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									

Path Coefficients Table (Standard Error):

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role										
Income										
Effort r	0.0000	0.0000	0.0000	0.1209	0.2464	0.1762	0.2314	0.1218	0.1608	
0.0000	0.1225									
Loyalty	0.0000	0.0000	0.0000	0.1312	0.1822	0.1379	0.2213	0.1169	0.1841	
0.0000	0.1053									
OCB	0.0000	0.0000	0.0000	0.1295	0.3076	0.1470	0.2696	0.1408	0.1700	
0.0000	0.1272									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0933	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0851	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0708	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0896	0.0000									
PCVE	0.0000	0.0000	0.0000	0.0778	0.1066	0.0948	0.1215	0.0689	0.0000	
0.0000	0.0736									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
0.0000	0.0000									

JACK PMB5									
PCVE	0.0000	0.0000	0.0000	0.1100	0.1507	0.1341	0.1719	0.0974	0.0000
0.0000	0.1041								
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000								
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000								

Path Coefficients Table (T-Statistic Adjusted)

	Effort r	Loyalty	OCB	Age	Trust	Job Secu	Job Sati	Cultural	PCVE	MA
Role Income										
Effort r	0.0000	0.0000	0.0000	0.4284	0.2003	0.5117	0.0937	0.1615	1.7539	
0.0000	0.2462									
Loyalty	0.0000	0.0000	0.0000	0.6258	1.3193	0.2109	0.0766	0.5784	1.0943	
0.0000	0.5686									
OCB	0.0000	0.0000	0.0000	1.0571	0.2829	0.4120	0.1914	1.3691	0.2034	
0.0000	0.1579									
Age	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Trust	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
2.1043	0.0000									
Job Secu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
3.1412	0.0000									
Job Sati	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4.3080	0.0000									
Cultural	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1.8946	0.0000									
PCVE	0.0000	0.0000	0.0000	0.6432	1.7376	2.4472	1.5691	1.8665	0.0000	
0.0000	0.2751									
MA Role	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									
Income	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000									

Appendix 5 Computation of Indirect Path Effect

Computation of Indirect Path Effect								
A reconciliation of Table 28 and the 14 analyses on the structural model								
X-Ref	Path	Cause Variable	Intervening variables		Consequence	Result of Sobel Test under section 3.5.5		
			From	Through		Through	To	Indirect effect Coefficient
	1	Age	PCVE		LLoyalty	0.001		
Table 25	path coeff.		-0.048		-0.027			Table 28
Table 25	T-statistics		0.6415		1.6271		0.080	Table 28
	2	Income	PCVE		LLoyalty	-0.002		
Table 25	path coeff.		0.009		-0.272			Table 28
Table 25	T-statistics		0.1292		1.6272		0.038	Table 28
	3	Age	PCVE		REffort	0.002	0.000	Table 28
Table 26	path coeff.		-0.048		-0.039			Table 28
Table 26	T-statistics		0.6415		2.3845		0.117	Table 28
	4	Income	PCVE		REffort	0.000		Table 28
Table 26	path coeff.		0.009		-0.039			Table 28
Table 26	T-statistics		0.1292		2.3845		0.022	Table 28
	5	Age	PCVE		OCB	-0.002	0.028	Table 28
Table 27	path coeff.		-0.048		0.039			Table 28
Table 27	T-statistics		0.6415		0.2677			Table 28
	6	Income	PCVE		OCB	0.000	0.006	Table 28
Table 27	path coeff.		0.009		0.039			Table 28
Table 27	T-statistics		0.1292		0.2677			Table 28
	7	MArole	Trust		PCVE	-0.088	1.426	
Table 13	path coeff.		-0.348		0.254			
Table 13	T-statistics		4.0264		2.8547			
		MArole	JSec		PCVE	-0.139	2.471	p<0.01
Table 14	path coeff.		-0.397		0.351			
Table 14	T-statistics		5.6467		3.7189			
		MArole	JSat		PCVE	-0.104	1.900	p<0.05
Table 15	path coeff.		-0.44		0.236			
Table 15	T-statistics		7.006		2.129			
		MArole	CS		PCVE	-0.041	0.751	
Table 16	path coeff.		-0.244		0.17			
Table 16	T-statistics		2.7063		2.433			
	Overall indirect path effects from Marole to PCVE					-0.373	1.637	Table 28
					sum of above	average of above		

Computation of Indirect Path Effect								
A reconciliation of Table 28 and the 14 analyses on the structural model								
X-Ref	Path	Cause V _i From	Intervening variables		Consequence To	Result of Sobel Test under section 3.5.5		
			Through	Through		Indirect effect	T-Statistics	X-ref
	8	MArole	Trust		LLoyalty			
Table 13	path coeff.		-0.348		-0.338	0.118		
Table 13	T-statistics		4.0264		2.2985		1.579	p<0.05
		MArole	JSec		LLoyalty			
Table 14	path coeff.		-0.397		-0.054	0.021		
Table 14	T-statistics		5.6467		0.3872		0.341	
		MArole	JSat		LLoyalty			
Table 15	path coeff.		-0.44		0.023	-0.010		
Table 15	T-statistics		7.006		0.1371		0.172	
		MArole	CS		LLoyalty			
Table 16	path coeff.		-0.244		-0.059	0.014		
Table 16	T-statistics		2.7063		0.5233		0.204	
		MArole	Trust	PCVE	LLoyalty			
Table 13	path coeff.		-0.348	0.254	-0.272	0.024		
Table 13	T-statistics		4.0264	2.8547	1.6271		0.414	
		MArole	JSec	PCVE	LLoyalty			
Table 14	path coeff.		-0.397	0.351	-0.272	0.038		
Table 14	T-statistics		5.6467	3.7189	1.6271		0.709	
		MArole	JSat	PCVE	LLoyalty			
Table 15	path coeff.		-0.44	0.236	-0.272	0.028		
Table 15	T-statistics		7.006	2.129	1.6271		0.544	
		MArole	CS	PCVE	LLoyalty			
Table 16	path coeff.		-0.244	0.17	-0.272	0.011		
Table 16	T-statistics		2.7063	2.433	1.6271		0.215	
Overall indirect path effects from Marole to Lloyalty						0.245	0.522	Table 28
						sum of above	average of above	
	9	MArole	Trust		Reffort			
Table 17	path coeff.		-0.348		-0.051	0.018		
Table 17	T-statistics		4.0264		0.2169		0.219	
		MArole	JSec		Reffort			
Table 18	path coeff.		-0.397		0.078	-0.031		
Table 18	T-statistics		5.6467		0.4454		0.475	
		MArole	JSat		Reffort			
Table 19	path coeff.		-0.44		0.004	-0.002		
Table 19	T-statistics		7.006		0.0189		0.029	
		MArole	CS		Reffort			
Table 20	path coeff.		-0.244		-0.01	0.002		
Table 20	T-statistics		2.7063		0.0789		0.033	
		MArole	Trust	PCVE	Reffort			
Table 17	path coeff.		-0.348	0.254	-0.39	0.034		
Table 17	T-statistics		4.0264	2.8547	2.3845		0.595	
		MArole	JSec	PCVE	Reffort			
Table 18	path coeff.		-0.397	0.351	-0.39	0.054		
Table 18	T-statistics		5.6467	3.7189	2.3845		1.020	
		MArole	JSat	PCVE	Reffort			
Table 19	path coeff.		-0.44	0.236	-0.39	0.040		
Table 19	T-statistics		7.006	2.129	2.3845		0.781	
		MArole	CS	PCVE	Reffort			
Table 20	path coeff.		-0.244	0.17	-0.39	0.016		
Table 20	T-statistics		2.7063	2.433	2.3845		0.309	
Overall indirect path effects from Marole to Reffort						0.133	0.433	Table 28
						sum of above	average of above	

Computation of Indirect Path Effect								
A reconciliation of Table 28 and the 14 analyses on the structural model								
X-Ref	Path	Cause Variable	Intervening variables		Consequence	Result of Sobel Test under section 3.5.5		
			From	Through		Through	To	Indirect effect
	10	MArole	Trust		OCB			
Table 21	path coeff.		-0.348		-0.03	0.010		
Table 21	T-statistics		4.0264		0.1121		0.127	
		MArole	JSec		OCB			
Table 22	path coeff.		-0.397		0.048	-0.019		
Table 22	T-statistics		5.6467		0.3024		0.296	
		MArole	JSat		OCB			
Table 23	path coeff.		-0.44		0.871	-0.383		
Table 23	T-statistics		7.006		0.3376		6.104	p<0.005
		MArole	CS		OCB			
Table 24	path coeff.		-0.244		0.24	-0.059		
Table 24	T-statistics		2.7063		1.9619		0.807	
		MArole	Trust	PCVE	OCB			
Table 21	path coeff.		-0.348	0.254	0.039	-0.003		
Table 21	T-statistics		4.0264	2.8547	0.2677		0.060	
		MArole	JSec	PCVE	OCB			
Table 22	path coeff.		-0.397	0.351	0.039	-0.005		
Table 22	T-statistics		5.6467	3.7189	0.2677		0.103	
		MArole	JSat	PCVE	OCB			
Table 23	path coeff.		-0.44	0.236	0.039	-0.004		
Table 23	T-statistics		7.006	2.129	0.2677		0.079	
		MArole	CS	PCVE	OCB			
Table 24	path coeff.		-0.244	0.17	0.039	-0.002		
Table 24	T-statistics		2.7063	2.433	0.2677		0.031	
Overall indirect path effects from Marole to OCB						-0.465	0.951	Table 28
					sum of above	average of above		
	11	Trust	PCVE		Loyalty			
Table 13	path coeff.		0.254		-0.272	-0.069		Table 28
Table 13	T-statistics		2.8547		1.6271		0.880	Table 28
	12	Jsec	PCVE		Loyalty			
Table 14	path coeff.		0.351		-0.272	-0.095		Table 28
Table 14	T-statistics		3.7189		1.6271		1.162	Table 28
	13	Jsat	PCVE		Loyalty			
Table 15	path coeff.		0.236		-0.272	-0.064		Table 28
Table 15	T-statistics		2.129		1.6271		0.695	Table 28
	14	CS	PCVE		Loyalty			
Table 16	path coeff.		0.17		-0.272	-0.046		Table 28
Table 16	T-statistics		2.433		1.6271		0.717	Table 28
	15	Trust	PCVE		Reffort			
Table 17	path coeff.		0.254		-0.39	-0.099		Table 28
Table 17	T-statistics		2.8547		2.3845		1.267	Table 28
	16	Jsec	PCVE		Reffort			
Table 18	path coeff.		0.351		-0.39	-0.137		Table 28
Table 18	T-statistics		3.7189		2.3845		1.675	Table 28
								p<0.05

