

This is an electronic version of an article published in:

Joslin, F., Waters, L., & Dudgeon, P. (2010). Perceived acceptance and work standards as predictors of work attitudes and behavior and employee psychological distress following an internal business merger. *Journal of Managerial Psychology*, 25(1), 22 – 43

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To link to the published article:

<http://dx.doi.org/10.1108/02683941011013858>

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Sociocultural Adjustment in an Internal Organizational Merger: The Role of Perceived Acceptance and Work Standards on Work Attitudes and Behavior and Psychological Distress

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ABSTRACT *This study tested the relationship between two measures of sociocultural adjustment (perceived acceptance and work standards) with job satisfaction, organizational commitment, job performance and psychological distress following an internal merger of two previously distinct working groups within the one business. Two hundred and fifty employees (host employees = 170; relocated employees=80) who had undergone an internal merger within a communications company formed the sample. Perceived acceptance and work standards following the merger were significantly related to job satisfaction, organizational commitment, and work performance for both the host and the relocated employees. There was no direct relationship between perceived acceptance and work standards with psychological distress. However, work attitudes and behavior were found to mediate the indirect effect of perceived acceptance and work standards on psychological distress. Overall, this research showed that feeling accepted by the new group, as well as maintaining work standards, post merger are important factors to be managed following an internal organizational merger.*

Keywords: workplace mergers, acculturation, sociocultural adjustment.

Introduction

In the face of increased competitive pressure from the external environment over the last two decades, many organizations have focused on diversity and growth in a bid to hold their place within the marketplace (Burnes,

2000). Mergers and acquisitions have been a significant and popular form of achieving this aim (Hill & Jones, 2004). Whilst there is some evidence for successful mergers, research has consistently shown that mergers often fail. Shrivastava (1986) reports that “almost half to two thirds of all mergers simply don’t work”

(p. 66). Many mergers may fail to realize the expected returns due to the associated high 'human costs.' Layne (2000) contends that "while strategic, operation and financial concerns are and will continue to be significant, a merger of two organizations is, in reality, a merger of groups and individuals; that is, a merger or...is ultimately a human process" (p.2). It is surprising then that the cultural processes involved in merging separate organizational groups has only recently received research attention (Buono, Bowditch, & Lewis, 1985; Nahavandi & Malekzadeh, 1988, 1993; Schein, 1985).

The primary purpose of this study is to investigate the sociocultural, work-related and psychological experiences of two separate employee groups joined together through the internal merger of their operational units within the one organization. It has two aims. First, to determine if perceived acceptance and work standards, following the merger of two previously separate intra-organizational work groups, predicts work-related attitudes and behavior (i.e., job satisfaction, organizational commitment and work performance) and also psychological distress. Second, to determine if the influence of perceived acceptance and work standards on psychological distress is mediated by work-related attitudes and behavior.

Organizational Merger Situations: The Role of Sociocultural Adjustment

When considering the factors that contribute to organizational merger breakdown, the literature has typically focused upon mergers between two external organizations (Buono et al., 1985; Giessner, Viki, Otten, Terry, & Täuber, 2006; Walter, 1985). Our focus on an internal merger follows the research evidence showing a rise in the number of organizations that are consolidating their business practices via merging internal business units and functions (Cappelli et al., 1997; Donaldson, 1994; Probst, 2003). Whilst external mergers are likely to differ from internal mergers in a number of ways, the change processes involved in both merger situations may be similarly experienced at the employee-level: Employees within either situation may endure sizeable

modifications with respect to work location, people, practices and politics (Nahavandi & Malekzadeh, 1988).¹

Cultural adjustment has recently been identified as a key factor influencing merger success (Cartwright & Cooper, 1993a; Nahavandi & Malekzadeh, 1993). Organizational culture constitutes the beliefs, assumptions and expectations shared by members of an organization that underpin behavior and decision-making (Schein, 1985; Willcoxson & Millett, 2000). Often referred to in monolithic terms, most companies have more than one set of beliefs, assumptions and expectations influencing the behavior of employees (Kanter, Stein, & Jick, 1992; Sathe, 1985). These intra-organizational subcultures are typically formed on the basis of occupational, functional, product, technological or geographical differences (Sathe, 1985).

The two employee groups who underwent an internal merger in the current study represented different intra-organizational subcultures, distinct in their work locations (inner-city vs. suburban), size (small vs. large), management styles (informal vs. formal), climate (community vs. organization), technology (standard vs. leading edge), and work teams (immature vs. seasoned). Past research suggests that when different corporate sub-cultures like these are brought into permanent contact, a process of adjustment is required (Buono & Bowditch, 1989; Terry, Callan, & Sartori, 1996). However, within the fields of management, industrial psychology, and occupational health psychology a theoretical framework for understanding employee adjustment is lacking (Nahavandi & Malekzadeh, 1988). As such, researchers in these fields find themselves seeking theoretical insights from other disciplines (Cartwright & Cooper, 1993b; Elsass & Veiga, 1994; Larson & Lubatkin, 2001; Louis, 1990; Lui, 2001; Nahavandi & Malekzadeh, 1993; Pikula, 1993).

To this end Berry's (1990; 1992; 1997) acculturation framework, developed in the field of cross cultural psychology and sociology, has recently been applied to the organizational context to gain a greater understanding of the

cultural influence on employee adjustment (Elsass & Veiga, 1994; Nahavandi & Malekzadeh, 1988). Berry posits that a three stage process of adjustment occurs when two groups merge: contact, conflict and adaptation. This process takes place at both the collective (group) and psychological (individual) level. The success of two groups of people being merged is judged at the final stage, that of adaptation, when the degree to which they have adjusted to each other and to their new environment is examined.

Although Berry's (1990) theory was originally developed to explain events involving societal group migration (Redfield, Linton, & Herskovits, 1936), authors such as Nahavandi and Malekzadeh (1988) and Elsass and Veiga (1994) argue that its concepts can be translated to organizational group mergers. This is because industrial and social institutions are both functional and adaptive systems, they both have defined boundaries, they both incorporate a number of individuals who are interdependent, and they both provide their members with a system of shared symbols, values and cognitions to deal with each other and the outside world (Sales & Mirvis, 1984).

Sociocultural adjustment is an aspect of adaptation that has been well researched within the fields of cross-cultural psychology and sociology (Berry & Sam, 1997; Eshel & Rosenthal-Sokolov, 2000; Takeuchi, Wang, & Marinova, 2005; Ward & Kennedy, 1994) and is defined as the degree of comfort, familiarity and ease that an individual feels regarding the new group and the new cultural environment (Searle & Ward, 1990). The expatriate literature has focused on three sociocultural adjustment dimensions: 1) interactional adjustment: the interactional and socialization situations and norms; 2) work adjustment: the performance standards and expectations in the new job; and 3) general adjustment: adjustment to the general living environment in the foreign culture (Black, 1988; Mendenhall & Oddou, 1985).

In relation to interactional adjustment, Eshel and Rosenthal-Sokolov (2000) argue that a key component to successful integration is the groups' acceptance of each other. They argue that "perceived acceptance" (p. 679-680) by members of the other group is critically im-

portant in determining the degree to which individuals feel they are fitting in with the new group and the way in which they handle the social problems. At its core then, sociocultural adjustment is the experience of accepting the new social and cultural conditions created when two groups come together. It is a process that focuses on people's feelings such as satisfaction, comfort, support, and acceptance. Within a merger, Pikula (1993) and Buono and Bowditch (1989) both argue that the ability of employees to establish a consistent approach to work and to uphold work standards aligned to the merger goals are also crucial. In support of this, Layne (2000) contends that work adjustment, in particular being able to uphold one's standard of work, is one of the main human resource challenges following a merger. Given the organizational context, general adjustment is irrelevant in this study.

Within an internal organizational merger, we propose that two critical domains that employees would specifically need to adjust to in order to function effectively in the new merged state are social interactions and work standards. The current study will therefore test the relationships between perceived acceptance and work standards following an internal merger with job satisfaction, organizational commitment, work performance, and psychological distress.

Outcomes of Merger Adjustment

As mentioned earlier, research has established that employees who have gone through a merger often report a variety of emotional, attitudinal, and behavioral affects such as lowered job satisfaction (Robino & Demeuse, 1985), reduced organizational commitment, poor work performance (Schweiger & Denisi, 1991) and heightened psychological distress (Cartwright & Cooper, 1993a; Pollard, 2001).

Although these studies have not specifically considered the role of cultural adjustment, they show that mergers are a process that can negatively affect personal and work-related attitudes and behavior. Cartwright and Cooper (1993b) suggested that the neglect of cultural factors in the amalgamation of previously sep-

arate employee groups is likely to result in poor employee morale, increased stress, and reduced organizational commitment and productivity. In the current study we contend that employee adjustment (both sociocultural/interactional adjustment and work adjustment) may be important factors influencing these negative employee outcomes.

The discussion of Berry's (1990) theory above, combined with the empirical evidence from cross cultural psychology (e.g., Elsass & Veiga, 1994; Nahavandi & Malekzadeh, 1988; Takeuchi et al., 2005) and expatriate literatures (e.g., Black & Stephens, 1989; Hechanova, Beehr, & Christiansen, 2003; Takeuchi, Seokhwa, & Tesluk, 2002) have been used to inform the following hypothesis. (Note: All hypothesized relationships are presented in Figure 1.)

Hypothesis 1: Perceived acceptance and work standards will positively influence work attitudes and behavior (i.e., job satisfaction, organizational commitment and work performance) in employees following an internal merger.

In addition to the work-related outcomes of a merger, research has shown that mergers significantly contribute to psychological distress. Cartwright and Cooper (1993a) showed that managers involved in a merger reported more mental health concerns than the normal population, with those from the minority firm being consistently higher in concerns than those from the majority firm. Similarly, Pollard (2001) studied the psychological and physiological reactions of employees in an organizational reshuffle. Employees were most distressed shortly before the change. While improvements occurred at 4-6 months and at 8-10 months after the reorganization, distress remained significantly higher than at baseline. Looking at factors that contribute to the successful implementation of a merger, Nahavandi and Malekzadeh (1988) state that congruence between the groups post merger results in less acculturative stress, that is "individual states and behaviors that are mildly pathological and disruptive" (Berry, 1980b, p. 261). This supports evidence commonly cited in the cross-cultural literature, such as Ward and Kennedy (1994) who found that sojourners

who integrated well together experienced less psychological distress than those that didn't.

Thus, although empirical research into sociocultural adjustment factors within organizational merger situations is in its infancy, there is solid preliminary evidence to suggest that adjustment is likely to contribute to psychological distress when two groups amalgamate. Hence, Hypothesis 2 is presented below.

Hypothesis 2: Perceived acceptance and work standards will negatively impact psychological distress in employees following an internal merger.

As well as a direct link between adjustment and psychological distress, this paper also considers the indirect effects that sociocultural factors may have on general health via a direct effect on work attitudes and behavior. There is extensive research in the work-family field to support this contention. Indeed, spillover -- the mood, attitude, and behavior caused by events in the work domain affecting those in the personal domain -- is a commonly-cited phenomenon (Grzywacz, Almeida, & McDonald, 2002; Kinnunen, Feldt, Geurts, & Pulkkinen, 2006; Repetti & Wood, 1997; Williams & Alliger, 1994). In a sample of working parents, Williams and Alliger (1994) confirmed the spillover effects of unpleasant moods from the work to the family settings. They also found that lack of control over one's work environment contributed to emotional distress. Repetti (1993) reported that individuals who describe more stressors at work also tend to report more psychological symptoms. Further, Repetti and Wood's (1997) study showed that job stressors predicted emotional and behavioral patterns outside of work. Following a strong history of findings relating to the spill-over effects of occupational health into the home domain, a third hypothesis is therefore presented:

Hypothesis 3: Perceived acceptance and work standards will negatively effect employee psychological distress following an internal merger via the mediating influence of work attitudes and behavior.

The Asymmetry of Acculturation: Is it a Viable Assumption?

Berry's (1997) theory proposes the neutrality principle of acculturation. This suggests that, during the joining of two cultures, acculturation can be a balanced two-way process. However, in practice, one culture tends to be stronger than the other, resulting in members of the stronger culture (typically the host) attempting to dominate members of the inferior culture (typically the relocated group).² As a consequence, reactions to the amalgamation process are often viewed as being more pronounced in the relocated group than the host group (Berry, 1980a; 1992). The majority of cross-cultural studies of adjustment have, therefore, focused primarily on the behaviors of the relocating group and have all but ignored the effect of acculturation on the host population (Berry, Kim, Minde, & Mok, 1987; Gaudet, Clément, & Deuzeman, 2005; Ward & Kennedy, 1994; Ward & Rana-Deuba, 1999).

Within the merger literature, although theoretical discussion of acculturation concepts is relatively extensive (Cartwright & Cooper, 1993b; Layne, 2000; Louis, 1990; Nahavandi & Malekzadeh, 1988, 1993; Pikula, 1993), few empirical studies actually exist. Those that do primarily follow the trend of the cross-cultural studies in predominantly observing the impact of the change on the repositioned party (Elsass & Veiga, 1994) (Larsson & Lubatkin, 2001). Two studies that have directly investigated the personal and work outcomes of both merger parties are Cartwright and Cooper's (1993a) Terry et al.'s (1996). Examining the responses of middle managers from two U.K. building societies following a merger,³ Cartwright and Cooper showed job satisfaction and organizational commitment levels to be similar for both merger partners; however, stress was more pronounced for employees in the relocated group than those in the host group. Interestingly, Terry et al.'s (1996) research found asymmetry in the opposite direction as it was the host employee group who experienced the most negative reactions following a merger. In their sample of two merging airlines, the host group (i.e., the international airline) experienced significantly more psychosocial concerns and reported lower levels of adjustment than the relocated group (i.e., the domestic airline).⁴

Evidence of acculturation asymmetry in organizational populations is perhaps equivocal because Berry's (1992) hypothesis was originally formulated with reference to societal cultural groups. The main difference between country and workplace culture is that the former is more pervasive, whereas the latter is confined to specific hours, a contained location, a specific role, and a certain aspect of identity. Hence, work cultures within an organization may not be as strong as societal cultures and, as such, the dominant effect of the host group in organizations may not show as markedly as what has been reported in the sociology and cross-cultural literatures.

Clearly the jury is still out as to whether the stronger cultural group in an amalgamation is, or is not, affected by the process and, if it is affected, whether it is affected to the same degree as the subordinate cultural group. Berry's original theory suggests neutrality (i.e., that both groups are effected equally), however his research led him to put forward the asymmetrical-acculturation hypothesis where he suggested that the subordinate group is more affected from the union. Research in organizational settings supports Berry's asymmetrical-acculturation hypothesis, however the direction of the asymmetry differs between Cartwright and Cooper (1993a) and Terry et al. (1996). Notwithstanding the differences in study findings, the evidence from both of the aforementioned studies suggests that host merger groups are likely to be emotionally and behaviorally affected by the intrusion of another culture into their work domain.

Further research is required in order to gather clearer evidence about how each group is affected by an organizational merger and about the most common direction of asymmetry (i.e., is the host group more or less affected than the relocated group). Moreover, given that the existing studies comparing both groups during a merger focused only upon the outcomes of a merger, we still do not know how the process of adjustment (i.e., interactional adjustment and work adjustment) relates to employee experiences. The current study aims to address these gaps and build on the small amount of existing research in order to further our knowledge of the role of adjustment

in assisting host and relocated groups through an internal merger. However, given the equivocal nature of the findings so far, we have not made a directional prediction as to which group will be more affected. The infancy of this area of research lends itself to an exploratory research question rather than a directional hypothesis. By setting an exploratory research question we can allow for the possibility of neutrality or asymmetry. Furthermore, we can allow for the asymmetry to be in favor of the relocated or the host group.

Exploratory research question 1: Are perceived acceptance and work standards positively related to work-related attitudes and behavior (i.e., job satisfaction, organizational commitment and work performance) and negatively related to psychological distress for both the host and relocated work groups in the current study.

In summary, the process of acculturation has been put forward as an important contributor to the success (or failure) of mergers (Cartwright & Cooper, 1993b; Jemison & Sitkin, 1986; Nahavandi & Malekzadeh, 1993). However, these claims have lacked empirical support. The dearth of empirical research using adjustment variables as predictors of organizational change outcomes, post merger, represents a gap in the literature. The current study will fill this gap by examining the influence of adjustment, in the form of perceived acceptance and work standards, on work-related attitudes and behavior, and on psychological distress, in two previously separate employee groups who were merged into the one operational business unit.

Method

Participants and Procedure

The participants in this study were members of an Australian communications company that had, 12 months prior, implemented a planned change to consolidate resources within a mature division of their business by implementing an internal restructure to merge two independent work groups. Staff, product and machinery from a smaller city-based factory facility (Facility X:

Relocated group) were transferred to a large suburban factory facility (Facility Z: Host group). On the basis of site, status, technology use and group size, the host employees considered themselves to be the superior merger party. Facility Z was the newest and biggest in the state, and was equipped with the latest technology. Its employees had been trained on the latest machinery for the past year, and were operating with higher key result areas (KRAs) than all other facilities.

The study sample consisted of 170 host employees (42% male, 58% female) and 80 relocated employees (54% male, 46% female). This represents a response rate of 69% and 83% for the host and relocated groups respectively. Chi-square analysis indicated that (i) the relocated group had worked with the organization significantly longer than the host group, $\chi^2(7, N = 250) = 48.10, p < .001$; (ii) the host group contained significantly more full-time workers than the relocated group, $\chi^2(1, N = 250) = 27.56, p < .001$; and (iii) no significant differences were found for sex or for age.

Questionnaires were completed on-site and in work hours. Following Podsakoff, MacKenzie, and Podsakoff's (2003) procedural suggestions for reducing common method variance, participants' questionnaires were completed anonymously to help reduce evaluation apprehension.

Measures

The following measures were all recorded on a 5-point Likert rating scale. Scale options ranged from 1 (*Strongly Disagree*) to 5 (*Strongly Agree*). In all cases, high scores reflect a greater amount of the measured attribute.

Perceived Acceptance. Existing sociocultural adjustment scales designed for measurement with an organizational setting were unable to be sourced. Thus, a measure designed by Eshel and Rosenthal-Sokolov (2000) for cross-cultural research was used as a foundation to develop scales for use within an organizational context. The Perceived Acceptance scale was used to formulate similar items relating to inter-cultural relations within an organizational setting. Three items were constructed, "My new coworkers are willing to help me in

my job,” “I am willing to help my new coworkers in their job,” and “I am satisfied with my relations with my new coworkers.” Cronbach’s alpha equaled .81.

Work Standards. Eshel and Rosenthal-Sokolov’s (2000) Academic Adjustment scale was used as a basis for the current study’s Work Standards scale. Three items were constructed, “I work just as well now as before the change,” “My peers and co-workers regard me as a good worker,” and “Management regard me as a good worker.” Cronbach’s alpha for this scale was .77.

Job satisfaction. Five items from the Overall Job Satisfaction scale (Brayfield & Rothe, 1951) were used to measure the degree to which an individual liked his or her job (e.g., “I find real enjoyment in my job” and “I am seldom bored with my job”). Cronbach’s alpha was .90.

Organizational commitment. Five items taken from the Organizational Commitment scale (Mowday, Steers, & Porter, 1979) were used to measure employee loyalty (e.g., “I find that my values and the organisation’s values are very similar” and “I am proud to tell others that I am part of this organization”). Cronbach’s alpha was .85 for this measure.

Work performance. Employee work performance was measured using a 4-item scale sourced from Rodwell, Kienzle, and Shadur (1998). Example items included “I set very high standards for my work” and “My work is always of high quality.” Cronbach’s alpha was .69.

Psychological distress. The 12-item short version of the General Health Questionnaire (Goldberg, 1972) was used as measure of psychological distress. Its reliability was .87.

Social Desirability. The 11-item measure of social desirability by Crowne and Marlow (1960). Cronbach’s alpha was .67.

Model Specification and Assessment of Model Fit

Multiple-group structural equation modeling (SEM) was used to assess the degree to which the effects of the merger were experienced in the same way by the two groups. An initial set of measurement models sought to establish the degree of factorial invariance (Widaman & Reise, 1997) among the 20 items

used to measure perceived acceptance, work standards, job satisfaction, organizational commitment, and work performance. We did not include the 12 GHQ items in this model because summed scores on the GHQ-12 has a long standing pedigree for measuring general psychological distress.

The degree of structural invariance in the model in Figure 1 was then investigated, including whether or not work attitudes and behavior mediated the effects of both perceived acceptance and work standards on psychological distress. In these structural models, averaged scores on the items comprising job satisfaction, organizational commitment, and work performance were used to specify a common factor for measuring work attitudes and behavior. Common factors for perceived acceptance and for work standards were specified by their respective three items used in the measurement models. Psychological distress was incorporated into the structural model using observed scores on the GHQ-12.

Mediation was assessed using recommendations in Shrout and Bolger (2002, Figure 8). We did not perform Baron and Kenny’s (1986) Step 1 in testing for mediation (i.e., assessing the significance of the $X \rightarrow Y$ association) because psychological distress was conceived as a distal outcome measure (Shrout & Bolger, 2002, pp. 437–439).

All models were fitted in Mplus version 4.21 (Muthén & Muthén, 2006) using the MLMV estimator, with chi-square statistics and standard errors for all direct and indirect effects being robust to non-normality. The MPlus DIFFTEST option was used to compare the significant difference between nested models under MLMV. Model fit was evaluated by the model chi-square goodness-of-fit, the Tucker-Lewis Index (TLI), the Standardized Root Mean Square Residual (SRMR), and the Root Mean Error of Approximation (RMSEA). The TLI measures the improvement in global model fit over the null model by their respective non-centrality parameter estimates in which a parsimony adjustment is incorporated using their respective degrees of freedom. TLI values exceeding 0.95 were judged to reflect very good fit. The SRMR is a measure of the average size of the standardized residuals between

the model and the data. Values less than 0.05 indicated excellent fit, and values not exceeding 0.07 represented very good fit. The RMSEA is a non-centrality measure of model misfit per degree of freedom. A value below 0.08 for the upper bound of the 90% RMSEA confidence interval indicated excellent fit, and values no higher than 0.010 reflected very good fit (Dudgeon, 2004). A model was inferred to fit exactly to the data if its chi-square goodness-of-fit test was not rejected at the 5% level. Any unstandardized regression effect in a structural model that was at least twice as large as its standard error in absolute terms was considered to be statistically significant.

Finally, Crowne-Marlow (1960) Social Desirability scores were used to correct for any common method variance in the structural models that may have arisen from participants' implicit desire to downplay psychological distress and/or to report sociocultural adjustment in a more favorable light. Conditioning on social desirability scores was done by adapting Model 2B in Table 5 of Podsakoff et al. (2003) to the current context.⁵

Results

The means, standard deviations, and inter-correlations among the study variables are presented in Table 1 for the two groups. It is immediately noticeable that correlations between social desirability and most study measures were moderate in size.

Measurement Models

A series of multiple-group measurement models were fitted simultaneously in the host and relocated groups to assess the degree of measurement invariance in item measures between these two study groups. The results are summarized in Table 2. The Model M3 specification for items comprising the construct measures showed very good, but not exact, fit at the level of strict factorial invariance ($\chi^2(87, N = 250) = 113.32, p = .031; TLI = 0.949; RMSEA = 0.049 (0.016, 0.073);$ and $SRMR = 0.066$).⁶ This result justified the following being done in the set of structural models that are reported next : (a) averaging item scores separately in each group for the construct measures of job satisfaction, organizational

commitment, and work performance; (b) using them to specify a work attitudes and behavior (WAB) common factor with invariant loadings in both groups; and (c) specifying invariant factor loadings for the two sets of three items each defining a separate common factor for perceived acceptance and for work standards.

Structural Models

Table 2 also summarizes the fit of the structural models used to investigate the degree of structural invariance occurring in the host and relocated groups. The first three of the four models used to test invariant structural features between the two groups all demonstrated exact fit. The best fitting among these three (Model S3 in Table 2) specified invariance on all parameters except the unique variances of the observed measures for the WAB factor ($\chi^2(42, N = 250) = 56.05, p = .072; TLI = 0.964; RMSEA = 0.052 (0.000, 0.085);$ and $SRMR = 0.072$).

The direct and indirect effects for these structural regression coefficients in Model S3 are presented in Table 3. Of central interest, the unstandardized structural coefficients for the effect of perceived acceptance and work standards on WAB and on psychological distress were the same in both groups because of the invariance constraints imposed in Model S3. It can be seen in Table 3 that the unstandardized direct effects of both perceived acceptance and work standards on WAB (0.219 and 0.772 respectively) were statistically significant, thereby supporting Hypothesis 1. The same direct effects on psychological distress (-0.027 and -0.138 respectively) were not significant, and the model therefore provided no supporting evidence for Hypothesis 2.

However, the indirect effects of perceived acceptance and work standards on psychological distress (-0.055 and -0.194 respectively) via WAB are both statistically significant. Therefore, in support of Hypothesis 3, WAB was found to be acting as a mediator of the effect of both perceived acceptance and work standards on the distal outcome construct in the model.

When the last three remaining between-group constraints were imposed in Model S4, the change in model chi-square from the nested Model S3 was significant ($\chi^2(3, N =$

250) = 13.08, $p = .003$). The other fit statistics indicated that this most restricted model was a slightly worse fit than Model S3, although in absolute terms Model S4 could still be regarded as a very good, but not exact, fitting model.

Discussion

This study investigated the role of sociocultural factors on work attitudes and behavior and on psychological distress following an internal organizational merger. The findings contribute to existing literature in three ways. First, following Buono et al.'s (1985) and Cartwright and Cooper's (1993b) argument that lack of cultural consideration following a merger is likely to lead to negative change outcomes, we investigated the direct relationship of sociocultural adjustment upon work attitudes and behavior, and psychological distress. Second, following Nahavandi and Malekzadeh's (1988) argument that merger outcomes lack theoretical understanding, we used Berry's (1990) acculturation theory as a framework for understanding employee adjustment. Third, guided by the expatriate literature, we assessed two specific domains of sociocultural adjustment, those being perceived adjustment and work standards, within an internal merger context.

At the correlational level, findings of significant relationships between perceived acceptance and work standards and job satisfaction, organizational commitment, work performance and psychological distress substantiates earlier research conducted on mergers (Cartwright & Cooper, 1993a; Robino & Demeuse, 1985; Schweiger & Denisi, 1991). Likewise, results of the SEM analyses show that sociocultural adjustment had a direct influence on the work attitudes and behavior of both groups 12 months on from a merger (Hypothesis 1). This outcome provides support for claims that positive social relations between different cultural groups is likely to be an important factor to help explain the individual-level attitudinal and behavioral changes that occur after a merger (Chatterjee, Lubatkin, & Schweiger, 1992; Layne, 2000). Although perceived acceptance and work standards were not found to directly impact employee psychological distress (Hypothesis 2), they indirectly affected psycholog-

ical distress via an influence on work attitudes and behavior (Hypothesis 3). This finding is consistent with that observed in the work-family literature where the spill-over effects of mood, attitude, and behavior from work into the home domain are commonly shown (Kinnunen, Feldt, Geurts, & Pulkkinen, 2006).

An exploratory hypothesis investigated whether perceived acceptance and work standards had significant relationship with WAB and psychological distress for both the host and relocated groups. SEM multiple group analysis indicated that sociocultural adjustment's influence on WAB and psychological distress was the same for both merger groups.

These findings suggest that interactional and work adjustment are considerations to be taken into account for both host and relocated merger groups. Unlike the sociological research which presumes that dominant merger groups are less likely to be effected by the intrusion of another cultural group into their domain (Berry, 1992), the current study found support for Terry et al.'s (1996) conclusions that mergers are unsettling for all parties involved in the merger, regardless of stature. The testing of the host and relocated groups in this study represents a step forward in acculturation methodology within business settings.

Study Implications

The current research findings suggest that sociocultural adjustment is an important factor contributing to the long-term reactions of employees who undergo an internal merger. These findings highlight the importance of managing employee relations issues and upholding work standards post-merger amid the myriad of other factors that employees may be required to adapt to, including changes in location, reporting lines, management style, performance standards and assessment, reward schemes, and technology.

Specifically, interventions designed to enhance perceived acceptance and work standards are likely to positively influence work attitudes and behavior. Interventions to assist the process of perceived acceptance may include pre-merger social functions, merger retreats and post-merger celebrations (Larsson & Lubatkin, 2001). Assistance to ensure that work standards are not negatively compromised may

include cross group training and the addition of extra resources during the merger process. The spillover effect of sociocultural factors on psychological distress, through work attitudes and behavior, suggests that this should also be closely monitored. Reviewing the incidence of psychological distress during organizational change Mack, Nelson, and Quick (1998) suggested that managers could intervene by proactively targeting irrational beliefs and cognitive distortions about negative outcomes. As well as practical support techniques (i.e., communication, social support and employee participation), Mack et al. propose that organizations utilize cognitive restructuring; that is, changing or re-framing employees' perceptions of the event. Cognitive restructuring may help dispel employee fears regarding their ability to work as effectively or as enjoyably with the new group. This could be done through open forums that surface cognitive distortions and allow employees to discuss their concerns with colleagues and managers.

Within the broader acculturation context, the current research also shows support for the ideas presented by cross-cultural (Berry, 1990), expatriate (Takeuchi et al., 2005), and organizational (Nahavandi & Malekzadeh, 1988) researchers that positive social interactions and a strong work ethic are significant contributors to successful societies.

Study Limitations and Future Research

Whilst the field work nature of the current study allowed direct observation of the challenges and triumphs of a major change operation, it also meant that the researchers were bound by organizational constraints. First, the current research was conducted with one organization within a specific industry and, therefore, results found here may not necessarily generalize to all other organizational merger situations. For instance, the change process that occurred in the current factory-style environment may be different from that which may occur during an internal merger in the IT industry, where fluid work and team arrangements are more custom (Fiero & McGee, 2000).

A second limitation is that the structural features in the overall model being fitted are saturated (McDonald & Ho, 2002) and, there-

fore, the relationship being tested between perceived acceptance, work standards, work attitudes and behavior, and psychological distress can only be supported by a conceptual, rather than a statistical, basis. Moreover, other equivalent models (MacCallum, Wegener, Uchino, & Fabrigar, 1993) could be specified for these structural relationships besides the one shown here. We content, though, the specification used here, in which psychological distress is a distal outcome and work attitudes and behaviours are predicted by social cultural adjustment factors, is the one making the most convincing conceptual sense.

A final limitation of the current research was that the cross-sectional design did not allow an opportunity to assess whether the groups' accepted each other and more (or less) at the end of the merger process than at the beginning. Our intention, however, was not to see whether perceived acceptance and work standards changed over time but, rather to examine whether perceived acceptance and work standards, at the end of the merger process, were significantly related to job satisfaction, organisational commitment, performance and distress.

An interesting area for future research, however, would be to test the affects of pre-merger situational and dispositional effects on post-merger cultural, work-related, and personal outcomes. Further research could also broaden the study of adaptation by measuring the relative extent that members of each group felt they had adjusted their behaviours to accommodate the other group's ways cultural norms. In addition, since the acculturation perspective of the current study only allowed us to view one aspect of the adaptation process employees are required to undergo during a merger, future research could also include a study of changes to job requirements and other environment factors as well.

Conclusions

Overall, this research showed that finding one's place within the larger cultural mix following an organizational merger is important to employee attitudes, behaviors, and well-being. This initial, partial test of Berry's acculturation model suggests that it is a theoretical lens that may be suitably applied within the area of organizational health psychology. In

particular, it may be useful when trying to gain a greater understanding of the 'human costs' of business mergers. With change likely to be a permanent organizational feature and many organizations considering the change option of a merger (either internal or external) the role of acculturation is likely to become an important area for future inquiry.

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Footnotes

¹. Although the current study analyzed an internal merger situation, we have drawn our arguments from studies on external mergers as well as internal mergers. This is because the internal merger research is still in its infancy and is quite limited.

². There are a variety of factors that may contribute to the relocation of individuals/groups to another culture (whether voluntary or involuntary), and hence, the host culture supposing a “dominant” role in the acculturation process. These include size, status, geographic location, technological advancement, and resources.

³. Terry et al. (1996) describe the merger as a “take over” of the domestic airline by the international airline. The international airline group was labeled the dominant/superior group as it was the larger of the two groups, was more prestigious and kept its company name.

⁴. In Cartwright and Cooper’s (1993a) study, the host group was 4 ½ times larger than the relocated group and their office building was also the location of the merged company headquarters.

⁵. These effects are not reported here, given that they are effectively nuisance parameters in the model and are of no substantive interest for the research outcomes themselves.

⁶. Complete details of the various measurement model results can be obtained from the third author upon email request (dudgeon@unimelb.edu.au).

Table 1
 Mean, Standard Deviations and Correlations among Observed Study Variables for Host (N=170) and Relocated (N=80) Groups

Variable	Host		Relocated		1	2	3	4	5	6	7	8	9	10	11
	M	SD	M	SD											
1. Perceived acceptance item 1	3.14	1.00	3.41	0.98	...	.56	.63	.24	.37	.28	.29	.12	.37	-.26	.27
2. Perceived acceptance item 2	3.86	0.76	4.14	0.72	.49	...	.61	.28	.33	.21	.38	.19	.40	-.22	.39
3. Perceived acceptance item 3	3.61	0.87	3.91	0.82	.61	.74	...	.24	.45	.36	.39	.23	.39	-.30	.37
4. Work adjustment item 1	3.83	0.98	4.03	0.94	.26	.37	.37	...	.44	.50	.50	.41	.50	-.36	.35
5. Work adjustment item 2	3.54	0.80	3.89	0.93	.46	.36	.48	.41	...	.68	.42	.44	.42	-.29	.34
6. Work adjustment item 3	3.49	1.01	3.68	0.98	.29	.27	.36	.46	.73	...	.47	.48	.55	-.38	.39
7. Job satisfaction	3.12	0.94	3.46	0.98	.35	.32	.37	.09	.34	.25	...	.47	.80	-.50	.40
8. Organizational commitment	4.16	0.65	4.28	0.62	.19	.48	.36	.22	.29	.37	.31	...	.47	-.32	.37
9. Work performance	3.51	0.87	3.67	0.77	.20	.34	.32	.24	.31	.43	.60	.55	...	-.46	.44
10. Psychological distress	2.55	0.71	2.36	0.74	-.42	-.40	-.49	-.25	-.44	-.44	-.51	-.40	-.39	...	-.57
11. Social desirability	3.62	0.50	3.78	0.48	.30	.45	.45	.35	.34	.27	.27	.33	.33	-.56	...

Note. Individual scores were calculated as item mean scores rather than item sum scores. As all items used 5-point Likert response scales, these scores have a possible range between 1 and 5. Correlations for host group are below the diagonal and those for relocated group are above the diagonal.

Table 2

Model Fit Indices and Chi-Square Difference Comparisons for the Multiple Group Measurement and Structural Models (N=250)

	χ^2	<i>df</i>	<i>Prob.</i>	TLI	RMSEA (90% CI)	SRMR	$\Delta \chi^2$	Δdf	<i>Prob.</i>
M1: Weak factorial invariance (invariant factor loadings)	111.76	83	.019	0.942	0.053 (0.022, 0.077)	0.064	...	...	...
M2: Strong factorial invariance (invariant loadings & intercepts)	111.39	84	.024	.945	0.051 (0.020, 0.075)	0.064	...	...	...
M3: Strict factorial invariance (invariant loadings, intercepts & unique variances)	113.32	87	.031	.949	0.049 (0.016, 0.073)	0.066	15.76	16	.470
S1: Baseline model (invariant loadings, intercepts & unique variances for exogenous factors)	52.77	38	.056	.966	0.056 (0.000, 0.090)	0.061	...	...	...
S2: Model S1 + invariant structural regression coefficients	55.80	40	.050	.958	0.056 (0.002, 0.089)	0.073	7.50	5	.186
S3: Model S2 + invariant factor variances, factor covariances & structural disturbances	56.05	42	.072	.964	0.052 (0.000, 0.085)	0.072	1.23	5	.943
S4: Model S3 + unique variances for work attitudes and behavior factor	59.84	42	.036	.954	0.059 (0.016, 0.090)	0.071	13.98	3	.003

Note. Degrees of freedom under MLMV estimation are calculated according to Eq. 110 (Muthén, 2004); differences in df for two nested models do not necessarily equal the algebraic difference between df of the respective models. Chi-square difference test values calculated using DIFFTEST option in MPlus (Muthén & Muthén, 2006). Strong invariance model is not nested within the weak invariance specification because the intercepts in the latter are fixed at zero in both groups and then freed in the former for one of the groups.

Table 3
 Direct and Indirect Unstandardized Structural Regression Effects in Multiple-Group Model S3

Response Variable	Explanatory variables		
	Perceived acceptance	Work standards	Work attitudes and behavior
<u>Direct effects</u>			
Work Attitudes & Behavior	0.219 (0.085)* [0.196 / 0.196]	0.772 (0.176)* [0.466 / 0.466]	...
Psychological distress	-0.027 (0.062) [-0.025 / -0.025]	-0.138 (0.105) [-0.085 / -0.087]	-0.251 (0.067)* [-0.258 / -0.262]
<u>Indirect effects</u>			
Psychological distress	-0.055 (0.027)* [-0.051 / -0.051]	-0.194 (0.065)* [-0.122 / -0.120]	...

Notes: Standard errors for unstandardized regression coefficients in parentheses; Standardized effects presented in brackets for host group on the left and relocated group on the right.

* Size of effect is greater than two times its standard error.

Figure Captions

Figure 1. Overall representation of the hypothesized relationships.

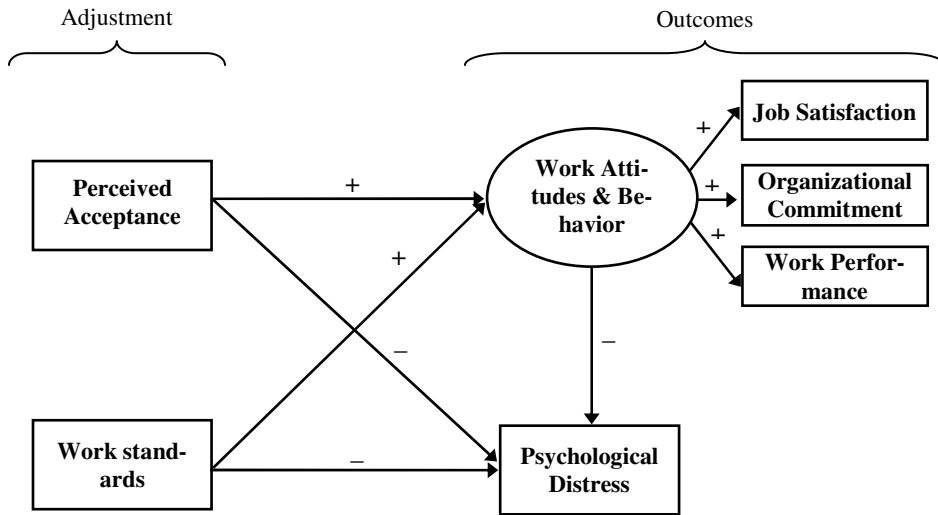


Figure 1. Overall representation of the hypothesized relationships.