



The psychological contract and employee performance in post-acquisition integration

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Abstract

The purpose of this research study was to measure and understand if there was a change in the psychological contract post-acquisition and if so, did this change have a positive, negative or no effect on employee performance. Previous research and literature has suggested that identity was a critical measure of post-acquisition success (2011, p. 26; Weber & Drori, 2011, p. 76) leaving employee performance unmeasured. Rouzies (2011) further suggested that a merger or acquisition can lead to a drop in psychological attachment, identification and commitment to the acquired organisation (2011, p. 25). In addition, Chambers (2008) also made mention of personnel and culture integration being underestimated (p. 16). Therefore, this research has measured psychological contract (identity, culture and communication) in terms of employee performance (potential turnover, job satisfaction and productivity) in the context of post-acquisition integration.

The results showed that changes in the psychological contract affect employee performance positively. Equally, if not more, important is maintaining the psychological contract in the post-acquisition integration process and thereby avoiding a drop in employee and acquisition performance.

Identity and culture are strong influences of employee performance. The data collected suggested that identity positively impacts employee performance. More specifically, there was a slight positive impact on potential turnover and a more positive impact on job satisfaction and productivity. Culture also positively impacted employee performance. When measured against potential turnover, this impact was slightly positive while job satisfaction and productivity were more positively impacted.

Communication was found to be important in reducing potential turnover. From data collected, communication does not impact job satisfaction and productivity. However, the data suggests that communication was adequately handled in the post-acquisition integration process.

Recommendations were made dealing with principles to be considered pre-acquisition, on the importance of minimising disruption and maintaining continuity during post-acquisition. Based on the findings in this research, the psychological contract needs to be maintained in terms of identity, culture and communication. This will in turn ensure that employee performance is maintained post-acquisition. This implies that in addition to financial due-diligence being performed prior to a merger or acquisition, organisations need to be aware of employees' feelings and attitudes towards the impending change.

Future research may look at measuring psychological contract and employee performance in post-acquisition integration across different industries and countries or the same variables could also be measured pre-acquisition. Alternatively, additional variables such as extra-role behaviour and affective commitment could be added to the assessment tool to measure employee performance more closely.

Keywords

Post-acquisition, psychological contract, employee performance

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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07/11/2012

Date

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1. Introduction to Research Problem

1.1. Research Title

The psychological contract and employee performance in post-acquisition integration

1.2. Research Problem

Over the past decade, South Africa has become an attractive foreign direct investment destination for multinationals. In 2008, Barclays Bank of the United Kingdom (UK) concluded its acquisition of Absa Bank for R28 billion. In 2009, Vodafone, also of the UK, bought a majority shareholding (65%) in Vodacom Group worth R22.5 billion. Africa is considered to be an emerging market with South Africa often being seen a key gateway into Africa for further expansion by large multinational corporations. This is also largely due to the relatively highly developed socio-economic, financial and technological infrastructure that South Africa has compared to its African counterparts.

Besides the economic and business environmental advantages of doing business in South Africa, it is suggested by Weber, Tarba, and Reichel (2011, p. 15) that post-acquisition integration could lead to negative outcomes specifically within the area of human resources, if the integration process between the two organisation's is not handled appropriately. Some of the factors identified by the same authors are increased stress levels, low morale, low commitment to the integration process and high turnover of top management (p. 15).

Research by Papadakis and Thanos (2010, p. 859) on the success or failure of acquisitions, primarily focused on three measurements: accounting-based measures, stock-market-based measures and managers' assessment (or perceived performance). Considering that acquisitions are complex in reality and on paper, these measurement variables are straight-forward and uncomplicated or

one dimensional according to Papadakis and Thanos (2010, p. 864) as well as Weber and Drori (2011, p. 77).

Schoenberg (2006) was also of the opinion that existing measures did not cater for the full spectrum of stakeholders and therefore lacked consistency in its measurement of performance (p. 368; Weber & Drori, 2011, p. 77). He tried to build on this problem by adding further variables to be measured post-acquisition, namely: cumulative abnormal returns, managers' subjective assessments, expert informants' subjective assessments, and divestment data (2006, p. 368).

The context provided by Papadakis and Thanos (2010) and Schoenberg (2006) in terms of measuring post-acquisition performance is still very broad and not enough focus is given to the human behavioural contribution to post-acquisition performance (Schoenberg, 2006, p. 368). Audrey Rouzies (2011) study on the antecedents of employees' identification with mergers attempts to provide this focus by suggesting that a merger and acquisition leads to a drop in psychological attachment, identification and commitment to the acquired organisation (2011, p. 25). The primary focus of Rouzies (2011) study was on identity as a critical measure of post-acquisition success (2011, p. 26; Weber & Drori, 2011, p. 76) leaving employee performance unmeasured. This research aims to fill this gap.

An additional angle on human resource challenges in measuring post-acquisition performance is offered by Weber and Drori (2011, p. 76) who highlight the impact of cultural differences between organisations. This is significant and worthwhile as it explores the extent to which culture impacts the integration process post-acquisition considering that a high number of cross-border acquisitions have taken place in the banking and telecommunications sectors of late. The authors go on to further re-iterate that research on behavioural issues (such as individual performance) and identity (linked to psychological attachment) are rarely investigated empirically and remain unexplored (2011, p. 77).

1.3. Research Scope

The focus of this research is on the human resource component of the post-acquisition performance measurement. The only credible measurement indicator used by strategic managers and organisational behaviour has been managers' assessments. However, according to Papadakis and Thanos (2010, p. 859), this type of assessment is open to under- and over-bias in terms of expectations with regards to the success or failure of the newly acquired organisation.

However, according to Schoenberg (2006), managers' assessments are reliable assessments because multiple respondents are used to provide key insights into human behaviours' affected by the acquisition as well as to gain an organisational perspective (p. 368).

These varying views allows for further research to be conducted on the following areas of human behaviour post-acquisition:-

- a) The impact on the psychological contract post-acquisition; and
- b) The positive or negative impact on employee performance based on the change in psychological contract

1.4. Research Motivation

Mergers and acquisitions have a far greater impact on employees than shareholders. Employees may associate their way of life and livelihoods with the work that they do whereas shareholders simply expect a return on investment which can be transacted from anywhere. The need for income goes beyond their employment which when altered or threatened, has an impact on their psychological state and ultimately on their performance (Weber & Drori, 2011, p. 79-80).

The research aim is to measure and understand if there is a change in the psychological contract post-acquisition and if so, does this change have a positive, negative or no effect on employee performance.

2. Theory and Literature Review

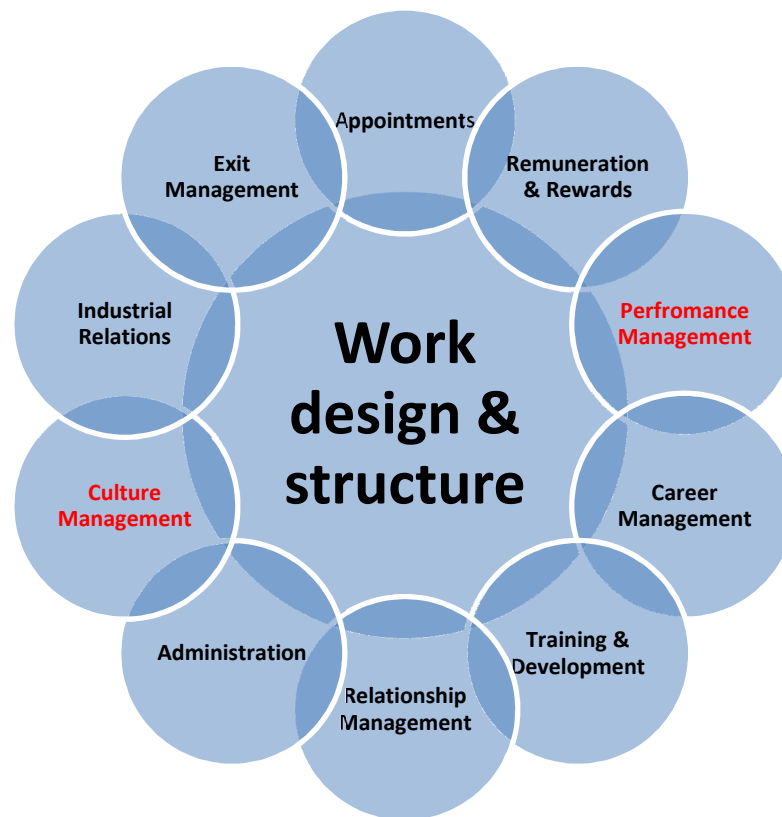
2.1. Introduction

Varying degrees of organisational changes have led to a change in the employment relationship. This change in the relationship can be measured and observed and the consequences analysed and explained (Rousseau, 2000, p. 1; Freese & Schalk, 2008, p. 269).

The role of the human resource function as a contributing factor to post-acquisition success or failure is under-explored (Weber & Drori, 2011, p. 77). A further explanation offered by Guerrero (2008) for under-performance in mergers and acquisitions is the lack of focus and attention on the human factor (p. 216). This is supported by empirical evidence which shows that mergers and acquisitions result in insecurity, decreased job satisfaction, loss of trust and affective commitment as well as increases in potential turnover (p. 216-217).

In addition to the strong focus by investors on financial measures, another contributing factor could be the vast number of disciplines that exist within a typical human resource management framework. Attempting to measure each discipline could prove to be challenging.

Figure 1 – Generic Human Resource Management Model



Source: Adapted from Grobler, Warnich, Carrell, Elbert, & Hatfield (2011, p. 11)

Figure 1 depicts the typical functions of a generic human resource management model. These functions include appointments, remuneration and rewards, performance management, career management, training and development, relationship management, administration, culture management, industrial relations and exit management. The focus of this research will be on the psychological contract (as part of culture management) and employee performance (as part of performance management). Exploring how these human resource factors are affected by the integration process will help interested stakeholders understand how these factors can affect the success or failure of an acquisition. These findings

may then be considered in pre-merger planning and for creating the right expectations from the acquisition and integration process.

This chapter presents the findings of literature reviewed in terms of the role of the three broad areas namely post-acquisition, psychological contract and employee performance. The role of human resources in acquisitions and post-acquisition integration are discussed under post-acquisition. Then psychological contract is introduced and described in terms of post-acquisition integration. The psychological contract is discussed further in terms of three variables: identity, culture and communication. Employee performance is introduced followed by the implications of psychological contract on employee performance. Critical factors affecting employee performance are examined before identifying and discussing further on three critical variables: potential turnover, job satisfaction and productivity.

2.2. The role of human resources in acquisitions

The majority of acquisitions fail to deliver on targets and expected performance because of human resource factors such as culture, management, poor motivation and employee turnover (Cartwright & Cooper, 2000 as cited by Chambers, 2008, p. 12). The challenge for managers' post acquisition has been retaining human capital and motivating employees (Garver, 2006 as cited by Chambers, 2008, p. 1). The focus in pre-acquisition negotiations has predominantly been on financial gains (p. 2) at the expense of human resource determinants. This has led to the failure of the acquisition process to deliver value as per expectations and targets. Examples of this situation include putting the wrong people in critical positions; not allowing the human resource function to manage the culture change and integration process; and failure to retain top talent especially at management level (p. 2).

Chambers (2008) further suggests that the root cause of the failure of acquisitions rests with the lack of involvement of the human resource function (p. 3). An

employee due diligence should be performed to prepare and mobilise the work force in anticipation of the organisational change (p. 4). The impact of missing this critical step in the acquisition process is that when the acquisition fails to deliver on expectations, the best people leave first followed by the other symptomatic problems of declining motivation, productivity and ultimately detachment from the organisation leading to further employee turnover (Rouzies, 2011, p. 25). Colman (2008) also supports the focus on the human resource function as a critical success factor in acquisitions (p. 22).

Rouzies (2011) further elaborates and supports this scenario by highlighting the problem of identity threat, both in terms of the employees' identity within the organisation as well as identification with the acquisition process (p. 25-26). Both researchers (Chambers, 2008 and Rouzies, 2011) are in agreement that acquisitions create high levels of anxiety and frustration which leads to psychological detachment and decreased productivity (Chambers, 2008, p. 4; Rouzies, 2011, p. 25).

2.3. Post-acquisition integration

Post-acquisition integration refers to the activities performed by the acquirer and acquired to exchange capabilities and processes that will meet the goals and objectives of the acquisition (Colman, 2008, p. 15). It is also a key determinant of acquisition performance and value creation. Integration may occur at different levels and for different purposes (p. 15-16). Colman (2008) deduces that each acquisition may fall into one of four types of post-acquisition integration which is based on the requirement for organisational autonomy versus strategic interdependence (p. 16). With reference to figure 2, when strategic interdependence is high and organisational autonomy is low, the integration type is absorption. When strategic interdependence is low and organisational autonomy is high, the integration type is preservation. When both strategic interdependence and organisational autonomy is high, the integration is symbiotic. Finally, when

both strategic interdependence and organisational autonomy are low, the integration is holding.

Figure 2 – Types of post-acquisition integration (Colman, 2008, p. 16)

		Organisational Autonomy	
		Low	High
Strategic Interdependence	High	Absorption	Symbiosis
	Low	Holding	Preservation

Colman (2008) further distinguishes between human and task integration. Human integration focuses on employee satisfaction and maintaining identity which impacts culture. Task integration is equally important as it aims to achieve operational efficiency between the acquirer and the acquired firm (p. 17).

Acquisitions between two large firms lead towards a complex integration process. In this scenario more effort, capacity, planning and coordination is required. Integration at different levels, such as business unit level, department level and across functional areas, may be required (Paruchuri, Nerkar, & Hambrick, 2006, p. 545; Ellis, Reus, Lamont, & Ranft, 2011, p.1263).

How the post-acquisition process is handled may lead to differing outcomes in terms of acquisition performance and value creation (p. 20). In fact, Colman (2008) takes this a step further by stating that the integration process itself can create or destroy value (p. 20-21).

The decision to integrate or not is a critical factor in understanding the extent to which employee performance (productivity) will be disrupted (Paruchuri, Nerkar, & Hambrick, 2006, p. 545). If there is no integration upfront and autonomy exists for the acquired firm, little to no knowledge sharing and synergies will materialise as

well as little value being created resulting in a waste of the premium paid for the acquisition. If integration does take place between the acquirer and the acquired firms, there is a risk of organisational trauma which may result in a break or change in the psychological contract as well as drop in productivity (employee performance) (p. 546). This is not to question the decision on whether to integrate or not or to pursue a merger or acquisition, but rather to understand how the decision to integrate impacts or is impacted by factors such as communication, identity, culture and productivity.

The intention or goal in a post-acquisition integration process is to create value, however there are two possible theories that may prohibit this, namely: -

- 1) The acquiring company's characteristics, policies and procedures are seen as the norm.
- 2) The acquiring company is perceived to be dominating, superior and submissive.

These may lead to heightened emotions of humiliation, loss and anger which in turn could lead to culture shock and loss of identity (p. 548).

To better understand the post-acquisition integration process, research and planning should not focus on executive management, strategic synergies or financial factors entirely or in isolation. Focus should be on those groups within the organisation who are involved in value-creating activities as these justify the premium paid for the acquisition and increase return on investment (p. 559). Acquisition performance as a consequence or goal of the acquisition has been studied and measured from different angles (Colman, 2008, p. 12). One such view is the concept of value creation (at various levels) through strategic alignment (p. 13). The expected outcome is that through strategic alignment, value should be created for both the acquirer and the acquired at various levels. Colman (2008) surmises that there is no conclusive proof of this or that it leads to acquisition performance. Colman (2008) further posits that it is not the similarities in strategic and organisational fit that will create value, but rather the differences in both

organisations. And more so how those differences are managed during the post-acquisition integration process (p. 13-14).

Isolating value creation and performance, Colman (2008) distinguishes between expected and unexpected/unknown value. Expected value refers to the original reasons for the acquisition while unexpected/unknown value refers to the benefits that accrue to the stakeholders that were not quantified pre-acquisition. Examples of expected and unexpected/unknown value include new production techniques, product technologies and process efficiencies (p. 14). One way of measuring that is through employee performance. More specifically job satisfaction, retention (especially key staff with critical skills) and improved productivity levels.

2.4. Psychological Contract

A psychological contract refers to the unwritten expectations and perceptions that exist between an employer and employee (Argyris, 1960 as cited in Grobler, Warnich, Carrell, Elbert, & Hatfield, 2011, p. 242; Rousseau, 2000, p. 1). These expectations arise from the perception of promises made by the employer to the employee (Freese & Schalk, 2008, p. 269). The psychological contract fulfils two main objectives which are (1) to manage the employment relationship; and (2) manage expectations arising from the employment relationship (Grobler et al., 2011, p. 242).

According to Denise Rousseau (2000) psychological contracts can be categorised into four distinct contract types: transactional, relational, balanced and transitional (p. 2). These are graphically presented in figure 3 and the explanation of each type of contract is as follows: -

- Transactional contracts are short-term in nature and focus primarily in high levels of financial exchanges for work output.
- Relational contracts are long-term and open-ended in nature and focus more on the exchange of intangible benefits between the two parties.

- Balanced contracts refer to the situation where both the organisation and the employee contribute equally to a mutually beneficial relationship.
- Transitional contracts are not explicit psychological contracts and refer to situations which are temporary and in a constant state of change (p. 3).

Figure 3 – Types of psychological contracts (Rousseau, 2000, p. 16)

		Performance Terms	
		Specified	Not-specified
Duration	Short-term	Transactional	Transitional
	Long-term	Balanced	Relational

Acquisitions are long-term in nature and therefore warrant the measurement of long-term psychological contract types such as those highlighted in figure 3. This is consistent with employees who have been with the organisation for long periods of time or intend to be with the organisation and build a career in the long run. This category of employees' needs and requirements transcends the basic requirement of financial remuneration which focuses on stability and loyalty (relational contract) as well as external employability, internal advancement and dynamic performance (balanced contract; Rousseau, 2000, p. 3-4). The degree to which these variables will change is dependent on the situation and circumstances affecting the organisation which is the case in an acquisition (p. 2).

Freese and Schalk (2008) further expand on the measurement of psychological contracts as being either unilateral or bilateral. Bilateral measurement focuses on measuring both the implicit and explicit requirements and expectations by both the organisation and the employee. Unilateral measurement only focuses on the

employees' requirements and expectations from the psychological contract (p. 270). It can be argued that the post-acquisition process has a more significant impact on the employee than the organisation (Weber & Drori, 2011, p. 79-80) which therefore warrants the evaluation of the psychological contract post-acquisition from a unilateral approach (Freese & Schalk, 2008, p. 270).

2.4.1. Psychological contract and post-acquisition integration

There are numerous factors affecting the labour market and more specifically the relationship that employees have with organisations. Linde and Schalk (2008) state that technological advancements, increase in global competition and greater interdependence between organisations and skilled labour are further reasons for causing changes in the psychological contract (p. 305). Acquisitions as an example of a transformation in the work environment, can lead to employees re-evaluating the existing psychological contract (p. 306).

Individual characteristics and social context play an important role in establishing the psychological contract (p. 308). This is consistent with culture and identification highlighted by Drori and Weber (2011, p. 77) as variables worthwhile measuring. The degree of change of these variables has long-term consequences which impacts the performance of acquisitions (Linde & Schalk, 2008, p. 308).

Linde and Schalk (2008) elaborate further on the social context to be driven by internal and external factors (p. 308). External factors refer to those variables that are not within the control of the organisation whereas internal factors reside within the organisations span of control. Examples of internal factors are organisation and management policies and structures, personnel relationships and performance policies (p. 308).

Studies suggest intangible assets as a critical success factor in mergers and acquisitions (Steigner & Sutton, 2011, p. 104; Gregory & McCorriston, 2005, p. 104). Intangible assets are defined as the technological know-how or specific

expertise which can compete with locally based competition (p. 106). This is further supported by Conn, Cosh, Guest, and Hughes (2005) who confirm positive long-run returns in mergers and acquisitions involving high-tech firms who have abundant intangible assets (p. 104).

Conn et al. (2005) use Hofstede's (1991, as cited in Conn et al., 2005 p. 854) cultural dimensions to measure cultural differences. They confirm that there is a negative relationship between cultural differences and long-run returns in post-acquisition (Steigner & Sutton, 2011, p. 104).

Chakrabarti, Gupta-Mukherjee, and Jayaraman (2009) confirm the opposite in their findings. That is, there are long term benefits in cross-border merger and acquisitions especially where there are significant cultural differences (p. 105). Cross-border merger and acquisitions provides access to new routines and processes, procedures, skills and expertise (Morosini, Shane, & Singh, 1998, p. 105). Chakrabarti et al. (2009) further highlight that acquiring companies pay more attention to cultural differences especially when it is a cross-border merger or acquisition (p. 105). Therefore, highlighting the importance and significance of culture in post-acquisition integration and performance, this in turn becomes critical to the process. Steigner and Sutton (2011) have found that by the second and third year post-acquisition, the acquirer with high intangible assets involved in a merger with high culture distance will experience higher operating performance (p. 105).

2.4.2. Identity in psychological contract

Identity is a social, psychological and anthropological construct that describes how individuals see themselves as well as in relation to society (Colman, 2008, p. 5). In the context of acquisitions and especially post-acquisition, individuals need to make sense of "who they are [at present] and who they will become [post-acquisition]" (p. 5). Organisational Identity refers to the common understanding that exists and is shared between the organisation and its employees' (p. 5). Organisational culture refers to the norms, goals and values of the organisation.

More specifically ‘how’ they do things as a collective of individuals or groups (p. 10). Based on these respective definitions, a link between culture and Identity is created by answering the questions of “who we are” and “how we do things” (p. 10).

Organisational change, such as mergers and acquisitions, leads to alienation in the acquired firm and re-identification with the acquiring firm which is disruptive. Continuity is a critical factor in determining the extent to which employee identity will change (Guerrero, 2008, p. 218). Guerrero (2008) uses stress theory to explain how mergers and acquisitions that threaten job security and identification leads to high emotional and increased stress levels which in turn has a negative impact and effect on job satisfaction and psychological state of mind (p. 220).

In post-acquisition integration, these questions become critically important in trying to understand to what extent (if any), organisational culture and Identity has changed. Colman (2008) asserts that Identity changes to a greater extent than culture (p. 10).

2.4.3. Communication and culture in psychological contract

Communication and collaboration is critical to the success of the post-acquisition integration process. Mutual respect between the organisations must exist as well as accessibility to resources to ensure a smooth integration process (Chambers, 2008, p. 16). This is especially critical when the acquiring organisation is larger in size than the acquired organisation.

In addition to strategic and organisational fit, there is evidence to support a third fit which is cultural fit (Colman, 2008, p. 3). According to Colman (2008) there is no conclusive proof on how culture impacts acquisition performance (p. 23-24). However, Datta and Puia (1995) confirm the importance of cultural fit within mergers or acquisitions and subsequent performance (p. 341).

Personnel and culture integration is usually underestimated which leads us to the basis of this research which is to understand to what extent the psychological contract is disrupted or changed and its impact (if any) on employee performance which in turn impacts post-acquisition success or failure (Chambers, 2008, p. 16). Further reference is made by Chambers (2008) to the rate of adoption of cultural integration and the degree to which this impacts the overall integration process (p. 17). The implication of this is that after a period of three to five years, the full impact of the integration process should have taken effect and the new culture would either have been fully adopted or resisted (Schoenburg, 2006, p. 365).

Differences in culture also tend to have a major influence on the post-integration process. This may also affect communication and Identity in the acquired firm (Ellis, Reus, Lamont, & Ranft, 2011, p. 1265).

Leadership must be willing to create a new culture if required which is a hybrid of both cultures (Chambers, 2008, p. 17). It is also critical to be honest and transparent with employees from the outset to build trust and increase the level of commitment and identification with the integration process (p. 17; Rouzies, 2011, p. 25).

2.5. Employee Performance

In an acquisition, job security, future career development and progress become important to employees. Anxiety, uncertainty and being intimidated by the process start to set in and control emotions (Chambers, 2008, p. 29). When these emotions turn into action and a decision to leave is made, they take with them valuable skills, experience and industry knowledge (p. 28). Employee turnover ultimately leads to a decrease in productivity as the human resource function has to invest more time and effort to replace the lost resource with an equally qualified, skilled and experienced resource (p. 28).

Employee performance is divided into two broad categories: in-role performance and extra-role behaviour (Restubog et al., 2006, p. 300). In-role performance relates to the explicit requirements and expectations from the organisation on the employee. These requirements are typically captured in employment contracts and performance targets. Extra-role behaviour refers to implicit and unstated behaviour that adds value to the employer-employee relationship, however, if not performed by the employee no punishment or consequences accrue (p. 300).

Although it is advantageous to measure employee performance in its entirety, the impact of employee performance as a result of a change in psychological contract is more accurately measured by changes in extra-role behaviour. The socio-emotional variables found in typical psychological contracts are more tightly linked to the implicit and unstated behaviours found in extra-role activities.

2.5.1. Implications of the psychological contract on employee performance

Restubog et al. (2006) offer insight into the impact of psychological contract on employee performance by using social exchange theory to explain that a breach of the psychological contract has negative consequences (p. 299). The degree to which the negative consequences impact the attachment of the employee with the organisation is known as affective commitment (p. 300). This may be correlated with a drop in psychological attachment, identification and commitment as a result of the acquisition process as highlighted by Rouzies (2011, p. 25).

Restubog et al. (2006) confirm in their research that there is a negative relationship between affective commitment and a breach in the psychological contract (p. 300). However, if affective commitment is high, it can have a moderating effect on (1) perceived organisation support and its impact on extra-role behaviour by employees; and (2) work environment status such as an on-going acquisition and its impact on extra-role behaviour (p. 300). Chambers (2008) research also asserts that regular communication with employees is critical (to affective commitment) and

if not practiced could lead to a drop in commitment and productivity (p. 28; Lester, Claire, & Kickul, 2001, p. 10).

2.5.2. Critical factors affecting employee performance

Based on previous research conducted, changes in employee performance can be analysed by the following critical factors: -

- Communication
- Productivity
- Extra-role behaviour (organisational citizenship behaviour)
- Affective commitment
- Potential turnover
- Job satisfaction

Skilled and experienced employees are in even higher demand than before to assist organisations to achieve higher levels of performance in today's globally competitive market (Lester et al., 2001, p. 11). This implies that organisations fulfillment of the psychological contract has become more crucial to the process of attracting and retaining talent (p. 11). An added benefit to the additional focus on fulfilling the psychological contract is the increase in affective commitment that this set of actions will yield from employees' (p. 11). Employees' no longer look only at remuneration as a critical decision factor for employment decisions. They pay equal attention to the non-financial benefits that the organisation has to offer (p. 15). This is consistent with the extra-role behavioural expectations that need to be fulfilled (Restubog et al., 2006, p. 300).

Due to high increased motivation for employee mobility, more emphasis is placed on retention (Lester et al., 2001, p. 15). This is especially important in an acquisition process where the best talent are the first to leave when the psychological contract is not fulfilled (Rouzies, 2011, p. 25).

Restubog et al. (2010) have investigated the impact of levels of exchange and communication on the psychological contract. They asserted that high levels of exchange and strong relationships between employees' and managers, strengthens the support structure and can improve employee performance and productivity (p. 422). In addition, higher levels of support also decreases the intention to leave (p. 423). The authors highlight two opposing views that may have an impact on employee performance. The first view states that if there is a high level of engagement between employees and management, and if the psychological contract is changed, it may have a negative impact on performance and commitment. The opposing view states that the high level of engagement (between employees and management) may help cushion any change in the psychological contract (p. 423). These opposing views are noteworthy as research has shown that a breach in psychological contract leads to a drop in productivity and commitment to the organisation (p. 424). The converse is also true in that higher levels of support lead to improvements in productivity and increased job satisfaction (p. 424).

2.5.3. Potential turnover and job satisfaction

Contextual performance refers to the helpful, co-operative and innovative behaviour displayed by employees (Van Scotter, 2000, p. 79). This is in alignment with extra-role behaviour (Restuborg et al., 2010, p 300). Van Scotter (2000) suggests that contextual performance leads to positive outcomes, such as increased levels of job satisfaction, organisational commitment and higher levels of retention (or decreased potential turnover) (p. 80). Van Scotter (2000) further elaborates that employees who display positive contextual performance behaviours adapt to change better and reduces potential turnover (p. 81-82). Contextual behaviour also leads to increased job satisfaction which ultimately affects the psychological and social environment/climate within the organisation (p. 83) as well as organisational commitment and job satisfaction (p. 84).

Conversely, absence of or reduced levels of contextual performance behaviours are strong indicators of high levels of potential turnover (and drop in employee performance) (p. 82). By measuring contextual performance (or extra-role behaviour) post-acquisition, we can form a view on employee performance, that is, whether it has increased or decreased and in-turn how sensitive it is to the post-acquisition integration process.

Various studies (and models) have linked potential turnover to job satisfaction and psychological contract. Little is known about the link between organisational change (such as post-acquisition integration) and turnover (Morrell, Loan-Clarke, & Wilkinson, 2004, p. 161).

In their research, Morrell et al. (2004, p. 162) explain the role of “shock” events such as organisational change, such as mergers and acquisitions and how it affects turnover. These “shock” events may lead to avoidable or unavoidable turnover which in turn helps to understand whether the change process could have been managed better to avoid high levels of avoidable turnover (p. 163). Their research concludes that “shock” events during post-acquisition integration have a high degree of impact on turnover and are also avoidable to a greater degree as well (p. 168-169).

2.5.4. Productivity

Post-acquisition integration processes may be seen as a form of a major or severe disruption, which leads to a drop in productivity. This is based on the loss of social status and centrality (Paruchuri et al., 2006, p. 545). It can be most severe or disruptive for technical staff (or knowledge workers) who have socially embedded routines and who are regarded as innovators in the acquired firm (p. 546).

This group may suffer sense of dislocation, loss, even trauma leading to a drop in productivity. Acquisitions primarily focus on executives and their behaviour

(especially retention). Very little, if any, attention is given to the technical core of the organisation (p. 545).

This is not to say that managers and executives do not add any value. Acquired firms managers and executives possess key knowledge and skills that are central to existing operations and potential adoption in the post-acquisition integration process. They are able to identify when adoption and integration will be efficient and effective and when problems or resistance may occur. Retention of managers and executives in the acquired firm is important to create a positive post-acquisition integration process (Ellis et al., 2011, p. 1266). This further emphasises the importance and critical role communication plays in maintaining a balance between executives, managers and staff at the core of the business.

2.6. Summary of literature review

The role of the human resource function in retaining and motivating employees' is critical to the acquisition process (Chambers, 2008, p. 2-4). Identity threat experienced by employees during an acquisition causes psychological detachment and a decrease in productivity (Rouzies, 2011, p. 25).

The psychological contract is multidimensional (Rousseau, 2000, p. 1) and can be measured from either the employees perspective (unilaterally) or from the organisations perspective as well (bilaterally) (Freese & Schalk, 2008, p. 270). As acquisitions are long-term in nature, the focus of the research will be based on the unilateral perspective.

Changes to psychological contracts happen for a number of reasons (Linde & Schalk, 2008, p. 305-306). The degree to which relationships change between employees' and organisations during this process needs to be measured (Linde & Schalk, 2008, p. 308). Examples of factors that are affected by the acquisition process include culture and identification (Drori & Weber, 2011, p. 77).

Communication is a critical success factor in an acquisition and integration process (Chambers, 2008, p. 16). Regular communication is also a critical factor in employee performance (Lester et al., 2001, p. 10; Chambers, 2008, p. 28). It reduces anxiety and uncertainty caused by the acquisition process and improves the affective commitment to the organisation (Chambers, 2008, p. 29).

3. Research Hypotheses

Six hypotheses have been proposed in order to determine relationships between psychological contract and employee performance during the post-acquisition integration process. These hypotheses guide the formulation of outcomes and results for this research report.

3.1. Hypothesis 1

H1: Fulfilment of the psychological contract in a post-acquisition integration process is likely to have a positive impact on employee performance.

H1_A: Fulfilment of the psychological contract in a post-acquisition integration process is likely to have a negative impact on employee performance.

H1_B: Fulfilment of the psychological contract in a post-acquisition integration process is likely to have no impact on employee performance.

3.2. Hypothesis 2

H2: The nature of employee identification during the post-acquisition integration process is likely to lead to a decrease in employee performance.

H2_A: The nature of employee identification during the post-acquisition integration process is likely to lead to an increase in employee performance.

3.3. Hypothesis 3

H3: The nature of organisational culture during the post-acquisition integration process is likely to lead to a decrease in employee performance.

H3_A: The nature of organisational culture during the post-acquisition integration process is likely to lead to an increase in employee performance.

3.4. Hypothesis 4

H4: Regular communication in a post-acquisition integration process reduces potential turnover

H4_A: Regular communication in a post-acquisition integration process increases potential turnover

3.5. Hypothesis 5

H5: Regular communication in a post-acquisition integration process improves employee job satisfaction.

H5_A: Regular communication in a post-acquisition integration process reduces employee job satisfaction.

H5_B: Regular communication in a post-acquisition integration process does not affect employee job satisfaction.

3.6. Hypothesis 6

H6: Regular communication in a post-acquisition integration process is likely to lead to an increase in productivity

H6_A: Regular communication in a post-acquisition integration process is likely to lead to a decrease in productivity.

H6_B: Regular communication in a post-acquisition integration process does not affect productivity.

4. Proposed Research Methodology

4.1. Choice of methodology

The research design selected for this research was quantitative in nature and descriptive in design. A descriptive research design was required to accurately describe persons, events and situations (Saunders & Lewis, 2012, p. 165). In this research, the event being measured was the post-acquisition integration process and the situation resulting from this event, therefore a descriptive research approach has effectively measured employees' perceptions, feelings and attitudes arising from this event. A cross-sectional design was chosen as it is a study of a particular topic at a particular moment in time (Saunders & Lewis, 2012, p. 165). In a similar study by Linde and Schalk (2008, p. 318) a cross-sectional study was also used because it was not possible to control the effects of time on people's perceptions and responses to the acquisition.

4.2. Unit of analysis

Units of analysis are described as members or elements of a population (Welman & Kruger, 2005). The unit of analysis for this research was the individual as it enhances the predictability of the results (Rouzies, 2011, p. 39).

4.3. Population

The target population consisted of all employees who have undergone acquisition in South Africa. More specifically, managers' subjective assessments were one of the preferred measurement scales for measuring post-acquisition integration performance (Schoenberg, 2006, p. 368; Papadakis & Thanos, 2010, p. 859). Therefore, the population was further limited to all employees holding management positions. Colman (2008) also supported the understanding of the managers' role in the post-acquisition integration process (p. 17).

Given the subjective nature of the measurement in terms of the mind-set, attitudes and perceptions of the target population, the timing of the research was also critical to the results. It was suggested that a period of no less than three years and no more than five years, post-acquisition be used (Schoenberg, 2006, p. 365). The reasoning behind the timing of the research execution was that it takes at least three years for the impact of the acquisition to be fully understood and integrated. In addition, the ability of individuals to accurately recall events beyond a five year time horizon was not reliable and may result in inaccurate information and feedback (Schoenberg, 2006, p. 365).

4.4. Sample size and method

A non-probability sample was chosen opposed to a probability sample on the basis of convenience. A non-probability sample is used when a complete list of the target population is not known and a sample cannot be randomly selected (Saunders & Lewis, 2012, p. 134).

Convenience sampling which is a type of non-probability sampling because of ease of access rather than appropriateness was used (Saunders & Lewis, 2012, p. 140). The sample chosen were managers at a South African listed company (Company A) due to the researcher's employment at the organisation and ease of access to respondents and data. Company A was further qualified for this sample due to the acquisition by Company B (a foreign based listed company) of 65% of Company A's shareholding. The acquisition started in 2008 and concluded in 2009 qualifying Company A within the three to five year research window (Schoenberg, 2006, p. 365). It was also not possible to gather data from all employees who had experienced acquisition within the three to five year time period within a large geographic region such as South Africa. A total of 380 respondents were therefore contacted to participate in the data collection survey.

4.5. Data gathering process

Data gathering was done via an online website questionnaire. A total of 211 responses were received. The data was downloaded and exported into an Excel spread sheet for data cleaning. The data was then imported into a specialized statistical data analysis tool.

4.5.1. Research Instrument

A survey research design was used to obtain the data. This involved the structured collection of data from the sample population in the form of a questionnaire (Saunders & Lewis, 2012, p. 115). This was further supported by Nardi (2003, p. 107) who recommended survey research for effectively and efficiently collecting large volumes of data over a short period of time. Chambers (2008, p. 33) concurred with the use of a survey research design over one-on-one interviews as a more cost-effective approach and for consolidation of data.

Using a questionnaire in which predetermined questions were asked in sequence and responses are captured is known as a structured interview and will form part of the research instrument design (Saunders & Lewis, 2012, p. 141). Further to the definition, a questionnaire survey was the most commonly used method for examining psychological contracts (Freese & Schalk, 2008, p. 269).

The plan for the data collection was as follows: -

- a) Prepared online questionnaire and drafted letter to respondents explaining the research.
- b) Emailed respondents the letter explaining the research.
- c) The URL to the questionnaire was included in the email explaining the research.
- d) A proposed cut-off date (22 August 2012) for responding to the questionnaire was set and communicated via the online tool.

4.5.2. Construct and scales

The preferred construct used for the research of subjective data was a Likert scale (Schoenberg, 2006, p. 365). The scale was adapted to each construct being measured as identified and defined within this research. Appendix five documents the actual questionnaire with the measurement objects and scales that delivered the data used in the research analysis. The themes covered are listed and defined as follows: -

- Section 1 Demographics highlighting gender, ethnicity, age, employment status, job level, business unit/department and number of years employed.
- Section 2 Acquisition was defined as being made aware of the acquisition in advance, consulted during the decision making process, adequately supported during the acquisition process and given regular feedback on the progress and status of the acquisition.
- Section 3 Psychological contract was defined as identity, culture and communication. More specifically identity with regards to the acquired and the acquirer, the acquisition process, satisfaction with the process and employee welfare. Culture with regards to development initiatives to improve skills and support for employee needs and problems. Communication with regards to sharing of information, involvement during changes, predicting future direction of the relationship between the company and employee, degree of certainty of company commitment to employees and the existence of inconsistencies between what the company says and does.
- Section 4 Employee performance is defined as potential turnover, job satisfaction and productivity. More specifically potential turnover with regards to obligations to the employer, ability to quit at any time, building of skills and contacts for alternative employment and seeking

out assignments to enhance employability. Job satisfaction with regards to building skills to add value to the organisation, support by the organisation to attain higher levels of performance, availability of developmental and advancement opportunities, expectations from the employer in the future and ability to predict the future relationship with the employer.

4.6. Method of analysis

A data gathering tool was used for the statistical analysis of the collected data. Descriptive statistical techniques were applied to the data to show central tendency, dispersion and any trends that exist (Saunders & Lewis, 2012, p.176). More specifically, the Chi-square test, Spearman's or Kendal's rank correlation, Pearson's product correlation and regression coefficient were used to analyse the data collected and draw insights and conclusions from them (p. 180-181).

The Chi-square test (χ^2) measures the probability that an association exists between two variables occurring by chance. This is also known as significance testing and checks to see what the probability or likelihood of the statistic appearing by chance. The acceptable threshold for measuring statistical significance is 5%. Anything less than 5% means that the test is statistically significant and the null hypothesis can be rejected and the hypothesis accepted (Saunders & Lewis, 2012, p.180).

Spearman's rank correlation measures the strength of the relationship that exists between two variables that are categorically ranked and the probability of this correlation occurring by chance (p. 180). For numerical data, Pearson's product correlation coefficient (r) is used to measure the ranks of the data instead of the data itself (p. 181). Also used in measuring the strength of a statistical relationship is the regression coefficient or coefficient of determination (r^2). This measures the strength of a cause and effect relationship (p.181). Cronbach's alpha was also used to measure the internal consistency coefficients which are required to be

above 0.70 to be statistically significant (Rousseau, 2000, p. 8). For measuring the strength of correlation of tied rank data, the Kendal rank correlation was used instead of Spearman’s rank correlation (p.180).

Table 1 illustrates how each of the hypotheses was used to test the relationships between the variables identified in the literature. Hypothesis one involves all variables identified in psychological contract and employee performance. Hypothesis two measured identity and all variables identified within employee performance. Hypothesis three measured culture and all variables identified within employee performance. Hypotheses four, five and six had measured communication with potential turnover, job satisfaction and productivity, respectively.

Table 1 – Hypothesis/Variable Relationship Matrix

		Psychological Contract		
		Identity	Culture	Communication
Employee Performance	Potential turnover	H1, H2	H1, H3	H1, H4
	Job satisfaction	H1, H2	H1, H3	H1, H5
	Productivity	H1, H2	H1, H3	H1, H6

4.7. Research Limitations

The research design chosen had the following limitations: -

- The research was limited to the case study of a single organisation and may lack external validity (Rouzies, 2011, p. 39).

- The disadvantage of convenience sampling for this type of research was that it was not representative of all employees who have experienced acquisition within South Africa. Also, variability and bias estimates in employee responses cannot be measured accurately as well as projecting data collected at Company A on the target population (Zikmund, 2003).
- The long-term effects of acquisitions could not be determined in a cross-sectional study.
- The psychological contract of employees at Company A pre-acquisition was assumed to be balanced.
- The research was conducted at a large organisation and may not yield the same results at a smaller organisation or the merger and acquisition between two similar sized organisations.

5. Results

5.1. Introduction

The Psychological Contract Inventory Technical Report by Rousseau (2000) was the basis for the questionnaire used as the data collection tool. This chapter will review the data collected and provide commentary on the descriptive and analytical statistics provided by the data.

The response rate, summary of demographic data, and the regression results for each variable measured will be discussed in detail. A summary of the final conclusion of each hypothesis will also be presented.

5.2. Response rate

The URL to the online questionnaire was emailed to 380 respondents. The total number of responses received was 211. However, not all respondents answered all questions. After removing the incomplete responses, 173 responses were left. These were distributed over all levels and time of employment. When the data was filtered for only permanent management employees employed for greater than three years, the number reduced to 92 (Schoenberg, 2006, p. 368; Colman, 2008, p. 17; Papadakis & Thanos, 2010, p. 859). Therefore, this represented a response rate of 24.21%.

5.3. Demographic and summary statistics

Demographic information collected included gender, ethnicity, age and business unit/department. However, the more pertinent information collected which shapes the relevance of the data to the hypotheses were employment status, job level and number of years employed (Schoenberg, 2006, p. 368; Colman, 2008, p. 17; Papadakis & Thanos, 2010, p. 859).

Based on the theory presented in chapter two regarding demographic requirements for measurement, over 99% of responses were full-time employees with regards to employment status. Approximately 65% of the respondents were in management positions and approximately 75% were employed at the firm for longer than three years. These results are reflected in the averages for the demographic information responses in table 2.

Table 2 – Demographic data averages

Gender	1.3
Ethnicity	2.4
Age	4.5
Employment Status	1
Job Level	1
Business Unit/Department	6.5
Number of Years Employed	3.1

5.4. Data adjustment

The construct used for this research was a five point Likert scale (Schoenberg, 2006, p. 365). That is, the data collected were numerical values between one and five as responses to the questions. In order to combine questions into sub-totals, all the responses were added up to create these sub-totals. However, this created a problem: since the responses were in terms of levels of agreement to the statements made, the responses were subject to how the statement was presented. For example, the question “My company withholds information from me” could elicit a response of one, which means Strongly Agree. However, if the question was phrased “My company makes information available to me”, the same response would be interpreted as five, which means Strongly Disagree.

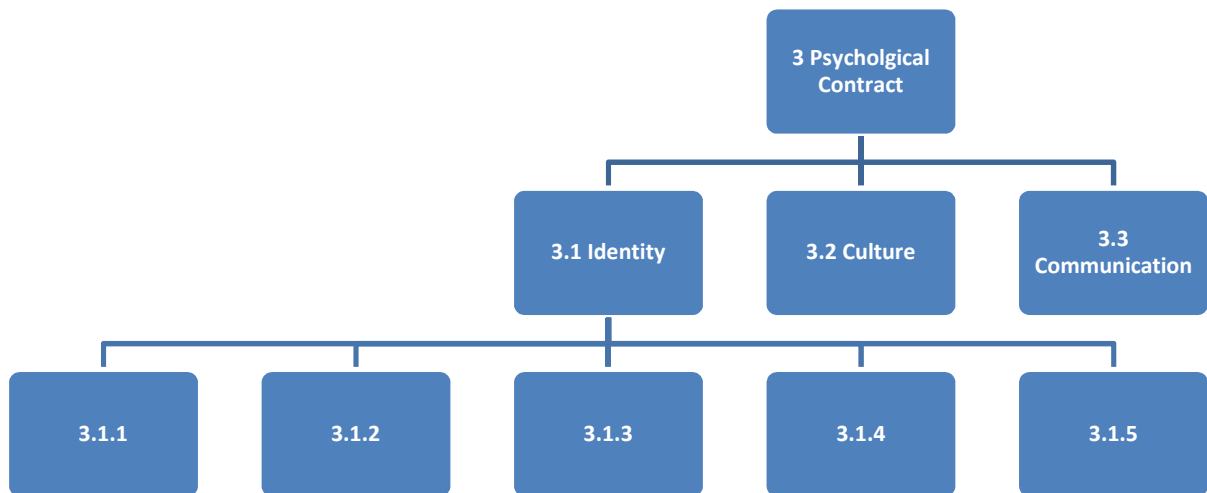
The first statement is seen as negative, while the second is positive. If all statements were negative or positive, they can be interpreted without adjustment. However, since they are mixed, the negative statement had to be adjusted to what

they would be if the statement was positive, that is, the statements were reverse-scored.

5.5. Levels of data

The data was presented on a very granular level; however, the hypotheses needed to be tested on an aggregated level. This meant that subtotals for each level had to be calculated. This is logically presented in figure 4 for all variables discussed under psychological contract. The same representation can be interpreted for all variables discussed under employee performance.

Figure 4 – Levels of data aggregation



Hypothesis 1 used data from the top layer, while Hypothesis 2 and 3 used data from the top layer measured against data from layer two. Hypotheses 4, 5 and 6 measured data from the lowest level.

5.6. Overview of p-value and null hypothesis

In order to better understand the logic of the regression analysis, each variable has been coded with X and Y values which in turn have been cross-referenced with the sections contained in the questionnaire (appendix five). That is, section three of the questionnaire references all questions related to psychological contract while section four references all questions related to employee performance. This is graphically represented in table 3.

Table 3 – Coded Hypotheses/Variable Matrix

		Psychological Contract X:3.0		
		Identity X:3.1	Culture X:3.2	Communication X:3.3
Employee Performance Y:4.0	Potential turnover Y:4.1	Y:4.1, X:3.1	Y:4.1, X:3.2	Y:4.1, X:3.3
	Job satisfaction Y:4.2	Y:4.2, X:3.1	Y:4.2, X:3.2	Y4.2, X:3.3
	Productivity Y:4.3	Y:4.3, X:3.1	Y:4.3, X:3.2	Y:4.3, X:3.3

All hypotheses were tested as follows: -

- A regression analysis was done using the two variables X and Y. The variable from the psychological contract was the independent variable, or X; and the variable from employee performance was the dependent variable, or Y.

- The p-value of the regression analysis was used to test the null hypothesis of the regression. The null hypothesis indicates that the coefficient of the X variable is insignificant. This means that by default, the coefficient cannot be used until proven.
- If the p-value of the regression is less than 0.05, the null hypothesis can be rejected in favour of the alternative; that is, the coefficient is usable.
- If the coefficient is usable, it can be interpreted in terms of what the effect of a change in X will do with a change in Y.
- The underlying regressions will be interpreted to see how they contribute to whether the p-value is high or low.

5.7. Regression analysis

To further clarify the link between the regression analysis and hypotheses, each coded variable has been cross-referenced with the hypotheses from chapter three. This is graphically represented in table 4.

Table 4 – Cross-referenced Hypotheses/Variable Matrix

		Psychological Contract X:3.0		
		Identity X:3.1	Culture X:3.2	Communication X:3.3
Employee Performance Y:4.0	Potential turnover Y:4.1	H1, H2 Y:4.1, X:3.1	H1, H3 Y:4.1, X:3.2	H1, H4 Y:4.1, X:3.3
	Job satisfaction Y:4.2	H1, H2 Y:4.2, X:3.1	H1, H3 Y:4.2, X:3.2	H1, H5 Y4.2, X:3.3
	Productivity Y:4.3	H1, H2 Y:4.3, X:3.1	H1, H3 Y:4.3, X:3.2	H1, H6 Y:4.3, X:3.3

5.7.1. Hypothesis 1 – Psychological contract and employee performance (X:3.0, Y:4.0)

This hypothesis tested the impact of fulfilling the psychological contract on employee performance. The p-value of this regression analysis was 6.98E-11, which is less than 0.05. This means that the null hypothesis can be rejected with confidence. Rejecting the null hypothesis implies that the coefficient of 1.058 can be seen as statistically significant and can be used with confidence.

The coefficient means that there is almost a one to one relationship between changes in X:3.0 (psychological contract) and Y:4.0 (employee performance). That is, when X:3.0 (psychological contract) increases by one, Y:4.0 (employee performance) will increase by 1.058. This implies that fulfilling the psychological contract does influence employee performance and that it affects it positively and almost on an equal basis.

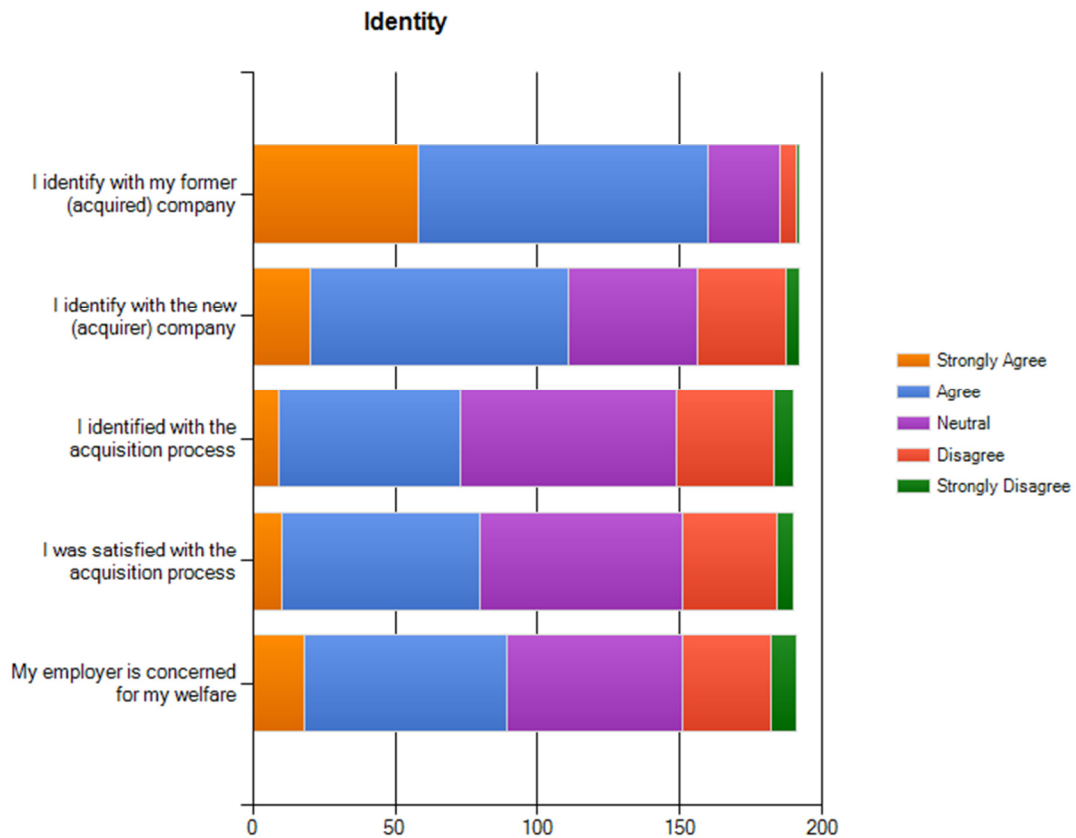
5.7.2. Hypothesis 2 – Identity and employee performance (X:3.1, Y:4.0)

This hypothesis tested the impact of fulfilling the identity part of the psychological contract on employee performance. The p-value of this regression was 4.91E-08. This implies that the p-value is less than the significance level of 0.05, and therefore the null hypothesis of insignificance can be rejected. Further, the coefficient of X:3.1, which is 1.585, can be used. Therefore, for a single unit change in X:3.1 (identity), the value of Y:4.0 (employee performance) will change by 1.585.

This means that fulfilling the identity part of the psychological contract has an influence on employee performance, and that the influence is positive. The significance of a coefficient greater than one and the concept of a unit change are explained in greater detail in further tests.

The identity part of the above results is graphically represented by the high concentration of ‘Strongly Agree’ and ‘Agree’ responses (combined) in figure 5.

Figure 5 – Identity



5.7.2.1. Identity and potential turnover (X:3.1, Y:4.1)

This regression tested the impact that fulfilment of the identity aspect of the psychological contract has on the potential turnover aspect of employee performance. This was done in two steps: firstly, it was determined whether identity fulfilment has an impact on employee performance. Secondly, it was determined whether that influence is positive or negative.

To establish whether identity fulfilment has an impact on employee performance, responses to section X:3.1 were evaluated for influences on the answers to section Y:4.1. A section refers to the sum of the responses to all its sub-questions.

Statistically speaking, the null hypothesis of the regression analysis is that the coefficient for X:3.1 is statistically insignificant. If the p-value is less than the significance level of 0.05, the null hypothesis is rejected in favour of its alternative; that is, the coefficient of X:3.1 is statistically significant.

In X:3.1 and Y:4.1, the p-value is 0.977. This means that the value is greater than the significance level of 0.05, therefore that the null hypothesis cannot be rejected and the coefficient of X:3.1 is not significant in determining Y:4.1.

Therefore, the fulfilment of the psychological contract does not affect performance in this sample. The question now is, is this the case for all sub-components within X:3.1 and Y:4.1? This can be determined by evaluating the regressions of each response within X:3.1.x against each response within Y:4.1.x. This is done in table 5 where the results for Y:4.1.x and X:3.1.x are presented.

Table 5 – Regression results of identity (X:3.1.x) and potential turnover (Y:4.1.x)

	3.1.1	3.1.2	3.1.3	3.1.4	3.1.5
4.1.1	0.93	0.05	0.03	0.99	0.06
4.1.2	0.83	0.20	0.93	0.56	0.45
4.1.3	0.51	0.54	0.12	0.22	0.94
4.1.4	0.90	0.94	0.07	0.11	0.05
4.1.5	0.13	0.34	0.00	0.07	0.26

The p-values in table 5 illustrate that only the following combinations are less than 0.05: -

- Y:4.1.1, X:3.1.3
- Y:4.1.4, X:3.1.5
- Y:4.1.5, X:3.1.3

This means that only for the combinations listed above can the null hypothesis be rejected and that the coefficient is insignificant as well as that the coefficient is therefore statistically significant. Therefore, this combination has 22 components that are not significant, which explains why the totals are not significant.

Since the coefficient is not significant, the coefficient cannot be interpreted. However, for illustrative purposes, the interpretation is included as this will be required in later parts.

The coefficient for X:3.1 in Y:4.1, X3.1 is 0.002. This implies that if it was significant, for a unit change in the responses for X:3.1, the responses in Y:4.1 would increase by 0.002. This is done by viewing the regression as a linear equation: -

$$y = mx + c$$

m is the coefficient of X:3.1 and c is the intercept, therefore

$$y = 0.002x + 13.895$$

If $x = 1$, y will be 13.897. If $x = 2$, $y = 0.002(2) + 13.895 = 13.899$. The difference between the two results is $13.899 - 13.897 = 0.002$. This means that X:3.1 has a very slight positive influence on Y:4.1. Alternatively, this means that the identity part of psychological contract has a very slight positive influence on the potential turnover part of employee performance.

5.7.2.2. Identity and job satisfaction (X:3.1, Y:4.2)

This regression tested whether the identity aspect of the psychological contract affects the job satisfaction aspect of employee performance. The result of the regression analysis for X:3.1 and Y:4.2 has shown a p-value of 4.78E-08. This is significantly less than 0.05; hence there is very strong evidence against the null hypothesis of insignificance. Therefore, the coefficient of 0.734 is statistically significant.

The above indicates that there is a positive relationship between X:3.1 (identity) and Y:4.2 (job satisfaction) because a unit change in X:3.1 causes a change of 0.734 in Y:4.2. This means that the Identity aspect of the psychological contract positively affects the job satisfaction aspect of employee performance. Table 6 shows that the majority of the individual regressions also reject the null hypothesis of insignificance, since they are less than 0.05 as well.

Table 6 – Regression results of identity (X:3.1.x) and job satisfaction (Y:4.2.x)

	3.1.1	3.1.2	3.1.3	3.1.4	3.1.5
4.2.1	0.80	0.06	0.44	0.24	0.05
4.2.2	0.38	0.00	0.00	0.02	0.00
4.2.3	0.63	0.42	0.33	0.65	0.00
4.2.4	0.64	0.01	0.18	0.15	0.00
4.2.5	0.20	0.00	0.03	0.01	0.00
4.2.6	0.88	0.00	0.00	0.00	0.00

5.7.2.3. Identity and productivity (X:3.1, Y:4.3)

This regression tested whether fulfilling the identity part of the psychological contract explains the productivity part of employee performance. This is shown in Y:4.3 and X:3.1 with a p-value of 4.14E-09, which is less than 0.05. This implies that the null hypothesis of insignificance can be rejected and therefore the coefficient is significant. The coefficient of X:3.1 is 0.849. This indicates that a unit change in X:3.1 (identity) yields a change of 0.849 in Y:4.3 (productivity). Table 7 provides a breakdown of the individual regressions.

Table 7 – Regression results of identity (X:3.1.x) and productivity (Y:4.3.x)

	3.1.1	3.1.2	3.1.3	3.1.4	3.1.5
4.3.1	0.88	0.00	0.01	0.01	0.00
4.3.2	0.56	0.00	0.00	0.00	0.00
4.3.3	0.46	0.00	0.02	0.01	0.00
4.3.4	0.54	0.00	0.03	0.00	0.00
4.3.5	0.88	0.00	0.10	0.57	0.07
4.3.6	0.56	0.06	0.87	0.50	0.86
4.3.7	0.61	0.02	0.00	0.00	0.00

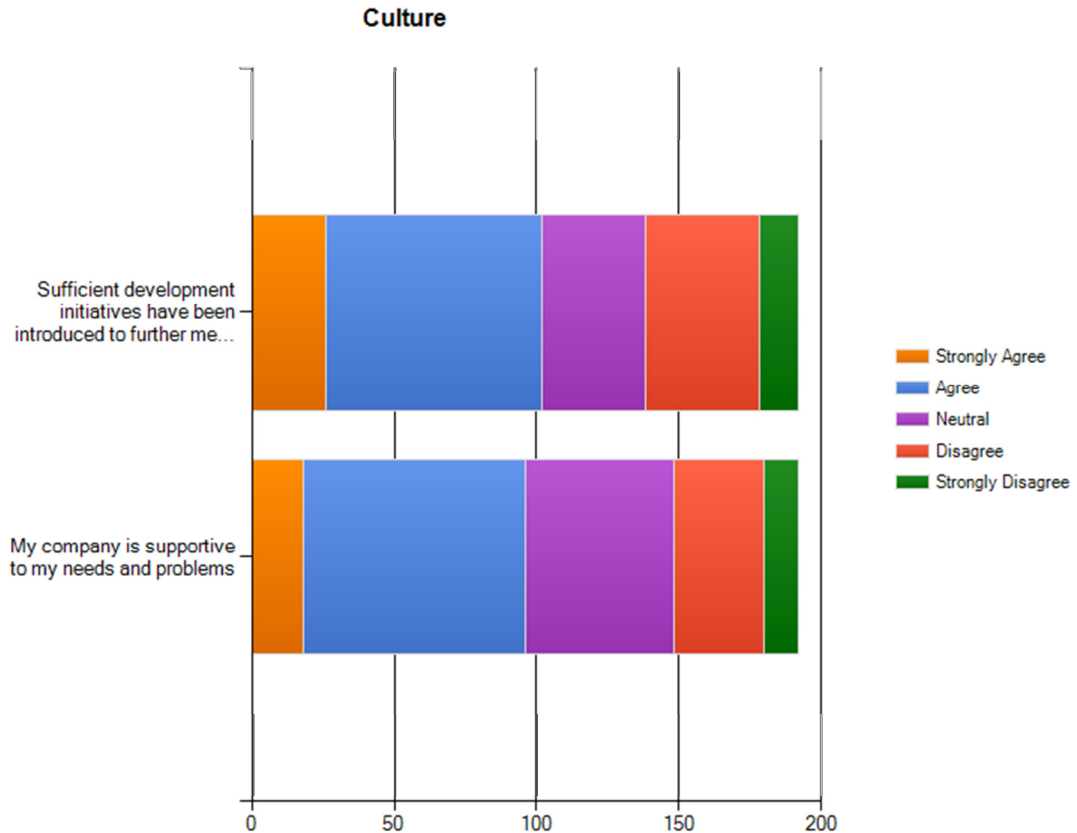
Table 7 also shows that while there is a large number of regressions where the p-value is greater than 0.05, there is enough data with a p-value lower than 0.05 to cause the total to be significant. Therefore, fulfilling the identity part of the psychological contract positively impacts the productivity part of employee performance.

5.7.3. Hypothesis 3 – Culture and employee performance (X:3.2, Y:4.0)

This hypothesis tested the impact of fulfilling the culture part of the psychological contract on employee performance. This is shown as Y:4.0 and X:3.2 with a p-value of 3.8E-14, which is significantly less than 0.05. This means that the null hypothesis of insignificance can be rejected and that the coefficient of X:3.2 is significant. The coefficient of X:3.2 is 3.02, this implies that for every unit increase in X:3.2 (culture), the results for Y:4.0 (employee performance) would increase by 3.02.

In summary, the fulfilment of the culture part of the psychological contract does influence employee performance, and it does so positively. The culture part of the above results is graphically represented by the high concentration of 'Agree' responses in figure 6.

Figure 6 – Culture



5.7.3.1. Culture and potential turnover (X3.2, Y:4.1)

This regression tested whether the culture post-acquisition affects potential turnover. Secondly, it tests whether the change will be positive or negative. The result of the regression analysis between the sum of sections 4.1 and 3.2, respectively, shows that the resultant p-value is 0.102. Using a significance level of 0.05, it is clear that the resultant p-value is greater than the significance level. This implies that the null hypothesis cannot be rejected and that the coefficient is insignificant. However, the p-value is very close to 0.10. This means that the null hypothesis could have been rejected if the significance level was 0.11.

The choice of significance level is subjective. It depends largely on accepted practice within a study field, as well as the source of the analysed data. For example, typical significance values in natural sciences are 0.01, while social sciences usually use 0.05 or 0.10. This means that while 0.11 is too high to reject the null hypothesis of insignificance, it does show that there is a suggestion that if the question was structured slightly differently or different respondents were used, the resultant p-value may be low enough to reject the null hypothesis of insignificance. Table 8 shows the results of the individual regressions making up X:3.2.x and Y:4.1.x.

Table 8 – Regression results of culture (X:3.2.x) and potential turnover (Y:4.1.x)

	3.2.1	3.2.2
4.1.1	0.03	0.02
4.1.2	0.40	0.56
4.1.3	0.11	0.23
4.1.4	0.88	0.30
4.1.5	0.71	0.94

Table 8 also indicates that only two of the ten individual regressions are below 0.05, with one at 0.11. These are as follows: -

- Y:4.1.1, X:3.2.1
- Y:4.1.1, X:3.2.2
- Y:4.1.3, X:3.2.1

The coefficient of X in X:3.2 and Y:4.1 is 0.191. This implies that a unit change in X:3.2 (culture) will cause a 0.191 change in Y:4.1 (potential turnover), therefore the

change is positive. Tying this back to the original question, this means that there is slight, but not conclusive, evidence that if the nature of culture is positive, it would lead to an increase in employee performance.

5.7.3.2. Culture and job satisfaction (X3.2, Y:4.2)

This regression tested whether the fulfilment of the cultural aspect of the psychological contract affects the job satisfaction aspect of employee performance. The regression result contains a p-value of 2.16E-19, which is very close to zero. This implies that the null hypothesis of insignificance can be rejected and take the coefficient as significant.

The coefficient for X:3.2 is 1.567. This is the first time that the coefficient is larger than one, and this is referred to as a multiplier. This means that a unit increase in X:3.2 (culture) results in a 1.567 increase in Y:4.2 (job satisfaction).

Table 9 breaks the convention of using three decimal numbers to show how low the values of the individual p-values are. It is also the first data set where every combination of individual results complies with the regression analysis of the totals, hence the very low p-value for X:3.2 and Y:4.2. In summary, the fulfilment of the cultural aspect of the psychological contract positively affects the job satisfaction aspect of employee performance.

Table 9 – Regression results of culture (X:3.2.x) and job satisfaction (Y:4.2.x)

	3.2.1	3.2.2
4.2.1	0.003875727986	0.002077486992
4.2.2	0.000000001154	0.000000000016
4.2.3	0.000000010330	0.000006068369
4.2.4	0.000001928026	0.000002053296
4.2.5	0.000000474460	0.000000157477
4.2.6	0.000000002504	0.000000000018

5.7.3.3. Culture and productivity (X:3.2, Y:4.3)

This regression tested whether the fulfilment of the culture part of the psychological contract influences the productivity part of employee performance. This is shown with a p-value of 2.16E-19, which is also close to zero. Hence, the null hypothesis of insignificance can be rejected. The coefficient of X:3.2 is 1.567, which is again a multiplier since it is greater than one. This implies that a unit increase in X:3.2 (culture) will lead to a 1.567 increase in Y:4.3 (productivity). The individual results are shown in table 10.

Table 10 – Regression results of culture (X:3.2.x) and productivity (Y:4.3.x)

	3.2.1	3.2.2
4.3.1	0.00	0.00
4.3.2	0.00	0.00
4.3.3	0.00	0.00
4.3.4	0.00	0.00
4.3.5	0.27	0.12
4.3.6	0.87	0.67
4.3.7	0.00	0.00

Even with a large p-value for X:3.2.1 and Y:4.3.6, the significant p-values still explain enough to make the total p-value significant. This means that fulfilment of the culture part of the psychological contract positively influences the productivity part of employee performance.

5.7.4. Hypothesis 4 – Communication and potential turnover (X:3.3, Y:4.1)

This hypothesis tested whether the communication aspect of psychological contract affects the potential turnover aspect of employee performance, and then whether it affects it positively or negatively. The p-value of the regression analysis of X:3.3 and Y:4.1 is 0.047. This is less than the significance level of 0.05; therefore, the null hypothesis of insignificance can be rejected. This implies that the nature of communication does affect potential turnover.

The coefficient of X:3.3 is 0.207. This implies that a unit change in X:3.3 (communication) introduces a change of 0.207 in Y:4.1 (potential turnover); therefore, a positive change in communication causes a positive change (reduction) in potential turnover.

The individual regression results are contained in table 11, and we see that while the totals show that X is significant in determining Y, this is not the case for each individual regression.

Table 11 – Regression results of communication (X:3.3.x) and potential turnover (Y:4.1.x)

	3.3.1	3.3.2	3.3.3	3.3.4	3.3.5	3.3.6
4.1.1	0.34	0.37	0.26	0.03	0.01	0.00
4.1.2	0.00	0.04	0.00	0.71	0.60	0.26
4.1.3	0.51	0.02	0.34	0.55	0.91	0.85
4.1.4	0.64	0.13	0.33	0.32	0.80	0.18
4.1.5	0.20	0.37	0.80	0.47	0.44	0.09

Since the highlighted values “carry” the rest, it is worthwhile looking at their coefficients to see how a unit change in individual response sets will influence individual Y’s: -

- Y:4.1.1, X:3.3.4: 0.287
- Y:4.1.1, X:3.3.5: 0.299
- Y:4.1.1, X:3.3.6: 0.313
- Y:4.1.2, X:3.3.1: 0.427
- Y:4.1.2, X:3.3.2: 0.250
- Y:4.1.2, X:3.3.3: 0.430
- Y:4.1.3, X:3.3.2: -0.192

Interestingly, X:3.3.2 and Y:4.1.3 has a negative relationship, while being significant. This means that respondents agreeing with “My company introduces

changes without involving me”, disagree with “I build skills to increase future employability”.

The above analysis can be graphically seen in figure 7 and 8 which highlights the high concentration of ‘Agree’ responses in the respective sections in the questionnaire.

Figure 7 – Communication

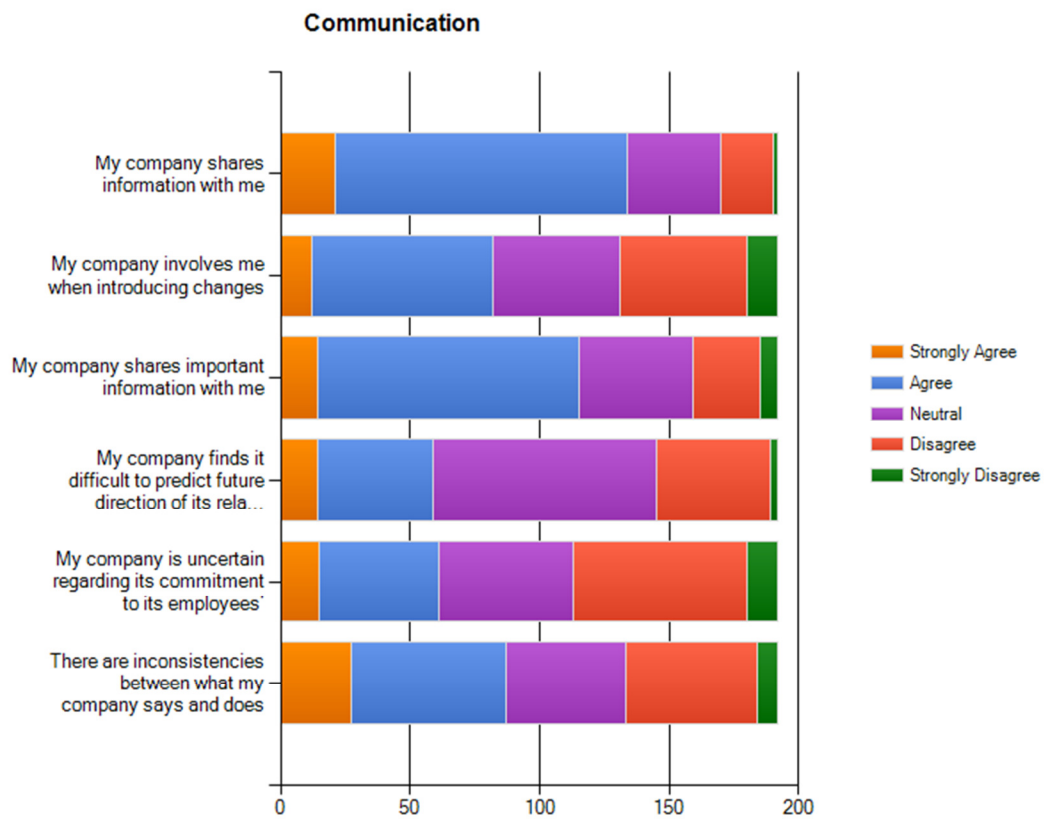
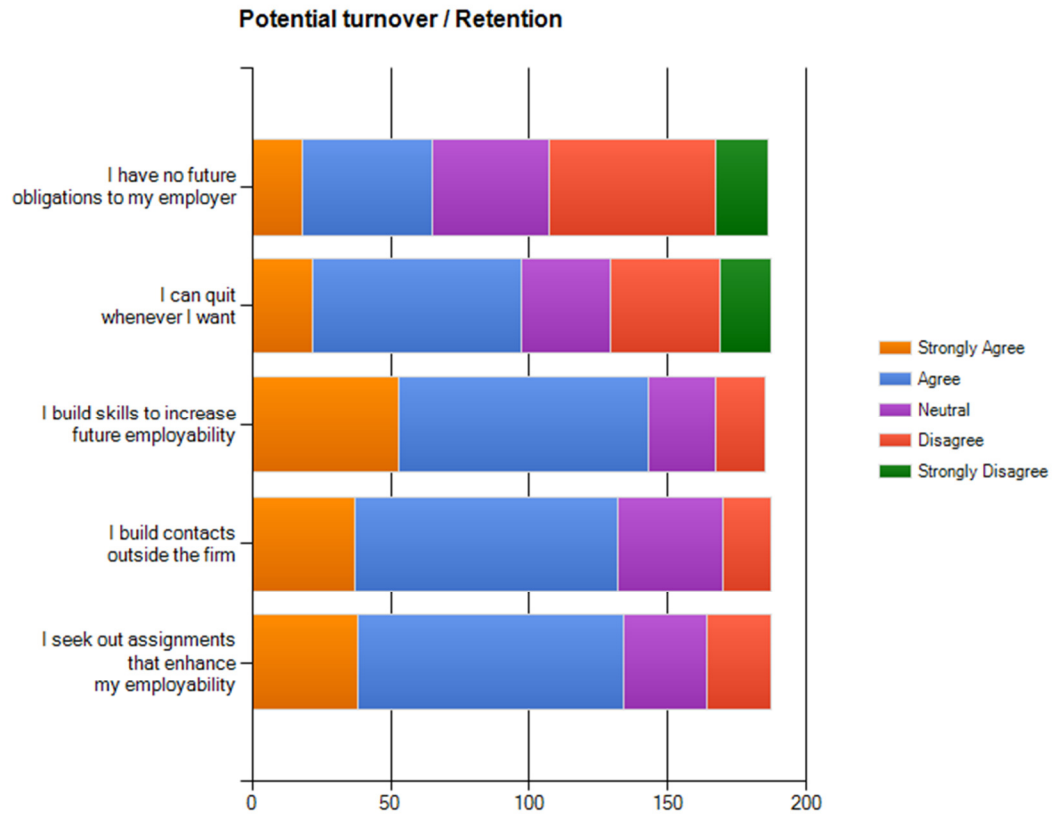


Figure 8 – Potential turnover



5.7.5. Hypothesis 5 – Communication and job satisfaction (X:3.3, Y:4.2)

This hypothesis tested whether fulfilment of the communication aspect of psychological contract explains the job satisfaction aspect of employee performance. The p-value of the regression analysis is 0.579. This is significantly greater than 0.05, and can confidently conclude that the null hypothesis of insignificance should not be rejected. Therefore, fulfilment of the communication aspect does not explain the job satisfaction part of employee performance in this sample. The result of the individual regression analysis is shown in table 12.

Table 12 – Regression results of communication (X:3.3.x) and job satisfaction (Y:4.2.x)

	3.3.1	3.3.2	3.3.3	3.3.4	3.3.5	3.3.6
4.2.1	0.03	0.02	0.00	0.01	0.00	0.15
4.2.2	0.00	0.00	0.00	0.00	0.00	0.00
4.2.3	0.00	0.14	0.01	0.47	0.03	0.00
4.2.4	0.01	0.02	0.00	0.20	0.00	0.04
4.2.5	0.00	0.01	0.01	0.01	0.00	0.03
4.2.6	0.01	0.01	0.02	0.00	0.00	0.00

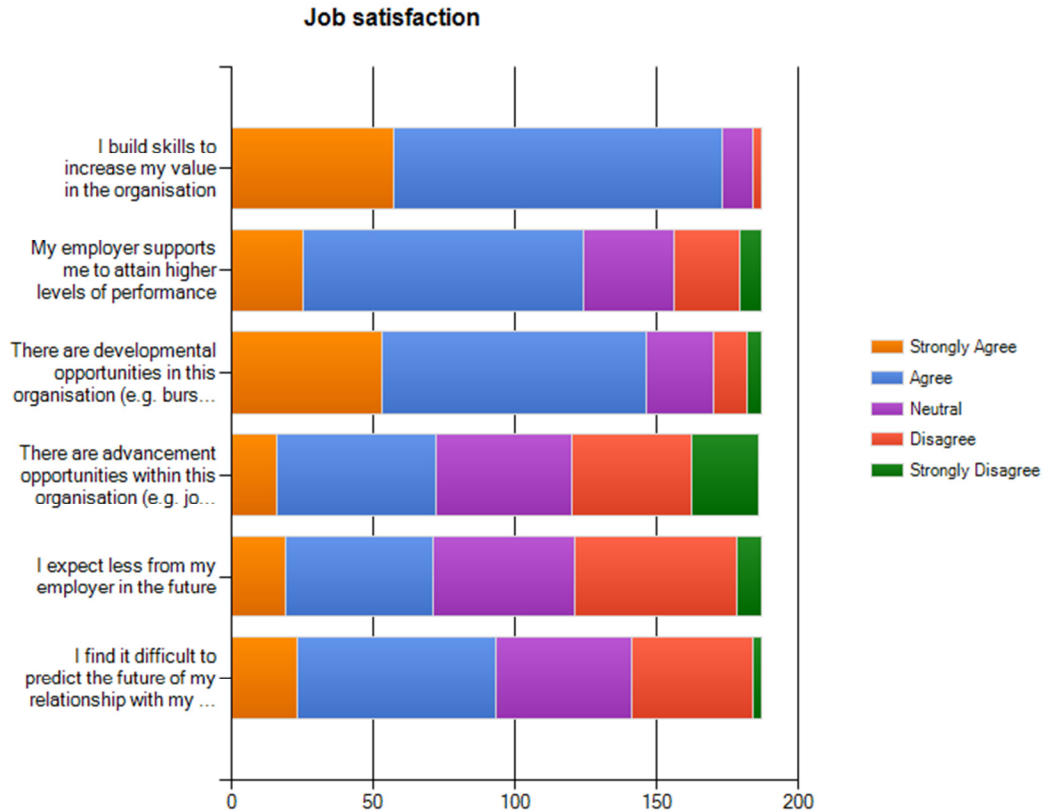
Table 12 also shows that the following combinations are causing the p-value of the regression analysis on the totals to be above 0.05: -

- Y:4.2.3, X:3.3.2
- Y:4.2.3, X:3.3.4
- Y:4.2.4, X:3.3.4
- Y:4.2.1, X:3.3.6

Removing the first three questions, and then redoing the regression, yields a p-value of 0.03. The last combination was retained, as eliminating it would cause a greater loss of explanation than gained. For example, in eliminating 4.2.3, we lose the explanations given by 4.2.3 versus 3.3.1 to 3.3.6. Of these, two have very high p-values. However, when we eliminate 4.2.1, we lose the explanations given by 3.3.1 through 3.3.6, of which only one has a p-value slightly higher than 0.05. In summary, this means that the fulfilment of the communication aspect does not explain the job satisfaction of employee performance.

The above analysis can be graphically seen in figure 9 which highlights the high concentration of 'Agree' responses in the questionnaire.

Figure 9 – Job satisfaction



5.7.6. Hypothesis 6 – Communication and productivity (X:3.3, Y:4.3)

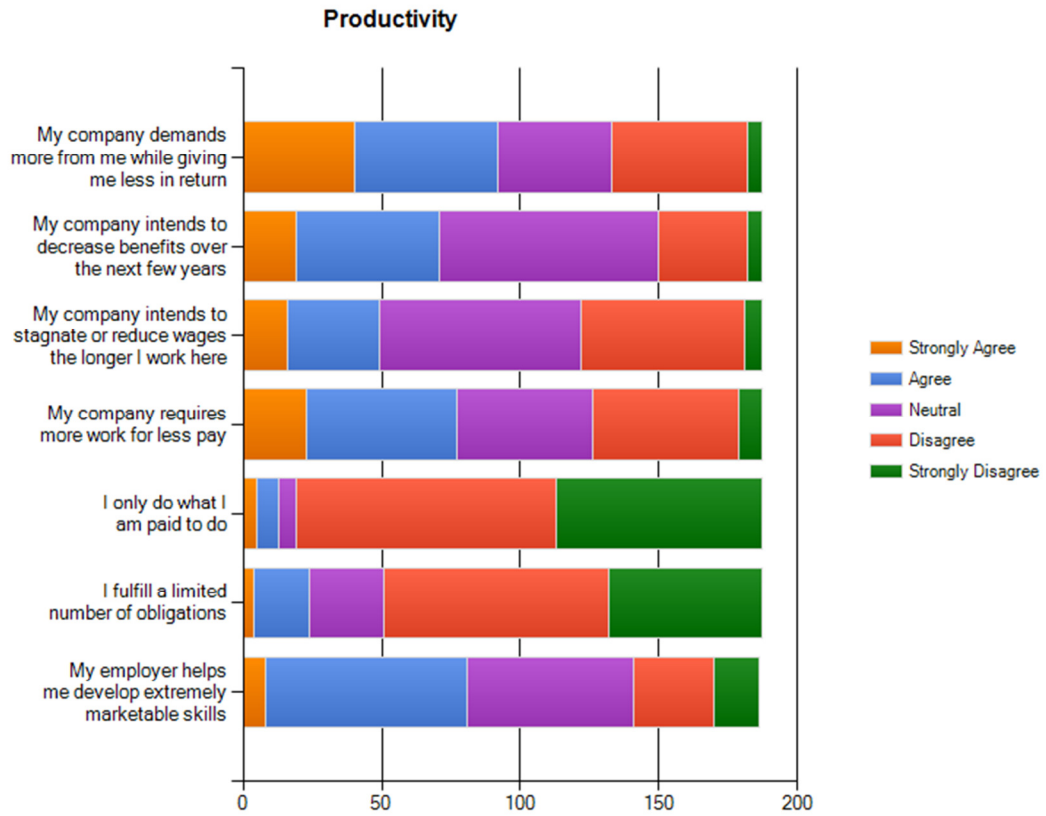
The last of the sub-level regressions tests whether fulfilment of the communication part of the psychological contract influences the productivity part of employee performance. The p-value of the regression analysis is 0.861, which is greater than 0.05. This implies that the null hypothesis with any confidence cannot be rejected. Hence, the coefficient of 3.3 is insignificant. Therefore, fulfilment of the communication part of the psychological contract does not influence the productivity part of employee performance.

Table 13 – Regression results of communication (X:3.3.x) and productivity (Y:4.3.x)

	3.3.1	3.3.2	3.3.3	3.3.4	3.3.5	3.3.6
4.3.1	0.00	0.00	0.00	0.00	0.00	0.00
4.3.2	0.00	0.00	0.00	0.01	0.00	0.00
4.3.3	0.00	0.01	0.00	0.02	0.00	0.00
4.3.4	0.00	0.00	0.00	0.00	0.00	0.00
4.3.5	0.89	0.42	0.04	0.03	0.14	0.96
4.3.6	0.96	0.94	0.41	0.37	0.79	0.42
4.3.7	0.00	0.01	0.01	0.08	0.00	0.00

As shown in table 13, while the majority of individual responses explain the corresponding results, like X:3.3.6 and Y:4.3.1, this is not enough to offset the low values in others such as X:3.3.2 and Y:4.3.6. Figure 10 highlights the above explanation in the aggregated responses for section 4.3 of the questionnaire.

Figure 10 – Productivity



5.8. Conclusion

Hypothesis 1: Fulfilment of the psychological contract in a post-acquisition integration process has a positive impact on employee performance.

Hypothesis 2_A: The nature of employee identification during the post-acquisition integration process is likely to lead to an increase in employee performance.

Hypothesis 3_A: The nature of organisational culture during the post-acquisition integration process is likely to lead to an increase in employee performance.

Hypothesis 4: Regular communication in a post-acquisition integration process reduces potential turnover.

Hypothesis 5_B: Regular communication in a post-acquisition integration process does not affect employee job satisfaction.

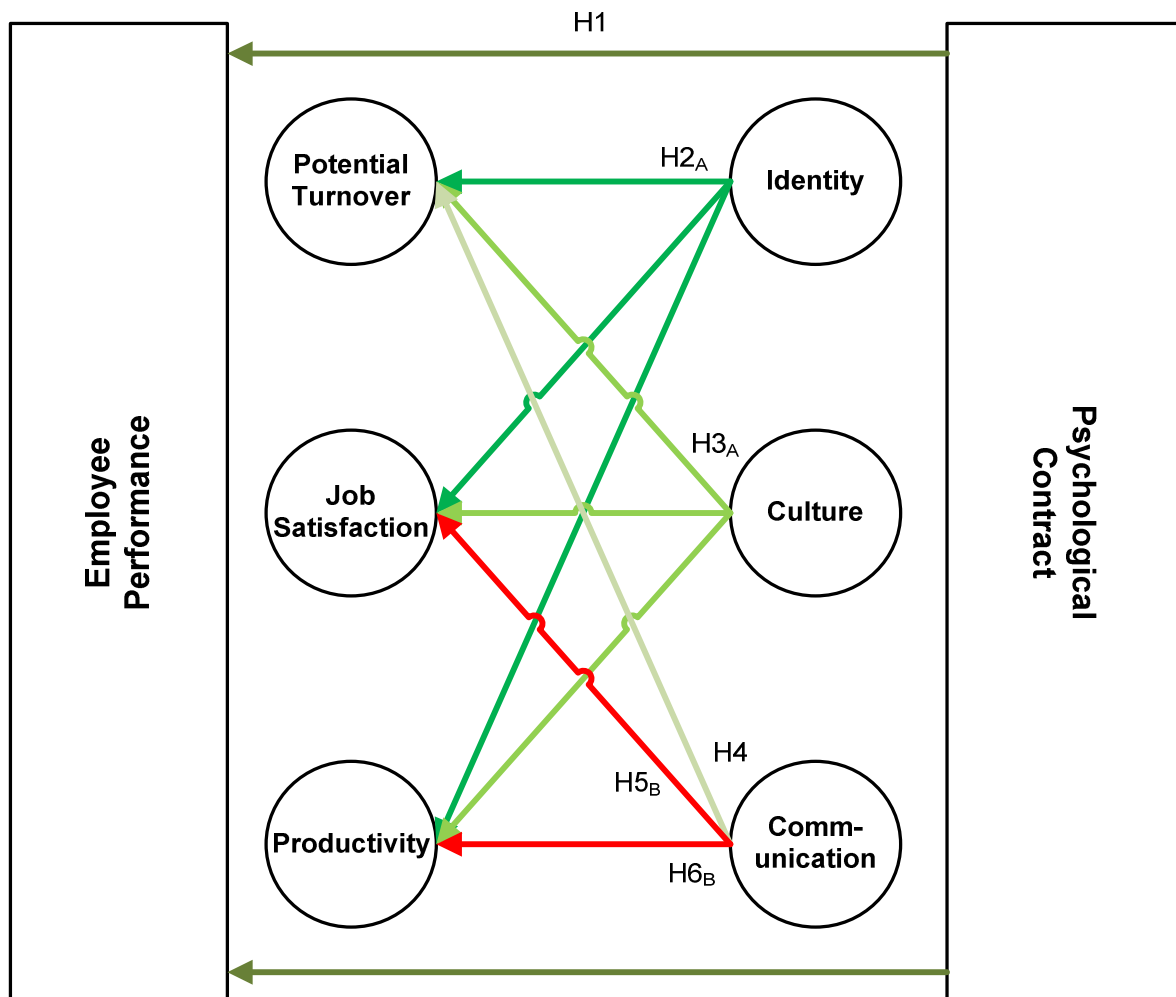
Hypothesis 6_B: Regular communication in a post-acquisition integration process does not affect productivity.

6. Discussion of Results

6.1. Introduction

This chapter examines the theoretical findings around psychological contract, employee performance and post-acquisition integration and confirms the interdependence between these concepts with the data collected. The research objectives are contained within the six hypotheses which will be analysed further based on the data collected. Figure 11 summarises the findings from chapter five in graphical format. Hypotheses one through four, show confirmed relationships indicated by the green shaded arrows. Hypotheses five and six show unconfirmed relationships which are indicated by the red arrows.

Figure 11 – Summary of hypotheses findings

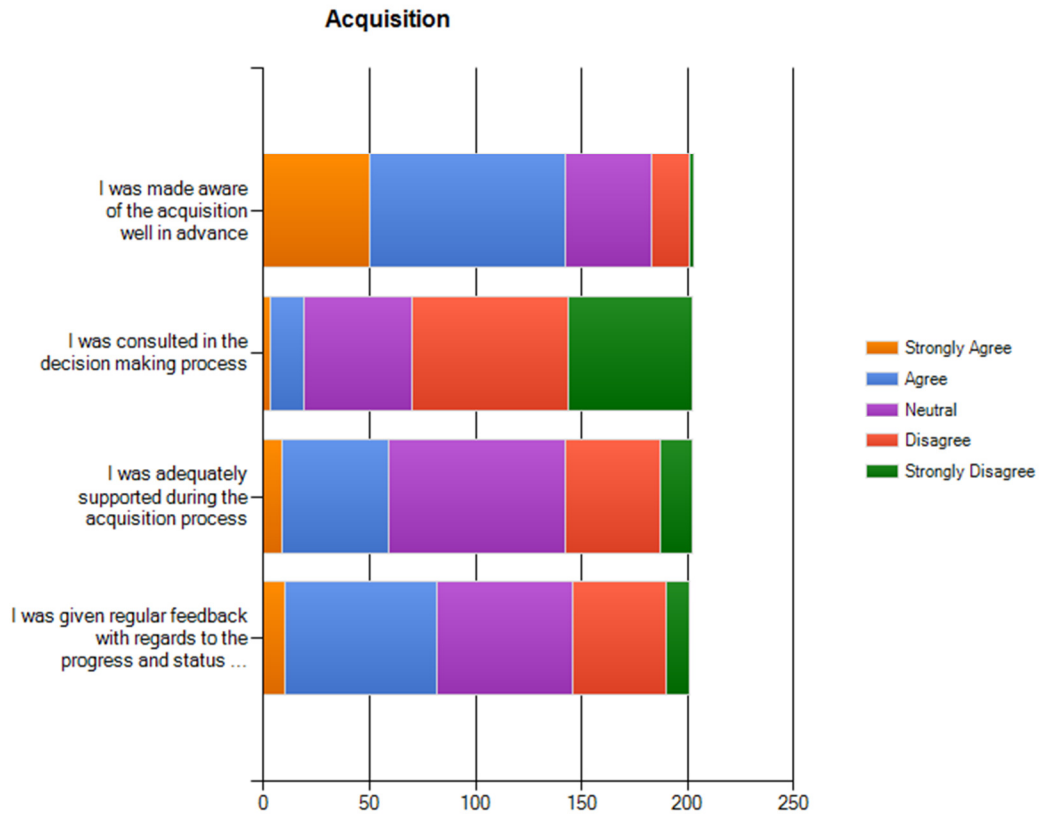


6.2. Hypothesis 1 – Psychological contract and employee performance

Acquisitions as an example of a transformation in the work environment, can lead to employees re-evaluating the existing psychological contract (Linde and Schalk, 2008, p. 306). Figure 12 provides insight into the fragile nature of the psychological contract in the acquisition process. From the first question, the majority of respondents (the sum of 'Strongly Agree' and 'Agree' responses) confirm that the acquisition was adequately communicated. However, in the following question, the same proportion of respondents (the sum of 'Strongly Disagree' and 'Disagree' responses) indicated that they were not consulted during the acquisition process. These contrasting responses highlight the attentiveness of the respondents to the change process.

Further, responses to whether respondents were adequately supported during the acquisition were relatively evenly distributed with a majority remaining neutral to the question. This indicates that there was some support by the organisation as opposed to no support at all. Finally, more respondents agreed that there was regular feedback given than not, thus allowing people to be more engaged with the process than resistant.

Figure 12 – Acquisition



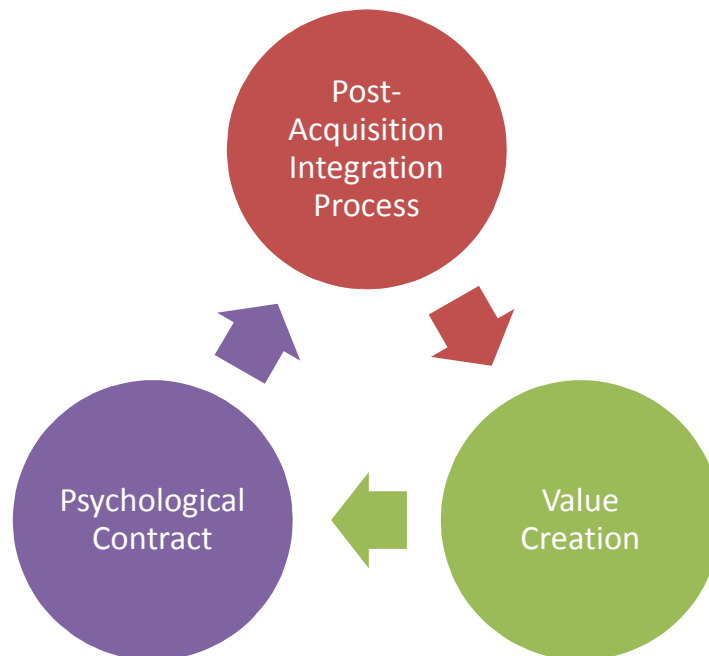
Based on the findings from chapter five, fulfilling the psychological contract in post-acquisition integration process has a positive impact on employee performance. This implies that the combination of identity, culture and communication, when addressed adequately, positively impacts potential turnover, in that turnover is reduced and job satisfaction and productivity is increased. The degree to which the psychological contract impacts employee performance is reflected in the regression coefficient of 1.058, which implies that the impact is in almost equal proportion.

This confirms that it is important to be aware of the feelings and attitudes of employees which is a critical factor in understanding the extent to which employee performance (productivity) will be disrupted (Paruchuri et al., 2006, p. 545). Paruchuri et al. (2006) refer to this disruption as organisational trauma which may result in a break or change in the psychological contract as well as a drop in

productivity (and overall employee performance) (p. 546) as confirmed by the data analysis in chapter five (section 5.7.1).

The importance of understanding this impact is reflected in the execution of the post-acquisition integration process which is a key determinant of acquisition performance and value creation (Colman, 2008, p. 15). How the post-acquisition process is handled may lead to differing outcomes in terms of acquisition performance and value creation (Colman, 2008, p. 20). In fact, Colman (2008) takes this a step further by stating that the integration process itself can create or destroy value (p. 20-21). Mishandling the post-acquisition integration process and in turn the organisational trauma (Paruchuri et al., 2006, p. 546) caused by the process may prohibit value creation and may lead to heightened emotions of humiliation, loss and anger which in turn leads to culture shock and loss of identity (Paruchuri et al., 2006, p. 548). This interdependence between the post-acquisition integration process, value creation and psychological contract is graphically presented in figure 13.

Figure 13 – Psychological contract, post-acquisition integration process and value creation



Source: Author's own

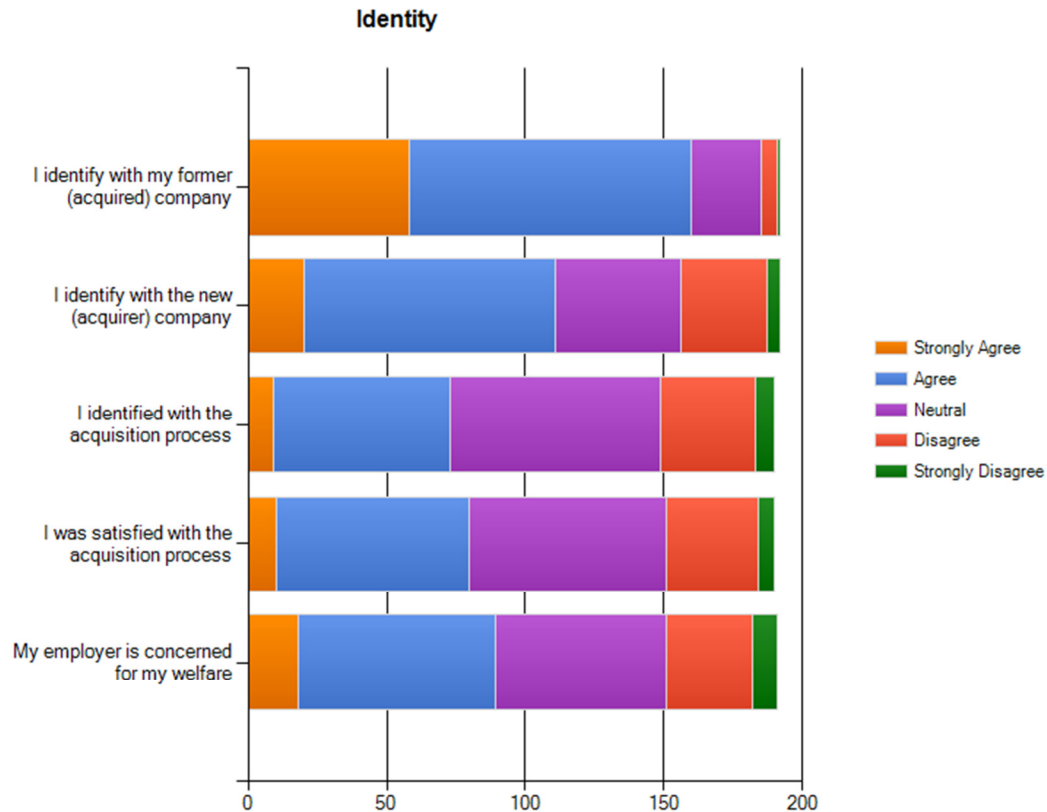
This finding as well as the data analysis, is further supported by Drori and Weber (2011) who argue that the post-acquisition integration process has a more significant impact on the employee than the organisation (p. 79-80). The same authors further highlight culture and identification (2011, p. 77) as variables worthwhile measuring. The degree of change of these variables has long-term consequences which impacts the performance of acquisitions (Linde & Schalk, 2008, p. 308).

6.3. Hypothesis 2 – Identity and employee performance

Guerrero (2008) suggests that organisational change leads to alienation in the acquired firm and re-identification with the acquiring firm which is disruptive. Continuity is a critical factor in determining the extent to which employee identity will change (p. 218). In figure 14, respondents overwhelmingly identify with their existing company. They identify less with the acquirer and even less with the acquisition process. This receding pattern in responses highlights the extent to which the lack of continuity during the post-acquisition integration process impacted employee identification.

Also of significance, are the positive responses in favour of satisfaction with the acquisition process as well as acknowledgement of the employer being concerned with employee welfare. This is consistent with findings by Chambers (2008) and Rouzies (2011) who state that it is critical to be honest and transparent with employees from the outset in order to build trust and increase the level of commitment and identification with the integration process (Chambers, 2008, p. 17; Rouzies, 2011, p. 25).

Figure 14 – Identity



The degree to which the identity impacts employee performance is reflected in the regression coefficient of 1.585, which implies that the impact is positive. This indicates high levels of affective commitment or extra-role behaviour (Restubog et al., 2006, p. 300). Restubog et al. (2006) further confirm in their research that there is a negative relationship between affective commitment and a breach in the psychological contract (p. 300) which is consistent with the findings in this research. Further, since we can conclude that affective commitment is high, it also has a moderating effect on perceived organisation support and the post-acquisition integration process (p. 300) which is reflected in the positive responses to the last two questions in figure 14.

Taking the data analysis a step further, identity was individually measured against potential turnover, job satisfaction and productivity. The statistical analysis is presented in table 14 which shows the degree of impact identity has on employee

performance. Identity and potential turnover had an R^2 value of 0.977 which indicated a slightly positive relationship between the two variables. Identity and job satisfaction had an R^2 value of 0.734 which indicated a positive relationship. Identity and productivity had an R^2 value of 0.849 which also indicated a positive relationship.

Table 14 – Identity and employee performance matrix

		Psychological Contract		
		Identity	R^2	Relationship
Employee Performance	Potential turnover	H2	0.977	Slight positive
	Job satisfaction	H2	0.734	Positive
	Productivity	H2	0.849	Positive

In post-acquisition integration, it is critically important to understand to what extent (if any), organisational culture and Identity has changed. The findings indicate a change in identity however this was adequately supported by the organisation. Colman (2008) asserts that identity changes to a greater extent than culture (p. 10) which is what will be discussed in the next hypothesis.

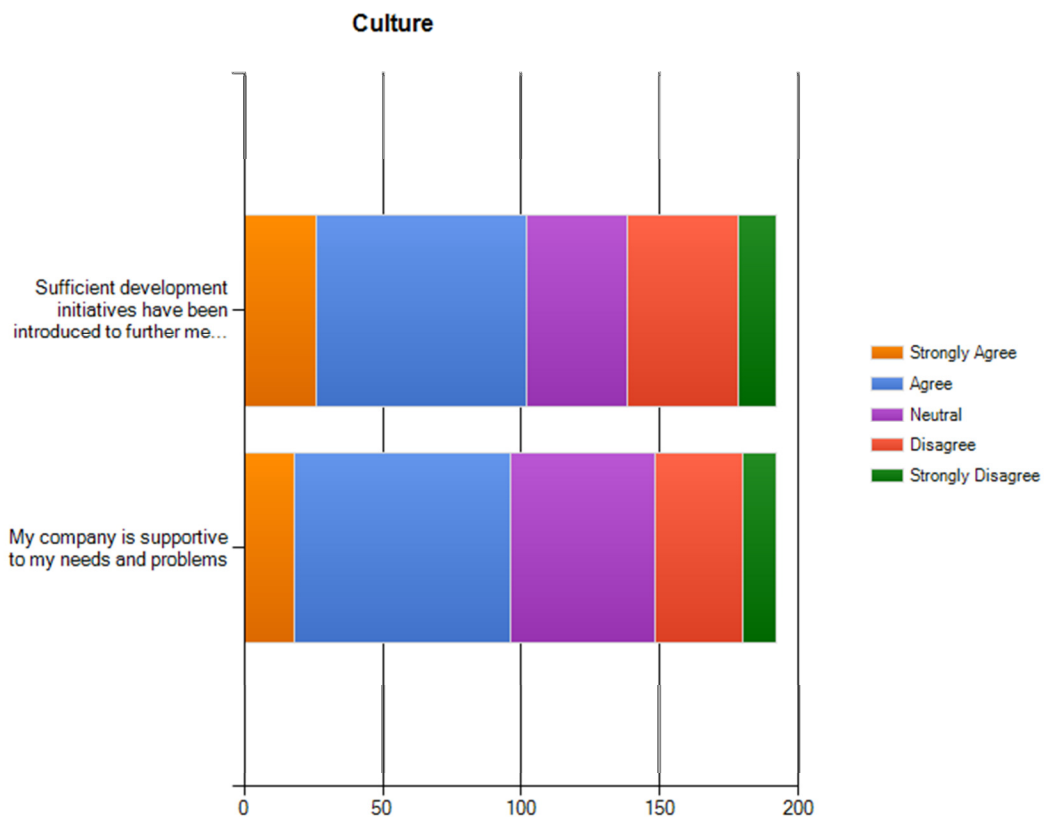
6.4. Hypothesis 3 – Culture and employee performance

The literature reviewed in chapter two highlighted conflicting findings with regards to the impact of culture on post-acquisition integration and long-run returns. Connet al. (2005, p. 854) and Steigner and Sutton (2011, p. 104) claim that there is a negative relationship between cultural differences and long-run returns in post-acquisition integration. Conversely, Chakrabarti et al. (2009) confirm the opposite in their findings. That is, there are long term benefits in cross-border acquisitions

especially where there are significant cultural differences (p. 105). A Cross-border acquisition (which is the case for the sample data collected between Company A and Company B) provides access to new routines and processes, procedures, skills and expertise (Morosini et al., 1998, p. 105). Chakrabarti et al. (2009) further highlight that acquiring companies pay more attention to cultural differences especially when it is a cross-border acquisition (p. 105). Therefore, highlighting the importance and significance of culture in post-acquisition integration and performance, this in turn becomes critical to the process.

Linking this literature to the findings, figure 15 highlights the responses to the culture aspect of the data collected. The sum of 'Strongly Agree' and 'Agree' responses in both questions highlights the positive nature of organisational culture during the post-acquisition integration process.

Figure 15 – Culture



The regression coefficient for culture when measured against employee performance was 3.02 which indicate a positive relationship. Colman (2008) states in her research that there is no conclusive proof on how culture impacts acquisition performance (p. 23-24). However, the data collected and presented here does indicate a positive relationship.

Taking the data analysis a step further, culture was individually measured against potential turnover, job satisfaction and productivity. The statistical analysis is presented in table 15 which shows the degree of impact culture has on employee performance. Culture and potential turnover had an R² value of 0.191 which indicated a slightly positive relationship between the two variables. Culture and job satisfaction had an R² value of 1.567 which indicated a positive relationship. Culture and productivity had an R² value of 1.567 which also indicated a positive relationship.

Table 15 – Culture and employee performance matrix

		Psychological Contract		
		Culture	R ²	Relationship
Employee Performance	Potential turnover	H3	0.191	Slight positive
	Job satisfaction	H3	1.567	Positive
	Productivity	H3	1.567	Positive

Personnel and culture integration is usually underestimated which was the basis of this research (Chambers, 2008, p. 16). Further reference is made by Chambers (2008) to the rate of adoption of cultural integration and the degree to which this impacts the overall integration process (p. 17). The implication of this is that after a period of three to five years, the full impact of the integration process should have taken effect and the new culture would either have been fully adopted or resisted

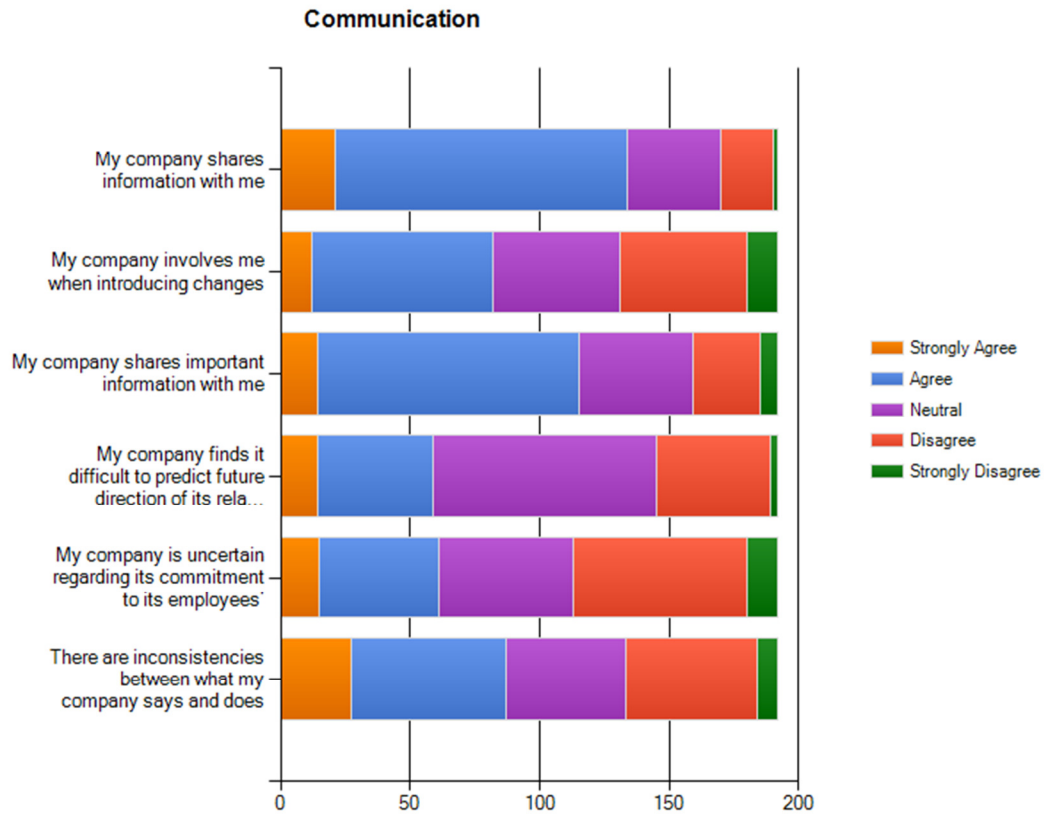
(Schoenburg, 2006, p. 365). Considering that Company B acquired Company A in 2009 (three years prior), the findings indicate that the culture has been adopted. This is also consistent with Colman's (2008) research which states that in addition to strategic and organisational fit, there is a third fit which is a cultural fit (Colman, 2008, p. 3) which could only be achieved if the new culture was adopted.

6.5. Hypothesis 4 – Communication and potential turnover

Communication and collaboration is critical to the success of the post-acquisition integration process. Mutual respect between the organisations must exist as well as accessibility to resources to ensure a smooth integration process (Chambers, 2008, p. 16). Differences in culture also tend to have a major influence on the post-acquisition integration process. This may also affect communication in the acquired firm (Ellis et al., 2011, p. 1265).

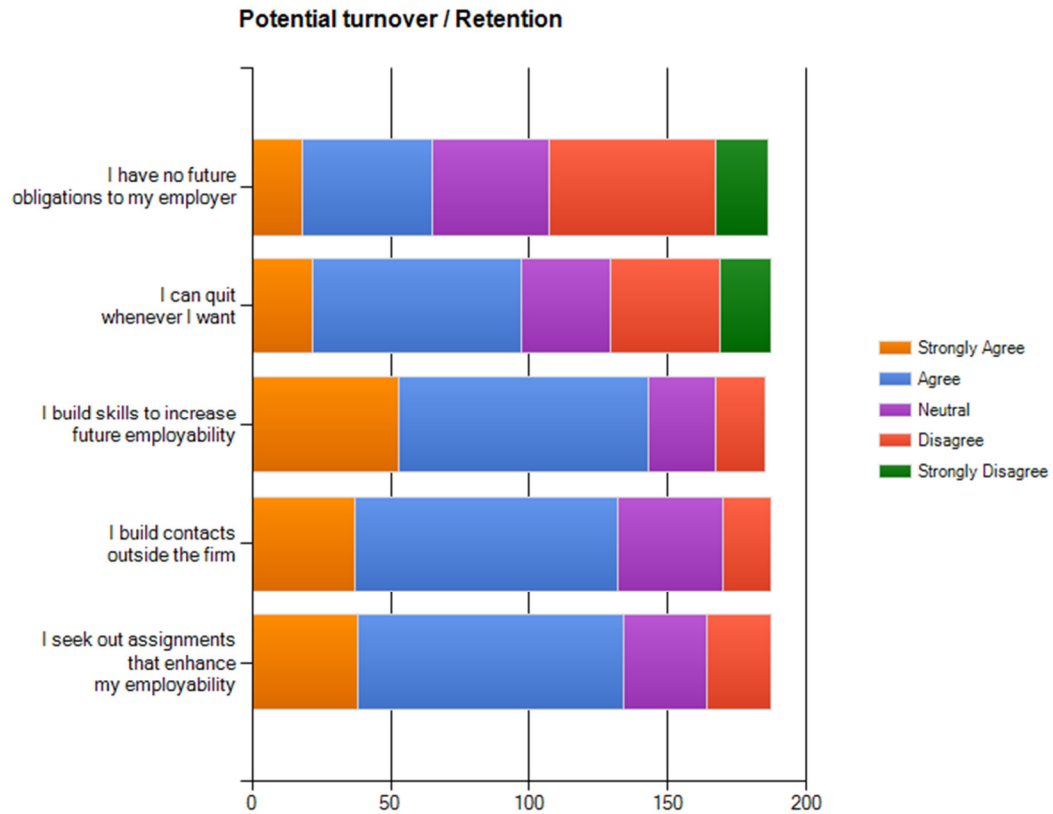
Linking this literature to the data, the responses to the first three questions in figure 16 show's a high degree of communication between the firm and employees. The responses to the last three questions show's a high degree of uncertainty by employees of the future of the relationship between the firm and employees. This is to be expected because as much as the firm intends for there to be a positive outcome of the acquisition, no one can predict the future.

Figure 16 – Communication



The coefficient for communication when measured against potential turnover was 0.207 which indicated that there was a positive relationship between communication and potential turnover, that is, it reduced potential turnover. Considering the responses to the questions on potential turnover (figure 17), it would appear as though the respondents were geared towards leaving or preparing to leave. However, Morrell et al. (2004) distinguish between avoidable and unavoidable turnover and the role the change process plays in managing unavoidable turnover (p. 162-163). We can therefore conclude that because communication was positive and handled appropriately in the post-integration process, potential turnover as indicated by the responses in figure 17 was avoided.

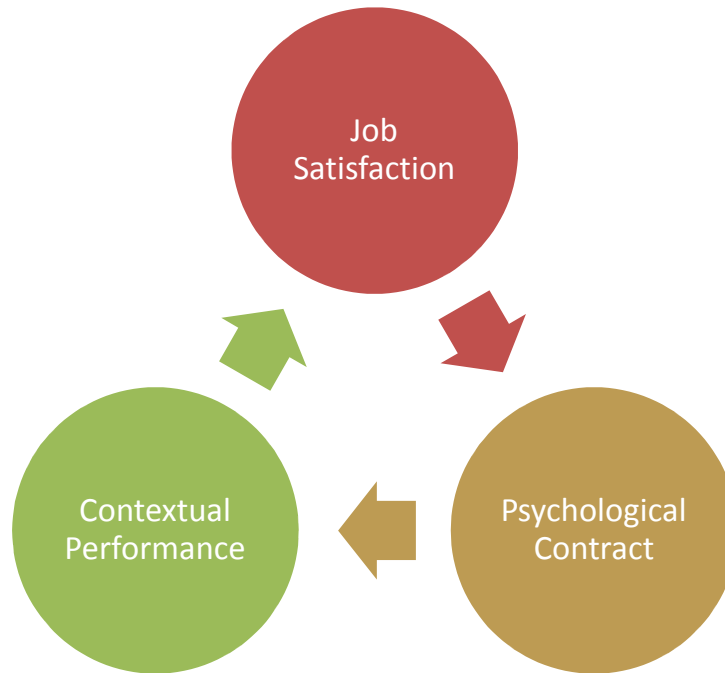
Figure 17 – Potential turnover



6.6. Hypothesis 5 – Communication and job satisfaction

Van Scotter (2000) suggests that contextual performance leads to positive outcomes, such as increased levels of job satisfaction, organisational commitment and higher levels of retention (p. 80). Contextual performance also leads to increased job satisfaction which ultimately affects the psychological and social environment within the organisation (p. 83) as well as organisational commitment (p. 84). The relationship between these concepts can be seen in figure 18.

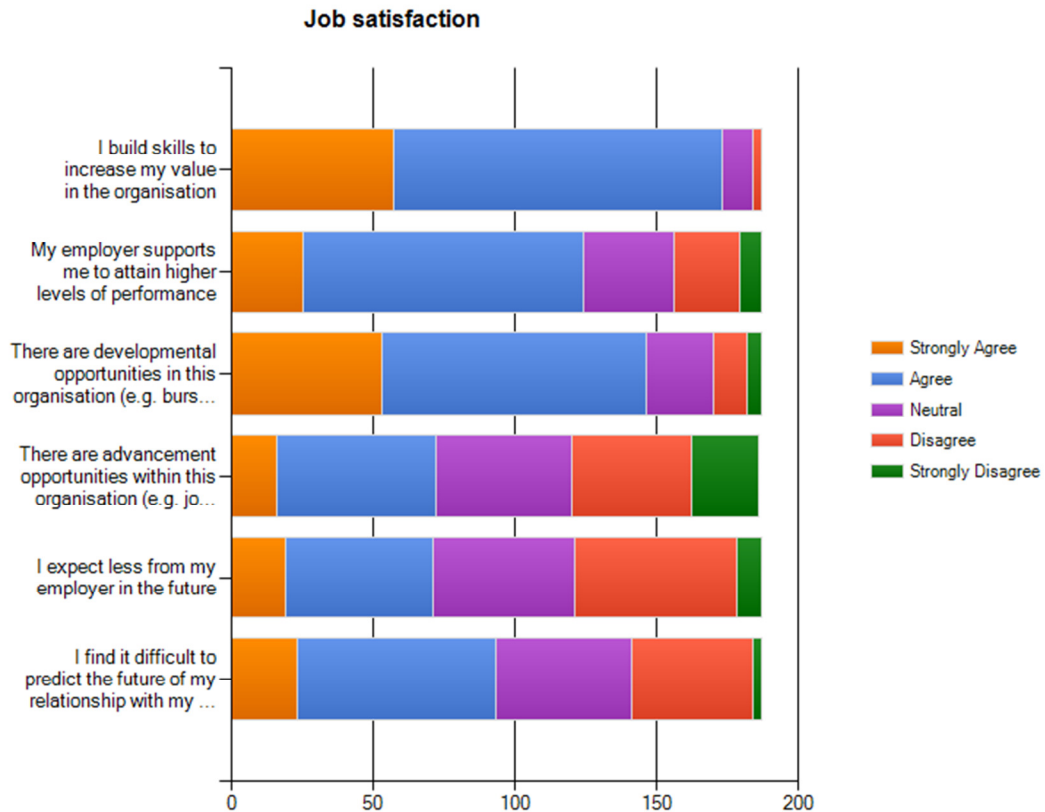
Figure 18 – Job satisfaction, psychological contract and contextual performance



Source: Author's own

Linking this literature to the data, there is a pattern of positive responses to all questions in the job satisfaction section of the questionnaire (figure 19). However, when measured against communication, the p-value of the regression analysis was 0.579 which was significantly greater than 0.05 rejecting the null hypothesis. This implied that communication does not have an impact on job satisfaction. Moreover, this implies that job satisfaction (via contextual performance) existed independent of communication. However, there was a positive relationship between identity and culture versus job satisfaction as indicated by the findings in hypothesis two and three respectively.

Figure 19 – Job satisfaction



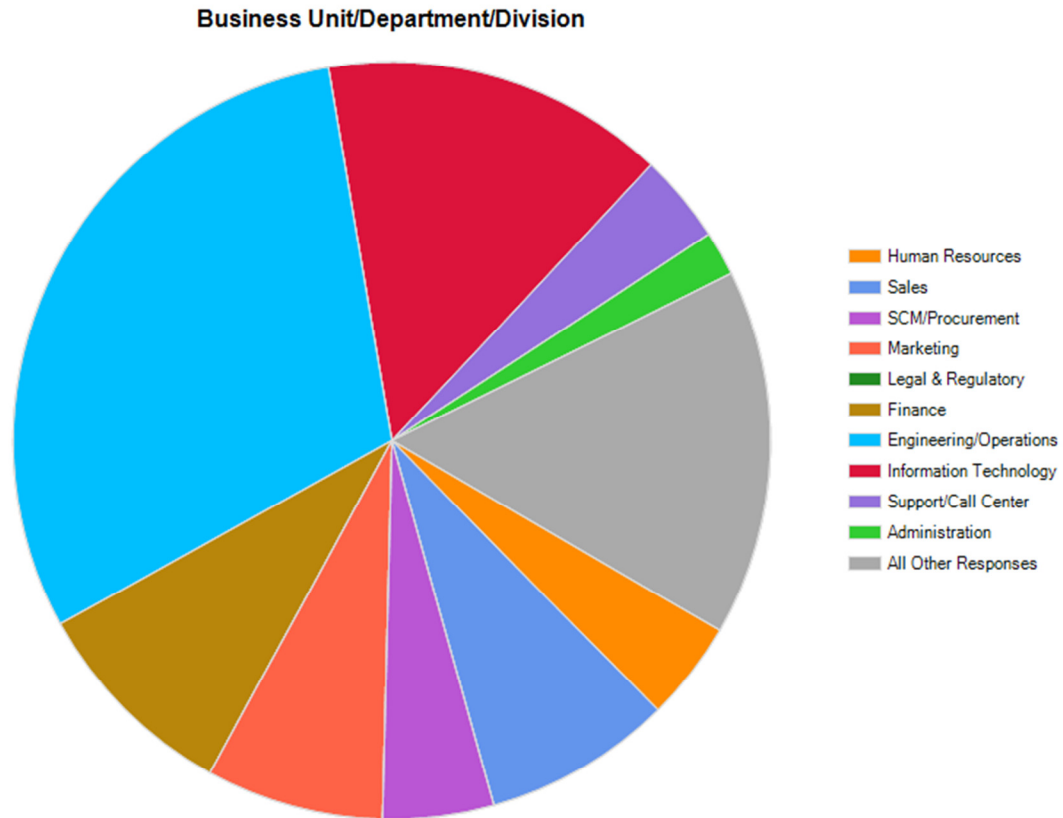
6.7. Hypothesis 6 – Communication and productivity

Post-acquisition integration processes may be seen as a form of a major or severe disruption, which leads to a drop in productivity. This is based on the loss of social status and centrality (Paruchuri et al., 2006, p. 545). It can be most severe or disruptive especially for technical staff who have socially embedded routines and who are regarded as innovators in the acquired firm (p. 546). This group may suffer from a sense of dislocation, loss, even trauma leading to a drop in productivity.

Acquisitions primarily focus on executives and their behaviour (especially retention). Very little, if any, attention is given to the technical core of the organisation during post-acquisition integration (p. 545). This is worthwhile

mentioning considering that the bulk of respondents came from the Engineering and Information Technology business units (figure 20).

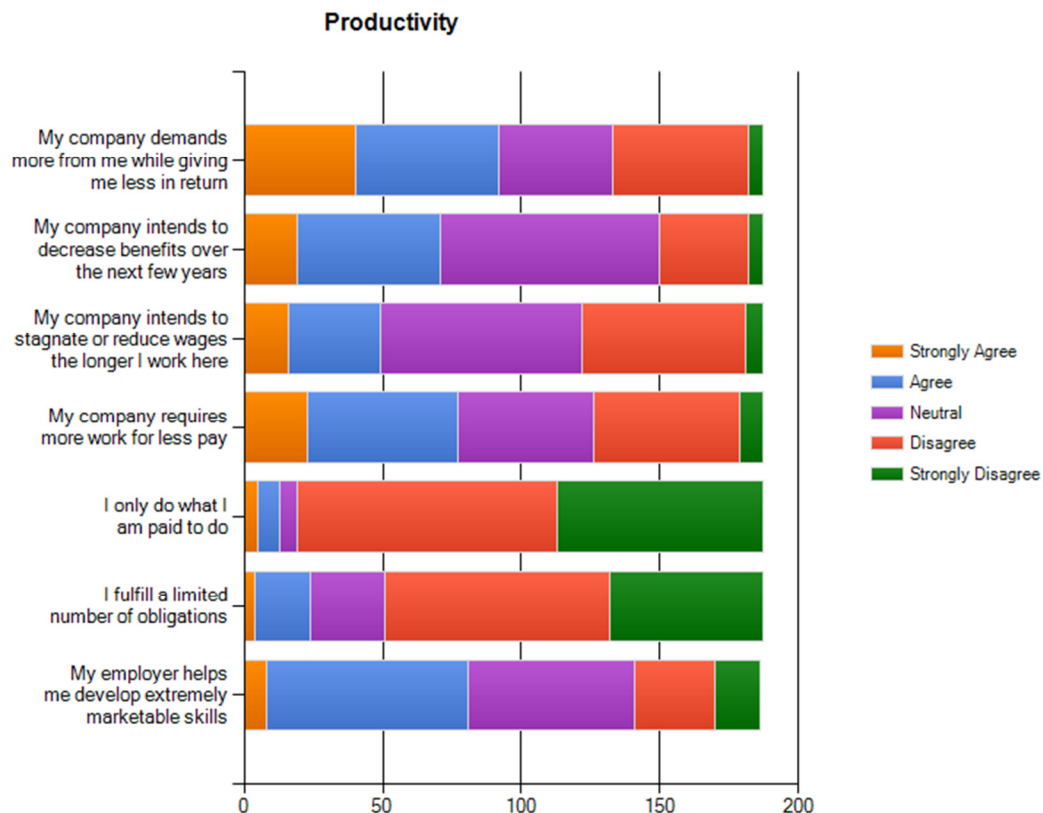
Figure 20 – Respondants by business unit/department/division



This is not to say that managers and executives do not add any value. Managers and executives within acquired organisations possess key knowledge and skills that are central to existing operations and potential adoption in the post-acquisition integration process. They are able to identify when adoption and integration will be efficient and effective and when problems or resistance may occur. Retention of managers and executives in the acquired firm is important to create a positive post-acquisition integration (Ellis et al., 2011, p. 1266). This further emphasises the importance and critical role communication plays in maintaining a balance between executives, managers and staff at the core of the business.

However, the data analysis does not confirm this theory. The p-value of the regression analysis for communication versus productivity was 0.861, which was greater than the significance level of 0.05. This implies that regular communication in a post-acquisition integration process does not affect productivity. Upon closer inspection of the productivity part of the questionnaire, responses to question five, six and seven from figure 21 indicate high levels of productivity. However, these responses were not enough to offset the uncertain or negative responses to questions one through four.

Figure 21 – Productivity



Based on this sample and although communication does not explain productivity, hypothesis two and three confirm positive relationships between identity and culture, and productivity.

6.8. Conclusion

Based on the literature reviewed and the data collected and analysed, relationships were confirmed between hypotheses one through four. In hypotheses five and six, although no relationship could be established between the respective variables being measured, findings in other hypotheses (two and three) were sufficient to explain the concepts being researched.

In summary, psychological contract is important in determining employee performance in post-acquisition integration process (hypothesis one). Identity and culture, as sub-variables of psychological contract, were also found to be significant in affecting employee performance and in a positive manner (hypothesis two and three respectively). Communication was found to have a positive effect on potential turnover (hypothesis four). However, this was not the case when communication was measured against job satisfaction and productivity (hypothesis five and six) respectively.

In conclusion, the objectives of the research were met with the explanation of the data collected and analysed against the literature reviewed. The findings from this chapter can be further applied and examined in different contexts and scenarios in the realm of merger and acquisitions. These will be discussed in further detail in chapter seven.

7. Conclusion and Recommendations

The aim of this research was to measure and understand if there was a change in the psychological contract post-acquisition and if so, did this change have a positive, negative or no effect on employee performance. Psychological contract was defined as identity, culture and communication while employee performance was defined as potential turnover, job satisfaction and productivity.

The primary focus of Rouzies (2011) study was on identity as a critical measure of post-acquisition success (2011, p. 26; Weber & Drori, 2011, p. 76) leaving employee performance unmeasured. Rouzies (2011) study further suggested that a merger or acquisition lead to a drop in psychological attachment, identification and commitment to the acquired organisation (2011, p. 25). In addition, Chambers (2008) also made mention of personnel and culture integration being underestimated (p. 16). Therefore, this research has measured psychological contract (identity, culture and communication) in terms of employee performance (potential turnover, job satisfaction and productivity) in the context of post-acquisition integration.

The results showed that psychological contract affects employee performance positively (hypothesis one). This is consistent with literature reviewed on these variables in chapter two. Equally, if not more important, is maintaining the psychological contract in the post-acquisition integration process and thereby avoiding a drop in employee performance which erodes acquisition performance and value creation (Colman, 2008, p. 15).

Identity and culture are strong influences of employee performance (confirmed by hypotheses two and three respectively). The data collected suggested that identity positively impacts employee performance. More specifically, there was a slight positive impact on potential turnover and a more positive impact on job satisfaction and productivity. Culture also positively impacted employee performance. When measured against potential turnover, this impact was slightly positive while job satisfaction and productivity were more positively impacted.

Communication was found to be important in reducing potential turnover (confirmed by hypothesis four). If uncertainty, anxiety and being intimidated by the acquisition process set in, they start to control emotions (Chambers, 2008, p. 29). When these emotions turn into action and a decision to leave is made, they take with them valuable skills, experience and industry knowledge (p. 28).

From data collected, communication does not impact job satisfaction and productivity (confirmed by hypotheses five and six respectively). However, the data suggests that communication was adequately handled in the post-acquisition integration process as measured in hypothesis one.

7.1. Recommendations for management

Based on the findings in this research, the psychological contract needs to be maintained in terms of identity, culture and communication. This will ensure that employee performance is maintained post-acquisition. In addition to financial due-diligence being performed prior to a merger or acquisition, organisations need to be aware of employees' feelings and attitudes towards the impending change. The following four principles should be considered pre-acquisition: -

- a) Awareness
- b) Consultation
- c) Support
- d) Feedback

Further, management should minimise disruption and maintain continuity during and post-acquisition to avoid any shift or change in the psychological contract (Guerrero, 2008, p. 218). Honesty and transparency are also of fundamental importance in maintaining the psychological contract (Chambers, 2008, p.17; Rouzies, 2011, p. 25).

Taking this a step further, management should also reward high levels of contextual performance or extra-role behaviour in order to retain these types of

employees (Van Scotter, 2000, p. 82). This is largely based on these types of behaviours adding value to the organisation, improving performance and efficiency both in and outside of the merger and acquisition activities.

If identity and culture cannot be maintained, management must be willing to create a new culture which combines the identity and culture of both acquirer and acquired firms (Chambers, 2008, p. 17).

The post-acquisition process may have different impacts on different sub-groups within the acquired organisation (Paruchuri et al., 2006, p. 546). Management, through human resources, should identify which groups and sub-groups will be affected the most and tailor programs to minimise disruption during and post-acquisition integration.

7.2. Recommendations for future research

The following are recommendations for future research: -

- 1) Further research could include measuring psychological contract and employee performance in post-acquisition integration across different industries and countries. The same variables could also be measured pre-acquisition.
- 2) The following variables could be added to the assessment tool to measure employee performance more closely (as identified in section 2.5.2): -
 - a) Extra-role behaviour
 - b) Affective commitment

7.3. Limitations

This research had the following limitations: -

- This research was not an empirical study and deeper findings may have been achieved with a longitudinal study measuring pre- and post-acquisition to understand where the most significant changes take place.
- The use of managers' assessments to measure psychological contract and employee performance is open to under- and over- bias in terms of expectations with regards to the success or failure of the newly acquired organisation (Papadakis & Thanos, 2010, p. 859).
- The research was limited to the case study of a single organisation (the acquired organisation) and may lack external validity (Rouzies, 2011, p. 39).
- The psychological contract of employees at the acquired organisation pre-acquisition was assumed to be balanced.
- The research was conducted at a large organisation and may not yield the same results at a smaller organisation or the merger and acquisition between two similar sized organisations.

7.4. Conclusion

The success or failure of mergers and acquisitions goes beyond financial and stock-market-based measures. Of critical importance is the impact of the human resource aspect of the acquired and acquirer organisations. Maintaining of the psychological contract in terms of identity, culture and communication; affects employee performance in terms of potential turnover, job satisfaction and productivity.

Traditionally, returns on investment and acquisition performance indicators are used to measure the success or failure of mergers or acquisitions. Careful and equal consideration should be given to the human resource facets of organisational change projects, as is the case with financial measures.

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9. Appendices

9.1. Appendix One: Constructs and scales

Measure Construct	Scale adapted from:	Scale
Acquisition	Lester, Claire, & Kickul, 2001 Chambers, 2008	<ul style="list-style-type: none"> - Employees' were made aware of the acquisition well in advance - Employees' were consulted in the decision making process - Employees' were adequately supported during the acquisition process - Employees' were given regular feedback with regards to the progress and status of the acquisition
Psychological Contract		
Identity	Rousseau, 2000 Linde & Schalk, 2008 Restubog, Bordia, Tang, & Krebs, 2010 Drori & Weber, 2011 Rouzies, 2011 Weber, Tarba, & Reichel, 2011	<ul style="list-style-type: none"> - I identify with my former (acquired) company - I identify with the new (acquirer) company - I identified with the acquisition process - I was satisfied with the acquisition process - Employee's make themselves increasingly valuable to their employer - My employer is concerned for my welfare
Culture	Rousseau, 2000	<ul style="list-style-type: none"> - Sufficient development initiatives have been introduced to further you and your skills - My company is supportive to my needs and problems
Communication	Rousseau, 2000	<ul style="list-style-type: none"> - My company withholds information from me - My company introduces changes without involving me - My company doesn't share important information with me - My company finds it difficult to predict future direction of its relations with me - My company is uncertain regarding its commitment to its employees' - There are inconsistencies between what my company says and does

Employee Performance		
Commitment/ Extra-role behaviour	Rousseau, 2000	<ul style="list-style-type: none"> - Employees' perform only required tasks - Employees' do only what they are paid to do - Employees' fulfil a limited number of obligations - My employer helps me develop extremely marketable skills
Potential turnover/ retention	Rousseau, 2000	<ul style="list-style-type: none"> - Employees' have no future obligations - Employees' can quit whenever they want - Employees' builds skills to increase future employment - Employees' build contacts outside the firm - Employees' seek out assignments that enhance their employability
Job satisfaction	Rousseau, 2000	<ul style="list-style-type: none"> - Employees build skills to increase their value in the organisation - My employer supports me to attain higher levels - There are developmental opportunities in this organisation - There are advancement opportunities within this organisation - Employees' expect less from this employer tomorrow - Employees' find it difficult to predict the future of the relationship with the organisation
Productivity	Rousseau, 2000	<ul style="list-style-type: none"> - My company demands more from me while giving me less in return - My company intends to decrease benefits over the next few years - My company intends to stagnate or reduce wages the longer I work here - My company requires more work for less pay

9.2. Appendix Two: Consistency matrix

TITLE: The psychological contract and employee performance in post-acquisition integration

Hypothesis	Literature Review	Data Collection Tool (Research Methodology)	Proposed Method of Analysis
H1: Fulfilment of the psychological contract in a post-acquisition integration process is likely to have a positive impact on employee performance.	Morosini, Shane, & Singh, 1998 Rousseau, 2000 Lester, Claire, & Kickul, 2001 Conn, Cosh, Guest, & Hughes, 2005 Gregory & McCorriston, 2005 Paruchuri, Nerkar, & Hambrick, 2006 Restubog, Bodia, & Tang, 2006 Chambers, 2008 Colman, 2008 Freese & Schalk, 2008 Chakrabarti, Gupta-Mukherjee and Jayaraman, 2009 Ellis, Reus, Lamont, & Ranft, 2011 Rouzies, 2011 Steigner & Sutton, 2011 Weber & Drori, 2011	Web based self-administered questionnaire Please refer to appendix one for constructs and scale	Spearman's rank correlation Kendal's rank correlation Multiple regression and stepwise regression analysis
H2: The nature of employee identification during the post-acquisition integration process is likely to lead to a decrease in employee performance.	Van Scotter, 2000 Lester, Claire, & Kickul, 2001 Chambers, 2008 Colman, 2008 Guerrero, 2008 Linde & Schalk, 2008 Restubog, Bordia, Tang, & Krebs, 2010 Drori & Weber, 2011 Rouzies, 2011	Web based self-administered questionnaire Please refer to appendix one for constructs and scale	Spearman's rank correlation Kendal's rank correlation Multiple regression and stepwise regression analysis

	Weber, Tarba, & Reichel, 2011		
H3: The nature of organisational culture during the post-acquisition integration process is likely to lead to a decrease in employee performance.	Datta & Puia, 1995 Schoenburg, 2006 Colman, 2008 Chambers, 2008 Linde & Schalk, 2008 Restubog, Bordia, Tang, & Krebs, 2010 Drori & Weber, 2011 Ellis, Reus, Lamont, & Ranft, 2011 Rouzies, 2011 Weber, Tarba, & Reichel, 2011	Web based self-administered questionnaire Please refer to appendix one for constructs and scale	Spearman's rank correlation Kendal's rank correlation Multiple regression and stepwise regression analysis
H4: Regular communication in a post-acquisition integration process reduces potential turnover.	Van Scotter, 2000 Lester, Claire, & Kickul, 2001 Morrell, Loan-Clarke, & Wilkinson, 2004 Chambers, 2008	Web based self-administered questionnaire Please refer to appendix one for constructs and scale	Simple linear regression analysis - Pearson's correlation (r) - Regression coefficient (coefficient of determination) (r ²)
H5: Regular communication in a post-acquisition integration process improves employee job satisfaction.	Van Scotter, 2000 Lester, Claire & Kickul, 2001 Chambers, 2008	Web based self-administered questionnaire Please refer to appendix one for constructs and scale	Simple linear regression analysis - Pearson's correlation (r) - Regression coefficient (coefficient of determination) (r ²)

<p>H6: Regular communication in a post-acquisition integration process is likely to lead to an increase in productivity.</p>	<p>Lester, Claire & Kickul, 2001 Paruchuri, Nerkar, & Hambrick, 2006 Chambers, 2008 Ellis, Reus, Lamont, & Ranft, 2011</p>	<p>Web based self-administered questionnaire</p> <p>Please refer to appendix one for constructs and scale</p>	<p>Simple linear regression analysis</p> <ul style="list-style-type: none"> - Pearson's correlation (r) - Regression coefficient (coefficient of determination) (r^2)
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9.3. Appendix Three: Project timeline

Task	Duration	Approximate due date
Submit research proposal		02 May 2012
Meet with supervisor (#1)		End May 2012
Complete 2 nd draft of Literature Review (including supervisor feedback)	3 weeks	End June 2012
Send permission letter to Company A		End June 2012
Receive ethical clearance		End June 2012
Pre-test survey		Early July 2012
Send questionnaire to respondents		Mid July 2012
Complete chapters 1-4	3 weeks	Mid July 2012
Follow-up on respondents		
Submit chapter 1-4 to supervisor		Mid July 2012
Meet with supervisor (#2)		End July 2012
Data collection	2 weeks	Early Aug 2012
Data analysis (statistician)	2 weeks	End Aug 2012
Complete chapters 5-7	4 weeks	End September 2012
Submit chapters 5-7 to supervisor		End September 2012
Meet with supervisor (#3)		Early October 2012
Global elective (West coast-US)	2 weeks	9-19 October 2012
Proof read and final editing		End October 2012
Print and submit final research document		7 November 2012

9.4. Appendix Four: Questionnaire consent form



Research Consent Form

06 August 2012

To whom it may concern,

My name is Moosa Yuseph and I am conducting research as part of my Masters in Business Administration at the Gordon's Institute of Business Science (GIBS).

My research is based on the effect of post-acquisition integration on psychological contract and employee performance. All responses will be completely anonymous and confidential. By completing the attached questionnaire you are indicating that you are voluntarily participating in this research and you are able to withdraw at any time without recourse or penalty.

Thank you for participating in this questionnaire. Below are four short sections that should take approximately 10-15 minutes to complete. Please complete all 4 sections.

*Researcher: Moosa Yuseph
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Phone: +27 82 998 9968*

*Research Supervisor: Dr Charlene Lew
Email: lewc@gibs.co.za
Phone: +27 11 771 4284*



06 August 2012

Researcher Signature

Date

9.5. Appendix Five: Sample questionnaire

Section 1 - Demographics					
Gender					
Male			Female		
Ethnicity					
Black	White	Coloured	Indian	Asian	Other
Age					
18-24	25-29	30-34	35-40	41-49	50+
Employment Status					
Full-time		Part-time		Contract	
Job Level					
Management			Non-management		
Business Unit/Department					
Human Resources		Legal & Regulatory		Support/Call Centre	
Sales		Finance		Administration	
SCM/Procurement		Engineering		Other: <i>Specify</i>	
Marketing		Information Technology			
Number of Year Employed					
0-3 Years	4-6 Years	7-10 Years	10 Years +		

Section 2 - Acquisition					
The following questions relate to your experiences and participation during the acquisition process.					
Answer Options	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I was made aware of the acquisition well in advance					
I was consulted in the decision making process					
I was adequately supported during the acquisition process					
I was given regular feedback with regards to the progress and status of the acquisition					

Section 3 – Psychological Contract					
The following questions refer to your state of mind, feelings and perceptions following the acquisition process.					
Answer Options	Strongly	Agree	Neutral	Disagree	Strongly

	Agree				Disagree
3.1 Identity					
I identify with my former (acquired) company					
I identify with the new (acquirer) company					
I identified with the acquisition process					
I was satisfied with the acquisition process					
My employer is concerned for my welfare					
3.2 Culture					
Sufficient development initiatives have been introduced to further me and my skills					
My company is supportive to my needs and problems					
3.3 Communication					
My company shares information with me					
My company involves me when introducing changes					
My company shares important information with me					
My company finds it difficult to predict future direction of its relations with me					
My company is uncertain regarding its commitment to its employees'					
There are inconsistencies between what my company says and does					

Section 4 – Employee Performance

The following questions refer to the actions taken or planned to be taken following the acquisition process and driven by your state of mind, feelings and perceptions.

Answer Options	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
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4.1 Potential turnover/ Retention					
I have no future obligations to my employer					
I can quit whenever I want					
I build skills to increase future employability					
I build contacts outside the firm					
I seek out assignments that enhance my employability					
4.2 Job satisfaction					
I build skills to increase my value in the organisation					
My employer supports me to attain higher levels of performance					
There are developmental opportunities in this organisation (e.g. bursaries, management and leadership development programs, etc.)					
There are advancement opportunities within this organisation (e.g. job rotation, secondments, promotions, etc.)					
I expect less from my employer in the future					
I find it difficult to predict the future of my relationship with my employer					
4.3 Productivity					
My company demands more from me while giving me less in return					
My company intends to decrease benefits over the next few years					
My company intends to					

stagnate or reduce wages the longer I work here					
My company requires more work for less pay					
I only do what I am paid to do					
I fulfil a limited number of obligations					
My employer helps me develop extremely marketable skills					