

## **The moderating role of transformational leadership on HR practices in M&A integration**

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# **The Moderating Role of Transformational Leadership on HR Practices in M&A Integration**

## **Abstract**

Scant research exists examining the effect of HRM practices on employee behavior in M&A integration and the role that leaders play within this. This paper develops a conceptual framework that focuses on the moderating role of transformational leadership on the achievement of human integration and organizational identification in M&A integration. We argue that communication, employee involvement, teamwork, and training and development have a positive effect on employee behavior and their identification with the newly formed organization. Moreover, we argue that transformational leadership behaviors will moderate the implementation of HRM practices in M&As, leading to positive employee behavior and employee identification in the new organization. We suggest that further research is necessary to test propositions of the present study in order to achieve finer-grained understanding of the role of transformational leadership on the achievement of human integration and organizational identification in M&A integration.

**Keywords:** Mergers and acquisitions, HRM, leadership, and organizational identification.

# **The Moderating Role of Transformational Leadership on HR Practices in M&A Integration**

## **INTRODUCTION**

Mergers and acquisitions (M&As) have been studied from a variety of perspectives and disciplines, and while it is suggested by Bower (2004) that there is nothing more to learn from the study of M&As, an area that received scant research attention in the literature is the importance of human resource practices and the leadership required to design and implement these practices during the integration of two organizations. The management of the transition from two separate organizations to one integrated organization remains a key challenge for senior executives as it requires the blending of organizational cultures, structures, management systems and processes (Gomes, Weber, Brown, and Tarba, 2011). Therefore, in order to achieve expected synergies, an emphasis is placed upon planning processes that facilitate a reconciliation of these different organizational ‘systems’ (Schweiger and Weber 1989; Stahl and Voigt 2008).

In general, the impact of M&A on individuals and groups may differ widely between various human resource management practices (Budhwar, Varma, Katou, and Narayan, 2009; Sarala, Junni, Cooper, and Tarba, 2014; Weber and Tarba, 2010), and can be influenced by national cultural distance and corporate culture differences (Weber, Tarba, and Reichel, 2009; 2011), strategic agility (Junni, Sarala, Tarba, and Weber, 2015), knowledge sharing during post-merger integration (Aklamanu, Degbey, and Tarba, 2015), and talent retention (Stokes, Liu, Smith, Leidner, Moore, and Rowland, 2015; Zhang, Ahammad, Tarba, Cooper, Glaister, and Wang, 2015).

M&A integration requires employees to increase their productivity, manage job routines and adopt new practices while transitioning from one organization to another (Nemanich and Keller 2007). Leaders seek to balance similarity and difference in order to retain talent and

prevent the withdrawal of employees (Langley et al. 2012). However, during the post-acquisition integration process employees often respond negatively with culture clashes being associated with more dysfunctional behaviors amongst employees (Marmenout 2011:793). Changes in organizational routines cause shock, anger, disbelief, depression, and helplessness before, during, and after the acquisition (Coff 2002; Schweiger et al. 1987) and each of these contributes to a loss of attachment and identification with the new organization (Birkinshaw et al 2000). A reduction in post-M&A identification can bring about inferior job satisfaction, lower team performance, decreasing organizational citizenship behavior, and augmented turnover intentions (Ullrich and van Dick 2007; van Dick et al. 2006). These negative behaviors limit the extent to which employees are able to fully adapt to the post-merger organization and may jeopardize the strategic goals of the merging firms (Giessner 2011). It is suggested that in order to maintain positive employee behavior in the new organization, human resource management practices must be implemented (Bartels et al. 2006; De Wever et al. 2005; Maguire and Phillips 2008). Prior research indicated that leadership style has a significant effect on talent retention during post-M&A integration (Zhang et al. 2015). Therefore, it is also important to consider the role that leaders play in moderating the impact of these HR practices.

The aim of the paper is to develop a conceptual framework that focuses on the moderating role of transformational leadership on the achievement of human integration and organizational identification in M&A Integration. The literature on the effect of HRM practices on employee behavior is limited (Lakshman 2011; Weber and Tarba 2011b) and the role that leaders play within this has received limited attention (Shi et al. 2012). Consequently, this article analyses the effects of post-merger HRM practices and makes a key contribution through the recognition that the impact of HRM practices on the achievement of human integration and organizational identification is moderated by the leadership style of

the acquiring organization.

## **ORGANIZATIONAL IDENTIFICATION AND M&A**

The identity of an organization - its central, enduring, and distinctive characteristics - may be called into question once an organization is involved in M&A activity (Albert and Whetten 1995), and employees who once identified with the organization, feel uncertain and threatened. This is problematic as high organizational identification enhances member integration and performance, whereas low identification is associated with conflicts and negative emotions (Salk and Shenkar 2001:162; Terry 2001; Terry 2003; Van Dick et al. 2004). Consequently, real or perceived identity threats can lead to conflicts amongst employees. Moreover, low identification with the post-M&A organization may lead to M&A failure (Ullrich and van Dick 2007; Giessner et al. 2006; van Dick et al. 2006).

Social identity theory suggests that individual self-concept consists of two types of identity: *personal* - consisting of individual characteristics, and *social* - deriving from group membership and its emotional attachments (Boen et al. 2006). Through the latter, individual characteristics are subsumed within the group. M&As alter the identity of an organization and in so doing also shifts the employees' social identification with the organization – impacting “collective identity and self-esteem” (van Dick et al. 2006:S69). M&As represent a form of re-categorization from one group to another, requiring employees to reclassify themselves as members of a newly merged organization. According to Colman and Lunnan (2011) the valence of this reclassification will depend upon the extent to which the newly merged organization is considered high status (leading to positive social identity) or low status (leading to poor self-concept and negative social identity) by its employees. Low and high status groups differ in their post-merger expectations and the extent to which they experience continuity (Giessner 2011). Amiot et al. (2007:571) suggest that high status groups adjust to

new organizational routines progressively over time, whereas low status groups decrease their commitment over time and become increasingly susceptible to a sense of “injustice and illegitimacy.” However, the former also remains problematic as high-status groups exhibit resistance towards subsequent post-merger change if they perceive a threat to their identity (Ullrich et al. 2005; Van Knippenberg et al. 2002). As such, Van Leeuwen et al. (2003) and Chreim (2007) highlight the need to balance the preservation of old identities while incorporating a new social identity. This should help to improve employee commitment and cooperation, reduce negative emotions amongst employees, and lower in-group bias and turnover intentions while ensuring employee loyalty (Amiot et al. 2007; van Dick et al. 2006; Birkinshaw et al. 2000; Bachman 1993; Hogg 2000; Hogg and Terry 2001).

Yet, M&As increase the preoccupation with status between groups located within the merging organizations and threatens the abandonment of “valued social identity” (Boen et al. 2010:462). Research by Langley et al. (2012) shows that employees involved in M&As experience some form of struggle but respond in different ways, some through innovation, others through passive behaviors. Chreim (2007:475) states that “it is possible for all merged groups to view themselves as losers,” yet a failure of employees to identify with the merged organization can lead to value creation through “local action” (Chreim 2007:475) and the expression by employees of “conflict and noise” as a means of self-preservation (Colman and Lunnan 2011:857).

Other studies suggest that positive employee behavior correlates with the degree of continuity in the practices of the organization (Ullrich et al. 2005). Ullrich et al. (2005) argue that if neither projected nor observable continuity is granted, positive employee behavior appears very difficult to maintain or achieve. The loss of identity in the combined organization leads to a loss of trust in the organization and given that job satisfaction and identification are highly dependent upon feelings of self-efficacy – those considering the post-acquisition

process as unfair will also experience negative perceptions of self-efficacy (De Wever et al. 2005; Amiot et al. 2006). This, in turn, limits social integration processes and disrupts the creation and maintenance of relationships within the organization (Meyer and Altenborg 2007). In this context, Lupina-Wegener et al. (2014: 767) suggested that in order to enhance employees' identification with the post-merger organization, change agents should attempt to boost a sense of projected continuity. These efforts should in particular target employees in the subordinate group who identified greatly with their pre-merger organization.

It is the disruption in creating a relationship within the merged organization that has profound psychological effects on employees involved in M&As, threatening both the psychological attachment to the organization and organizational performance. Through feelings of uncertainty and threats to self-identity, employees may seek to leave the organization resulting in a loss of corporate memory and negative effects on productivity (Mottola et al. 1997; Cartwright and Cooper 1993). Emphasis is therefore placed on the development of human resource management systems and the ability of these systems to retain key talent and develop career structures that deliver a sense of equity and organizational 'justice' (Amiot et al. 2007; Schweiger and Weber 1989).

## **HRM PRACTICES**

There is consensus in the literature that implementation of HRM practices leads to positive employee behavior and attitudes (Guest and Conway 2002). HRM systems are considered both as key control mechanisms and important determinants of the levels of trust during M&As (Lakshman 2011; Faulkner et al. 2002). These systems are important in managing the sense of procedural justice which in turn builds greater organizational identification amongst employees (Edwards and Edwards 2012). Guest (2002) found that HRM practices emphasizing communication, employee involvement, teamwork and training and



development and correlate significantly with positive employee behaviors and employee wellbeing. Each of these practices is discussed in the following subsections.

### **Communication**

The stress caused by M&As derive from a variety of sources including job insecurity, a lack of autonomy, the impact of change and an uncertain future (Bikenshaw et al. 2000; Cartwright and Cooper 1993). Bastien (1987) stresses that the more communication occurs and the more it aligns with employee perceptions of reality, the more stability it provides in turbulent situations. Communication is therefore vital in reducing stress, smoothing change, creating a shared vision and providing a sense of meaning (Marmenout 2011; Jimmieson and White 2010; Marks and Mirvis 2001; Schweiger and DeNisi 1991) but it also reduces a damaging power and dependency on gossip and rumor (Wickramasinghe and Karunaratne 2009). Indeed, employees expect leaders to “create time” and effective communication channels and emphasize the need for regular and individualised contact (Bligh 2006). Giessner (2011:1091) suggests that if employees understand the reason for a merger they are able to “reconstruct a strong sense of organizational identity.” Therefore, communication provides much needed clarity in the transition phase of M&As as it is often a lack of information that causes confusion and disaffection amongst employees (Kavoor-Misra and Smith 2008; Chreim 2007). Agle *et al.* (2006) noted that CEOs must remain engaged in the process of maintaining good relationships, delegating responsibilities, and communicating decisions reached during the process.

Guest (2002) confirms that communication has positive consequences for self-esteem, organizational commitment, and cooperative behavior. Employees receiving information are more likely to engage in “change-supportive behaviors” and improve their identification with the new organization (Jimmieson and White 2010: 338). Gomes et al. (2012) find a positive association between the extent of communication and the links between the organizations,

emphasizing the ability of communication to mitigate cultural disruption in newly acquired firms. Similarly, Herriot and Pemberton (1997) found that ongoing interactions between employer and employee through various communication channels can help establish and clarify employee expectations. Thus, the systematic use of communication channels throughout the M&A process should help employees to identify with the organization and build higher commitment levels and create a safe space for substantive differences and conflicts to surface and to be addressed (Turnley and Feldman 1999; Dooley and Zimmerman 2003).

There is, however, some contention over the complexity of these communication channels. Some (see for example: Smidts et al. 2001; Bordia et al. 2004; Gagne et al. 2000) suggest that the use of multiple forms of communication help to increase identification within the organization, which in turn, reduce uncertainty, anxiety and increase openness and empowerment. In contrast, Ullrich et al. (2005) found that higher complexity in communication channels only intensified the perceived stress and pace of change. Indeed, certain communication mechanisms such as Q&A sessions, presentations and official “grapevine” sources can have deleterious effects resulting in conflict intensification (Marks and Mirvis 2011). Therefore, communication efforts should be tailored and targeted towards different employees depending on their perceived levels of uncertainty (Giessner 2011). Despite this, communication throughout M&A activity is central in assisting organizational identification and enabling employees to understand the nature of change and future expectations. The main challenge of M&A integration is to encourage employees to cooperate effectively across the boundaries of management levels (Ullrich and van Dick 2007). It is thus imperative to promote identification with the new organization and commitment to it through effective communication that leads to a common goal orientation (van Knippenberg 2003), helping to minimize employee resistance and encourage positive

employee behaviors. Based on the above arguments, we conjecture the following proposition:

**Proposition 1:** *In the M&A context, communication has a positive effect on employees' behavior and their identification with the new organization.*

### **Employee Involvement**

Employee involvement refers to the creation of an environment in which employees can influence decisions and actions that affect their jobs and it is considered central to identity building (Fenton-O'Creevy 2001; Jimmieson and White 2011). It is a reflection of management and leadership philosophy on how employees can be made to contribute most to the continuous improvement and ongoing success of their organization (Edwards 2005). Participation in decision making encourages employee support and provides the space required to “ignite” employee creativity encouraging groups to work together for high-quality solutions (Marks and Mirvis 2011; Densten 2008:105).

Van Dick et al (2006) suggest that employees who feel valued and supported are less likely to leave the organization and employee involvement practices have a significant positive effect on identification and organizational performance, creating enthusiasm, job satisfaction and improved support of change (Jimmieson and White 2011; Brown and Cregan 2008; Korunka et al. 1995; Petrescu and Simmons 2008). Waldman and Javidan (2009) advocate employee involvement in vision statements and decision making in order to achieve integration and greater organizational alignment. Moreover, such involvement improves motivation (Guest et al. 1993), productivity (Edwards 2005), and increases overall trust in the organization (Petrescu and Simmons 2008).

Employee involvement and participation in M&As is a key characteristic of successful acquisition implementation (Amiot et al. 2006), as it empowers employees and provides them with a sense of agency and control (Gagne et al. 2000). As employee commitment is closely

linked with identity in the organizations (Edwards 2005), it is possible to argue that employee involvement should be encouraged in M&As. Bartel et al. (2006) and Van Dick (2001) support this argument, explaining that employee involvement fosters greater identification with both the job and the organization. As such employee involvement is an important means through which greater post-acquisition responsiveness can be achieved (Amiot et al. 2006). The above arguments lead to the following proposition:

**Proposition 2:** *In an M&A context, employee involvement has a positive effect on employees' behavior and their identification with the new organization*

### **Team Work Practices**

As noted by Khan et al. (2015), in the context of the Pakistani emerging economy, international joint ventures IJVs can play a critical role as the boundary spanners of knowledge transfer since local suppliers are linked with their global suppliers' networks through associational learning. Furthermore, social capital between the IJVs and the local component suppliers and the IJVs' willingness to initiate a knowledge transfer dialogue among local and global Tier 1 suppliers are of critical importance to facilitate the aforementioned transfer of knowledge (Khan et al., 2015). Furthermore, based on data collected via a cross-sectional survey using a questionnaire on a sample of UK firms that had acquired North American and European firms, the research of Ahammad, Tarba, Liu, and Glaister (2016) indicated that knowledge transfer and employee retention have positive influence on CBA performance. Moreover, organizational culture differences have a negative influence on CBA performance, but also mediate the relationship between knowledge transfer and CBA performance.

Since teamwork as a sophisticated attempt to integrate the individual into the organization (Morley and Heraty 1995), it can play an important role in facilitating knowledge transfer in

collaborative partnerships in general and in M&A in particular. In organizations experiencing a major change the emphasis is placed upon the need for the sharing of tacit knowledge, as such according to Lakshman (2011) socio-cognitive mechanisms such as teamwork and communities of practice and learning become more important than more technologically focused systems of knowledge codification. Thus, teamwork might be linked to enhancement in a variety of outcomes such as communication, coordination, integration of information, increased productivity, and job satisfaction (Rodwell et al. 1998). In the case of organizational change, teamwork has been linked with knowledge production, identity evolution, enriching communication networks while minimizing employee resistance and negative behaviors (Alvesson and Willmott 2002). Together with the implementation of other HRM practices such as communication, employee involvement, and training, teamwork can reinforce identity reconstruction and evolution in the context of organizational change.

In M&As new relationships and patterns are established as the two organizations come together (Birkinshaw *et al*; 2000). Departments, teams, and staff must be integrated and new working processes and procedures emerge. Buono (2003) argues that the group and intergroup dynamics that follow the merger of the two firms are significant determinants of M&A success or failure. Burke and Jackson (1991) suggest that the new entity should focus on team building activities by creating new relationships and establishing bonds between teams. Thus, team building and teamwork practices during the M&A process can help reduce the extent to which employees experience low commitment and high stress levels (Marks and Mirvis, 2001). Child et al. (2001) found that successful M&As are associated with the increased use of teamwork and that the use of autonomous teams fostered positive behaviors toward the M&A process. The above arguments lead to following proposition:

**Proposition 3:** *In an M&A context, teamwork will have a positive effect on employees' behavior and their identification with the new organization.*

## **Training and Development**

Employee training and development has become an important HRM practice for promoting continuous employee improvement and long-term investment in employees' skills and capabilities (Useem, 1993). Nikandrou and Papelaxandris (2007) confirm that training and formalised HR policies are significant differentiators of firm performance during M&As. Training and development enables the development of new routines, improving existing systems while helping employees to cope with change in their environment, but it is also central in blending organizational cultures, improving decision making, retaining talent and redeploying resources, all of which are high priorities during M&As (Weber and Tarba, 2010b; Cummings and Worley, 2008; Stahl et al; 2011). The use of training and development programs and coaching increase productivity but also has positive effects on organizational citizenship behaviors (Hackman and Wageman, 2005). Continuous investment in training and development opportunities is positively associated with high levels of job satisfaction, organizational commitment, and employee retention after organizational change events (Shields and Ward, 2001).

In the case of M&As, the new entity must address several issues to ensure its viability and success (Schuler and Jackson, 2001) and firms should engage in activities that encourage introspection and extensive dialogue, encouraging reflexivity on a cognitive, emotional and political level (Schweiger and Goulet, 2005). Training interventions targeted in this way lead to greater communication, cooperation and increased cultural awareness with commitment amongst employees (Schweiger and Goulet, 2005). Buono (2003) advocates post-acquisition training workshops focusing on the lessons learned during the acquisition to ensure the continuity of daily practices and aim to build employee identity in the organization. Training and development in M&As enhances employee competencies,

facilitates adjustment to the new organizational environment, and improves performance (Schuler *et al*; 2004). Marks and Mirvis (2011) suggest that in order to ease cultural integration a series of “deep learning interventions” should be provided and that these assist cross-organization dialogue and ease the integration of two previously independent organizations. Based on the above arguments, we suggest the following proposition:

**Proposition 4:** *In an M&A context, training and development activities will have a positive effect on employees’ behavior and their identification with the new organization*

### **The role of transformational leadership as a moderator between HR practices and employee behavior**

Implementation of the practices listed by Buono (2003) such as teamwork, involvement, and empowerment leads to employee integration in the new organization and results in higher levels of commitment and identification. Yet it could be argued that much will depend on the nature of leadership within the organization and the extent to which these leaders are able to influence their followers.

Transformational leadership theory rests on the tenet that certain leaders enhance commitment to a well-articulated vision and inspire followers to develop new ways of thinking about problems (Piccolo and Colquitt 2006; Densten 2008), motivating followers to work for transcendental goals and for higher-level self-actualization needs, rather than engaging in simple exchange relationships with followers (Nemanich and Keller 2007; Covin et al. 1997; Densten 2008). Avolio and Bass (2004) argue that managers who exhibit transformational leadership raise awareness amongst subordinates of the importance and value of designated outcomes, enabling employees to transcend their self-interest.

Poor performance in M&As is often associated with an absence of leadership (Haspeslagh and Jemison 1991) evidenced by a lack of vision and impersonal reference to the new

organization, increasing levels of mistrust amongst employees (Ullrich et al. 2005). During M&As senior executives are often considered as outsiders, reducing the extent to which employees are able to identify with a new vision (Giessner and Schubert 2007). This is compounded with employees often constructing their own view of what constitutes good leadership. Bligh (2006) cites a variety of different leadership expectations amongst employees including, *inter alia*, the utilization of cultural differences, the provision of a forum for expression, managing expectations of change, clearly articulating the need for change and mindfulness amongst leaders of their own actions.

Transformational leadership is more likely to arise in situations that are turbulent and unstructured and where emphasis is placed upon shared values (Nemanich and Vera, 2009:28; Waldman and Javidan, 2009). In these situations, transformational leadership can overcome the conflicts associated with high levels of cultural distance (Vasilaki, 2011) and ease post-acquisition integration through positive associations with employee performance, creative thinking and acquisition acceptance (Nemanich and Keller, 2007:60-61). Such leadership is central to the creation of trust and influences employees to achieve the intended objectives through openness, participation, and the blending of old routines with new systems (Nemanich and Vera, 2009; Vera and Crossan, 2004; Morosini et al; 1998).

Empirical studies and meta-analyses have found positive relationships between transformational leadership and a range of outcome measures. Vasilaki (2011a, 2011b) confirms a positive significant effect of transformational leadership on organizational performance in cross-border acquisitions consistent with Lowe *et al.* (1996), DeGroot *et al.* (2000), and Jacobsen and House (2001). Good leadership reduces causal ambiguity and influences followers to achieve goals and exhibit behaviors such as inspirational motivation and intellectual stimulation (Lakshman, 2011; Elenkov et al; 2005). Leaders provide vision and inspiration through the use of stories and shared vision statements, creating supportive



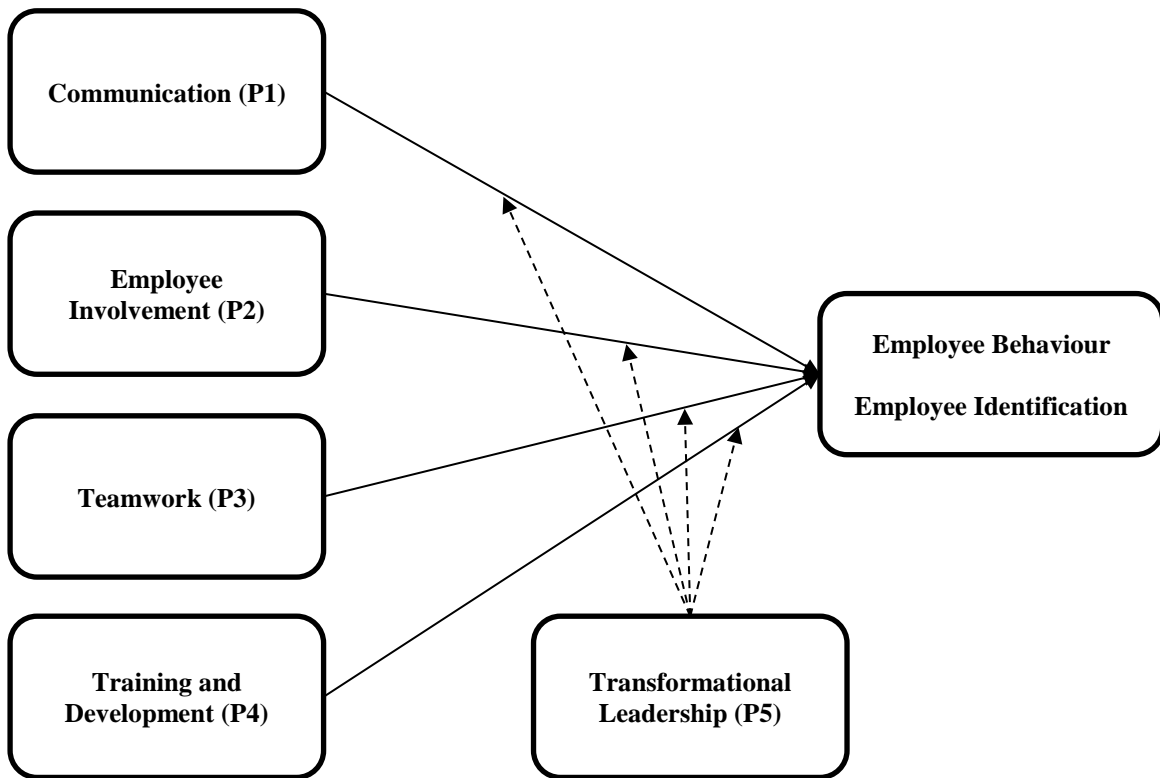
structures and cultures needed to integrate the two organizations (Waldman and Javidan, 2009; Nemanich and Keller, 2007). These structures include a system of human resource management practices. If these practices are not properly implemented they cannot have a positive impact on acquisition acceptance, satisfaction, and productivity amongst employees (Nemanich and Keller, 2009; Fey et al; 2009; Guest, 2002). Rao-Nicholson, Khan, and Stokes (2016) on their part explored the impact of leadership on employee psychological safety (EPS), characterized by employees' expectation of job and remuneration stability during the cross-border mergers and acquisitions (M&As) pursued by the emerging market multinational companies (EMNEs) from India and China. Utilizing the case survey method to examine the effect of leadership on earning per share (EPS), they found that the EMNEs' leadership visibility during the M&A process has no impact on the EPS, however the trust in the EMNEs' leadership has a positive influence on the EPS.

We argue that these practices cannot be fully implemented if they are not monitored and controlled, and if employees are not coached to adapt to the new entity and not able to express their opinions, suggestions, and feelings about the challenges that may arise through the post-acquisition integration. Therefore, the role of the leader becomes central in creating order and continuity (Densten, 2008). Based on the above arguments, we suggest the following proposition.

**Proposition 5:** *Transformational leadership behaviors will moderate the implementation of HRM practices in M&As, leading to positive employee behavior and employee identification in the new organization.*

Based on the above arguments, the following conceptual framework (Diagram 1) is presented that focuses on HRM practices, leadership styles, employee behaviour and employee identification.

**Diagram 1: Conceptual framework**



## **DISCUSSION**

A number of prior studies has examined financial and strategic factors as predictors of M&A performance without finding clear relationships (King, Dalton, Daily, & Covin, 2004). Although human resources (HR) have been frequently mentioned as a potential factor in M&A failures (e.g., Stahl, Mendenhall, & Weber, 2005), there is a dearth of theoretical and empirical studies of the relationships between M&A performance and acquirer's HR practices during the integration period following a merger. Moreover, prior literature has paid limited attention to the effect of HRM practice on employee behavior (Lakshman, 2011; Weber and Tarba, 2011a) and the role leaders play within this (Shi, Sun and Prescott, 2012). The present paper contributes in M&A literature through the appreciation that the impact of HRM practices on the achievement of human integration and organizational identification is reliant on the leadership style selected by the acquiring firm.

The idea of employees identifying with their organization has been of academic interest (Ashforth & Mael, 1989). Identity issues become critical in today's hectic organizational life of change (Cartwright & Cooper, 1993; Van Knippenberg, Van Knippenberg, Monden, & De Lima, 2002). Several studies have shown that organizational restructuring may fail because of employees' feelings of threat to their individual self-esteem and well-being (Cartwright & Cooper, 1993), uncertainty about how the changes will affect their work (Ashford, 1988), and employees holding on to old identities (Buono & Bowditch, 1989). In contrast, positive identification with the newly merged organization has proven to be a crucial factor in explaining successful restructuring processes (Van Knippenberg et al., 2002).

Research suggests that loss of identity can be a major concern that employees experience during M&As (Schweiger, Ivancevich, & Power, 1987), acknowledging the important role of organizational identity in the M&A context (Amiot, Terry, & Callan, 2007; Terry et al., 2001). Shock, anger, disbelief, depression, and helplessness before, during, and after the

acquisition are caused by alterations in organizational routines (Coff, 2002; Schweiger *et al.*, 1987). Consequently, such emotional reaction leads to a loss of attachment and identification with the newly formed organization (Birkinshaw *et al.*; 2000). These negative behaviors limit the extent to which employees are able to fully adapt to the post-merger organization. The present study argues that communication, employee involvement, teamwork, and training and development have a positive effect on employee behavior and their identification with the newly formed organization. Communication enables employees to appreciate the nature of change and future expectation. Such appreciation has a positive effect on employee behavior. Moreover, communication assist in achieving common goal orientation which, in turn, reduces employee resistance to change. Thus, effective communication helps in promoting identification with the newly merged organization. Employee involvement enhances motivation and productivity of employees. Employee involvement in vision statements and decision making are critical in achieving post-M&A integration and organizational alignment. Moreover, Employees feel valued and supported in the merged organization. Consequently, employee involvement creates a positive impact on identification and organizational performance. Team building and teamwork practices help in minimizing the high stress levels and low commitment among employees. Moreover, teamwork and autonomous teams develop positive behavior towards the M&A process. Thus, team work has a positive impact on employee behavior and identification. Finally, training and development activities are expected to increase communication, cooperation and higher cultural awareness with commitment amongst employees. Moreover, training and development in M&A increase employee competencies and facilitates amendment to the new organizational environment. Therefore, training and development are essential to ensure positive employee behavior and build employee identity.

Transformational leaders generate a different way of thinking, seeking new solutions to

problems and adopting generative exploratory thought processes (Sosik et al, 1998). Transformational leaders confront current reality by drawing on intellectual capital, mind power, know-how, imagination and learning. Transformational leadership encourages good communication networks and a spirit of trust that enables the transmission and sharing of knowledge and motivates employees to work towards a specified goal and vision. These leadership attributes are of vital importance in the post-acquisition integration process when the integration of departments, employees, processes and practices is taking place. In this context, Vasilaki (2011a, 2011b) confirms a positive significant effect of transformational leadership on organizational performance in cross-border acquisitions.

Leaders provide vision and inspiration through the use of stories and shared vision statements, creating supportive structures and cultures needed to integrate the two organizations (Waldman and Javidan, 2009; Nemanich and Keller, 2007). These structures include a system of human resource management practices. If these practices are not properly implemented they cannot have a positive impact on acquisition acceptance, satisfaction, and productivity amongst employees (Nemanich and Keller, 2009; Fey et al; 2009; Guest, 2002). We argue that HR practices cannot be fully implemented if they are not monitored and controlled, and if employees are not coached to adapt to the new entity and not able to express their opinions, suggestions, and feelings about the challenges that may arise through the post-acquisition integration. By considering each subordinate as an individual, transformational leader can provide support through the change process by facilitating social reconstruction to bring more uniform interpretations to people with separate experience bases (Bass, 1998). Moreover, Transformational leaders help subordinates to unlearn past routines, and respond appropriately to new environments (Bass et al., 2003; Vera & Crossan, 2004). Therefore, we suggest that transformational leadership behaviors will moderate the implementation of HRM practices in M&As, leading to positive employee behavior and

employee identification in the new organization.

## **CONCLUSION**

Despite the importance of HRM issues, limited researchers examined the role of transformation leadership on the realization of human integration and organizational identification. This paper contributes by developing a conceptual framework that focuses on the moderating role of transformational leadership on the achievement of human integration and organizational identification in M&A Integration. Specifically, this paper analyses the effects of post-merger HRM practices and makes a key contribution through the recognition that the impact of HRM practices on the achievement of human integration and organizational identification is contingent upon the leadership style (i.e. transformational leadership style) chosen by the acquiring organization. Our conceptual model suggests that communication, employee involvement, teamwork, and training and development have a positive effect on employee behavior and their identification with the newly formed organization. Our model also suggest that transformational leadership moderates the implementation of HRM practices in M&As, leading to positive employee behavior and employee identification in the new organization.

We have attempted to contributed by developing a conceptual model of leadership, HR practices and organizational identification. Further research is necessary to test propositions in order to achieve finer-grained understanding of the role of transformational leadership on the achievement of human integration and organizational identification in M&A Integration. In addition, the propositions presented in this paper involve four HR practices. Additional theoretical exploration is therefore required, and the investigation of other HR practices, organizational elements, and systems may improve M&A integration and performance. Moreover, as acquisitions are dynamic processes a more in-depth investigation of the role of

leadership in enhancing post-acquisition organizational performance is needed. This study did not, however, consider the impact of demographic characteristics of the leader, for instance age, tenure, education, rewards and premiums, cross-cultural competence and intelligence and how they manage the change process of the integration. Future studies could examine this issues in the context of domestic and cross border M&A.

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