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Cross-border Mergers and Acquisitions

Employee Engagement in Post-merger Integration

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ABSTRACT :

Mergers and acquisitions (M&A) has been a popular strategy to strengthen business competitiveness since the nineteenth century. Moreover, this trending phenomenon has led M&A to become a popular research topic in the past decades. However, research has typically been dominated by the financial aspects of M&A cases, nor did the M&A success rate improve with the support of robust research findings. In a globalized business world, a growing number of M&A cases are happening in a cross-border setting, but little is known about the role of the human side in its success. Therefore, the thesis focused on the human side of cross-border M&A during post-merger integration (PMI).

This thesis aims to provide a better understanding of how employee engagement enhances cross-border post-merger integration and thus improves M&A success rate. With the help of the existing theory of JD-R model, this thesis proposed an adapted model, assuming that there are a few job resources and job demands affecting employee engagement during a cross-border PMI. Through qualitative research and a method of conducting semi-structured interviews with six participants who have experienced cross-border PMI, this social phenomenon was investigated at depth in a natural setting.

The research findings show that there are a few elements affecting employee engagement during a cross-border PMI. However, these elements should not simply be defined as resources or demands due to the duality of them. Therefore, the concluded adapted JD-R model demonstrates that, career growth and training opportunities, salary and compensation level, business efficiency, new organizational culture, team culture and personal factors can affect employee engagement during a cross-border PMI positively or negatively according to the employee's situation and their way of perceiving changes.

This thesis gives insight into human issues in complex organizational changes. The research findings strongly point towards facilitating the changes from a human resource perspective behind cross-border M&A success.

KEYWORDS: Mergers and Acquisitions, Cross-border Mergers and Acquisitions, Post-merger Integration, Employee Engagement

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Abbreviations

M&A: Merger and Acquisition

PMI: Post-Merger Integration

JD-R Model: Job Demands-Resources Model

1 Introduction

1.1 Background of the Study

Mergers and acquisitions (M&As), through which the newly created organizations are expected to improve overall business competitiveness, have been a popular phenomenon since the 19th century (Junni & Teerikangas, 2019, pp. 18). However, the failure rate is reportedly high regardless of the development of research on its success and failure. Researchers and consulting firms investigated the reasons for it in numerous studies, concluding that an M&A success is attributed to multiple factors across disciplines in all phases rather than a single factor. Post-merger integration (PMI), the last stage of the long and complex M&A process (Soofi & Zhang, 2014, pp. 22), has received increased attention in the recent years (Graebner et al., 2017, pp. 1) due to the importance of being the phase where mergers achieve organizational goals. Traditionally, PMI research is dominated by financial perspective (Cartwright, 2005, pp. 2). On the contrary, a majority of M&A deals failed during PMI for the unexpected human issues (Koi-Afrofi, 2016, pp. 152). Therefore, this thesis aims to provide a better understanding of PMI success through employee engagement as a step to increase M&A success rate.

Employee engagement is another growing topic in management in the past decade (Saks & Gruman, 2014, pp. 155) as it was studied to have a strong correlation with the business outcomes (Kular et al., 2008, pp. 1). Despite the non-consensus in the definition of it resulting in a wide range of frameworks and measurement instrument in use (Sak & Gruman, 2014, pp. 156), it is necessary to conduct more empirical research on employee engagement in context for three reasons, the current literature and knowledge remain fragmented, most of the employee engagement research come from western culture especially in UK and US (Kular et al., 2008), and there is a large number of non-engaged or disengaged employees in modern workplaces.

Although there are numerous studies about these two separate concepts, there is still a research gap on the human side of PMI and employee engagement in M&A events.

Moreover, research in both disciplines are mostly conducted in the method of quantitative research (Sambrook, Jones & Doloriert, 2014, pp. 182). Therefore, this qualitative research provides insights to the understanding of PMI success through employee engagement.

1.2 Research Questions and Objectives

The purpose of this research is to provide a better understanding to researchers and practitioners how employee engagement enhances cross-border post-merger integration and thus improves M&A success rate. In order to do so, it is necessary to examine what factors influence employee engagement in a cross-border acquisition. Therefore, the research question of this study is:

“How does employee engagement affect the success of PMI in a cross-border M&A?”

In addition, to allow the research area to be covered, the following sub-questions have been created to support the main research question:

- 1. How do employee job resources affect engagement in achieving PMI success?*
- 2. How do employee job demands affect engagement in achieving PMI success?*

The research objectives are therefore divided into a few key parts to provide a detailed direction of the research. First, an in-depth literature review of the existing literature in M&A focusing on post-merger integration will be provided to give a general introduction to the research context. Second, an in-depth literature review of employee engagement will be provided to give a thorough introduction to the research subject. Next, an adapted model of employee engagement in cross-border post-merger integration will be proposed based on the literature review. The model will be concluded after the empirical research.

1.3 Definitions of Key Concepts

Mergers and Acquisitions (M&As):

Mergers and Acquisitions (M&As) is a general term that refers to two or more organizations combining all their resources into one through a financial transaction, including but not limited to culture, people, assets, and structure. Though “mergers” and “acquisitions” are exchangeable in many circumstances, they are not completely the same. A merger describes the newly created entity of the two combined organizations when both parties agree to merge, while acquisition is often a hostile purchase of an organization (pwc, 2022). In this thesis, acquisition refers to the target company that has been purchased regardless of the purchase being friendly or hostile as it does not affect the subject of study.

Cross-border M&A:

As the term suggests, cross-border M&A involves organizations and/or their resources located in different countries. Cross-border M&A is a form of foreign direct investment (FDI) from the point of view that the two business activities both aim at improving efficiency and boosting business growth through overseas expansion (Soofi & Zhang, 2014, pp. 12). This thesis is conducted in order to complete a degree in international business and therefore the context of the study is cross-border M&A.

Post-merger integration (PMI):

Post-merger integration (PMI) is the last but most challenging phase in the complicated M&A process (Soofi & Zhang, 2014, pp. 19-22). Post-merger integration is to achieve efficiencies and synergies by the fusion of all resources of the involved entities including assets, people, and tasks (LeanIX, 2021). This thesis is to study about the employees in integration, hence, post-merger integration is the M&A phase that this thesis focuses on.

Employee engagement:

There is not a universal definition of employee engagement since different researchers

examine it in different scopes. Kahn (1990, pp. 694) defines employee engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”. Kular et al. (2008, pp.8) summarized that employee engagement is either “emotional and intellectual commitment to the organisation” or “the amount of discretionary effort exhibited by employees in their job”.

1.4 Delimitations of the Study

The research is conducted from the acquired company’s point of view. Merger and acquisition is a complex phenomenon consisting of multiple phases of which the outcome is affected by numerous reasons. Cross-border post-merger integration, the background of this study, is the last but most challenging phase in an M&A process (Soofi & Zhang, 2014, pp. 22) as problems at any stage up front can lead to poor PMI performance or an overall M&A failure (Doherty, Engert & West, 2016, pp. 1). This study, however, purely focuses on the human side in the post-merger phase, therefore, other research aspects of M&A such as financial performance or pre-merger phase will not be examined.

Employee engagement is another growing research topic in recent years. As human behaviors are arguably complex, the human-related research disciplines are correspondingly complicated. In this thesis, employee engagement theories will be applied in the context of PMI as an organizational change, and therefore employees’ individual differences and their effect will not be the focus of this study.

1.5 Structure of the Thesis

The thesis will begin with an introduction, including study background, research question and objectives, definition of key concepts, and delimitations of the study to facilitate the readers to understand the study scope. The second chapter will consist of a literary review of the existing theories in two parts: M&A focusing on the post-merger

integration phase and the human side; employee engagement in general and in different contexts. The two topics will be integrated after each one has been examined separately.

The following chapter will introduce the selected methodological approach. The fourth chapter will be empirical research. The data collected for this research will be presented and analyzed thoroughly in order to answer the research questions.

The last chapter will conclude the adapted model, and provide implications for the management, followed by the limitations of the study and suggestions for future research.

2 Literature Review

A thorough literature review of the existing theories is the foundation for further studies. To better understand the phenomenon of employee engagement in the cross-border post-merger integration context, the concepts of M&A and employee engagement will be examined broadly and separately. These two subjects will then be combined to introduce an adapted model of employee engagement in cross-border post-merger integration.

2.1 Mergers and Acquisitions (M&A)

2.1.1 M&A in General

Since the end of the 19th century, M&A and its phenomena have attracted great attention from managers and scholars due to its high potential in advancing the business competitiveness (Junni & Teerikangas, 2019, pp. 18). Keeping up with this trend, large disciplinary lines have developed within M&A research on the aspects of finance, management, operation, and culture (Cartwright & Schoenberg, 2006, pp. 1-2) which all provided theoretical foundation to the subsequent research.

The reason and motives for M&As have been studied intensively in recent years. Calipha, Tarba, and Brock (2010, pp. 8) concluded that M&As are to achieve synergies or for managerial self-interest; Soofi and Zhang (2014, pp. 9) explained further that M&A is an effective way to improve corporate competitiveness, optimize corporate cash flow and support the business innovation. Further, in order to better examine M&A, scholars divided this complex process into a few phases. For instance, in the earlier stages of research, M&A was divided into pre-merger and post-merger by Boland in 1970 whereas a more detailed process including seven phases, assessment, joint planning, issues analysis, structure selection, securing approvals, final planning, and implementation, was introduced by Kazemek and Grauman in 1989. The reason for adopting different approaches is that M&A covers topics across different functions, but scholars tended to

focus on a specific discipline in their study (Calipha, Tarba, & Brock, 2010, pp.7). Cartwright (2005, pp. 2) pointed out that even though the cultural dynamics of M&As research is increasing, the M&A studies are still dominated by financial dimensions. Regardless, it is interesting to see that there has been better progress in post-deal research compared to pre-deal research (Degbey, 2015, pp. 94).

2.1.2 Cross-Border M&A

Whenever it comes to cross-border business activities, it's hard not to think about the national cultural differences and their impact. It's generally believed that cultural differences affect business in one way or another, especially in the context of M&A (Stahl et al., 2013, pp. 333). Dhir et al. (2021, pp. 9) found that national cultural differences have been identified in many cross-border M&A studies, such as being a driving force for learning of an organization, integration of knowledge, and acquirer's absorptive capacity. However, some studies may provide a different perspective. One example could be seen from Liang, Renneboog and Vansteenkiste's research (2017) where they examined the linkage between employee welfare and acquirer's shareholder's returns through a large sample of domestic and cross-border deals, finding that employee welfare is positively related to domestic M&As but the correlation is weakened in cross-border M&As due to the uncertain post-merger human integration and economic nationalism in the target's country rather than cultural differences.

The concepts of cultural fit and cultural clashes are argued repeatedly in the existing studies of M&A and its success. According to Mirc (2007, pp. 4), these cultural issues are more obviously reflected in a cross-border M&A context since the organizational culture is embedded in the national culture. Chow et al. (2022, pp. 364) emphasized that recognizing and managing cultural differences between the merging companies is crucial, as the differences have an impact on the workforce and result in inconsistency in social and cultural dynamics within the newly combined organization. However, Ismail, Abdou and Annis (2011, pp. 102) summarized that it is uncertain if cultural differences have an impact on the performance of a cross-border or a domestic deal: in some circumstances it

indeed leads to a poorer performance but in other cases no evidence of the difference on the performance is found. This inconclusive result is supported by Graebner et al. (2017, pp. 10-11) who concluded that both organizational culture and national culture can affect performance positively or negatively after a review of the existing research conducted from a cultural perspective. As a result, what Very et al. (1996, pp. 79-80) stated about the cross-border M&A phenomenon may still be valid thus far: organizational and national culture can influence the merger outcomes separately, together, or not at all.

According to Degbey (2015, pp. 53-54), even though cross-border M&As have not generally been researched independently from domestic M&As, the dynamics of these two types of M&As are largely similar, especially in terms of the performance success rate. However, a cross-border M&A is presumably a more complex phenomenon due to the natural setting of it involving organizations and/or their resources located in different countries. This differs from a domestic M&A as the acquired company may face multiple risks due to the host country's policies such as legal risks, political risks, financial risks, and other operational risks (Soofi & Zhang, 2014, pp. 17-18). Gomes et al. (2013, pp. 25) emphasized the importance of communication in cross-border M&As as it is a more difficult process. Similarly, Stahl et al. (2013, pp. 335) argued that cultural distance may cause problems in coordination and communication in M&As. Despite these difficulties, a sharp increase in cross-border M&A has been witnessed in recent years (Weber & Tarba, 2011, pp. 202). With increasing globalization, cross-border M&A has become a go-to strategy for investment or business expansion into foreign markets. (Degbey et al., 2021, pp. 3). Moreover, Shimizu et al. (2004) summarized that cross-border M&As is a dynamic learning process from a foreign culture, and a value creation strategy. As a result, as a form of foreign direct investment (FDI), cross-border M&As supports mergers to improve efficiency and boost business growth through overseas expansion (Soofi & Zhang, 2014, pp. 12). Considering the challenges cross-border M&As involve, Shimizu et al. (2004, pp. 308) argued that the current research on this topic is too fragmented to support practices. Therefore, they call for more theoretical and empirical studies in

cross-border M&As in the future research.

2.1.3 Cross-Border M&A Success Factors & Failure Factors

M&A success can be assessed either with financial indicators, or with more subjective performance indicators (Stahl et al, 2013, pp. 338). Traditionally, accounting measurements such as IRR (internal rate of return), ROI (return on investment), and WACC (weighted average cost of capital) are commonly used in the assessment of a merger's success. However, do these calculations tell everything?

Numerous studies investigated the main success factors of M&A through different research methods. Gomes et al. (2013) articulated a comprehensive review on the inter-relationships between pre- and post-merger, and examined key success factors across the whole M&A processes such as open communication, and the planning of the events. In a cross-border setting, the empirical research of critical success factors (CSFs) is limited and mainly conducted through country-specific cases. For example, a multidisciplinary model of CSFs named "SCOPE" was developed by Chen, Werle, and Moser (2018) through the examination of two Chinese acquisitions in Germany, which gives empirical insights to the future researchers in terms of CSFs in cross-border M&As. "SCOPE" refers to S- strategic, C-cultural, O-organizational, P-process and E-external factors. See Figure 1 below.

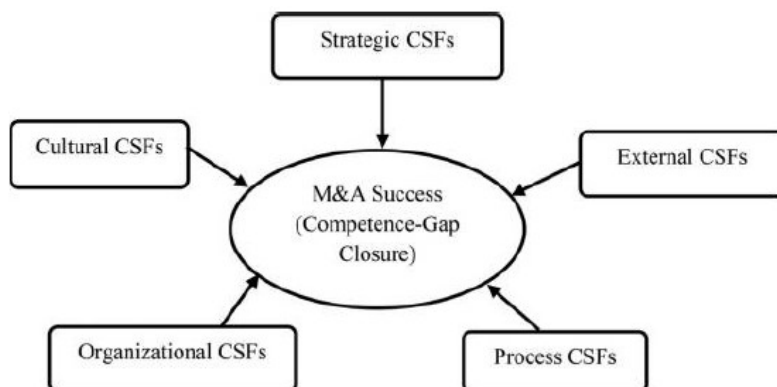


Figure 1. The SCOPE model explaining the five key dimensions of critical success factors (CSFs) in cross-border M&As (Chen, Werle & Moser, 2018, pp. 6)

Similarly, Erez-Rein, Erez and Maital (2004) concluded in their multiple case study about three Israeli-American M&As on seven non-financial CSFs, which are business environment, deal motives, deal strategy, processing of the deal, leadership, organizational culture and national culture. These factors were further studied by Dhir et al (2021, pp. 10) through an African cross-border M&A's performance, after which they also emphasized the role of employee's coordination and trust in achieving the outcomes. Furthermore, Yang (2023, pp. 79) studied the opportunities and risks associated with cross-border M&As, and highlighted the importance of various factors in understanding cross-border M&As success and failure, including resource access, market expansion, liability of foreignness, institutional requirements, and industry relatedness.

However, the robust research findings on M&As did not improve the M&A success rate (Cartwright & Schoenberg, 2006, pp. 4). This statement is supported by a Harvard Business Review article published in 2021, showing that the M&A failure rate is between 70%-90%. Specifically, Erez-Rein, Erez and Maital (2004, pp. 21) pointed out that one of the reasons for such a high failure rate is that a large number of the M&As involve cross-border deals where communication issues, cultural issues and different management style issues are more easily reflected.

The failure factors may explain the success in another perspective. Generally, an unsuccessful M&A can be measured in both qualitative and quantitative ways: the intention of the merger not being achieved, and the deterioration of business resulting in the shareholder's loss (Koi-Akrofi, 2016, pp. 153). Considering the similarity in the dynamics of pure domestic M&As and cross-border M&As, some general failure reasons are reflected in both contexts. For instance, Renneboog and Vansteenkiste (2019, pp. 694) examined the failure factors through both short- and long-run underperformance, such as poor acquirer governance, poor merger execution and poor integration that are reflected in overconfident leadership, lack of strategic guidance, or acquirer-target relatedness during the integration phase. Vazirani (2012, pp. 39-40) emphasized that many mergers failed to recognize that human issues can be the primary cause of failure. The

reasons for such neglect can be hyperfocus on the financial impact, and lack of awareness, support, or framework on the people's side (Steynberg & Veldsman, 2011, pp. 2). Additionally, comparing with domestic M&As, Hopkins, Chaganti and Kotabe (1999, pp. 223-228) argued the challenges a cross-border M&A involves - due diligence, negotiation problems and integration problems are specifically made more difficult and complicated in different national cultures. It is also worth noting that domestic M&As face the same concerns as cross-border M&As when the businesses are operating globally (Child, Faulkner & Pitkethly, 2001, pp. 7-8).

To conclude the above, the success of cross-border M&As is the result of combined effects of various reasons at different stages. A failed cross-border M&A may lead to closure, divestiture, or even the turnover of the management. In that case, a failed case will prevent the management from reflecting on the mistakes as the new managers rarely analyse the past, and thus miss the opportunities for future cross-border M&As (Shimizu et al., 2004, pp. 335-336).

2.1.4 Post-Merger Integration (PMI)

As previously mentioned, the M&A process is divided into a few phases by different researchers. Soofi and Zhang (2014, pp. 22) divided it into four stages: strategic planning, screening, acquisition, and integration, and described post-merger integration as "the longest and most challenging stage of M&A". Generally, post-merger integration refers to unifying two entities with different structures and resources starting from the moment when the deal is signed until a few years afterwards (Savovic, 2012, pp. 196). Conceivably, such organizational change (Lauser, 2009, pp. 7) requires enormous collective efforts.

The integration is highly crucial for an M&A's success, regardless in a domestic or a cross-border context (Child et al., 2001). Moreover, Chen, Liang and Wu (2023, pp. 277) concluded that cross-border post-merger integration has a significant value in terms of corporate investment and have a positive impact on stakeholder value. The core of such a

complex process is whether the merger has the capability to redeploy all the needed resources to an appropriate extent in order to achieve the synergies and organizational goals, particularly within a reasonable time (Bodner & Capron, 2018, pp. 1). According to Zheng, Noorderhaven, and Du (2022, pp. 4), the acquirer's communication of their values, ethics, and business philosophies during PMI is crucial to success, as structural separation and operational autonomy are most effective when the targets shares the acquirer's values. More specifically, Bodner and Capron (2018, pp. 2) interpreted the challenges in PMI into these diverse aspects: "capturing synergy, client disruption, structural integration, employee retention, loss of identity and/or independence, customer retention, emotional trauma, loss of status, and learning challenges". Indeed, being the last step to complete the M&A process, PMI may begin in tension and conflicts in the newly formed business unit, as it has already gone through multiple months of planning and negotiation, where people constantly feel highly uncertain. In such a situation, any errors made before or during the integration may lead to a poor execution, or a failure eventually (Doherty, Engert & West, 2016, pp. 1). Like Frantz (2014, pp. 1-10) summarized, differentiated from the pre-merger phases, there is "no going back" in PMI. Whatever problems occur, either a PMI succeeds, or a merger fails.

Compared to PMI in domestic M&As, national cultural difference is a major issue to cope with during the integration in a cross-border M&A in addition to organizational cultural difference (Child et al., 2001, pp. 2). As the research on cross-border M&As is limited, PMI in a cross-border setting is clearly a research gap to be filled. Shimizu et al. (2004, pp. 332) concluded three findings on this topic in the existing studies:

1. There are additional challenges in PMI created by the national cultural differences. Various research shows that cultures at both organizational and national level have impacts on PMI performance. Barkema, Bell and Pennings (1996, pp. 154) described this challenge as "double-layered acculturation" as PMI is more difficult to achieve when there is greater cultural difference between the two organizations (Weber, Shenkar & Raveh, 1996, pp. 1223).

2. The PMI and adopted control system are the two major factors affecting a cross-border M&A's success. There is evidence that control systems and managerial practices are influenced by national cultures (Calori et al., 1994), and therefore the managers are likely to adopt different control systems when the two organizations are from different countries. As a result, conflicts are likely to increase between the management and employees (Shimizu, 2004, pp. 333).
3. The merger's nationality has an impact on the preference of integration type and control system. For instance, Child et al. (2001, pp. 201-221) compared the integration styles and characteristics in four selected acquiring companies located in different countries and summarized their PMI approaches: America's absorption, Japan's preservation, France's colonization, and Germany's lack of consistency. Although the integration type will affect the long-term strategic direction (Child et al., 2001, pp. 221), it can lead to a successful cross-border M&A if PMI is well managed.

Consequently, the PMI performance is dependent on how it is managed. According to Datta (1991, pp. 283), PMI is expected to provide synergetic benefits which could be seen in the more effective use of existing capabilities including integration of different departments and reduced production costs. Harrison and Farrell (2008, pp. 2) stated that PMI is "where expectations are fulfilled or broken and where employee knowledge increases dramatically." However, despite a lot of research contributing to improving the success rate of M&A on both theoretical and practical level (Savovic, 2012, pp. 195), there is still little understood about post-merger dynamics (Frantz, 2014, pp. 1-12). Hence, researchers call for developing more conceptualizations, theoretical frameworks, and methods in order to capture PMI and its dynamics better.

2.1.5 Post-Merger Integration Theoretical Frameworks

There have been some theoretical frameworks introduced in the existing literature to provide understanding of PMI in different approaches. Nahavandi and Malekzadeh (1988) identified four acculturative modes of PMI, integration, assimilation, separation and

deculturation. In short, the framework explains that integration leads to a balance between the acquirer and acquired company in terms of organizational culture and practices because no company dominates the other; assimilation refers to the acquired company absorbed by the acquirer; separation means that the acquirer and acquired company will remain independent operation, while deculturation indicates that the acquired company feels loss of identity. They argue that the mode an M&A adopts is dependent on the cultural tolerance of the acquiring company and how both parties resolve the conflicts. In general, the concept of acculturation and congruence draws attention to the people, cultures and organizational practices of successful integration (Nahavandi & Malekzadeh, 1988, pp. 88).

Weber, Tarba and Reichel (2011) developed a theoretical model using a multidisciplinary approach. The research examined the PMI approaches and cultural dimensions including uncertainty avoidance, masculinity/femininity, power distance and individualism/collectivism. The model consists of 17 propositions combining corporate culture, national culture and synergy potential on PMI approaches and their influence on the cross-border M&A performance. In the previous chapter 2.1.2 Cross-border M&A, there was mention of the conflicting results of empirical studies on the cultural clashes on M&A performance. This framework provides a solution to the conflicts and emphasizes the role of cultural differences in the choice of integration approach based on cultural dimensions and traits (Weber, Tarba & Reichel, 2011, pp. 21).

Degbey et al. (2021) focused on employee retention, a performance indicator for M&As, and developed a conceptual framework that explains the acquired company's employees' psychological ownership is positively related to employees' commitment and involvement, and thus has a positive correlation to the acquired company's employee retention. In addition, they argued that this positive correlation can be weakened by loss of acquired company's autonomy. This framework provides insights of important psychological variables such as employee commitment, involvement and autonomy as well as suggests to the managers that it is necessary to consider the employees' feeling of

ownership in PMI as it affects the company's overall performance (Degbey et al., 2021, pp. 10-11).

The existing frameworks provide an understanding of PMI and the influencing factors of its success at a general level. Moreover, many of them employ a cultural view or focus on human issues. However, there is lack of analysis on more variables from employees' perspective regarding the PMI success, therefore in the following chapter, employee engagement will be reviewed and combined with M&A theories.

2.1.6 Post-merger Integration Success, Challenges and the Human Side

Many studies show that a majority of M&As failed due to unsuccessful PMI in both domestic and cross-border deals. On the contrary, a successful PMI can improve corporate competitiveness (Soofi & Zhang, 2014, pp. 9). Gomes et al. (2013, pp. 26) argued that well-managed cultural differences and successful PMI are particularly crucial to a cross-border M&A's outcome. A successful PMI may simply refer to "realizing the synergies" (Bohlin, Daley & Thomson, 2000) through interaction, communication, alignment, and standardization between the two entities (Graebner et al., 2017, pp.3). According to Feldman and Hernandez (2022, pp. 549), synergy is that the newly combined organization can achieve more significant value than the sum of each individual part. In other words, if we divide the whole M&A process into pre- and post-deal phases, PMI is the phase where organizations achieve such value.

Considering the importance of PMI, lots of researchers and market strategists investigated the main success factors of PMI from a comprehensive view. In a PwC report (2017), four success factors of global PMI were summarized: synergies, speed of integration, cultural & change management, and project governance. Koi-Akrofi (2016, pp. 54) concluded that no one strategy stands tall, all aspects should be considered when it comes to a success or a failure; some factors may have been foreshadowed in the earlier stages already.

Gomes et al. (2013) examined the interrelationship between pre- and post-merger phase at a general level and illustrated the success factors in PMI: strategic integration – how value is created through organization alignment and resources combination, sociocultural integration – cultural, social, and human aspects of PMI, and finally experience and learning – how pre-merger phase influence the PMI performance (Graebner et al., 2017, pp. 2). In addition, how to integrate cultural differences and manage conflicts has become a key issue in a cross-border PMI (Zhu & Huang, 2007, pp. 40). Morosini and Singh (1994) studied the national culture-compatibility in cross-border PMI and argued that, first, certain PMI strategies fit in certain national cultures and therefore the culture-related issues can be well managed when the acquiring companies implement the right strategies. Second, some cultural characteristics such as uncertainty avoidance and individualism strongly interact with the national culture-PMI strategy chosen. As a result, the national culture-PMI strategy is highly connected to the success of a cross-border M&A. Hence, compared to a domestic PMI, it is necessary for the managers to carefully evaluate the national culture of the target company's country in a cross-border M&A deal as this will affect the choice of the strategy (Morosini & Singh, 1994).

Notably, a growing number of researchers also studied about the human side in M&A activities in recent years. Klok, Kroon and Khapova (2023) studied the role of emotions in understanding M&A success and failure. In general, the M&A process is characterized by high emotional intensity and stress, leading to uncertainty and confusion for all involved parties. Therefore, emotions have diverse effects on organizational members and can shape individual behavior as well as the overall management (Klok, Kroon & Khapova, 2023, pp. 588). Zhu and Huang (2007, pp. 42) argued that people are the core of cross-cultural management in PMI. However, like Cartwright and Schoenberg (2006, pp.3) referred to employees' responses "an emergent and growing field of enquiry", many scholars mentioned that the research of the human side in PMI is still limited. This could be due to the lack of attention to the human issues until serious problems arise (Pikula, 1999, pp. iii), or human aspects are too difficult to research especially during such a sensitive time for an organization (Frantz, 2014, pp. 1-15). Comparing the financial issues,

Bohlin, Daley and Thomson (2000, pp. 226-227) described the human issues in PMI as “soft issues”. Lots of business management believed that a “soft issue” would take care of itself as long as the “hard issues” were addressed. On the contrary, research shows that lots of M&A failures are attributed to “unexpected post-deal people problems” (Koi-Akrofi, 2016, pp. 152). Harrison and Farrell (2008, pp. 4) explained human issues as below:

“Human factors are about the impact that M&As have on people in the workplace; the psychological difficulties that people experience, the culture clashes that can emerge in organisations during the post-merger integration period, and the ways in which these problems can manifest themselves, such as communication breakdowns, lower commitment, power struggles, drops in productivity, office politics and loss of key members”

This statement indicates some foreseeable human reactions in PMI: people feel uncertain, distracted, and unmotivated. This was further examined by Lauser (2009, pp. 12-23) through a workshop where, in the simulated integration, participants across European countries questioned the reasons for merging, expressed high concerns about their own roles in the new organization, and uncertainty about their career and future. However, it is worth mentioning that there is also positive evidence found in this simulated organizational event, by which successful human integration is inspired. Lauser’s finding shows that participants in the “rank-and-file employee” group strongly emphasized participation in shaping integration where old values and systems that they were familiar with are replaced in the new organization. As a result, they actively sought opportunities to communicate openly about the integration and intended to control the situation, gave recommendations in change management and leadership, and expressed their expectations in PMI. Similarly, Graebner et al. (2017, pp. 12) argued about the linkage between employees’ identity and organizational-level identification. People tend to identify more with the new organization if they perceive the new organization to be a continuation of the old one. From this point of view, Bohlin, Daley and Thomson (2000, pp.

231) also mentioned that employees identify with the merger and feel responsible for making the merger a success if the PMI is successful. In other words, how to manage the organizational differences, minimize the impact of organizational changes and turn uncertainties into opportunities may be a starting point to solve the human issues as this will help to improve employee engagement during this special time.

Human integration leads to a more comprehensive integration when it comes to the two companies' organizational culture and mutual respect (Birkinshaw, Bresman & Håkanson, 2000, pp. 396). Apart from the above-mentioned "participation", many researchers argued the significance of "leadership", "communication", "justice", and "trust" in human integration. According to Labianca, Gray and Brass (2000, pp. 253), all successful organizational changes are strongly related to management support. Nguyen and Kleiner (2003, pp. 453) argued that the most important is to be open and honest to the employees as clear communication and guidance improves employees' coping abilities and avoids misunderstandings. Bohlin, Daley and Thomson (2000, pp. 226-231) stated that a successful PMI is where people develop a voice and are encouraged to be decision makers if they are treated "fairly and with respect". The role of trust has also received widespread attention. Being a symbol of a positive integration (Stahl et al, 2011), trust creates confidence in the group and optimizes the transaction costs. On the contrary, distrust, associated with many problems, is frequently present in PMI (Graebner et al., 2017, pp. 15-16).

Nevertheless, a well-managed human integration itself does not guarantee a successful PMI - it is only one step towards achieving the M&A goals and therefore other dimensions of PMI are also indispensable. For instance, it's been studied that there may be a loss of operational synergies if PMI focuses only on satisfying the employees. Conceivably, only a combination of effective human integration and task integration can lead to a higher level of completion of human integration, and the overall PMI success (Birkinshaw, Bresman & Håkanson, 2000), see Figure 2 below.

All in all, employees are the most valuable asset and most important stakeholders representing the organization's human capital as they are able to influence the decision making and business performance through daily operations, and by offering their skills (Liang, Renneboog & Vansteenkiste, 2017, pp. 2-7). Employees can be specifically crucial in a cross-border business context where employees' beliefs and practices are significantly affected by the national culture (Morosini & Singh, 1994, pp. 391). Therefore, it is necessary to continue researching the human factors in PMI in different contexts for future reference.

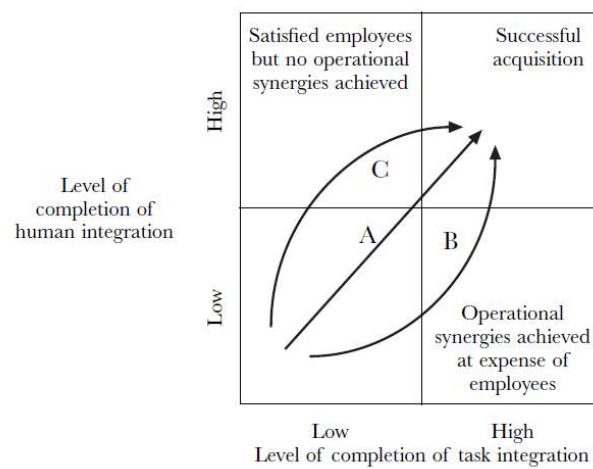


Figure 2. Impact of human and task integration on acquisition outcome (Birkinshaw, Bresman & Håkanson, 2000, pp. 420)

2.2 Employee Engagement

Employee engagement has become a popular term in management research. In the past decade, there has been an explosion of interest in employee engagement among managers and scholars (Saks & Gruman, 2014, pp. 155). In fact, employees are arguably the most valuable assets to an organization. Being the intellectual capital with skills, they are studied to contribute to increase productivity and strengthen the business competitiveness (Liang, Renneboog & Vansteenkiste, 2017, pp.7). Furthermore, research demonstrates that there is a strong correlation between employee engagement and the business outcome (Kular et al., 2008, pp. 1), such as organizational success and financial performance (Saks, 2006, pp. 600). Thus, it is necessary to measure and recognize the impact of human capital and the “emotions alongside rationality in working life” (McBain, 2007, pp. 16).

2.2.1 Definition

Though there is a growing number of publications about employee engagement in the past 10 years (Saks & Gruman, 2014, pp. 155), there is still a lack of universal definition of it due to research conducted in different contexts. In other words, there is a wide range of definitions of employee engagement in use – like it being identified “one size does not fit all”, the same engagement techniques may not work in the same way across occupations, industries, cultures, and economies (Kular et al., 2008, pp. 8). According to Sun (2019), the definition of employee engagement in existing literature can be divided into four categories:

- Employee Engagement as a Multi-faceted Construct
- Employee Engagement as a Dedicated Willingness
- Employee Engagement as a Positive State of Mind
- Employee Engagement as the Opposite of Burnout

Kahn (1990, pp. 694) was the first to define employee engagement, as a multi-faceted construct:

“...the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”.

This statement has been commonly cited in studies and became the basis for further studies. Sun (2019) categorized some other well-known definitions, for instance, “the extent how employees are willing to stay in the company and work hard for the company, including three elements: stay, stay and strive” (Hewitt Consulting, 2001) as a dedicated willingness, “a positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli et al., 2002) as a positive state of mind, and “the opposites of three features of burnout: energy, participation and effectiveness” (Maslach et al., 2001) as the opposite of burnout. In addition, Truss et al. (2006) refer employee engagement to “passion for work”. Despite the diversity in definition, Kahn (1990) concluded that an engaged employee is both physically and psychologically present while performing their roles.

According to Robinson et al. (2004, pp. 4), engagement overlaps with the more established concepts of commitment and organizational citizenship behavior (OCB), but differentiates itself from the others as a two-way process, that is, both employees and the organization have a choice of how much efforts they invest and to what extent they want to engage with each other. Similarly, Saks (2006, pp. 3) argued that employee engagement is unique in its focus on how people perceive their roles, involving cognitions, emotions, being attentive and absorbed, and how they employ themselves in the formal role's performance. As a result, it is distinguishable from commitment, OCB, or job involvement. Additionally, Saks and Gruman (2014, pp. 172) stated that it is necessary to distinguish the type of engagement when conducting research as employees may have different roles and responsibilities at work and therefore they can be engaged in different forms including job engagement, task engagement, organization engagement or team engagement.

2.2.2 Antecedents & Consequences, and Theoretical Framework

According to Saks and Gruman (2014, pp. 160-163), there are three primary engagement theories, Kahn's ethnographic study (1990), Maslach et al.'s discussion based on job burnout (2001), and Bakker & Demerouti's Job Demands–Resources (JD-R) model (2007) with a basis in burnout literature as well.

Kahn's qualitative research (1990) of personal engagement and disengagement, which was defined by Shuck (2011, pp. 307) as need-satisfying approach, is one of the most influential studies in the field (Kular et al., 2008. pp. 4). His finding shows that meaningfulness, safety, and availability are the three psychological conditions which are significantly connected with the degree of engagement. According to Kahn, these conditions can be further demonstrated by three questions that employees ask themselves unconsciously in the daily work situations:

- 1) How *meaningful* is it for me to bring myself into this performance?
- 2) How *safe* is it to do so?
- 3) How *available* am I to do so?

Kahn's work was further examined by May et al. (2004) through a case study in the US, confirming that *meaningfulness* fully mediating the effect of engagement and safety also plays an important role. As a matter of fact, employees tend to seek meaning in jobs more than in personal time, and the possible reason for such could be work occupies most of the time in a person's life (Kular et al., 2008. pp. 5).

Maslach et al.'s (2001) burnout-antithesis approach also contributed to the early development of employee engagement theories (Shuck, 2011, pp. 309). Maslach et al. considered job engagement as the opposite of burnout, which is affected by six critical factors: "workload, control, rewards and recognition, community and social support, perceived fairness and values". The mismatch between these factors and an employee is likely to cause burnout, and conversely, engagement is formed.

Bakker and Schaufeli (2008, pp. 209) defined work engagement as "positive, fulfilling,

work-related state of mind that is characterized by vigor, dedication, and absorption". They integrated the previous findings of studies to an overall model of work engagement - a positive organizational behavior (POB), and pointed out work engagement results in better performance and more engaged employees. When employees are engaged, they are energetic, able to cope with difficulties, dedicated and concentrated in workplaces and hence become more creative and productive. In addition, the drivers of work engagement can be explained with the Job Demands–Resources (JD-R) model (Bakker & Demerouti, 2007) upon which most of the employee engagement research was extended (Saks & Gruman, 2014, pp. 163). JD-R model demonstrates the interaction between job demands and job resources, leading to job strains and motivation which further influences organizational outcomes. JD-R model suggests that job resources play either an intrinsic motivational role or extrinsic motivational role in engaging employees because they are the physical, social, or organizational aspects that may deal with job demands, and have a positive impact on both employees' personal development and achieving organizational goals (Bakker & Demerouti, 2008, pp. 211), see Figure. 3, the illustration below.

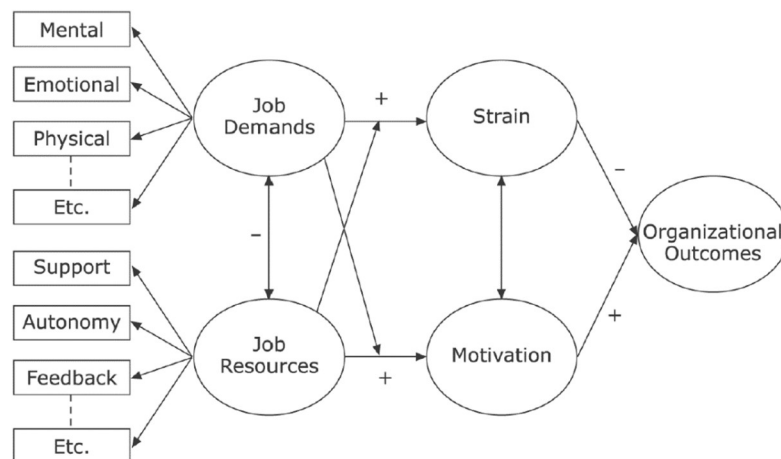


Figure 3. The Job Demands-Resources model (Bakker & Demerouti, 2007, pp. 313)

Bakker and Demerouti (2008) also explained the link between engagement and performance. According to them, engaged employees experience positive emotions, better health, have the ability to mobilize resources and transfer engagement to others, and therefore perform better at work. The extended JD-R model indicates how job and personal resources impact the work engagement consisting of three elements which impact the performance, see Figure 4. below.

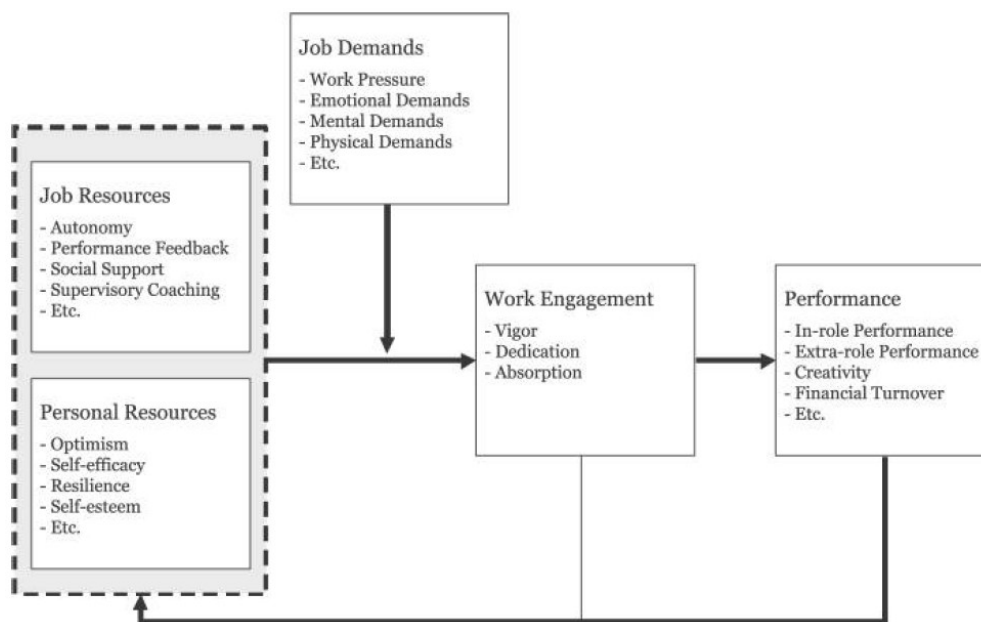


Figure 4. The JD-R model of work engagement (Bakker & Demerouti, 2008, pp. 218)

However, although these theories were developed, there are some limitations. Kahn's (1990) and Maslach et al.'s (2001) models did not explain the impact of varying degrees on the individual's responses to psychological conditions which is necessary for employee engagement (Saks, 2006, pp. 603). Saks and Gruman (2014, pp. 163) argued that very few have integrated Kahn's (1990) study with the JD-R model, and the JD-R model itself does not clarify what job resources are the most important to engagement or why it stands tall. In conclusion, no employee engagement theory appears unique to date (Sun, 2018, pp. 68). As Saks (2006, pp. 601) stated, there is very little empirical research about this subject.

Nevertheless, the research about antecedents and consequences of employee engagement is growing in the recent years (Kular et al., 2008, pp. 6), and they both mainly focused on two aspects, the influence of employee engagement on organizational performance and individual performance (Sun, 2019, pp. 70-74). Saks (2006) was the first to make a distinction between job and organization engagement, and tested the model of antecedents and consequences of employee engagement based on social exchange theory (SET), a foundation to justify why employees choose to engage to different levels (Saks, 2006, pp. 603). This perspective was defined by Shuck (2011, pp. 313) as a multi-dimensional approach to employee engagement. According to Cropanzano and Mitchell (2005, pp. 874-875), social exchange theory is

“one the most influential conceptual paradigms in organizational behavior... theorists agree that social exchange involves a series of interactions that generate obligations (Emerson, 1976). Within SET, these interactions are usually seen as interdependent and contingent on the actions of another person (Blau, 1964). SET also emphasizes that these interdependent transactions have the potential to generate high-quality relationships, although as we shall see this only will occur under certain circumstances.”

This strong theoretical rationale for explaining employee engagement based on SET is consistent with Robinson et al.'s (2004, pp. 4) argument that employee engagement is a two-way process, which means the two involved parties exchange responses or actions based on certain norms and rules (Cropanzano & Mitchell, 2005, pp. 875). For example, employees driven by the degree of engagement tend to repay their organization thus they choose to engage in different levels in exchange for resources and benefits. While on the contrary, employees are more likely to disengage themselves when the organization fails to provide the economic and socioemotional resources they seek (Saks, 2006, pp. 603). With the developed model (see Figure 4.), Saks (2006, pp. 613) demonstrated that employee engagement consists of two segments, job engagement, focusing on one's work role, and organization engagement, focusing on one being a member in an organization. Job and organization engagement have meaningful distinction in between

though they are highly related, and this suggested by the different relationships between them and the antecedents and consequences. Moreover, job and organization engagement can be predicted by the indicated factors, and are related to employees' attitudes, intentions, and behaviors. Finally, employee engagement can be understood with SET in the way that, high on the core job characteristics enables job engagement, procedural justice enables organization engagement, and organizational support enables employee engagement. In addition, Andrew and Sofian (2012, pp. 506) supported the viewpoint that job and organization engagement are two distinctive constructs. They expanded Saks' (2006) model to the individual-level and confirmed their hypothesis that individual factors such as employee communication, employee development and co-employee support predict employee engagement as well.

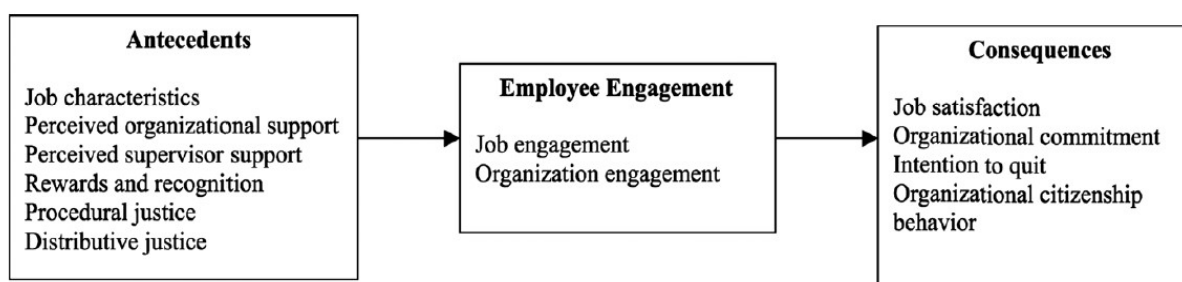


Figure 5. A model of the antecedents and consequences of employee engagement (Saks, 2006, pp. 604)

Although Saks' (2006) study may not be generalizable enough as it was conducted among a small group of samples in Canada, it is still generally believed that positive employee engagement results in better business performance (Harter, Schmidt & Hayes, 2002, pp. 272), such as strong links were found between employee engagement and customer loyalty, business growth and profitability, and individual-level outcomes (Kular et al., 2008, pp. 6-7).

Apart from Kahn's (1990) theory and JD-R model, another theory tested in a cross-cultural setting is Deci and Ryan's self-determination theory (SDT) (1985, 2008, 2011) (2013, Rothmann, pp. 171). SDT, a need-satisfaction based theory of motivation, guides

research and practice (Meyer & Gagne, 2008, pp. 60-61). SDT represents a broad framework of human motivation driven by three basic psychological needs namely autonomy (people direct their own behaviours), competence (capability to succeed in challenges and achieve an expected outcome), and relatedness (having meaningful relationships with others), the fulfilment of which promotes autonomous motivation thus employee engagement as well as employee wellness (Deci & Ryan, 2008). SDT differentiates itself by the type of motivation instead of the amount of motivation. Autonomous motivation refers to employees' willingness to integrate and adapt themselves to an activity or environment when they identify the value and meaning of it; while controlled motivation, which is distinct from autonomous motivation, consists of external regulation and introjected regulation (Deci & Ryan, 2008, pp. 182). Deci, Olafsen, and Ryan (2017, pp. 20-29) stated that SDT has been successfully applied to work organizations and to an understanding of employee engagement across cultures and economies. Subsequent research confirmed that the three basic psychological needs must be satisfied for optimal functions in all cultures (Deci & Ryan, 2008, pp. 183).

Although there is no clear link shown between relatedness and employee engagement in the current research (Bethencourt, 2012), SDT provides a framework for employee engagement by explaining such as leadership style and pay competitiveness, which support employees' autonomy and competence leading to a higher level of performance and thus, better workplace outcomes (Deci & Ryan, 2017, pp.20).

However, research shows that employee engagement is on decline, disengaged employees and "non-engaged" employees have dominated the modern workplaces (Kular et al., 2008, pp. 13). Disengaged employees not only reduce productivity and cause unnecessary costs to the organization (Andrew & Sofian, 2012, pp. 498), they also have overall negative attitude and behaviors towards the employer and their roles. As Buckingham (2001, pp. 37) described, disengaged employees are "intent on sharing with colleagues the many reasons for which they believe their organization is such a rotten place to work".

2.2.3 Drivers and Measures

As a matter of fact, the drivers are already well indicated through the review of theoretical framework, antecedents, and consequences. In addition to Kahn's (1990) three psychological conditions and Saks' (2006) antecedents, Mani (2011, pp. 15) argues that four key drivers for employee engagement are employee welfare, empowerment, employee growth, and interpersonal relationships. Seijit and Crim (2006) built their own 10C framework: Connect, career, clarity, convey, congratulate, contribute, control, collaborate, credibility and confidence. It can be seen that researchers marked the closely related notions with different words in the wide range of studies. A conclusion can be drawn from the literature review that the higher degree of employee engagement there is, the better it improves individual performance, thus leading to enhanced organizational outcomes.

While the concept has been generating more interest over the past decades, there is a stronger desire to establish a benchmark level of employee engagement in the organizational context (Fletcher & Robinson, 2013, pp. 273). Employee engagement, on the other hand, is challenging to measure as it involves complex individual feelings and emotions (Robinson et al., 2004, pp. 13) of which individuals interpret differently in the strength and frequency (Fletcher & Robinson, 2013, pp. 282). Saks and Gruman (2014, pp. 156) argued that there are two obstacles in employee engagement research, one is the lack of a universal definition, resulting in a wide range of indicators in use (Fletcher & Robinson, 2013, pp. 273), the other is how to measure it and how to verify the validity of existing measures. Saks and Gruman (2014, pp. 164) also mentioned that most of the measurements were developed based on Kahn's (1990) definition of employee engagement, out of which many are rarely used or even used only once in a specific study. Additionally, although Meyer and Gagne (2008, pp. 61) argued that there is no consensus in measuring employee engagement currently, they suggested that SDT could guide the development of measuring the variables of employee engagement. For instance, Van den Broeck et al. (2016, pp. 1220) tested that it's inappropriate to evaluate overall need satisfaction with a single score due to the three needs correlated but independent

constructs. Notably, Shrotryia and Dhanda (2019) assessed ten measurement instruments and concluded that even though scholars and practitioners have been using various measures over the years, the “best measure” remains unclear, nor did the engagement level increase.

Utrecht Work Engagement Scale (UWES) (Schaufeli, Bakker & Salanova, 2006) consisting of nine items in three dimensions, namely vigor, dedication, and absorption, which is a closer measure of burnout, has been the most popular and frequently used in engagement studies (Saks & Gruman, 2014, pp. 164), especially in cross-cultural employee engagement studies (Rothmann, 2013, pp. 171). Although UWES was validated in different countries, researchers call for less reliance on UWES as a measure of engagement due to its inconsistent with Kahn’s (1990) original conceptualization (Saks & Gruman, 2014, pp. 167). Another popular measuring tool is Gallup Survey. The Gallup Organization has been working on employee engagement for many years and their research and analysis have been cited in many related studies. Their Q12 Employee Engagement Survey, which was referred by Harter, Schmidt and Hayes (2002, pp. 269) as Gallup Workplace Audit (GWA), reflects employee engagement in four categories: productivity, profitability, employee retention and customer service at the business unit level (Little & Little, 2006, pp. 112). However, Saks and Gruman (2014, pp. 163) mentioned that this survey is more about the scale of the management practice rather than engagement level. Mann and Harter (2016, pp. 2) pointed out that a survey-based approach comes with a number of shortcomings – the metrics it provides do not drive change or improve performance in the end.

Nevertheless, in Ott’s (2007) extension to Gallup’s finding, higher earnings per share (EPS) in relation to higher employee engagement can be measured in publicly traded businesses (Kular et al., 2008, pp. 7). Similarly, Liang, Renneboog and Vansteenkiste (2017) measured employee engagement on shareholder returns in a large number of M&A deals globally. It can be seen that scholars and practitioners have their own opinions on how to measure employee engagement and the limitations of measurements appear

unavoidable when applied in different contexts. Therefore, while a commonly accepted measurement is still under exploration, it is necessary to clarify what instrument is adopted based on which definition of employee engagement in a study.

2.2.4 Employee Engagement in Organizational Change

Some say that change is the only one constant in all existence. This may also apply in an organization's life cycle. Harvard Business School Online (2020) refers to organizational change to "the actions in which a company or business alters a major component of its organization, such as its culture, the underlying technologies or infrastructure it uses to operate, or its internal processes." Organizational change has both external and internal drivers which indicates where the origins of the need for change come from. For instance, external drivers may be changed legislation, market volatility while internal drivers come from R&D, or audit scenarios where a function of the organization can seemingly be improved (Fulop et al., 2005) and thus improve business competitiveness in both short- and long-term (Georgiades, 2015, pp. 9). Regardless of the drivers, change affects people working in an organization. Quattrone and Hopper (1995, pp. 404) stated that organizational change has been a major issue in research related to organizations, management, and leadership.

The key factors for an organizational change management is to understand the process and the risks that may occur. According to Choi (2011, pp. 492-494), one common risk in an organizational change is the resistance from employees toward change. She argued that change presents unknown, but also possible scrutiny, increased workload and other issues that employees consider affecting their motivation to work negatively. This might be the reason why change management models such as Lewin's unfreeze-refreeze-model (1947) and Kotter's 8 steps model (1995) are popular tools for executives and managers when taking on change projects. They both share the same value, communication and participation are the core (Armenikis & Bedeian, 1999). Open and clear communication not only removes doubts, gives a clear image of what to expect but also offers the employees a chance to contribute to how the change is implemented. When

employees are treated fairly, communicated sufficiently, and involved in the change process, it will lead to empowerment and engagement at the workplace (Georgiades, 2015).

Georgiades (2015, pp. 9-10) stated that employee engagement is an important facilitator between leadership and employees as engagement necessitates open and honest two-way communication. This makes sense to the employees to understand the need for change, and to the employer to understand employees' sources of stress and insecurity. In addition, Labianca, Gray and Brass (2000, pp. 253) argued that managers are role models within an organization. As Deci and Ryan's SDT theory (1985) explains, middle management such as team leaders, can influence the work environment, where employees choose to engage themselves to different degrees (Saks, 2006, pp. 603).

Engaged employees are found to feel more empowered, less stressful, tolerate changes, and perform better (Kular et al., 2008). Therefore, engaged employees tend to participate in the organizational change more deeply and in a more meaningful way than disengaged employees, and this requires employers to take related actions to ensure a good and effective work relationship (Vakola & Nikolaou, 2005, pp. 170).

2.2.5 Employee Engagement in Cultural Context

When it comes to employee engagement in a different context, the "one size does not fit all" issue may be more apparent in a cross-border situation. Evidence can be seen from a number of research conducted across countries of which the results show that the engagement rate varies in different cultures (Kular et al., 2008, pp. 7-8). Rothmann (2013) reminded that cross-cultural employee engagement studies are necessary as the workforce is becoming more culturally diverse with increasing globalization. Tauetsile (2021, pp. 254) suggested that human behaviors are influenced by cultural differences and therefore it is important to study what causes the differences in understanding and interpreting employee engagement, instead of being obsessed with what is the universal theory.

Rothmann (2013) outlined a few key points to consider from the cross-cultural perspective on employee engagement:

- Approach employee engagement from a mixed etic and emic perspective
- Take into account the impact of Hofstede's cultural dimensions theory
- Use equivalent and unbiased measuring tools

To briefly explain the above, Sambrook, Jones and Doloriert (2014) argued that the autoethnographic (AE) approach, an alternative to quantitative method, provides both etic and emic perspective on cultural phenomenon. It allows the researchers to integrate their personal and participants' experiences to "get at the depth" (Kahn, 1992, pp. 344) on employee engagement in a social context. The etic-emic approach ensures to understand employee engagement both as a general term from an etic perspective and with cultural sensitivity from an emic perspective (Cheung, Van de Vijver & Leong, 2011, pp. 600). In addition, cultural dimensions influence employee engagement. Cultural dimensions are studied to affect the drivers of employee engagement in different countries (Rothmann, 2013, pp. 175) which highlights the problem that data collected across cultures may not be compared directly. This has also significantly affected the selection of measurement instruments of employee engagement when conducting cross-cultural research. In addition, Rothmann (2013, pp. 167-171) addressed that researchers should establish equivalence (including hierarchically ordered measurement invariance, measurement unit and scalar equivalence) prior to each study, avoid scaling issues (e.g., Likert versus forced choice scales), bias (construct bias, method bias and item bias), and misunderstandings created by language barriers.

Certainly, all research managed to prove that it is still a long way to increase employee engagement level and all employees can be potentially engaged (Kular et al, 2008, pp. 14). However, Tauetsile (2021, pp. 254) stated that the current employee engagement studies mostly come from western cultures. With the increasing integration of western cultures and non-western cultures in modern workplaces, it is therefore important to test theories in non-western cultures because human behaviors are different in different cultural backgrounds.

2.3 Employee Engagement in Post-merger Integration

Discovered the disengaged employee rate, it can be realized that human issues are common in modern workplaces across the world. Furthermore, these issues may be more apparent during an organizational change, especially in post-merger integration, a more complicated organizational change, as it involves two companies.

In order to get a better understanding of how to enhance PMI through employee engagement, it is necessary to understand what factors influence employees in achieving PMI success. To select an appropriate framework to be based upon, and to avoid the misunderstandings caused by inconsistency of the definition, what refers to employee engagement should be clarified prior to the research. As previously discussed, when conducting research in employee engagement, it is necessary to “get at the depth” (Kahn, 1992, pp. 344) through illustrating the dynamics with researcher’s and participants experience together for greater insights (Sambrook, Jones & Doloriert, 2013, pp. 174). Therefore, in this thesis, Kahn’s (1990) original conceptualization of employee engagement is selected, which refers to “...the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”. In addition, a model of employee engagement in cross-border post-merger integration is proposed based on the JD-R model of work engagement. See Figure 6 below.

The proposed model of employee engagement assumes that there are job resources and demands influencing employee engagement in PMI by three elements and thus affecting PMI success. The part in the red box indicates the focus of empirical research.

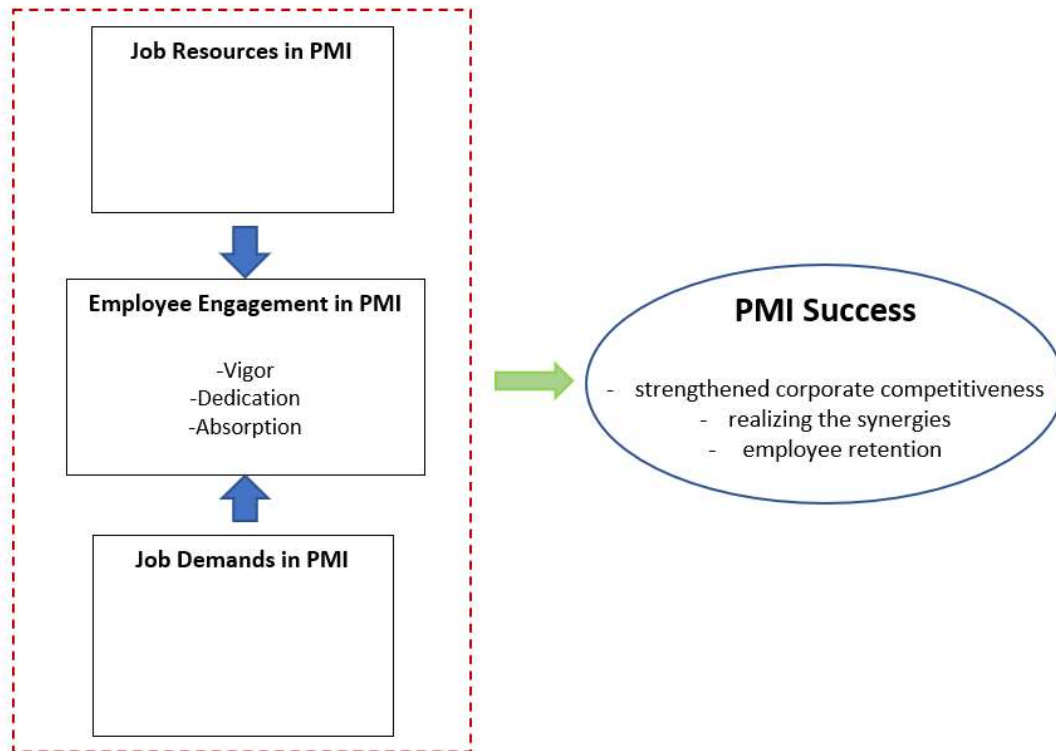


Figure 6. Proposed JD-R model of employee engagement in cross-border post-merger integration.

3 Research Methodology

3.1 Research Approach

According to Saunders, Lewis and Thornhill (2009, pp. 117-119), there are two basic aspects of research, deduction, testing theory, and induction, building theory. In a deduction approach, theories are the first source of knowledge. It is a development of a theory, moving from existing theories to forming hypotheses, then testing the hypotheses with empirical studies. The inductive approach refers to theoretical results coming from empirical studies, in which a theory is developed based on data analysis. However, Eriksson and Kovalainen (2008, pp. 21-22) pointed out that a strict deductive approach may not be suitable for qualitative research and a pure inductive approach is almost impossible. Therefore, researchers should be careful while labelling their studies to avoid misleading. The research approach should be selected according to the nature of the research topic, scope and objectives (Saunders, Lewis & Thornhill, 2009, pp. 119-121). Many researchers combine these two approaches, which means moving between the two during a research process (Eriksson & Kovalainen, 2008, pp. 22), so called abductive approach.

Traditionally, people have the impression that deductive approach is quantitative enquiry that examines numbers, while inductive approach is qualitative enquiry that examines narratives, while the truth is that both quantitative and qualitative researchers adopt deduction and induction in their research (Hyde, 2000, pp. 82). In general, quantitative research focuses on data that is measurable. Through a quantitative analysis, questions such as “what” and “how” are answered, provided together with the percentages and portions for instance (Goertzen, 2017, pp. 12). On the other hand, qualitative research is to understand social phenomenon in a natural setting, including for instance, life, experience, behaviors, but most importantly, the data is collected by the researcher, who then examine “why” is that and what that means (Teherani et al., 2015, pp. 669).

Sambrook, Jones and Doloriert (2014, pp. 181-182) argued that it is disappointing to see how contemporary research in employee engagement has chosen a survey-based

approach instead of following Kahn's (1992) suggestion to "get at depth". Similarly, Kular et al. (2008, pp.25) argued that in order to understand the psychological and sociological elements of engagement and how it's being managed, interviews and contextual analysis should be used instead of surveys due to surveys fail to present "why" and "how" employees are engaged or disengaged, hence they do not contribute to improve engagement rate eventually. The purpose of this thesis is to understand how employee engagement enhances cross-border post-merger integration through employees' narratives, and therefore it is to understand human experience in an organizational change. In addition, this thesis proposed an adapted model of employee engagement based on existing theory, but the concluded model is also an outcome of the empirical study through interviews. Therefore, this thesis adopted an abductive approach through qualitative analysis.

3.2 Research Design

A research design is a general plan of how research questions will be answered. According to Saunders, Lewis and Thornhill (2007, pp. 131), a research design should "contain clear objectives, derived from your research question(s), specify the sources from which you intend to collect data, and consider the constraints that you will inevitably have (for example, access to data, time, location and money) as well as discussing ethical issues."

An exploratory study, action research to be exact, is how this thesis solves research questions. Exploratory study generally refers to finding something new in a phenomenon, it is often used when there is lack of knowledge about a topic that is important, especially when this topic has been studied a bit previously but new insights are needed (Swedberg, 2020, pp. 24). In addition, one of the main themes of action research is "concerned with the resolution of organizational issues such as the implications of change together with those who experience the issues directly" (Saunders, Lewis & Thornhill, 2007, pp. 140). As previously mentioned, both M&A and employee engagement have been popular research topics in the past decades, however, considering the lack of research in cross-border M&A settings and human issues in M&A, the research gap is identified.

Furthermore, to study what affects employee engagement in an integration through employee narratives is to understand human issues in an organizational change together with the party involved directly, hence, action research is designed for this thesis.

3.3 Data Collection and Samples

According to Saunders, Lewis and Thornhill (2007, pp. 133), there are three ways to do an exploratory study: a search of literature, interviewing participants who have extensive knowledge in the topic, or conducting focus group interviews. In addition, semi-structured interviews are a preferred data collection method for addressing more complex social behavioral research questions especially when the research is to understand the participants' unique perspective (Adeoye-Olatunde & Olenik, 2021, pp. 1360-1361). Semi-structured interviews are usually conducted face to face, through telephone or online platforms. They are somewhat systematic and comprehensive while still being conversational (Eriksson & Kovalainen, 2008, pp. 82). However, Eriksson & Kovalainen (2008, pp. 82) also pointed out that conducting a semi-structured interview requires interviewers to have sufficient skills to control any unexpected interview situation, for instance, being flexible with a participant's own way of interpretation will encourage them to raise important topics.

This thesis has chosen a semi-structured interview to collect primary data. The purpose of interviews was to understand from employees' unique perspectives what job resources or demands influenced their engagement during a cross-border PMI. Therefore, the interview questions were outlined accordingly prior to the interviews, with the help of literature review. Originally, a case study was planned as part of the research. However, due to the sensitivity of M&A events and limited local resources, the research had to take an alternative. Samples were selected in order to answer the research questions. Further, sample size should be decided according to the research questions and objectives. In some qualitative research, a small sample size can provide enough in-depth information, it is more important what the research will gain from the selected samples than the sample size (Saunders, Lewis & Thornhill, 2007, pp. 226-227). Considering the

tight research schedule, interviews were conducted in a small sample size. In total, six independent participants working in different companies were found for interviews through researcher's personal connections, regardless of their gender and age. All the participants have experienced cross-border M&A during post-merger integration while working at non-managerial positions in the acquired companies as their current or previous employers. The data collection took place during March to April 2023. Below is an overview of the interviews.

Participants	Interview Day	Duration (Min)	Merger & Acquisition
A	25th March	21:15	American - Canadian Acquisition
B	23rd March	35:35	German - Chinese Acquisition
C	23rd March	26:10	American - Finnish Acquisition
D	25th March	25:08	Chinese - Dutch Acquisition
E	24th March	23:49	American - British Acquisition
F	2nd April	30:38	Hong Kong - Japanese Acquisition

Table 1. Overview of the interviews

The interviews were conducted online through Tencent Meeting. This platform was chosen for the reason that, firstly, it's commonly used in the area where participants were located at time, secondly, due to the nature of research topic, participants wished to interview anonymously, and lastly, online interviews ensured more flexibility during the research process. According to Rothmann (2013, pp. 170), even if English is considered the business language, employee engagement should be measured in the preferred language of participants to avoid any misunderstandings. The interviews were conducted in Chinese, and all outlined interview questions were therefore translated from English to Chinese, all participants' mother tongues, prior to the interviews. The interview questions can be found in Appendix 1 and Appendix 2.

The research topic and purpose were explained, and interview guidelines were sent to participants before the interview day. With all participants' consent, the interviews were recorded for the only purpose of ensuring data accuracy while completing the thesis. The first part of the interview was considered an icebreaker to create a relaxing and

trusting atmosphere to begin a conversation and learn more about each other and the research background. The interviews then focused on learning participants' experience in cross-border PMI from three elements of engagement, vigor, dedication and absorption, suggested by JD-R model (Bakker & Demerouti, 2008, pp. 218). Before interviews ended, there was an open discussion where participants expressed anything they would still like to share that was uncovered.

3.4 Data Analysis

Qualitative data analysis allows for developing theory; however, data needs to be analyzed before it becomes useful and meaningful (Saunders, Lewis & Thornhill, 2007, pp. 470). There are many approaches to analyze qualitative data, and there is not a standard way to do it. But there is a suggested procedure to process the data: categorization; unitizing data; recognizing relationships and developing the categories you are using to facilitate this and developing and testing theories to reach conclusions (Saunders, Lewis & Thornhill, 2007, pp. 478-479). According to Adeoye-Olatunde & Olenik (2021, pp. 1364), coding and labelling data from transcript is the first step in analyzing qualitative data. Coding is a way to categorize the transcripts into thematic ideas that enables a structured analysis and to examine the relationship between codes (Gibbs, 2007, pp. 2). Coding could be inductive, a bottom-up approach, deductive, top-down approach or both.

In this thesis, due to the small sample size and no access to CAQDAS, data analysis was undertaken manually. Luckily, with the help of Tencent Meeting's auto notetaking, the full meeting transcripts could be downloaded and the word processing time was shortened. Transcripts were checked for accuracy later, and mistakes were corrected. Coding of the transcripts was done manually. It was at first an inductive paper-based coding deriving from participants' narratives, which allows creativity and flexibility at the early stage of analysis, and then moved to deductive computer-based coding when the codes were fit to the proposed theoretical model.

3.5 Reliability and Validity

Reliability refers to the consistency of study results through the same data collection method and analysis techniques in different occasions, which is used to measure the quality of a study (Saunders, Lewis & Thornhill, 2007, pp. 150). Although the concept of testing and evaluating research is often used in all kinds of research, reliability is less relevant in qualitative research (Stenbacka, 2001, pp. 552). According to Stenbacka (2001, pp. 552),

“...the relevant question is whether the qualitative researcher makes the whole process visible; including preparation, data gathering and analysis...the concept of reliability is even misleading in qualitative research. If a qualitative study is discussed with reliability as a criterion, the consequence is rather that the study is no good”.

Validity generally refers to the reasons why we believe that the results obtained are valid, moreover, a more relevant explanation of it to qualitative research is “at least in part, an attempt to uncover ‘theory-in-use’” (Norris, 1997, pp. 172; Maxwell, 1992). However, the validity of qualitative research may be realized differently in different studies due to the various qualitative data collection techniques in use (Anfara Jr, Brown & Mangione, 2002, pp. 30), as a result, researchers have their own opinions to measure the validity in each study. There are multiple errors and biases that can affect the validity of research, and Norris (1997, pp. 173) believes that human activity may be a major problem because humans make mistakes. Therefore, to strengthen the validity of qualitative research, Anfara Jr, Brown and Mangione (2002, pp. 30) call for publicly disclosing the research methods and process. In addition, Saunders, Lewis and Thornhill (2007, pp. 151) argued that generalizability is considered “external validity”, and this may be a particular worry when the research is conducted within a small sample group. However, the purpose of some research is not to propose a theory that applies to the whole population, so there should be no problem as long as the results are not marked generalizable (Saunders, Lewis & Thornhill, 2007, pp. 151).

Therefore, it is difficult to assess the reliability of this qualitative research by its traditional definition. The same results cannot be guaranteed even if the same research methodologies apply on other occasions due to the uniqueness of each research situation. The best way to increase reliability and validity in this thesis is to keep the recordings and transcripts transparent for future reference. In addition, the purpose of this thesis is to study employees' unique experiences in a certain stage of cross-border M&A and conclude an adapted model based on existing theory. Due to the small number of participants, the generalizability is limited but it should not be considered a threat to validity.

4 Research Results

The interview consists of three parts. At the beginning of the interview, the interviewer explained the purpose of the interview, and the meanings of a few academic words in order for the interviewees to have a better understanding of the research topic. After permission for recording was granted, the interviewees were first asked to introduce themselves and talk about their employer in general, after which a comfortable environment was created for the interviewees to express themselves freely later. In the second part, which is the main part of the interview, the interviewees were asked what job resources and demands influenced their engagement during the cross-border PMI, with the help of three elements of the JD-R model of work engagement (Bakker & Demerouti, 2008, pp. 218), vigor, dedication and absorption. Although the semi-structured interview guide helped to conduct interviews, the interview questions might not be answered in the planned manner. This is due to the nature of a semi-structured interview, to ensure that interviewees have a good flow of what they intended to share, and not to miss any important information during the interviews. At last, interviewees were given the opportunity to have an open discussion of the research topic. In this chapter, the interview answers are presented. The answers are categorized and analyzed in order to conclude the adapted JD-R model of employee engagement in cross-border post-merger integration.

4.1 Career Growth and Training Opportunities

There is no doubt that continuous learning and development is a popular topic in modern workplaces. Many employees consider the opportunities to develop themselves professionally along the journey as one of the purposes of engaging in a job. When asked about what enhanced or prevented engagement as an employee in doing their job during PMI, all the six interviewees mentioned career growth and training opportunities. It is recognized in the answers that the employer is expected to be a bigger platform through PMI who will be able to provide more and better career and training opportunities to the employees. Therefore, providing more development opportunities is

considered a positive change and this has become one of the major reasons why employees choose to be engaged during PMI. According to the interviewees, professional development can be achieved either by organized training, encouraged self-learning, or valuable work experience.

Because this involves both the US and Canada, my job was mainly about taxation and customer service. The taxation of the two countries is different, so I could learn more about tax laws... We also invited third parties, such as Big 4, to give us lectures and training. In addition, there is more knowledge share than before. Everyone would make those common problems into a knowledge base, so I think that was very good for my own work experience. (Interviewee A)

I am not participating in any project right now, but we are encouraged to study and get a bonus through obtaining certificates, meanwhile I am getting normal salaries. But when there is a project, I also have the enthusiasm to learn something new, including solving some practical problems. I'm doing these for myself, enriching my own experience. Because every customer has different needs, and then I will gain experience for myself. (Interviewee C)

It was also good for my personal development, because this company is a relatively top one in our industry, our customers are also well-known brands, so there were many learning opportunities. (Interviewee E)

Interviewee B stressed that when the previous private company was acquired by a German company, he was offered a clear career development and promotion path which specifically made him more hopeful about the future and motivated about his job during PMI.

They have formulated a career plan for everyone...after a few years...you can go to other projects, which have broader prospects...and when the company is more

formal, you can really see hope...They offered you a bigger platform, or more opportunities...If you really work hard, if you are really capable, if you are really qualified for a certain position, you will have a chance, not like in a private company or an old large state-owned enterprise, which is completely based on seniority, you will not have a chance until you are 40 years old...we are talking about a cross-border company now, it is a bigger business than a private company, and it provides you with more training, including the opportunity of business trips and study in other projects. (Interviewee B)

On the other hand, more opportunities provided for career development can result in more intense competition within the organization. The lack of communication about one's career situation can have a negative impact on employee engagement during PMI, because employees expect to communicate openly about the changes at their workplace, and therefore be able to control the situation and the possible impact on their own work. According to the interviewees, such a career situation can be more difficult internal transfer or even losing the job completely.

There may be four or five study trips every year, but the pressure for internal promotion also becomes relatively high. Because our entire company is highly educated, this could be a key pain point for large companies. (Interviewee D)

... if I was told during PMI all the things I was responsible for would be cut off... I may think if I want to leave or something...it is still necessary to discuss clearly with everyone what are the expectations, corresponding changes in the future plans...and then, for example, what impact such changes will have on us? Because in fact, our top worry is whether I will be laid off? Will my department be dismissed? ... They must tell us first what the future plan looks like. Things should not be decided without our notice, then we become the passive receiver of those decisions. (Interviewee F)

4.2 Salary and Compensation

Compensation has been researched extensively in HR management, such as the connections between compensation and job satisfaction, employee retention, and employee performance. According to interviewee B, “*salary is the top priority, no one works for passion*” when it comes to motivation. When asked about the reasons for being energetic and motivated at work during PMI, all six interviewees mentioned that a competitive or stable salary plays an important role. Consequently, a good level of salary and compensation is one of the top reasons why employees choose to engage in an employer during PMI.

The salary increase is relatively obvious. The salary given by the private boss and the payment of social security and housing funds were incomplete...After the entry of the German capital, my salary increased by about 30%. This is positive.
(Interviewee B)

In fact, from the perspective of employees, more consideration is given to changes in benefits...Our salary is indeed very good. The salary level is already leading among our peers. Therefore, the team is very motivated and team efficiency remains at a high level. One plus one is greater than two, this is a virtuous circle. Last year, every employee was paid a bonus of ten months' salary, which resulted in a surprisingly excellent performance in the end compared to last year. This is because of the high efficiency of the team...Yes, because everyone is very happy with the bonus, the performance is better, and the people are more motivated, and the performance will be even better next year. This is a virtuous circle.
(Interviewee D)

Additionally, the competitiveness of salary is only part of the expectation, the other part comes from the reasoning and stability of it. According to Interviewee F, “*the compensation policy is in place*” so that everyone’s performance will be rewarded in a transparent way and employees are able to refer to the clear regulations. Interviewee B also shared

his experience of having a source of stable income during the COVID-19 pandemic, which has strengthened his engagement during PMI.

Currently, in our local area, this company provides you with a very competitive salary and the corresponding benefits...In fact...salary is the top priority, no one works for passion, right? ...getting salaries on time is my motivation... especially during this year and in the past two years when the economic situation is particularly bad, not all employers in China are able to pay salaries on time. As far as I know, there are some relatively good companies who are paying salaries every three months now, because the companies actually have no revenue...What I know so far is that some of my classmates who also work in the chemical industry, have not received salaries for half a year. This is very difficult for recent graduates because you have no money to live...first of all, you are a worker. The first thing you think every day is about survival... If I leave this company, with my age, qualifications and experience, it may be difficult to get the same salary as here. So, I have thought it over, even if there is pressure, even if it is difficult, I still want to force myself to overcome them instead of thinking whether to look for another job. The current compensation package makes it difficult for me to leave. (Interviewee B)

However, other interviewees also experienced a mismatch between the workload and their expectations of the compensation, which clearly reduced their motivation and willingness to overcome obstacles at work during PMI. Interviewee E has an overall negative impression of her previous work experience and has answered multiple interview questions with the same words “*huge workload but little money*”. Interviewee C also talked about the negative change to the compensation policy which reduced her motivation during PMI.

Actually, few or no reasons are making me motivated...I really don't know what purpose it was for Company A to purchase our company. It should be to make a

profit, but we have already done a good job on our own...Another issue is the salary increase has now become very difficult. It is all based on the rules and regulations of the Americans. All kinds of budgets have decreased, and the study funds have also decreased. All costs are cut as long as they can be.

(Interviewee C)

4.3 Business Efficiency

Business efficiency does not only mean cost reduction and profit increase (Kasim, Haracic & Haracic, 2018, pp. 31). According to Kasim, Haracic and Haracic (2018, pp. 31), efficient businesses fully utilize their resources, improve work conditions and give a positive environmental impact to increase the overall performance of business operations, by effectively transforming labor, materials, and capital into products and services. Moreover, improving business efficiency leads to higher profits, happier and more productive staff, and more satisfied customers (Jenkins, 2022). In general, there are seven types of business efficiency, return on investment, process efficiency, operational efficiency, eco-efficiency, energy efficiency, labor productivity, and financial efficiency (Indeed, 2022).

When asked about what enhanced or prevented their engagement at work during PMI, all the six interviewees explained some types of business efficiency including process efficiency, operational efficiency and labor productivity in their own words. According to interviewee A, B, C and D, business efficiencies are reflected in the efficient way of working, such as utilizing advanced technologies, having clear regulations and a sound management system in place, and being connected with more partners and resources which brought better business opportunities in general.

This American company is very well known in the industry and is at the forefront of both the business and the application of technology, as well as the entire management style. (Interviewee A)

Company A was committed to provide us with more resources through M&A...we received more clients and projects...there may be some positive aspects, such as attracting bigger companies to arrange workshops with us. (Interviewee C)

*The cooperation among departments is highly smooth and efficient.
(Interviewee E)*

However, interviewee B explained the impact of improved process and operational efficiency during PMI from another perspective. When the new rules and regulations were implemented, the same workload must be completed within shortened working time, and therefore the team faced difficulties adjusting to new work habits. From the quotation, it is recognized that change of operational process at the workplace had a negative impact on interviewee B's daily work during PMI.

We started to implement the three-system certification last year, which is an international management system, so the company is formalizing...It used to be that the private bosses didn't care much about these, and the implementation was relatively poor...at the same time, they have developed a performance appraisal for everyone, the difficulty I am facing now is that if I fail to complete my KPI for several months in a row, they will not listen to my explanation, because the group has its rules and regulations.

...

We used to work six days a week... Now we are required to complete the work within five days a week and eight hours a day, no unreasonable overtime is allowed...The workload is the same as before, we are used to working without rules and regulations. Now we have to consider the ledgers, records, and data retention. We didn't need these things before, but now these are added to the original work when the working hours are also shortened. (Interviewee B)

Apart from adapting to the new work habits, one of the reasons why the employees had a negative feeling about this change is possibly due to the cultural differences of understanding “efficiency”. In the Chinese corporate culture, efficiency is reflected in the hours one employee commits to each week. Longer working hours translates to bigger workload and an individual’s efficiency is only measured when the workload cannot be completed within the normal working time. However, in the German corporate culture, efficiency is achieved when each individual performs their duties according to clear regulations, to ensure the smoothness of operation and no unnecessary hours are wasted. Although interviewee B did not mention cultural differences at this point, it is clear that business efficiency can be influenced by the different corporate cultures in different national cultural contexts. When the PMI happens in a cross-border setting, adjusting to the new ways of working at the workplace can be difficult for the employees.

4.4 Organizational Culture Change

According to Nikpour (2017, pp 66), there is not a universal definition of organizational culture, however, organizational culture generally refers to collective values, beliefs, and principles of organizational members to deal with problems occurring during external adaptation and internal integration. Fernández, Junquera and Ordiz (2003, pp. 641) summarized that the role of the organizational culture is to “facilitate the adoption of a specific strategy if there exists strong coherence between them. On the other hand, culture may become an ‘insuperable barrier’, which hinders and delays change.”

In the previous chapter, cultural differences in the M&A contexts and employee engagement in organizational change were reviewed. It is argued that cultural differences are repeatedly reflected in M&A success and failure, and organizational culture has an impact on organizational performance through employee’s engagement (Nikpour, 2017, pp 66). When sharing about their experience during PMI, five out of six interviewees talked about the organizational culture change. Interviewee A, B, and D shared the positive

change in organizational culture which helped them to concentrate at work during PMI. There was mention of work-life balance, workplace regulations and equality.

We always held meetings together, and we didn't distinguish who used to belong to which company. From my point of view, everyone performed their duties and helped each other. During the meetings, everyone would be asked to speak individually and talk about any problems encountered at work. The management team gave us equal attention.

This company gives me the feeling of comfort and efficiency, we rarely work overtime, and all projects are standardized. It is very comfortable to work in this kind of environment. (Interviewee D)

However, same as in the previous categories, negative voices are also heard when talking about organizational cultural changes and their impact. According to the literature review of this research, it is recognized that the cultural differences are more easily reflected in cross-border business settings as the organizational culture is often embedded in the national culture. Child et al. (2001, pp. 2) specifically pointed out that national cultural difference is a major issue to cope with a cross-border PMI. Interviewee B, C and D shared the negative change in organizational culture which prevented them from concentrating at work during PMI. There was mention of the difficult adaptation to the acquirer's national culture, uncertain group policies, changed business values and the unconvincing choice of leadership. Based on the interview answers, the organizational culture changes were caused due to the acquirer's different national cultural background.

In fact, the employees who are lucky to stay during integration like me, still can't adapt to the harshness and rigidity of German companies...for Chinese employees, this company has a different concept of flexibility...this may come from the stubbornness of the German nation...there is less room for flexibility when problems occurs in the projects, which is what I am currently unsatisfied with...this

company is not as humane as Chinese companies, there is no room for emotions at all. This company will not keep you because you have worked here for a long time. They do not consider personal feelings, or they are very cold.

(Interviewee B)

I feel that their policy is very uncertain, it changes every day. Moreover, the policy is issued in an imperative manner, without discussion with employees, it feels very sudden.

...

After being acquired, the management became less flat. No one knows what the people above are doing. What they came up with by patting their heads is not very convincing...things are not transparent, and I don't know who made the decisions. I think it may have been influenced by the Americans, but in the end the Finns were obedient and did what the Americans asked them to do. There are a lot of people leaving now. The disobedient people have left, and the obedient people stay.

...

The mandatory approach makes me feel disgusted. The full pursuit of this company now is billability. This is different from our original culture, which was an employee-oriented culture...This is now an American company, judging from company A's own layoff statistics, we are going through a relatively unstable state...in my opinion, the root reason for the personnel turnover is that the company's culture has changed...the company adopts a single measure of your performance with your "billability" ...in the past, there were other metrics. I think what I did before was useful, or I provided some technical support, but now it seems that these are all worthless. Now the company values are no longer what I'm pursuing.

..

The choice of leadership is not very convincing either. In fact, there were many capable employees in the past, but the Americans felt that they had their own

ideas and they were not obedient enough, so they would not put them into important positions, which led to them all leaving. (Interviewee C)

This company is now in such a situation. For example, if the director has a friend who wants to work in our company, then he can just start working directly...Now in every department there are one or two employees who came through connections. Sometimes it is difficult to carry out work because they...are novices in this industry, but they are assigned as engineers...it's hard to communicate with them, so the work lags behind. This problem is particularly serious recently...This will first affect my work, and then affect my mood...people here are mostly offered a job because of their capabilities and efforts, but if someone landed through connections, sometimes even in a higher position than you, then this gives everyone the feeling that as long as you have a relative here, you can work here. I think this has something to do with the Chinese corporate culture.

...

However, there are also good changes in this. Because our company has now become a Chinese company, I have a stronger sense of belonging here.

(Interviewee D)

Although some of these changes are obviously not what an employee would appreciate, it's possible that the interviewees have given the positive and negative meanings of the same cultural change based on their own perception. If we link some of these negative changes to the previous categories, it's not hard to realize that the organizational culture influenced by national culture also had a positive impact on career growth and training opportunities. For instance, in interviewee B's case, when the original company was acquired by the German acquirer, new management system and regulations were implemented, which has given people the positive feeling that the company is gradually becoming more formalized, consequently, there is less flexibilities in handling projects due to the standardized process. Similarly, when the old rule of seniority is replaced and employees start to be able to compete for internal promotions fairly, there is better business

ethics but less room for emotions, “no one will be kept just because they have worked for a long time” so that “If you really work hard, if you are really capable, if you are really qualified for a certain position, you will have a chance” (Interviewee B). Comparably, in interviewee D’s case, when the Dutch company was acquired by the Chinese acquirer, he had a stronger sense of belonging as a Chinese employee because of the infiltration of Chinese corporate culture, which at the same time negatively affected the normal recruitment process. All in all, every coin has two sides, it’s difficult to conclude if the organizational culture change should be considered a job resource or a demand during PMI, it is likely dependent on employees’ personal situation, expectation and the way of perceiving changes.

4.5 Team Culture

If the organizational culture is the general guidelines for organization members to act within a larger organization, then team culture is a shared understanding of “an emergent and simplified set of rules and actions, work capability expectations, and member perceptions that individuals within a team develop, share, and enact after mutual interactions” (Earley & Mosakowski, 2000 pp. 27). Team culture is equally important as organizational culture in enhancing employee engagement during PMI, as a team is where an employee works, copes with changes and interacts closely with other members on a daily basis. When talking about the positive sides of the PMI from an employees’ perspective, five out of six interviewees mentioned the positive team atmosphere and culture they had.

Everyone communicates in a straightforward manner. I feel good that nothing will be personal. Sometimes we argue about work in the morning but we are still able to enjoy a coffee together in the afternoon...I feel good as long as it's relatively free and harmonious. (Interviewee F)

We had a great relationship...some of them became my very good friends. (Interviewee E)

The interviewees also emphasized the importance of working in a good team and how the good team culture helped them overcome the challenging times during PMI due to either external or internal reasons. Interviewee C specified that the good team culture is a major reason why she decided to hold onto her job during PMI, although the new organizational culture is no longer consistent with her personal values.

When the pandemic was at its worst, we had to stay at home all the time, so we didn't meet each other very often. I think this might have reduced the chance to develop good relationships with colleagues, but everyone was very professional so it did not affect our work...sometimes I got to solve problems with colleagues who I didn't know, after that we started to communicate frequently...our team always chatted on Teams... the company is large so there were many people who could help me. I felt very comfortable working there, and I was very motivated. (Interviewee A)

I admire my colleagues. My team members are not the kind of people who like to watch others. They like to exchange experience and knowledge...if you achieved something, they are happy for you. We are united...this is my biggest motivation...I don't plan to leave for the time being...For me, the people I work with are very important. (Interviewee C)

4.6 Personal Factors

Interestingly, apart from the above categorized factors, when asked about the reasons for being energetic, enthusiastic, feeling valued or having a good mood at work during PMI, several personal reasons were discovered. These reasons can be subjective and objective. Interviewee A, B, C, D and F mentioned their personal interests, passions and confidence in what they do and the industry.

The company in the US is a very famous one in the industry, its business and technology are at the forefront...I loved my job...at that time, the merger was

actually developing in the direction of a market leader, and what I came into contact with every day was the most cutting-edge stuff. (Interviewee A)

At present, I think I am passionate about it. My major is chemical engineering, and now I am doing environmental protection with a chemical foundation, and I am very good at chemistry at school...I still love it very much, because I feel like I have not wasted my knowledge. (Interviewee B)

For me, I feel valued when I get to learn something or help others solve problems. This is why I feel like I was more valuable in the past (before acquisition). (Interviewee C)

I love the semiconductor industry very much. I have been following these things since high school...it has been my hobby, and the development prospects of the semiconductor industry are very good. (Interviewee D)

In addition, interviewee F talked a few times through the interview about her positive mindset in dealing with challenges during PMI.

"I also have colleagues who were laid off during the integration, I am just relatively lucky. But I think this also has something to do with one's attitude. If you have a more positive attitude and are willing to adapt to changes, everything will be fine. It depends on whether you can accept such changes.

...

I think that's what a mature worker should be like now. You can't do anything about it. You still have to work. It's just a job anyway. I have this kind of mentality now.

...

It's okay so far, maybe because I have a more positive attitude.

...

One will definitely encounter many things at work, but sometimes I decide to forget about it, for the sake of money. I still want to earn this money, I still want to work here, so just bear with it.” (Interviewee F)

Compared with one’s passion and attitude, there are also objective reasons which are out of control sometimes. Interviewee A had a very positive image of her previous employer who she was actively engaged with in her own opinion, however, she had to quit the job because she was unable to win the US work visa lottery and choose an alternative job in another country. Similarly, although interviewee E was not happy with her previous work experience during PMI, she had to convince herself and overcome all the difficulties in order to settle successfully. It is recognized that these personal factors also influenced how employees perceive the changes in PMI and therefore influenced their engagement level.

“The most straightforward reason was the settlement in Shanghai. Shanghai has a settlement policy for international students. You can apply after half a year of paying social security at any company...anyway, I just must hold onto that job for three years.” (Interviewee E)

5 Conclusions

The purpose of this research is to provide a better understanding of how to enhance cross-border PMI success through employee engagement. Therefore, the interviews were designed to cover the research area and focus on the research subject. The main research question is:

“How does employee engagement affect the success of PMI in a cross-border M&A?”

In addition, the following sub-questions have been created to support the main research question:

- 1. How do employee job resources affect engagement in achieving PMI success?*
- 2. How do employee job demands affect engagement in achieving PMI success?*

5.1 Adapted JD-R Model

To conclude the research results and answer the research questions: there are a few elements affecting employee's engagement during a cross-border PMI. Career growth and training opportunities, salary and compensation level, business efficiency, new organizational culture, team culture and personal factors are considered the most important based on the interviews.

However, when concluding the adapted JD-R model of employee engagement in cross-border post-merger integration, changes are made compared to the proposed model in chapter 2.3.

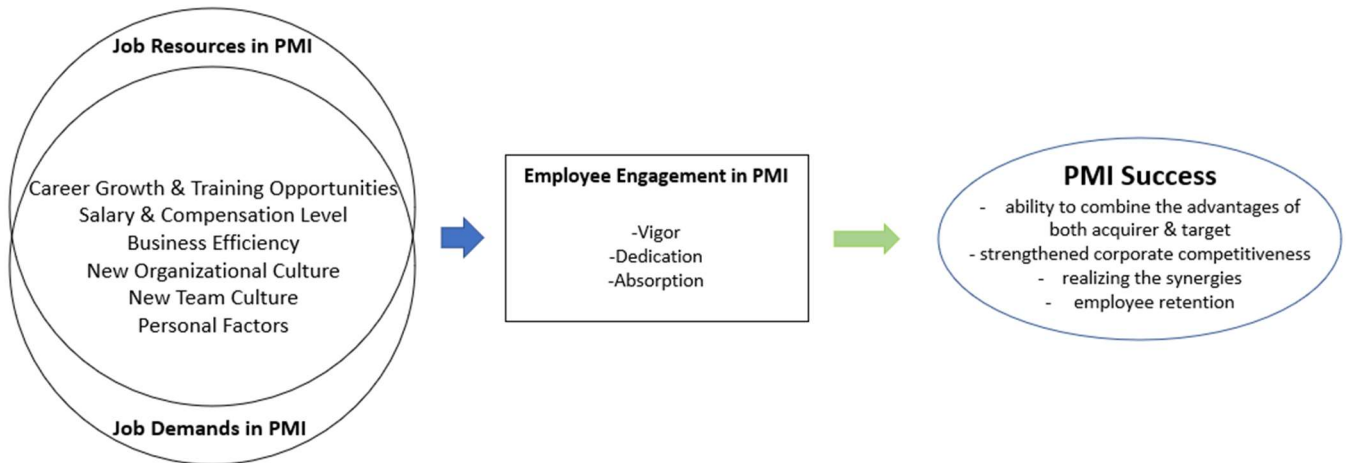


Figure 7. Adapted JD-R model of employee engagement in cross-border post-merger integration.

First of all, the job resources and job demands are integrated. Based on the research results, the elements should not simply be defined as resources or demands during PMI because one element can positively and negatively affect an employee's engagement at the same time. The impact of these elements are interpreted differently by the employees based on their career situations and expectations, different ways of perceiving changes, but mostly due to duality of change. It can be concluded that it's more about how these elements are managed and presented to the employees and if they meet the employees' expectations during PMI, rather than the nature of them. Therefore, the adapted model shows that there are elements affecting employee's engagement during a cross-border PMI, however, each element can be considered a resource or a demand accordingly. In addition, the interviewees were also asked "what is a successful post-merger integration in your opinion" in the last part of the interview. Surprisingly, all the interviewees gave practically the same answer, that is, the good traditions of both parties are well retained while integrating each other. In other words, corporate

competitiveness is strengthened through M&A, and corporations merge for the better. Hence, this finding is also added to the model. See Figure 7.

5.2 Managerial Implications

Based on the research results, it can be stated that no matter how well planned and clearly defined the PMI is, the success of it cannot be guaranteed. This is simply due to the uncertain human issues and different understandings of culture in a complex organizational change in the cross-border setting. Changes in organizational culture is a good example of challenges, especially when the cultural distance between the countries and companies merging are bigger. As interviewee B mentioned, when their organization was acquired by a German company which happened to employ western style working hours, it was considered a difficulty for them to adjust to during PMI. Having grown up in the culture of working long hours or willing their lines between work and personal life became blurred during PMI. Whereas employees have a dedicated work-life balance in German companies, the new “rigid” deadlines and working hours reduced interviewee B’s work motivation. As the old saying of “when in Rome, do as the Romans do” as well as other studies suggest, understanding the differences in cultures plays an important role in cross-border M&A. Similarly, as interviewee C mentioned, the Americans clearly have different business values from what they used to embrace, it was considered cultural invasion when billability replaced employee-oriented culture all of a sudden, when the thoughtful Finnish management team quitted the organization, when the organization no longer operated in the Finnish way, and she felt discouraged, confused, uncertain and disengaged at work. On the contrary, in interviewee A’s case, a Canadian company integrating to an American company executed with relatively good results from an employee’s perspective, everything was already good, and even better through cross-border M&A. Having similar organizational cultures and business values resulted in both merged parties seeing the deal as a win-win scenario for two equal parties. Perhaps, change management and cultural integration is what the management team should reflect on in a cross-border M&A, how to manage cultural differences is clearly a crucial part of PMI as stated in many studies.

In addition, it is not easy to satisfy everyone's needs during PMI. In this research, only six employees participated in the interviews and they already shared their unique thoughts and expectations on the same topic. In reality, in a cross-border M&A, when possibly thousands of employees are involved, communication becomes rather crucial. Communication about changes and expectations should be a two-way road where employees are able to express themselves freely. However, compared with different understandings of culture, employees tend to have the same kind of expectations in other aspects such as having a good career development plan, training opportunities and reasonable compensation. All in all, PMI success is not just down to how it's planned. Success lies in how well it's communicated, managed and presented to combine the highlights of both parties while minimizing negative impacts on the majority.

5.3 Future Research

M&A as a topic has been popular in the past decades in many research disciplines, however, cross-border M&As have not generally been researched independently, even though more and more companies implement such a strategy to enter foreign markets. Consequently, the workforce is becoming more culturally diverse with the increasing globalization, and possibly more conflicts are identified at workplaces because human behaviors are influenced by cultural differences. On the other hand, employee engagement has been widely researched mostly through quantitative methods albeit with limited literature and publishing outside the western countries. Therefore, it is suggested to extend the cross-border M&A research to other countries through qualitative research methods. Due to the limited time and resources, the sample size of this thesis is rather small. Moreover, although they were working in an international environment, all the six interviewees have a Chinese cultural background, and their way of perceiving changes in a cross-border PMI might have limited the generality of the research results. In the future, this can be improved by conducting research in a larger group of samples.

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Appendices

Appendix 1. Interview Guidelines

This semi-structured interview guidelines is designed for a master's thesis research of employee engagement in cross-border post-merger integration (PMI) based on adapted Job Demands-Resources model (JD-R model). The aim of the interview is to understand from an employee's perspective what job resources and demands influenced employee engagement during the cross-border PMI.

Section 1: Broad questions - Background

1. Would you like to introduce your work experience with this company during PMI?
2. How do you feel about your workplace in general?

Section 2: Research specific questions - Job resources & demands:

Could you please tell me:

1. During the PMI, what job resources (e.g., activities, events, practices, etc.) enhanced your engagement as an employee in doing your job? And how?
2. During the PMI, what job demands (e.g., activities, events, practices, etc.) prevented your engagement as an employee in doing your job? And how?

Vigor (high levels of energy and mental resilience while working)

Could you please tell:

1. While working in this company during the PMI,
 - a) what makes you motivated?
 - b) what makes you energetic?
2. While working in this company, how did you manage to withstand and overcome obstacles during the PMI?

Dedication (strongly involved in work and experiencing a sense of significance, enthusiasm & challenge)

Could you please tell:

- 1.While working in this company during the PMI, what did your employer do to make you feel valued (or not)?
- 2.While working in this company during the PMI, what makes you enthusiastic to your job, even if it can be challenging?

Absorption (happily and fully concentrated at work)

Could you please tell:

- 1.While working in this company during the PMI, what ensures your good mood at work?
- 2.While working in this company during the PMI, what did your employer do or provide to make you concentrate at work? What should be improved?

Section 3: Open Discussion

- 1.What is a successful post-merger integration in your opinion?
- 2.Would you like to share more about your experience or thoughts on this topic?
- 3.Clarifications on the above-mentioned matters if there is anything unclear.