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Dynamics of Acquired Firm Pre-Acquisition Employee Reactions

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Based on a qualitative, large-scale, interview-based inductive study of eight acquisitions conducted by Finnish multinationals, this article develops a grounded model of the dynamics of acquired firm employee reactions preceding related, industrial cross-border acquisitions. In contrast to most merger and acquisition (M&A) research portraying employee reactions in times of M&A in a negative, stressful light, the present findings shed a contradictory light on this discourse. In six of the studied acquisitions, pre-acquisition employee reactions tended toward motivation rather than uncertainty. The underlying reason was that these acquisitions were perceived as opportunities instead of threats in the target firms. As a result, target firm management became proactively involved in promoting the acquisition's success. The author terms this target behavioral responsiveness and found it to result from (a) "static" factors (partner organizational attractiveness and target cognitive responsiveness) as well as (b) "dynamic" factors (partner behavioral attractiveness and target strategic responsiveness). Intriguingly, the dynamic factors were found to have a stronger predictive impact on target behavioral responsiveness. Indeed, in two of the acquisitions, their low ranking on static factors was countered by a high ranking on dynamic factors, namely, attractive partner behaviors and a strategically responsive target. Employee reactions to a forthcoming acquisition are thus not the deterministic result of the change itself, but can be influenced through buying firm behaviors and positive future intentions as well as the target experiencing a need to be acquired. Implications for M&A research are discussed, and a model and propositions to guide future research are suggested.

Keywords: *M&A; acquisition; pre-deal; employee reactions; human side*

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Introduction

Since the second half of the 20th century, mergers and acquisitions (M&A) have established themselves as an increasingly significant means of foreign expansion and strategic renewal for firms seeking to enhance their positioning in a globalizing competitive landscape. Their growing prevalence stands in contrast to the ongoing evidence according to which most M&A do not reach the sought after performance targets (King, Dalton, Daily, & Covin, 2004; Zollo & Meier, 2008). Recent critical reviews and meta-analyses (King et al., 2004; Stahl & Voigt, 2008; Zollo & Meier, 2008) have pointed out, however, that the reality behind these figures is even more confused. Based on their meta-analysis of all M&A performance studies conducted between 1921 and 2002, King et al. (2004) conclude that current research has not been able to identify antecedents of M&A performance. They note that "unidentified variables may explain significant variance in post-acquisition performance" (p. 187), subsequently calling for theory-building research on how M&A are lived, experienced, and conducted.

This article aims to answer this call by focusing on the human side in times of mergers and acquisitions. When seeking reasons for the poor performance of M&A, the human factor is repeatedly mentioned among the most critical aspects (Cartwright & Cooper, 1992; Napier, 1989), alongside the cultural challenges involved (Stahl & Voigt, 2008; Teerikangas & Véry, 2006) and the difficulty of adequately managing the post-acquisition integration phase (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999).

Indeed, if badly managed, the human side in M&A has been found to have a long-lasting detrimental impact on the performance of the acquisition and the buying firm. These consequences have been quantified by Larsson and Finkelstein (1999), who in their case survey of M&A studies found that employee resistance disables the realization of synergies potentially available through an acquisition. Birkinshaw, Bresman, and Håkansson (2000) conclude that a badly managed human integration has a detrimental effect on the progress of integration. Furthermore, stress, uncertainty, and rumoring in times of M&A have been found to impact the financial performance of the parent firm (Buono & Bowditch, 1989; Davy, Kinicki, Kilroy, & Scheck, 1998; Marks & Mirvis, 1985) amounting to "the loss of two hours of productive work per employee per day" (Wishard as cited in Napier, 1989, p. 275). High levels of uncertainty have, moreover, been evidenced to lead to rumoring (Ivancevich, Schweiger, & Power, 1987) that runs counter to effective work. Mergers and acquisitions, if badly managed, also lead to labor and managerial turnover (Hambrick & Cannella, 1993; Hayes, 1979; Krug & Nigh, 2001; Véry, Lubatkin, Calori, & Veiga, 1997) and higher degrees of absenteeism (Davy et al., 1998), both having a potentially detrimental effect on firm effectiveness. The significance of the people dimension gains more weight if considered in terms of the long-term nature of these reactions—they persist and tend even to become emphasized over time (Schweiger & DeNisi, 1991).

While research on the human side in times of M&A has amply detailed the negative employee outcry tending to accompany a change as major as a merger or an acquisition (Buono & Bowditch, 1989; Cartwright & Cooper, 1992; Risberg, 2001), our knowledge remains rather scant when it comes to identifying the causes predicting the swaying of employee reactions during M&A (Bourantas & Nicandrou, 1997; Seo & Hill, 2005). What is more, most efforts have been directed to employee reactions and their causes in the post-acquisition era, with less attention placed on the pre-acquisition phase (Napier, 1989). The lack of attention to this period seems to concern the study of M&A in a broader scale (Greenwood, Hinings, & Brown, 1994; Schweiger & Goulet, 2000) (see Table 1). As a result, based on current knowledge, researchers and practitioners do not have the necessary levers to pull in order to assess what causes employee reactions to lean toward the negative or the positive in the pre-acquisition era.

The current study aims to contribute to addressing this gap, using a grounded theory building approach (Glaser, 1998; Glaser & Strauss, 1967) to explore the question: "What explains target firm employee reactions leaning toward uncertainty versus motivation in the pre-acquisition era?" I examined this question by creating detailed case studies of eight related industrial acquisitions undertaken by Finnish multinational buying firms.

I found that depending on how the pre-acquisition era was experienced, acquired firm employees reactions tended toward uncertainty or motivation. Strikingly, and in contrast to predictions of past research, six out of the studied eight acquisitions reacted with a motivated rather than an uncertain outcry to the news of a forthcoming acquisition.

The underlying reason was that these acquisitions were perceived as opportunities rather than threats in the target firms. As a result, target firm management became proactively involved in promoting the acquisition's success. Collectively I term the two factors mentioned earlier as *target behavioral responsiveness*. The degree of target behavioral responsiveness was found to result from (a) "static" factors (partner organizational attractiveness and target cognitive responsiveness) as well as (b) "dynamic" factors (partner behavioral attractiveness and target strategic responsiveness). Intriguingly, the dynamic factors were found to exhibit a stronger predictive impact on target behavioral responsiveness. Indeed, in two of the studied acquisitions, their low ranking on static factors was countered by a high ranking on dynamic factors, namely, attractive partner behaviors and a strategically responsive target. In so doing, the present study highlights that employee reactions to a forthcoming acquisition are not the deterministic result of the change itself, but can be influenced by the buying firm's behavior and attractive future intentions as well as that of the target perceiving a need to be acquired. In sum, by shedding light on the observed patterns of employee behavior in the pre-acquisition era and seeking to explain their direction, the present article contributes to research on M&A by bringing forward a grounded, tentative model and propositions on the dynamics of acquired firm employee reactions in the pre-acquisition era. In a broader perspective, the present findings shed light on the hitherto less explored pre-acquisition period in the literature on mergers and acquisitions (Greenwood et al., 1994; Schweiger & Goulet, 2000).

The Human Side of Mergers and Acquisitions

Parallel to the discussion on the performance impact of M&A (Zollo & Meier, 2008), a post-acquisition integration-related debate (Haspeslagh & Jemison, 1991; Mace & Montgomery, 1962), and an organization- and culture-related debate (Cartwright & Cooper, 1992; Nahavandi & Malekzadeh, 1988), the consequences of M&A on the people involved are a focus of research attention (for reviews, see Cartwright & Cooper, 1990, 1992; Marks,

Table 1
Method- and Phase-Based Overview of the Qualitative Study of M&A (Excluding the Human Side of M&A)

Author(s) (year)	Topic area	Cases (total)	Interviews (total)	Other method (ethnography, consulting, etc.)	Longitudinal	Survey sample
Pre-acquisition management						
Jemison and Sitkin (1986)	Corporate acquisitions: A process perspective	25	25			
Angwin (2000)	Pre-acquisition due diligence					142
Graebner and Eisenhardt (2004)	The seller's side of the story	10	80			
Cullinan, Le Roux, and Weddigen (2004)	When to walk away from the deal	20 + 2,000	NA	Authors' experience in 2,000 deals		
Harding and Rouse (2007)	Human due diligence	40	NA	Bain & Co research in recent 40 M&A		
Lovallo, Viguerie, Uhlaner, and Horn (2007)	Deals without delusions	NA	NA	McKinsey research		
Nolop (2007)	Rules to acquire by	1 + 70	NA	Case company's experience (70 acquisitions)		
Saorin-Iborra (2008)	Time pressure in acquisition negotiations	3	7			
Graebner (2009)	Trust asymmetries in acquisitions of entrepreneurial firms	13	> 80			
Post-acquisition integration						
Greenwood, Hinings, and Brown (1994)	Merging professional service firms	1	219		Four rounds of data collection	
Olie (1994)	Shades of culture and institutions in international mergers	3	63			
Leroy and Ramanantsoa (1997)	Organizational learning in a merger	1	103	Observation		
Birkinshaw, Bresman, and Håkansson (2000)	Managing the post-acquisition integration process	3	55		Two rounds of data collection	219
Empson (2004)	Impediments to knowledge transfer in mergers between professional service firms	3	177			

(continued)

Table 1 (continued)

Author(s) (year)	Topic area	Cases (total)	Interviews (total)	Other method (ethnography, consulting, etc.)	Longitudinal	Survey sample
Véry and Schweiger (2001)	The acquisition process as a learning process	26	26			
Ranft and Lord (2002)	A grounded model of acquisition implementation (case: new technologies)	7	17			
Vaara (2002)	Success/failure narratives of post-merger integration	8	126			
Meyer and Lieb-Doczy (2003)	Post-acquisition restructuring	18	64			
Vaara (2003)	Post-acquisition integration as sense-making	1	39	Ethnographic material and media texts		
Vaara, Tienari, and Säntti (2003)	Social identity building in cross-border mergers	1		20 corporate culture seminars (330 participants)		
Graebner (2004)	How acquired leaders create value in the integration of technology firms	8	58			
Jisun, Engleman, and Van de Ven (2005)	An attention-based view of the merger and acquisition integration process	1		241 hour observation in meetings		
Piekkari, Vaara, Tienari, and Säntti (2005)	Human resource implications of a common corporate language decision in a cross-border merger	1	8	Corporate seminars (350 participants)		
Riad (2005)	The power of "organizational culture" in merger integration	1		Ethnography and observations		
Ulrich, Wieseke, and Van Dick (2005)	A social identity case study of a German industrial merger	1	16			
Schweizer (2005)	Organizational integration of acquired firms (case: biotechnology)	5	14			
Vaara, Tienari, Piekkari, and Säntti (2005)	Language and the circuits of power in a merging multinational corporation	1	62	Ethnography and corporate seminars (350 participants)		
Styhre, Borjesson, and Wicicenberg (2006)	Cultural anxieties in two Anglo-Americanized Swedish firms	2	56			
Olcott (2008)	The impact of foreign ownership on Japanese organizations	5	60			
Maguire and Phillips (2008)	Loss of institutional trust after a merger	1	15			
Rui and Yip (2008)	Foreign acquisitions by Chinese firms	3	24			
Deng (2009)	Chinese firms acquisitions	3	9 to 15			

1982; Napier, 1989). Throughout the forthcoming sections, findings from this stream of research will be critically reviewed with the aim of identifying unanswered questions for which the article's empirical part will then seek to provide tentative answers. Table 2 summarizes this review.

Do Employee Reactions in M&A Lean Toward the Positive or the Negative? Why?

A dominant theme cutting across much of the research on the human side of mergers and acquisitions relates to the effects that the latter have on the employees involved. Prior research has amply evidenced the negative impact of M&A on employees in the acquired firm. This has been termed the *merger syndrome* (Buono & Bowditch, 1989; Marks & Mirvis, 1985), referring to the psychological challenge caused by the change that an M&A represents to employees. Moreover, negative reactions, such as increased levels of employee uncertainty (Buono & Bowditch, 1989; Marks, 1982; Risberg, 2001), rising levels of stress (Cartwright & Cooper, 1992), lower morale (Sinetar, 1981), and rumoring (Ivancevich et al., 1987), have been shown to occur. Feelings of loss and deprived identity further abound (Cartwright & Cooper, 1990), as do worries about job security (Mace & Montgomery, 1962). Acquisitions have even been described in terms of "organizational death" (Marks & Vansteenskiste, 2008). These studies tend to paint a bleak and negatively touched image of the human toll resulting from mergers and acquisitions.

Although they do exist, the positive effects of M&A on the employees concerned have received, relatively speaking, less attention than the negative (Buono & Bowditch, 1989; Marks and Mirvis, 1985). Findings from recent studies do, however, lend evidence to the presence of positive employee reactions. In a comparative study of hostile versus friendly mergers, Fairfield-Sonn, Ogilvie, and DelVecchio (2002) found that while hostile mergers result in long-term negative employee reactions, friendly mergers result in long-term positive reactions. Furthermore, certain kinds of post-acquisition changes, such as in human resource management practices and organizational culture, have been shown to have a positive effect on employee attitudes, as recently exemplified by Froese, Pak, and Chong (2007) in a study of cross-border acquisitions in Korea.

The picture becomes bleaker when we attempt a refinement between pre- and post-acquisition employee reactions. Indeed, further analysis of the existing literature shows that greater attention overall seems to have been placed on employee reactions *post*-acquisition (as in e.g., Fairfield-Sonn et al., 2002; Fried, Tiegs, Naughton, & Ashforth, 1996; Froese et al., 2007; Pioch, 2007; Risberg, 2001) rather than understanding them ex ante. When the latter has been accomplished through phase-based studies to human reactions during M&A (e.g., Ashkanasy & Holmes, 1995; Buono & Bowditch, 1989; Graves, 1981; Ivancevich et al., 1987; Schweiger, Ivancevich, & Power, 1987), employee reactions have been shown to lean toward the negative in the pre-deal phase, accompanied by a host of uncertainty, and gradually, depending on the quality of integration management and the way in which the acquisition is experienced, possibly turning to the positive in the post-acquisition era. Moreover, in their approach to the pre-acquisition era, the latter studies have tended to favor the study of employee uncertainty, stress, and shock rather than positive reactions (Ashkanasy & Holmes, 1995; Buono & Bowditch, 1989; Graves, 1981; Ivancevich et al., 1987).

Table 2
Method-, Phase-, and Theme-Based Overview of the Study of the Human Side in Mergers and Acquisitions (M&A)

Author(s) (year)	Method and sample	Method synthesis	Topic area	Pre-deal	Post-deal	Pre-and post-deal
I. Literature reviews on the human side in M&A						
Marks (1982)	Literature review	Review	Human side in M&A			x
Napier (1989)	Literature review	Review	Human side in M&A			x
Cartwright and Cooper (1990)	Literature review	Review	Human side in M&A			x
Cartwright and Cooper (1992)	Literature review	Review	Human side in M&A			x
II. Types of employee reactions in times of M&A						
Costello, Kubis, and Shaffer (1963)	Single case study, 80 responses to survey questionnaire	Quantitative	Pre-merger employee attitudes	x		
Dackert, Jackson, Brenner, and Johansson (2003)	Single case study, 16 interviews and 66 survey questionnaires, using repertory grid method	Qualitative and quantitative	Pre-merger employee expectations	x		
Graves (1981)	Single case study, 156 interviews using a survey questionnaire	Quantitative	Individual reactions (case: re-insurance sector)			x
Sinetar (1981)	Consulting-based work, practitioner outlet	Consulting				x
Marks and Mirvis (1985)	Consulting-based work, practitioner outlet	Consulting				x
Ivancevich, Schweiger, and Power (1987)	Theory and consulting-based framework	Consulting	Managing human resources			x
Schweiger, Ivancevich, and Power (1987)	Multiple (4) case study, 166 interviews	Qualitative	Managing human resources before and after an acquisition			x
Newman and Krzystofiak (1993)	Longitudinal single case study, 108 pre- + 49 post-deal responses to survey questionnaire	Quantitative	Changes in employee attitudes (pre and post) (case: banking sector)			x
Ashkanasy and Holmes (1995)	Longitudinal multiple (3) case study, one interview, and three survey rounds	Qualitative and quantitative	Perceptions of organizational ideology			x
Marks and Vansteenskiste (2008)	Single case study, number of interviews not disclosed	Qualitative	Role of HR in an organizational transition			x
Fried, Tiegs, Naughton, and Ashforth (1996)	Longitudinal single case study, 91 responses to survey questionnaire, two phases, pre- and post-deal	Quantitative	Managers' reactions		x	
Véry, Lubatkin, and Calori (1996)	Cross-sectional survey, 180 responses to survey questionnaire	Quantitative	Acculturative stress		x	

(continued)

Table 2 (continued)

Author(s) (year)	Method and sample	Method synthesis	Topic area	Pre-deal	Post-deal	Pre-and post-deal
Krug and Nigh (2001)	Cross-sectional survey of 142 acquisitions	Quantitative	Executive fate following acquisitions		x	
Risberg (2001)	Multiple (2) case study, 31 interviews	Qualitative	Employee experiences of acquisition processes		x	
Fairfield-Sonn, Ogilvie, and DelVecchio (2002)	Single case study, three divisions within the company, 651 responses to survey questionnaire	Quantitative	Long-term employee attitudes		x	
Froese, Pak, and Chong (2007)	Multiple (3) case study, six interviews, and 176 survey questionnaires	Qualitative and quantitative	Managing the human side of cross-border acquisitions in South Korea		x	
Pioch (2007)	Single case study, seven interviews and 10 focus groups	Qualitative	Employee reactions post-acquisition (case: retail sector)		x	
III. Factors explaining employee reactions						
Conceptual work						
Nahavandi and Malekzhadeh (1988)	Conceptual paper	Conceptual	Acculturation theory			x
Bourantas and Nicandrou (1997)	Conceptual paper	Conceptual	Modeling acquisition behavior			x
Seo and Hill (2005)	Conceptual paper	Conceptual	Theories to explain and help manage human and reactions in M&A			x
Empirical work						
Dackert et al. (2003)	Single case study, 16 interviews, and 66 survey questionnaires, using repertory grid method	Qualitative and quantitative	Pre-merger employee expectations	x		
Buono, Bowditch, and Lewis (1985)	Longitudinal single case study, 28 interviews, observations, surveys (round 1: 513, round 2: 100)	Qualitative and quantitative	Cultural collision (case: savings bank merger)			x
Cartwright and Cooper (1992)	Multiple (4) case study, interviews and survey questionnaires	Qualitative and quantitative	Management of human side pre- and post-acquisition			x
Véry et al. (1996)	Cross-sectional survey, 180 responses to survey questionnaire	Quantitative	Acculturative stress in cross-border M&A		x	
Weber (1996)	Cross-sectional survey, 73 responses to survey questionnaire	Quantitative	Cultural differences, commitment and autonomy removal		x	
Larsson and Risberg (1998)	Case survey on 62 published cases of M&A	Quantitative	Acculturative stress in cross-border versus domestic M&A		x	

(continued)

Table 2 (continued)

Author(s) (year)	Method and sample	Method synthesis	Topic area	Pre-deal	Post-deal	Pre-and post-deal
Froese et al. (2007)	Multiple (3) case study, six interviews, and 176 survey questionnaires	Qualitative and quantitative	Managing the human side of cross-border acquisitions in South Korea		x	
Role of HR						
Schuler, Jackson, and Luo (2004)	Literature review	Review	HR role in M&A			x
Antila (2006)	Multiple (3) case study, 12 interviews in total	Qualitative	HR managers' roles pre- and post-deal			x
Marks and Vansteenskiste (2008)	Single case study, number of interviews not disclosed	Qualitative	Role of HR in an organizational transition			x
Leadership and change management						
Marks and Mirvis (1991)	Consulting-based work, practitioner outlet	Consulting	Combating pre-merger shock	x		
Marks and Mirvis (2001)	Consulting-based work, practitioner outlet	Consulting	The human side of merger planning: Assessing and analyzing "fit"	x		
Bastien (1987)	Multiple (3) case study, 21 survey questionnaires	Qualitative and quantitative	Behavior and communication			x
Ivancevich et al. (1987)	Theory and consulting-based framework	Consulting	Managing human resources			x
Schweiger et al. (1987)	Multiple (4) case study, 166 interviews	Qualitative and quantitative	Managing human resources before and after an acquisition			x
Schweiger and DeNisi (1991)	Longitudinal multiple (2) case study, 30 interviews and 168 × 4 rounds = 672 survey responses	Qualitative and quantitative	Communication during mergers			x
Cartwright and Cooper (1993)	Multiple (NA) case study, 170 interviews and 700 survey questionnaires	Qualitative and quantitative	Cultural compatibility			x
Marks and Mirvis (2001)	Authors' experience from 70 M&A	Consulting	Strategic and psychological preparation for M&A			x
Covin, Kolenko, Sightler, and Tudor (1997)	Single case study, 2,845 responses to survey questionnaire	Quantitative	Leadership and post-merger satisfaction		x	
DiFonzo and Bordia (1998)	Multiple (2 + 13) case study, 15 interviews	Qualitative	Managing uncertainty during organizational change		x	
Krug and Nigh (2001)	Cross-sectional survey of 142 acquisitions	Quantitative	Executive fate following acquisitions		x	
Kavanagh and Ashkanasy (2006)	Multiple (3) case study, 65 interviews, and 478 survey questionnaires	Qualitative and quantitative	Leadership and change management in domestic mergers		x	

In summary, it would seem that mergers and acquisitions raise both positive and negative reactions from employees. However, due to their greater impact, negative reactions have seen themselves emphasized by researchers and the larger media alike, with positive reactions having received relatively little emphasis. What is more, while attention toward pre-acquisition employee reactions is relatively meager (see Table 2), the existing research points toward negative employee stamina in the era preceding an acquisition. Based on this analysis, the following question is raised: *Under which conditions do pre-acquisition employee reactions in the target firm tend toward the negative versus the positive? (Q1)*

What Explains Negative Versus Positive Employee Reactions in Times of M&A?

When looking at how extant research has assessed factors impacting acquired firm employee reactions throughout the M&A process, the evidence remains vague. This means that we have little leverage to understand the array of factors that help predict acquired firm employees' negative versus positive dispositions toward M&A. We further note that the predisposition in these works leans somewhat toward the post- versus the pre-acquisition phase (see Table 2). Some conceptual evidence on antecedents to employee reactions in times of mergers and acquisitions exists. Lamenting the lack of research on these antecedents, Bourantas and Nicandrou (1997) provide a conceptual typology of the main predictor variables relating to employee behavior during acquisitions. Seo and Hill (2005) discuss how different theories—anxiety theory, social identity theory, acculturation theory, role conflict theory, job characteristics theory, organizational justice theory—could be used to predict employee behaviors during different stages of M&A.

Despite these conceptual advances, there are surprisingly few empirical findings on the array of factors predicting employee reactions to mergers and acquisitions (Bourantas & Nicandrou, 1997; Seo & Hill, 2005). Studies have suggested that the extent of culture shock (Buono & Bowditch, 1989; Buono, Bowditch, & Lewis, 1985) and the direction of post-deal changes implemented (Cartwright & Cooper, 1992; Froese et al., 2007) influence acquired firm employee reactions. However, the issue of whether domestic or cross-border deals result in higher levels of stress has produced conflicting evidence (Larsson & Risberg, 1998; Véry, Lubatkin, & Calori, 1996; Weber, 1996). Nahavandi and Malekzadeh (1988) see that the match between the preferred acculturation modes of involved firms dictates the likely degree of "acculturative stress" following acquisitions. In their article, the acquired reactions to the buying firm are conceptualized as stemming from the degree of partner attractiveness and the extent to which the acquired firm wishes to preserve its own culture. Expectations of the future have also been found to predict employee reactions (Dackert, Jackson, Brenner, & Johansson, 2003). In sum, the greater the cultural discrepancy between the organizations involved, the less attractive the partner and the vision of a future with the partner, the more likely it is that employees react negatively to an acquisition.

When it comes to assessing how the human side of a merger or acquisition should be managed, our understanding seems to falter further. We do know that the manner in which the change process is managed has a significant effect on the outcome of a merger or acquisition (Kavanagh & Ashkanasy, 2006). For example, leadership has been found to affect the extent to which post-deal cultural change is accepted (Kavanagh & Ashkanasy, 2006). Where the effect of leadership style on post-merger satisfaction has been studied (Covin, Kolenko, Sightler, & Tudor, 1997), the characteristics of transformational leadership—namely, a leadership style involving charisma, inspiration, and following transcendental goals—have been found as the strongest predictors of merger satisfaction. Yet, the ability and competence of managers to effectively deal with a process as complex as a merger or acquisition has been questioned (Covin et al., 1997). Kavanagh and Ashkanasy (2006) argue that managers tend not to be adequately equipped to manage a change as complex as a merger process.

The significance of timely and honest communications throughout the M&A process has been emphasized (Bastien, 1987; Ivancevich et al., 1987; Schweiger & DeNisi, 1991). A host of practical tips, for example, with regard to the use of different courses, workshops, and psychological counseling, have also been suggested as a means of dealing with the human challenge in times of M&A (Buono & Bowditch, 1989; Marks & Mirvis, 2001). The buying firm's cooperative pre-deal attitudes have been found to help steer employee reactions toward the positive (Marks, 1991; Schweiger et al., 1987). The way employees are treated matters, and thus respect has been emphasized (Krug & Nigh, 2001). The significance of retaining key target firm talent, such as through their early involvement (Krug & Nigh, 2001; Schuler, Jackson, & Luo, 2004) and mutual relationship building (Marks & Mirvis, 2001), has also been highlighted. Finally, the role of the human resource function pre- and post-deal has been put forward (Antila, 2006; Lorange, 1996; Schuler et al., 2004). While a lot of this research covers the entire M&A process, we note that greater attention overall seems to have been placed on the study of the post- versus the pre-deal phase (see Table 2). This leads to ask: *What factors predict the direction of pre-acquisition target firm employee reactions? (Q2) What is the effect of management interventions on pre-acquisition target firm employee reactions? (Q3)*

Toward Research Questions and a Grounded Research Project

Our review points out that while positive reactions have also been noted, the extant research has largely paid attention to the array of negative reactions witnessed in times of M&A. This tendency seems to be emphasized when comparing employee reactions in the pre- and post-acquisition eras. Yet, we know little as to the conditions under which employee reactions, be it pre- or post-acquisition, lean toward the negative or the positive. Moreover, relatively little guidance is available as to the factors influencing the fluctuation of acquired firm employee reactions. This state of affairs is even more alarming when looked at from the perspective of the pre-acquisition era—overall, M&A research has tended to emphasize employee reactions and their antecedents post-deal while partly ignoring their nature and antecedents ex ante. It is suggested that every M&A, especially in the pre-deal phase, is wrought with negative reactions, portraying the image of M&A that have gone wrong and have been badly managed. Consequently, extant research offers few levers for managers involved in M&A to pull on if they want to influence the pre-deal motivation and uncertainty levels of acquired firm employees. This state of affairs raises further concerns if we recall that the pre-acquisition phase has been found to affect the success of the subsequent post-deal era (Haspeslagh & Jemison, 1991; Marks & Mirvis, 2001).

In summary, the previous review enabled to identify a set of three unexplored questions. These open questions point to the fact that an overview of the antecedents of target firm employee reactions in the pre-acquisition era seems to fall short in the current debate. To address these questions, a research project was initiated with the aim of studying acquired firm pre-acquisition employee reactions. Given the lack of theoretical understanding on this topic, an inductive theory building approach was selected. An overview of the research setting and of the methodological journey is provided next.

Method

Research Setting and Method Selection

In the use of the term *mergers and acquisitions*, a habit seems to have been established by M&A researchers to treat all empirical contexts as equal. Calls have been made to clarify the research setting and its influence on the findings. Given the distinct differences between different types of M&A, it has been argued that such clarification is crucial in order to proceed to more fine-tuned analyses (Napier, 1989). Research on the human side of M&A can be criticized for having placed the weight of emphasis on the human side of *mergers* versus acquisitions and on *domestic* versus cross-border deals. It can hence be argued that an understanding of the human side of M&A, especially in the context of *cross-border acquisitions*, remains scant. This is the empirical setting of the present article.

The findings presented in this article draw on a research project wherein a set of one domestic and seven cross-border acquisitions in the United States, the United Kingdom, France, Germany, Denmark, and Finland undertaken by four Finnish multinationals operating in different industrial sectors were studied. These represented related acquisitions, in which the integration approach was "symbiotic," this pointing to a mutual transfer of knowledge in the post-acquisition era (Haspeslagh & Jemison, 1991). The unit of analysis was either the acquisition of (a) a one-site firm or (b) one site in the acquisition of a multisite firm. Given that the acquired Danish, German, American, and both French sites all had experience of having previously been acquired (see Table 3), interviewees' experiences with their former parent firms were used to inform the findings. This approach partly helped to address the issue of a potential bias with regard to studying the buying firms of a single nationality only.

The aim of the research project was to enhance our understanding of employee reactions during related, industrial cross-border acquisitions. To reflect and respect this research context, I chose the grounded theory method, as originally developed by Glaser and Strauss (1967) and later advocated by Glaser (1998). In management research, the original method (Glaser & Strauss, 1967) has been further developed by Strauss (1987; Strauss & Corbin, 1990), Locke (1996, 2001), Charmaz (2006), and Suddaby (2006) and adapted to a "rigorous" theory building method based on multiple case studies by Eisenhardt (1989). This reflects that there is not one school of grounded theory research but many and the importance of identifying the school that one adheres to. In my work, I adhered to Glaser's approach, which he claims remains closest to the original 1967 method (see e.g., Charmaz, 2006; Glaser, 1998; Locke, 1996).

Table 3
Background Information on the Studied Acquisitions

	Type I: Motivated targets				Type II: Motivated targets		Type III: Uncertain targets	
	Danish R&D unit	German R&D unit	French unit's acquisition	Unit in French multisite acquisition	German-U.S. acquisition	Finnish acquisition	U.K. R&D unit	Unit in U.S. multisite acquisition
Information regarding studied acquired firms								
Buying firm	A	A	D	C	B	D	A	D
Studied versus number of acquired units	1(1)	1(1)	1(1)	1(12)	2(2)	1(1)	1(2)	1(6)
Number of staff (t(=deal))	<100	<300	<200	<2,500	<200	<10	<200	<3,000
Established in	1980s	1980s	19th century	19th, early 20th centuries	1970s	1990s	1980s	19th century
Partner attractiveness								
A^f governance	R&D subsidiary of listed multinational firm.	R&D subsidiary of listed multinational firm.	Production subsidiary of listed multinational firm.	Production site in multisite firm, background as family-owned organization.	Founder-owned entrepreneurial firm.	Founder-owned entrepreneurial firm.	Founder-owned entrepreneurial firm.	Production and R&D site in multisite firm with background as family-owned organization.
B^f governance	Listed multinational	Listed multinational	Listed multinational	Family-owned multinational	Listed multinational	Listed multinational	Listed multinational	Listed multinational
Relative size (A^f parent/B^f)	Same size	Same size	Same size	Same size	From small- to large-sized parent	From small- to large-sized parent	From small- to large-sized parent	Same size
B^f strategic intent in the acquisition	Increase R&D resources.	Increase R&D resources.	(1) Strategic growth (add new product line), (2) gain stronger European presence.	Operational growth to increase buying firm's strategic importance in the market segment.	Enter a related product segment faster than through own product development.	Operational growth to add a new product area to the business segment.	(1) Increase R&D and manufacturing resources, (2) access the UK market, (3) buy off competitor.	(1) Add a product to the business segment, (2) defensive buy of R&D potential, (3) U.S. presence.

(continued)

Table 3 (continued)

	Type I: Motivated targets				Type II: Motivated targets		Type III: Uncertain targets	
	Danish R&D unit	German R&D unit	French unit's acquisition	Unit in French multisite acquisition	German-U.S. acquisition	Finnish acquisition	U.K. R&D unit	Unit in U.S. multisite acquisition
Target responsiveness								
A^f acquisitive experience	Founder-owned, then one Dutch multinational parent firm.	Founder-owned, then German, American and French multinational parent firms.	Founder-owned, then two American multinational parent firms.	A family-owned firm, then a domestic owner, followed by a domestic merger.	Founder-owned company until the present acquisition.	Founder-owned company until the present acquisition.	Founder-owned company until the present acquisition.	A family-owned firm, then one domestic owner, recently acquired by a publicly listed U.S. parent firm.
A^f international exposure	Experience of prior foreign parent firms.	Experience of prior foreign parent firms.	(1) International sales, (2) experience of prior foreign parent firms.	(1) Strong international sales network, (2) some own previous foreign acquisitions.	A domestic firm prior to the acquisition.	A domestic firm prior to the acquisition.	International sales and foreign factory.	Internationalization since 1950s through international sales and own acquisitions.
Relative performance (A^f parent/B^f)	Medium/excellent	Medium/excellent	Bankruptcy/very good	Poor/very good	Medium/very good	Excellent/very good	Excellent/very good	Bankruptcy/very good
A^f strategic need for acquisition	Parent divests non-core business	Parent divests non-core business	Parent firm bankruptcy	Owner retires, poor financial performance	Owner retires, medium financial performance	Owner cashes out, excellent financial performance	Owner cashes out, excellent financial performance	Parent firm bankruptcy
A^f members' perceived need for acquisition	The acquisition is needed for survival and is expected.	The acquisition is needed for survival and is expected.	The acquisition is needed for survival and is expected.	The acquisition is needed for survival and is expected.	The acquisition is needed for survival, is expected; opportunity for renewal and growth.	The acquisition ensures international expansion and sales growth.	The acquired firm is doing well, the acquisition is unexpected.	Employees expect the firm to survive.

Notes: A^f refers to acquired firm; B^f refers to buying firm.

The selection of acquisitions for the project was guided by the logic of *theoretical sampling* (Eisenhardt, 1989; Glaser, 1998; Glaser & Strauss, 1967), a means to guide the research in the direction best fitted to further the understanding of the emerging problem. In this respect, the aim was to gain access to a variety of acquisitions in differing industry, profession, country, and organization contexts. The research setting was thus built up during the research process rather than predetermined. Diversity in one's research setting is recommended (Glaser, 1998; Glaser & Strauss, 1967), as it enables moving beyond a context-specific analysis to a conceptual understanding of the phenomenon under study. It is in this light that the research began with interviews of three R&D unit acquisitions in Denmark, the United Kingdom, and Germany that were made by "buying firm A." These were followed by the analysis of a German-U.S. acquisition by "buying firm B" and thereafter the analysis of a unit within the multisite French acquisition by "buying firm C." In the final stage, a unit within a U.S. multisite firm's acquisition, the acquisition of a French site, and a Finnish firm's domestic acquisition, all by "buying firm D," were studied. The choice of a domestic acquisition in the study of cross-border acquisitions was for control reasons.

Data Collection

Data sources included: (a) interviews with managers and employees in the acquisitions studied; (b) ethnographic insights through visits to the acquiring and acquired firms; (c) follow-up e-mails and phone calls to the interviewees; (d) final face-to-face feedback sessions on the acquisition-specific findings with one to several informants per acquisition; (e) archival data including historical press releases, company websites, annual reports, company presentations, company internal magazines, product brochures, and company histories; and (f) existing analyses of the studied acquisitions, including internal company presentations and documents. The primary source of data collection was interviews. In total, I conducted a set of 166 interviews with 141 interviewees. The interviews lasted between 90 and 240 minutes. Key informants were interviewed as many as three times. While in qualitative research, it is the quality versus the quantity of data that matters (Myers, 2009), we note that the number of interviews ranks the present study among the largest interview-based studies in M&A research (see Tables 1 and 2).

Depending on the size of the acquisition studied, a minimum of 10 and a maximum of 36 interviews were carried out in the relevant firms. Interviewees represented different organizational, hierarchical, and departmental backgrounds. For each acquisition, I interviewed middle and top managers involved from the acquiring and target firms as well as target firm employee representatives. Interviewing informants from both positions permitted a more robust understanding of the phenomenon studied and helped reduce potential interview bias (Glaser, 1998; Glaser & Strauss, 1967). This has become an established approach in the study of M&A to avoid either acquired or buying firm bias (see e.g., Graebner, 2004; Olie, 1994; Risberg, 2001; Schweizer, 2005). Interviewing employee representatives further helped to move beyond a management bias typical in merger and acquisition studies (Risberg, 2001).

Managerial interviewees were selected based on their involvement in the acquisition using the "snowballing" technique (Graebner, 2004). I gained access to each of the buying firms through a senior corporate level manager who authorized me to carry out research on specific acquisitions they had conducted and who put me in contact with the acquisition's integration manager. After an initial interview with this person, he or she then recommended a set of potential interviewees in both the buying and target firms with high degrees of involvement in the acquisition and informed them of the importance of participating in the study. This set of interviewees was then cross-checked and enlarged in discussions with the informants themselves, especially by the manager at each acquired site. Employee-level interviewees were handpicked by the manager at the acquired sites following my plea to hear diverging views on the acquisition. In each of the foreign acquisitions, I remained on site at the acquired firm's premises for between two to seven days, in addition spending time "off interview" with the informants, for example, at lunchtime or during site tours.

Following the emergent nature of grounded theory research (Glaser & Strauss, 1967), the same set of open-ended questions was not used for each interview. On the contrary, while a set of similar themes was discussed in the interviews, it was deemed important to allow new themes to emerge where they bore importance to the specific acquisition and to the informant in question. Owing to their different experiences, the themes discussed with the representatives of the acquired and buying firms also differed. Acquired firm interviewees generally described what the company used to be like prior to the acquisition, or the type of pre-acquisition owner, followed by a description of how they first heard of the upcoming acquisition and how the ensuing pre-deal evaluation phase was experienced. In parallel, they related how well the acquisition was received in the acquired organization. Therein, when describing events in the integration period, they emphasized issues that had been particularly difficult. In interviews with the buying firm representatives, answers focused more on the reasons of the buy, initial impressions, types of changes that had been carried out in the acquired firm, and the way in which the acquisition in question had been managed. Typically, the first interviews per acquisition were the most open ended and most difficult to manage. This is not surprising given that the researcher lacked a thorough understanding of the specific acquisition. The ease of interviewing increased throughout the research process, as the researcher's understanding of the specific contextual issues increased.

The manager responsible for each acquisition was asked permission for interviews to be tape-recorded. As a result, half of the domestic interviews (in all but acquisitions conducted by buying firm A) and none of the foreign interviews were recorded. The reasons for nontaping stemmed from the relevant company representatives' recommendation that the participants were unlikely to be forthcoming with a recording device present. To counter the limitations stemming from this choice, interview notes of nontaped interviews were written up immediately after each interview when the researcher still had an active memory of the flow of the discussion. Interestingly, taping and transcription, although recommended by qualitative researchers (Miles & Huberman, 1994), is *not* so vehemently recommended when conducting grounded theory research (Glaser, 1998). Transcriptions of the taped interviews amounted to 20 to 30 pages of notes per interview. The nontaped interview notes consisted in 5 to 15 pages of notes per interview. In total, this produced approximately 2,200 pages of interview data for analysis.

Data Analysis

In a manner typical to inductive research, I analyzed the gathered data first at the level of each individual acquisition and thereafter started to compare the findings across the studied acquisitions (Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 1994). Using the constant comparative method of analysis (Glaser & Strauss, 1967), the process of data analysis for each individual acquisition proceeded as follows.

With the assistance of Microsoft Word, I read through my typed notes per interview and added subtitles to the document to mark each interview with emerging themes. Having completed this initial open coding exercise (Glaser & Strauss, 1967) for a particular interview, I then organized that interview's contents along the themes that had emerged. This meant that I would, for example, place all quotes that related to "degree of uncertainty" one after the other under this heading. In so doing, metathemes emerged that encompassed a set of subthemes under them.

Once I had individually analyzed each interview per acquisition, I proceeded to compare emerging themes across interviews for this acquisition. I organized this analysis along the emerging metathemes, which included, in the early phase, themes such as "reactions to the buying firm" or "reactions to the acquisition." I then added the coded contents of each interview under these metathemes. This allowed me to proceed to a within-acquisition fine-tuned analysis of each metatheme, its subthemes, and their potential interrelationships (Glaser & Strauss, 1967). Having completed this exercise, I felt confident to start the write-up of acquisition-specific analysis reports.

During the write-up phase, the contents of each metatheme and its relationship with subthemes and other metathemes increased in clarity. Where possible, I supported the analysis process by drawing mind maps, a timeline of the acquisition, figures, and illustrations to represent the emerging findings. Having written the acquisition-specific analysis reports, I then proceeded to a cross-case analysis of the studied acquisitions along the identified meta- and subthemes. In this process, I utilized many of the techniques for cross-case analysis put forward by Eisenhardt (1989), Glaser and Strauss (1967), Glaser (1998), and Miles and Huberman (1994). First, I compared the kinds of meta- and subthemes that had emerged per acquisition, looking for similarities and differences and their root causes. Here, cross-case comparative tables proved a useful analytical tool. Second, I tried to compare extreme examples of acquisitions along the identified meta- and subthemes. In so doing, the contents of the cross-case meta- and subthemes began to crystallize iteratively. Next, I proceed to illustrate the resulting findings as they relate to pre-deal employee reactions.

A Grounded Model of Pre-Acquisition Employee Reactions

Like any change, the news of an acquisition can cause a state of unease in the acquired organization. Key questions on the lips of the employees concern "Who is going to buy us?" "What is going to happen to us?" and "Does our company have a future?" Contrary to existing research portraying a bleak image of employee reactions in times of M&A, especially in the pre-deal era, the current findings posited a more positive image of the matter. The findings pointed to pre-acquisition employee reactions leaning toward motivation *or* uncertainty depending on how the pre-acquisition era was experienced. Furthermore, the analysis showed that this depended on: (a) partner attractiveness, defined as partner organizational and behavioral attractiveness, and (b) target responsiveness, defined as target cognitive, strategic, and behavioral responsiveness.

Of these factors, target behavioral responsiveness was found to be the critical lever predicting the direction of employee reactions. The analysis showed that the critical issue at stake related to whether the management of the target firm becomes proactively involved in making the acquisition happen. When this happened, through their position in the organizational hierarchy, they had the leverage to sway employee reactions toward motivation. The managerial involvement in an acquired firm occurred where they perceived that opportunity would result from the acquisition. In the contrary case, the management of the acquired firm, through their lack of involvement, provided a signal to the employees that a future with the potential buying firm was of little interest or would have a negative effect. When this occurred, an uncertain employee outcry was to be expected.

In the following sections, I proceed to an overview of the partner attractiveness and target responsiveness factors identified while highlighting how, through their impact on the perceived opportunity in the acquisition, they have an indirect impact on pre-acquisition employee reactions. Throughout the sections, the reader is encouraged to refer to Table 4, which highlights the position of the acquired firms on the identified attractiveness and responsiveness dimensions, and to Figure 1, which illustrates the observed pre-acquisition target firm employee reaction dynamics.

Partner Organizational Attractiveness

In the following, I describe the way in which partner organizational attractiveness impacted the degree to which the potential acquisition was perceived as an opportunity or a threat. The analysis of the acquisitions studied pointed to partner organizational attractiveness as stemming from (a) the degree of interfirm organizational fit and (b) the firms' historical relationship. Partner organizational attractiveness is termed a static factor, a static pre-acquisition state of affairs, given that both of its dimensions exist prior to any active interfirm interaction concerning a potential acquisition.

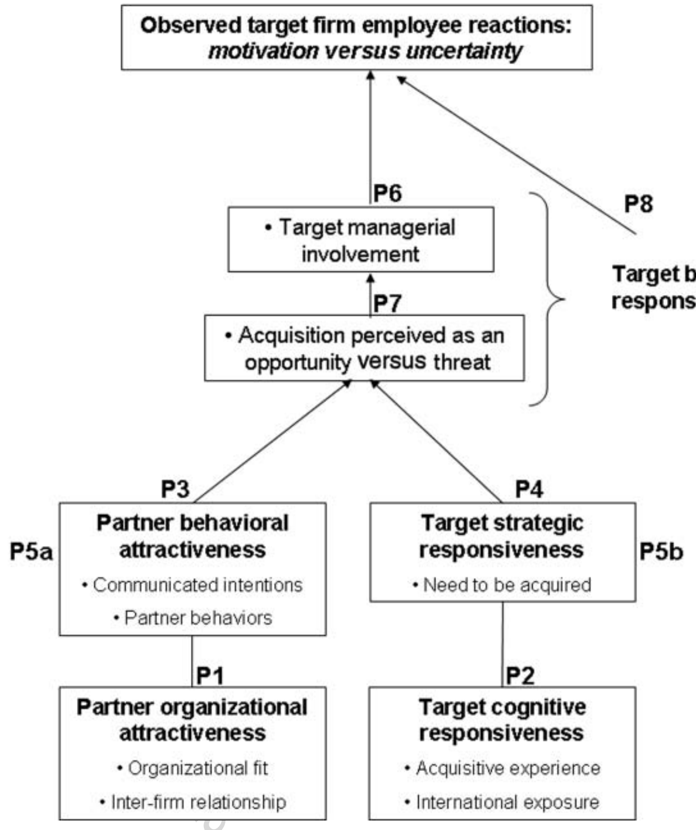
Organizational fit. The findings highlighted that the degree of similarity between the firms has an indirect impact on the direction of employee reactions. Indeed, the degree of organizational fit (Jemison & Sitkin, 1986; Weber, 1996) between the acquired and buying firms was found to be a sign to the employees of the acquired firm of the likely degree, depth, and ease of post-acquisition change. When firms shared a high degree of organizational fit, the forthcoming acquisition was more likely to be perceived as an opportunity; this was the case in the Danish, German, and both of the French acquisitions. In contrast, a low degree of organizational fit observed in the other acquisitions resulted in the forthcoming acquisition being perceived as a threat within the target firm. In their descriptions of the buying firm, employees of the acquired firm were found to assess the degree of organizational fit based on (a) whether the buying firm is known or unknown, (b) firm relatedness, (c) buying firm nationality, and (d) governance structure. This categorization warrants interest in itself, given its narrow scope; it

Table 4
A Cross-Case Comparison of the Dynamics of Target Firm Pre-Acquisition Employee Reactions

	Type I: Motivated targets				Type II: Motivated targets		Type III: Uncertain targets	
	Danish R&D unit	German R&D unit	French unit's acquisition	Unit in French multisite acquisition	German-U.S. acquisition	Finnish acquisition	U.K. R&D unit	Unit in U.S. multisite acquisition
Buying firm	A	A	D	C	B	D	A	D
Partner organizational attractiveness								
Organizational fit	High	High	High	High	Low	Low	Low	Low
Unknown B^f	Known	Known	Known	Known	Unknown	Known	Known	Known
Relatedness	Related	Related	Related	Related	Related	Related	Related	Related
Nationality	Attractive	Attractive	Attractive	Attractive	Attractive	—	Dislike	Dislike
Governance	Similar	Similar	Similar	Similar	Different	Different	Different	Different
Relative size	Similar	Similar	Similar	Similar	Different	Different	Different	Similar
Firms' historical relationship	—	—	Cooperative	Cooperative	—	—	Competitive	Competitive
→ Organizational attractiveness	High	High	High	High	Low	Low	Low	Low
Target cognitive responsiveness								
A^f acquisitive experience	High	High	High	High	Low	Low	Low	High
A^f international experience	High	High	High	Low	Low	Low	Low	Low
→ Cognitive responsiveness	High	High	High	Medium	Low	Low	Low	Medium
Partner behavioral attractiveness								
B^f communicated intentions	Uplifting	Uplifting	Uplifting	Uplifting	Uplifting	Uplifting	Not informed (defensive)	Not informed (defensive)
B^f behaviors	Connecting	Connecting	Connecting	Connecting	Connecting	Connecting	Disconnecting	Disconnecting
→ Behavioral attractiveness	High	High	High	High	High	High	Low	Low
Target strategic responsiveness								
A^f perceived need for an acquisition	High	High	High	High	High	High	Low	Low
→ Strategic responsiveness	High	High	High	High	High	High	Low	Low
(Resulting) target behavioral responsiveness								
A^f perceptions of opportunities	High	High	High	High	High	High	Low	Low
A^f behavior	Involvement	Involvement	Involvement	Involvement	Involvement	Involvement	Lack of involvement	Lack of involvement
→ Target responsiveness	High	High	High	High	High	High	Low	Low
Observed target firm employee reactions								
→ Resulting reaction in A^f	Motivation	Motivation	Motivation	Motivation	Motivation	Motivation	Uncertainty	Uncertainty

Notes: A^f refers to acquired firm; B^f refers to buying firm; — denotes that the dimension is not relevant for that case.

Figure 1
Dynamics of Acquired Firm Pre-Acquisition Employee Reactions—A Grounded Model



Note: P = proposition.

portrays the limited information that employees of the acquired firm have prior to an acquisition based upon which, regardless, they build their view of the future.

To begin with, once the news of the buying firm is known, employees began to speculate on “who is the buyer” and “what is the buyer like.” An immediate concern therein relates to whether the buying firm is known to the target firm or not. The less the buying firm is known, the more suspicion it was found to arouse among acquired firm employees. This was the case in the German-U.S. acquisition, Table 4; the acquisition was perceived more as a threat than an opportunity, given the fear of being acquired by an unknown buying firm, as the following quote highlights:

> But this new thing from Finland, who are they, what do they want, what will they do to us? The acquisition was by a company that most people had no knowledge of. There was some apprehension as to who is this buying firm. So, there was this uneasy feeling because this was a whole new entity. Many people were scrambling to investigate who the buying firm was, and some were even wondering where exactly on the map is Helsinki! (American interviewee, acquired German-U.S. firm)

Another factor predicting the expected degrees of organizational fit available to employees at the pre-acquisition stage was found to concern the degree of firm relatedness. The acquisitions examined all represented within-industry, related acquisitions. Interviewees in the acquired organizations noted a relief and satisfaction concerning this point. A within industry–related buying firm was perceived as one eager to develop the business of the acquired firm. Thus, there was a clear sigh of relief in the acquired organizations once it was confirmed that their new owner would not be a financial investor, but an industrial firm from within their industry. Financial investors tended to be perceived as merely interested in the financial success of the acquired firm, whereas industrial owners from one's own sector were perceived as taking a longer term interest in the development of the firm and the industry. The following quote from the French acquisition case exemplifies this point:

> It is always better to be bought by a company in your industry rather than a financial investor, who only sees the transaction as a financial operation. Having an industrial owner means that for them, the acquisition represents a strategic choice, an industrial choice, so they will invest in us. (Interviewee, acquired French unit)

The extent to which the forthcoming acquisition was perceived as an opportunity or a threat was, moreover, found to depend on the nationality of the buying firm. For the interviewees, the nationality of the buying firm dictated the degree of perceived cultural proximity between the countries involved and hence, the degree to which a future with this partner was perceived as threatening. With the exception of the British firm, the European target firms were relieved at the news of being acquired by another European company. Their preference for a European owner stemmed from feelings of greater cultural proximity with other European countries than with, for example, the United States or Japan, as the following quote from a French acquisition illustrates. These European acquired firm interviewees felt a strong sense of a shared value base with fellow European acquirers and rested their judgment more on this shared value base than on their country's actual cultural distance from that of the country of origin of the buying firm. This is the case between France and Finland, which are culturally distant European countries.

> Through this acquisition, we would find again a European mentality, a European way of thinking. The Finns and the French are very close to one another in the way of thinking as compared to the Americans, e.g., in terms of the way of managing and treating the European market. The Americans have a mindset of their own, it is a world apart from ours. (Interviewee, acquired French unit)

These findings resonate with extant research findings that have shown there are differences in buying firm integration approaches that can be traceable to the country of origin of the buying firm (Calori, Lubatkin, & Véry, 1994; Child, Faulkner, & Pitkethly, 2001). In the present study, perceived differences in management styles and integration approaches had an impact on the degree to which the acquisition was perceived as an opportunity or a threat. As, for example, European owners were perceived as less profit oriented than their American counterparts, an acquisition by a European company was considered a promise of a less performance-driven future, and hence European owners were preferred over Americans. This concern is exemplified in the following quote, in which a German interviewee describes the fear of an American owner:

> After our experiences with the due diligence interviews with an American company, our managers noticed differences between European and American companies. These were seen in terms of a different way of working that did not seem to fit with European companies. Thus, staff were happy that finally it was a European company that acquired us. (German interviewee, acquired German-U.S. firm)

Moreover, the findings resonate with Cartwright and Price (2003), who found that the national culture of acquired firm members influences the selection of the country of origin of firms they would prefer to be acquired by. They showed that in particular, a similar level of individualism (Hofstede, 2001) between countries influences this willingness. The present findings extend Cartwright and Price in that interviewees placed a primary focus on the perceived cultural proximity and performance orientation of owners rather than on the level of individualism per se.

A final yet decisive factor on which target firm members based their judgment of the degree of interfirm organizational fit related to the perceived fit between governance structures. This information was found to be of most significance when evaluating the degree of organizational fit, as it seemed to provide the most acute information concerning the forthcoming work environment. Indeed, in Table 4, we see this dimension of organizational fit as having the greatest predictive power over whether the firms were perceived to be similar or not. We note a stark contrast between the Danish, German, and French acquisitions, all with a background of being a unit under the previous ownership of a publicly listed multinational firm. These acquisitions welcomed the prospect of a likewise-governed multinational buying firm as an opportunity because they knew what to expect. Also the French multisite firm welcomed the new parent, as both the current and the forthcoming owners were family-owned multinationals. In contrast, in the other acquisitions, be it owing to the entrepreneurial and founder-owned nature of the target firm, where the founder resigned through the acquisition (as in the Finnish, German-U.S., and British acquisitions), or owing to the firm's family-owned background (as in the U.S. multisite acquisition), the prospect of working for a shareholder-owned multinational firm was seen in negative light. Such an acquisition was perceived to be a path gradually leading to a corporate culture less respectful of local units. This feeling is illustrated in the following quote from the U.S. acquisition, where they had begun to experience this shift with their previous parent firm:

> With the first new domestic owner, you see a changing of the guard. There is a different comfort level in working for a family-owned company compared to a public-owned company, so this represented a change for us. By comfort level I refer to a feeling, what word to use—fear of

> the unknown, there was a change as to the way the business was run and how you as a staff member fit in with the business. Now, we were held more accountable than in the former times. (Interviewee, acquired American multisite firm)

Extant M&A literature uses the notion of "relative size" of the target versus buying firms as a proxy for the pre-acquisition era (see e.g., Capron, Mitchell, & Swaminathan, 2001). Intriguingly, in the present findings, this proxy was not directly present in the pre-deal employee reactions. Instead, relative size was indirectly portrayed through the employees' reactions to firm fit in terms of governance structures. To understand why, let us take a look at how relative size was defined by interviewees. For the acquired firm members, relative size referred to a comparison between the new and the former *parent* firms, rather than a comparison between the acquired *unit* and the new parent firm. Reactions to relative size were thus included in the reactions to governance structures. Previously small-sized founder-owner firms experienced a difficulty in shifting into the ownership of a larger-sized multinational firm (examples of Finnish, British, and German-U.S. acquisitions), whereas acquired units with previous experience of ownership under a multinational (examples of the Danish, German, American, and both French acquisitions) did not waver with regard to relative size: They were used to working as parts of larger organizations. As the following quote highlights, relative size was directly invoked by the interviewees later, when post-deal integration challenges were discussed. However, firm size was not directly invoked in the pre-deal phase. This finding warrants interest in itself. In the study of M&A, researchers should be careful with regard to what is relative size; at what level of analysis is it measured? The present findings on the indirect pre-deal effect of relative size point to the need for more explorative qualitative research on the practice of M&A and the inherent limitations of the metrics in use.

> From the start, it was clear that we wanted to retain the unit's independence within our firm in the first post-deal years, and increase the degree of changes and integration induced to it over time. Given the large size of the parent firm, it was clear that a small unit easily chokes, if it has to comply with the rules of a larger firm. (Interviewee, buying firm D)

Firms' historical relationship. The degree to which a forthcoming acquisition was perceived in positive light in the target firm was further found to depend on the firms' historical relationship. Here, we make a distinction between firms engaged in a historically competitive relationship on the one hand and ones engaged in a cooperative relationship on the other. In the case of a cooperative historical relationship, marked by cooperation for example in a technological alliance, the prospect of an acquisition was welcomed with more positive spirits than was the case for companies sharing a fierce competitive history. The firms' historical relationship was noticeable in four of the studied cases. Both of the acquired French firms had previously enjoyed a positive relationship with the forthcoming owner, whereas the British and American acquired firms had shared a negatively touched competitive past with their respective buying firms.

In the U.S. acquisition, the yearlong history of competition had powerful consequences. There was nervousness regarding the way in which their much hated competitor would treat them and their knowledge repository in the post-acquisition years. The buying firm was perceived as a major threat to the future of the company. One interviewee noted that "given the strong competitive nature of our firms' relationship, staff felt pride in our past, thus some did not want to stay on with the buying firm." As a result, in the months preceding the deal, the staff in the acquired firm split into two. One part was ready to commit to the new owner, whereas the other part joined a host of start-up companies set up from the remnants of the target firm. Today, these new competitors have become a viable threat to the buying firm's operations. We note a contrary atmosphere in one of the acquired French firms, in which interviewees recalled with warmth the news of being acquired by their previous American parent, with whom they had enjoyed a yearlong technological cooperative alliance. As the following quote illustrates, the news of this deal was perceived as an opportunity:

> The news of being acquired by our previous American owner was a positive thing, as we knew them owing to the yearlong licensing relationship. The deal was positively welcomed. (Interviewee, acquired French unit)

Based on the findings presented in this section, I propose that partner organizational attractiveness, consisting of the degree of organizational fit and the firms' historical relationship, has an impact on the extent to which the future acquisition is perceived as an opportunity or a threat. An acquisition by an organizationally attractive buying firm is more likely to be perceived as an opportunity than vice versa. In formal terms, I propose:

Proposition 1a: High partner organizational attractiveness is positively associated with the acquisition being perceived as an opportunity in the acquired firm.

Proposition 1b: Low partner organizational attractiveness is positively associated with the acquisition being perceived as a threat in the acquired firm.

Target Cognitive Responsiveness

Target firm reactions to a forthcoming acquisition were further found to depend on the target's cognitive responsiveness, defined here as (a) target acquisitive history and (b) target international exposure. These factors were noted to predict the "cognitive" ease with which target firm employees dealt with the news of a forthcoming acquisition. Targets with acquisitive and moreover international (acquisitive) exposure appeared more cognitively responsive toward foreign ownership compared to those with little or no such experience.

Target acquisitive history. The acquired firms differed in the extent that they perceived a forthcoming acquisition as an opportunity or a threat, depending on whether they had previously been acquired or not. I refer to this experience as *target acquisitive history*.

Indeed, a noticeable difference was found in employee reactions to a forthcoming acquisition depending on whether the target firm was to be acquired for the first time, compared to targets that had already experienced one or several acquisitions and ownership changes in the past. Firms without previous acquisitive history (as targets) were typically small- to medium-sized founder-owned firms. Three out of the eight acquisitions studied fell into this category, namely, the German-U.S., Finnish, and British acquisitions. When comparing the employee reactions in these acquisitions to those in target firms with acquisitive experience, a difference could be found.

For the former, given their lack of experience of major organizational upheavals such as that represented by a change of ownership through acquisition, the enthusiasm and sense of belonging of the staff were found to suffer a major blow with the news of an acquisition. In contrast, target firms with previous acquisitive experience knew what to expect and through this experience, could start to leverage it to their own advantage. In the acquisitions of the German, Danish, and both of the French sites, each having been previously acquired, target firm members were better equipped to deal with the innermost feeling of fear that an acquisition causes in an employee. Why is this? Because the employees and managers were used to being acquired. They explained that they "knew what to expect." The managers in the acquired firms had gained experience of working with different kinds of parent firms. Employees could relate to what it was like to work for the different owners and furthermore how each ownership era was different from the previous one. In these acquisitions, there was a sense of "routine" to being acquired. As the following quotes illustrate, by perceiving the acquisition as an opportunity, management in these acquisitions began to proactively work toward making them happen:

> Our previous experience of being acquired really helped us, especially our local management team, in dealing with this acquisition. (Interviewee, acquired French unit)

> Our unit's management was experienced in working in an international environment. It had been owned by different parent firms for several years prior to this acquisition. Thus, the unit's management was open to new challenges and to change. (Interviewee, German acquired unit)

In the French and U.S. multisite acquisitions, despite their acquisitive experience, the forthcoming acquisition was considered as a threat. To explain and understand their reactions, we need to further dwell into the international exposure of these organizations.

Target international exposure. Target firms' perceptions of a forthcoming acquisition as an opportunity rather than a threat depended, moreover, on the extent of previous international exposure that the target had accumulated over its organizational history. Firms with no previous international exposure or only domestic acquisitive experience tended to share a fear of a foreign owner and would have preferred the comfort of an acquisition by a domestic company. This represented less change, less potential for culture shock, compared to being acquired by a foreign company. The prospect of a foreign buying firm raised employees' alarm levels due to the threat posed by perceived foreignness. This was the situation in the acquisitions of the German-U.S. and British acquisitions, with no previous experience of foreign parent firms and, moreover, relatively little international exposure. For the U.S. and French multisite acquisitions, although they boasted international exposure, their previous experience of having been acquired rested solely on domestic owner experience (see Table 3). Employees in these firms feared the prospect of a foreign owner. In contexts of cross-border acquisitions, this shows that previous experience of being acquired by itself does not ease the fear of a foreign owner if this experience is domestic. Second, this example shows that international exposure, if without foreign ownership experience, also is not as important. These feelings are reflected in the following quote from a French interviewee:

> Imagine that already with our previous domestic merger, the level of anxiety is high. This time, there was an emotional reaction in the shift from a French to a foreign owner. There was uncertainty toward the unknown, as this was our first cross-border acquisition. What will happen to us? (Interviewee, acquired French multisite firm)

Indeed, firms with previous foreign ownership experience were found to be most at ease with the news of another foreign owner. They took this experience as an advantage from a learning and multicultural exposure perspective and were not as troubled by the news of a foreign buying firm. This happened in the Danish, German, and French sites' acquisitions. In terms of the cross-cultural management literature, these target firms were endowed with "cultural intelligence" (Thomas & Inkson, 2004). The Danish interviewee's quote illustrates this point:

> The unit was aware of its competencies, but was not proud. We had gone through lots of learning in our life with our former European owner and we had learnt to deal with multiculturalism. (Interviewee, Danish acquired unit)

To summarize, based on the findings presented in this section, I propose that target cognitive responsiveness, consisting of the degree of target acquisitive and international exposure, influences the extent to which a forthcoming acquisition is perceived as an opportunity or a threat. A cognitively responsive target is more likely to perceive a forthcoming acquisition as an opportunity than vice versa. The following propositions summarize this argument:

Proposition 2a: High target cognitive responsiveness is positively associated with the acquisition being perceived as an opportunity in the acquired firm.

Proposition 2b: Low target cognitive responsiveness is positively associated with the acquisition being perceived as a threat in the acquired firm.

Partner Behavioral Attractiveness

In the previous sections the attractiveness of the buying firm in the eyes of target firm members was discussed in terms of organizational attractiveness. I now shift to the partner's behavioral attractiveness, and in so doing, refer to those dynamic actions and behaviors that buying firm representatives were found to engage in during the pre-acquisition era. The main difference between the notions of partner organizational and behavioral attractiveness reflects their different degrees of dynamism and different location on an acquisition timeline. Whereas a partner's organizational attractiveness is a quasi-static pre-acquisition measure of interfirm attractiveness, the partner's behavioral attractiveness refers to those partner behaviors that buying firm representatives portray vis-à-vis the particular acquisition in question once pre-acquisition encounters begin. I define partner behavioral attractiveness in terms of (a) the partner firm's communicated intentions with regard to the acquisition and (b) the partner firm's representatives' behaviors toward the target in the pre-acquisition era.

Communicated partner intentions. The kinds of post-acquisition intentions that the buying firm communicates to the target firm in the pre-acquisition era provide a powerful lever for the latter on which to base a more grounded opinion of the potential buyer. For an overview of buying firm intentions per acquisition, see Table 3. As the acquisitions were within industry–related acquisitions, in which the buying firms' intent in pursuing the acquisition was either an increase in research and development resources (as in Danish and German acquisitions) or to strengthen the breadth of an existing product line and enter new geographical markets (as in French multisite, Finnish, German-U.S., and French sites' acquisitions), it was in the buying firm's best interests to ensure a high level of acquired firm motivation. This sincere long-term interest in the acquired firms was communicated in the pre-deal due diligence and valuation negotiations, as the following quotes exemplify. These overt and sincere communications in turn helped the acquired firms' management to see the forthcoming acquisition as an opportunity rather than as a threat.

> Our management was happy with the acquisition, as the ambition of [buying firm C] to become a leader in this industry was an attractive one, in which we wanted to participate. It is better to be in the winning ship than in the sinking ship. Thus, we began to work on business plans together. (Interviewee, acquired French multisite firm)

> As a small firm, we had limited resources, we were only operating in Finland. . . . After the deal, we could get positive injections into our company's operations, and yet we could control what was taking place. We got involved in international business . . . this was a boost to our morale. Staff realized that as a privately owned firm we are more vulnerable than as part of a large firm. Also, internationalisation would bring new opportunities and thus strengthen us. (Interviewee, Finnish acquired firm)

A contrary position is found in the British and U.S. acquisitions; here the buying firm orchestrated a double-edged sword. In the British acquisition, the aim was to increase both research and manufacturing resources while gaining access to the U.K. market. All the while, buying firm representatives conceded that the acquisition was a defensive one with the aim of buying off a competitor. Although the purported integration strategy was a symbiotic one (Haspeslagh & Jemison, 1991), the wording used was a "takeover." At the time the buying firm itself had limited acquisition experience, hence the acquisition was later doomed because it was "poorly managed." Buying firm intentions seemed not to have been clearly communicated to the target, because soon after the acquisition almost the entire target management team resigned and left the company. Interviewees "felt defeated."

In the case of the U.S. acquisition, the aim was to gain a stronger presence on the U.S. market and to add a new product to the business segment. In addition, the acquisition was termed as a "defensive buy of research and development potential." Owing to the firms' competitive history and the lack of any pre-acquisition communications from the buying firm, its attractiveness among the employees was low, as the following quote illustrates, resulting in a substantial loss of talent:

> The rumor in the city said that "the Finnish competitor has destroyed us using deceitful methods." They also said that we are going to steal their valuable knowledge. The general mentality in the area was very negative toward us. This is understandable, as the city is small, and lives mainly on the acquired firm and related suppliers. Their image of Finland and our firm was a very negative one—"coming to steal our knowledge, our know-how, so that they can develop it forward." (Interviewee, buying firm D)

With hindsight, buying firm representatives realized they could have better communicated their intentions with regard to the future of the American acquired firm (see following quote). Through the lack of information, a state of frantic fear took over the employees.

> We could have done a better job of informing people from the start, but until the end we were not sure whether we would get the deal, and thus, are we allowed to campaign actively. With hindsight, we could have been more proactive toward the newspapers by informing them about our plans, promoting a positive image of our firm. (Interviewee, buying firm D)

In both of the aforementioned examples, the buying firm's defensive acquisition intentions combined with poor communications resulted in both buying firms' behaviors being interpreted as lacking sincerity. Indeed, we note that for both cases the post-acquisition periods were marked by the defensive nature of the acquisitions, in that neither acquired firm appeared to be as fairly treated as were the other acquisitions.

Partner behaviors. The buying firm's pre-deal role is typically considered as consisting of performing due diligence (Angwin, 2000; Jemison & Sitkin, 1986). Marks (1991) argues that management tends to be focused on legal and financial aspects, omitting to pay attention to the target firm's employees' well-being. Napier (1989) claims that the impact of the role of the due diligence representatives of a buying firm on the levels of uncertainty in the acquired firm, such as by causing rumors, has not been addressed in research.

The significance of respectful and humane buying firm behaviors has been raised in individual pieces (Krug & Nigh, 2001; Schweiger et al., 1987). In the current study, the issue of whether an acquisition was perceived as an opportunity or a threat was also found to depend on the behaviors of buying firm representatives in their pre-deal encounters in the target firm. On the one hand, the interviews highlighted that meeting with the target firm managers in negotiation or evaluation interviews was an opportunity to begin developing a cooperative relationship. At best, buying firms did not only view these as occasions to evaluate the acquired organization. Rather, as the following quote illustrates, they were considered as opportunities for mutual exploration in order to prepare the ground for future cooperation and a successful integration phase. The buying firms were particularly apt at creating a relationship with the management of the acquired firm in these early encounters. This mirrors Marks and Mirvis (2001) on the significance of pre-acquisition managerial relationship building to the success of an acquisition.

> My meetings with the buying firm were friendly. The atmosphere was very open. . . . During the pre-deal phase interviews, the focus was on positive things. They wanted to hear what is happening, to learn about us. They tried to understand how we could continue together. They focused a lot on the people side, not just on production [interviewee's area of responsibility]. (German interviewee, German-U.S. acquired firm)

As a sign of this relationship created during the pre-deal phase, in all but the British and American acquisitions, the managers began jointly planning for the post-deal era prior to the official deal (see following quote from the Finnish acquisition). Indeed, the former cases are the only two examples within the set of acquisitions studied wherein buying firm managers failed to create a pre-deal "connection" with their counterparts in the acquired firm. Creating this connection was found to be critical with respect to securing employee motivation because once the acquired organization's management team was positive about the deal and the buyer, they were in a position to relay this attitude to their organization. This is what happened in the remaining six acquisitions.

> The fact that we had done good planning prior to the deal ensured that at the time of the deal, we could get started immediately. Good planning is a crucial success factor in acquisitions. This can be seen, if you compare to acquisitions where no planning has been made, as in the example of a former acquisition we did. It has long-term consequences. (Finnish interviewee, buying firm D)

To summarize, based on the findings presented in this section, I propose that partner behavioral attractiveness, consisting of partner pre-deal communicated intentions and behaviors, has an impact on whether the acquisition is perceived as an opportunity or a threat. An acquisition by a behaviorally attractive buying firm is more likely to be perceived as an opportunity than vice versa. The following propositions summarize this argument:

Proposition 3a: High partner behavioral attractiveness is positively associated with the acquisition being perceived as an opportunity in the acquired firm.

Proposition 3b: Low partner behavioral attractiveness is positively associated with the acquisition being perceived as a threat in the acquired firm.

Target Strategic Responsiveness

The acquired firm's responsiveness to the acquisition was previously discussed in terms of its cognitive responsiveness. In this section, the focus shifts to the target's strategic responsiveness. Whereas target cognitive responsiveness is based on the target's historical, experience-based responsiveness (i.e., representing a static state), strategic responsiveness refers to the target's acute need to be acquired at the time of the acquisition (i.e., representing a dynamic state). The essential question here is—does the target firm experience a need to be acquired or not?

Perceived need for an acquisition. A difference was noticeable in terms of whether target firm members perceived their firm to be in need of acquisition. For an overview of the acquisitions examined in terms of their perceived need for an acquisition, refer to Table 3. Employees in companies that expected to be acquired—for example, due to a strategic business opportunity or for purposes of sheer survival—were found to accept the news of a forthcoming acquisition rather well; they might even be enthusiastic about it. Graebner (2009) terms these *strategic hurdles* that force the selling side to seek a new owner. In such instances, an acquisition represented an opportunity for survival, renewal, growth, or international expansion. This was the case in six of the acquisitions studied. Indeed, for the Danish, German, and both French acquisitions, the issue was whether the target would survive or not. Financial performance was poor, their previous owners were about to cash out; hence, the firms were in a dire need to find a suitable partner. In the otherwise well-performing

Finnish and German-U.S. acquisitions, the acquisition further represented an opportunity for internationalization of the product offering in the hands of a more experienced owner. In contrast, in the well-performing British and the bankrupt U.S. acquisitions, employees were lulled (although falsely, because the competitive landscape or the target's financial performance did not support such thoughts) into believing that they could survive as a standalone without an acquisition. Hence, we note that the issue is not as much about the actual need for an acquisition, all of the target firms having such a need, but rather, about the *perceived* need for an acquisition. Moreover, the findings caution against using existing proxies, such as "relative firm performance," to predetermine acquisition dynamics, including employee reactions; here, regardless of performance, employees shaped their reactions depending on their *perceptions* of the need for an acquisition.

To summarize, based on the findings presented in this section, I propose that target strategic responsiveness, essentially concerned with whether the target firm members perceive to be in the need for an acquisition or not, has an impact on whether the acquisition is perceived as an opportunity or a threat. A strategically responsive target is more likely to perceive a forthcoming acquisition as an opportunity than a threat. More formally, I propose:

Proposition 4a: High target strategic responsiveness is positively associated with the acquisition being perceived as an opportunity in the acquired firm.

Proposition 4b: Low target strategic responsiveness is positively associated with the acquisition being perceived as a threat in the acquired firm.

Target Behavioral Responsiveness

A third component of target responsiveness, in addition to its previously discussed cognitive and strategic dimensions, was identified as pertaining to target *behavioral* responsiveness, defined here in terms of (a) perceived opportunity from the acquisition and (b) target managerial behavior.

Acquisition perceived as an opportunity. Expectations of the future have been found to predict employee reactions in times of M&A (Dackert et al., 2003). In this study, employee reactions to buyer options were found to largely depend on the extent to which the forthcoming acquisition was perceived as an opportunity or not.

Coupled with the news of an acquisition comes the generic fear of "Will we keep our jobs?" and "Will our products and business line continue?" However, the findings showed that as soon as it became clear that the new owner's era was coupled with positive rather than negative news, the new owner was better received in the acquired organization. If the employees in the acquired organization perceive the buying firm in a positive light, for example, owing to promising future business prospects or to the company's compelling image, employees were likely to be more eager to join the company. On the other hand, the prospect of negative consequences was followed by an outpouring of negative feelings. Examples of positive prospects include the opportunity for internationalization, increased investments, and belonging to a top player in the industry. This is illustrated by the following quote from the French multisite acquisition, where perceived opportunity arose from the high ambitions of the buying firm:

> Our management is happy with the acquisition, as the ambition of the buying firm to become a leader in this industry is an attractive ambition, in which we want to participate. It is better to be in the winning ship than in the sinking ship. Thus, we began to work on business plans together. (Interviewee, acquired French multisite firm)

In comparing the acquisitions in terms of whether an acquisition was perceived as an opportunity or a threat, see Table 4, we find that all acquisitions, except for the British and American ones, score high in terms of perceptions of opportunity. How to explain this result? If we compare partner attractiveness and target responsiveness factors presented earlier against the extent to which the acquisitions were perceived as opportunities or threats (see Table 4), we find that perceived opportunity mostly depended on partner behavioral attractiveness (i.e., communicated partner intentions and pre-deal behaviors) and target strategic responsiveness (i.e., the need for an acquisition). This is visible in Table 4 when comparing the three categories of acquisitions against one another.

The first category, consisting of the Danish, German, and both of the French acquisitions, concerns the "motivated cases." In the early pre-acquisition phases, the static factors, consisting of partner organizational attractiveness and target cognitive responsiveness, are both high, predicting a future acquisition with the buying firm as likely to be perceived as an opportunity. Moreover, as the acquisition preparations move forward, dynamic factors, namely, partner behavioral attractiveness and target strategic responsiveness, also score high. As a result, we see that both the static and the more dynamic attractiveness and responsiveness factors lead to a positive view of the future within this buying firm. Indeed, this is what happened; as in all these cases, the future with the buying firm was perceived in a positive light, as an opportunity.

Let us then move on to analyzing the third category, consisting of the British and American cases, both representing, in terms of employee reactions, "uncertain cases." In the early pre-acquisition phase, partner organizational attractiveness and target cognitive responsiveness both scored low, thus, already at that stage, predicting that a future acquisition with the buying firm is likely to be perceived as a threat. Moreover, as the acquisition preparations move forward, partner behavioral attractiveness and target strategic responsiveness remain at a low level. As a result, we see that both the static and more dynamic attractiveness and responsiveness factors predict a negative view of the future with this buying firm. This prediction turned out to be correct, as the buying firm was considered a threat by target firm members.

Based on these two types of acquisitions, we would be led to conclude that all four attractiveness and responsiveness factors are equally important for determining how positively an acquisition is welcomed in the acquired firm. However, the situation becomes trickier when we undertake a more thorough analysis of the second category, consisting of the German-U.S. and Finnish acquisitions. Both cases illustrate the situation wherein the static pre-acquisition factors, namely, partner organizational attractiveness and target cognitive responsiveness, score low. However, these acquisitions do not result in being doomed through negative spirits. Indeed, in both cases, the buying firm is ultimately seen in an optimistic light. The reason for this shift in perceived opportunity rests on the dynamic pre-acquisition factors, namely, partner behavioral attractiveness and target strategic responsiveness, which both scored high in these acquisitions. In these cases, the buying firms, through their uplifting intentions as well as respectful pre-acquisition behaviors, managed to convert the prevailing threatening view held by the target firms toward the positive. What is more, both acquisitions shared a strategic need to be acquired. This allowed them to move beyond their lack of cognitive responsiveness that would have predicted a negative response to an acquisition. In summary, we see that the dynamic factors overwhelm the static factors in predicting whether targets tend to respond to an acquisition as an opportunity or a threat.

Following from the aforementioned, as presented in Figure 1, it is proposed that partner behavioral attractiveness mediates the impact of partner organizational attractiveness to the extent that the acquisition is perceived as an opportunity. Likewise, it is proposed that target strategic responsiveness mediates the impact of target cognitive responsiveness to the extent that the acquisition is perceived as an opportunity. In formal terms, I propose:

Proposition 5a: Partner behavioral attractiveness mediates the impact of partner organizational attractiveness to the extent that the acquisition is perceived as an opportunity in the acquired firm.

Proposition 5b: Target strategic responsiveness mediates the impact of target cognitive responsiveness to the extent that the acquisition is perceived as an opportunity in the acquired firm.

Target involvement. When comparing the studied acquisitions with regard to the degree of motivation versus uncertainty over a future with the buying firm, the extent to which the management of the target firm was proactively involved in completing the acquisition process was found to be critical. We find that in six of the acquisitions (see Table 4) the management of the acquired firm took a proactive role in ensuring that the acquisition succeeds. We further note that these six acquisitions also represent those where the acquisition was welcomed with motivated spirits, compared to the British and American cases, where a lack of managerial involvement in the target firm resulted in employees dwelling on an ongoing wave of uncertainty.

It would therefore seem that acquired firm managers have a central role in the pre-deal phase, especially with regard to the direction of employee reactions—do they lean toward motivation or uncertainty? The acquisitions examined showed that managers of the acquired firm who are proactively involved wanted the acquisition to succeed, hence they did all they could to convince the employees in their organizations to remain motivated. They were using the pre-acquisition information to which they had access to ease their employees' concerns by ensuring regular and trustworthy communications. In doing so, they took an active part in shaping the employees' perceptions of their future as part of the new buying firm. Consequently, acquired firm managers held a critical lever role between the buying firm and their employees. This proactive role is illustrated in the following quote from the French acquisition, a case that exemplifies the local management's role in easing uncertainties and shifting employee reactions toward motivation. These findings parallel the work of Graebner (2004) on the critical role of acquired firm managers in securing value in technology acquisitions. The present findings confirm and extend prior findings by pointing to the local within-firm motivational role that acquired firm managers can, at best, already undertake in the pre-deal phase.

> For some reason, the acquired firm staff had a positive image of us. I believe this stemmed in part from the site manager's positive image of our firm. He then brought this image through the organization. If he would go over to staff and tell them that this is a good thing, they would believe him. In this sense he was good at managing the unit's spirits. . . . The site manager did an extremely good job of keeping the unit informed throughout the period of uncertainty. He explained, informed, and again explained. This decreased the level of speculation at the factory. (Interviewee, buying firm D)

In summary, we find that the degree of acquired firm managerial involvement in the pre-deal era had the strongest predictor effect on employee reactions in the pre-deal era. In other words, regardless of the situation, if the acquired firm managers were convinced of the need for an acquisition, they were able to relay this attitude to their employees. In formal terms, this leads me to propose:

Proposition 6a: High involvement of managers in target firms results in high pre-acquisition motivation levels in the target firm.
Proposition 6b: Low involvement of managers in target firms results in high pre-acquisition uncertainty levels in the target firm.

Moreover, we note that cases where acquired firm managerial involvement was high represented those where the acquisition had been perceived as an opportunity (as in Table 4). I hence posit that the extent to which an acquisition is perceived as an opportunity rather than a threat impacts the willingness of acquired firm managers to proactively involve themselves in making the acquisition happen. In formal terms, I propose:

Proposition 7a: High perceived opportunity from the acquisition results in acquired firm proactive managerial involvement toward the acquisition.
Proposition 7b: Low perceived opportunity from the acquisition results in a lack of managerial involvement in the acquisition by acquired firm managers.

As target behavioral responsiveness is defined in terms of the previously discussed factors (i.e., target managerial involvement and perceived opportunity), in summary of these findings, I further propose:

Proposition 8a: High target behavioral responsiveness is positively associated with high pre-acquisition motivation levels in the target firm.
Proposition 8b: Low target behavioral responsiveness is positively associated with high pre-acquisition uncertainty levels in the target firm.

Discussion

In the light of the significance of M&A as corporate phenomena and continued reports of their high failure rates, the intent of this article has been to shed further light on the human dimensions of these activities. With this objective in mind, this article reports an inductive theory building approach aimed at enhancing our appreciation of the dynamics of target firm pre-acquisition employee reactions.

Limitations

Given the explorative and inductive nature of the study, prior to discussing its findings and contributions, reference to the limitations of the study and the proposed model needs to be highlighted. The aim of this study was to explore hitherto largely unstudied ground, the pre-acquisition reactions of target firm employees. Despite the large number of interviews and case studies conducted in the context of this study, the findings need to be considered with caution and subject to further validation in diverse empirical and cultural contexts (Charmaz, 2006). Two limitations require highlight before discussing the tentative model and findings.

A first limitation concerns the use of buying firms from a single country of origin. As a result, the context-boundedness of the results needs to be considered before applying the findings to other contexts. This limitation is lessened by the fact that five of the studied acquisitions, through their previous ownership experience, compared the experience of being acquired by a Finnish multinational with the experience of having been acquired and owned by their previous parent firms of French, Dutch, Japanese, and American origin (see Table 3). The choice of selecting buying firms from one country of origin was one way to deal with the otherwise great cultural and organizational diversity involved in the research setting: In this regard, buying firms represented industrial firms from across a range of industries, and the acquired firms represented a host of national backgrounds.

A further limitation concerns the fact that the interviews were conducted and analyzed post hoc by a single researcher. There are varying views regarding the use of one or multiple researchers when undertaking qualitative research. A more positivist view (Burrell & Morgan, 1979) that aims at "exactness" in research findings would seek second or third researchers to "verify" the findings; this is, for example, suggested by Eisenhardt (1989) as relevant to conducting multiple case study research. Another view is to see the inherent context-boundedness of any type of qualitative research endeavor in that, having been conducted via interpersonal interactions, the results will be context specific and to a certain degree also researcher specific. It has been acknowledged that the aim of inductive theory building studies is not the development of a "perfect" model, but rather a model that is context specific (Charmaz, 2006) and subject to later development (Glaser & Strauss, 1967). Recent reviews of the grounded theory approach have noted the variety of ways in which the method itself has been interpreted, even by its most seminal authors and their successors (see excellent reviews in Charmaz, 2006; Locke, 1996, 2001; Suddaby, 2006). This stance sees qualitative, theory building research as not purporting to report an ultimate truth, but rather as drawing its strength from studying phenomena across contexts. To this end, noteworthy pieces of qualitative grounded or multiple-case study-based research reported in top tier publications have been conducted and analyzed by a single researcher (see e.g., Huy, 2002; Schweizer, 2005). Huy (2002) notes that "an inductive, theory-building study is at best suggestive. The strength of this study is in providing contextualized and textured information, not generalizations, but its limitations indicate potentials for future research" (p. 62).

Following the aforementioned discussion, I conclude that the findings need to be considered as tentative and subject to further validation. Following Huy (2002), however, I see that these limitations can in parallel be considered as opportunities and strengths. As we shall see later in this section, the study of Finnish buying firms allowed discerning patterns of managerial and acquisition behavior that might not have been evident in the study of a culturally more hierarchical country (House, Hanges, Javidan, Dorfman, & Gupta, 2004).

Contributions

The proposed, tentative model suggests the following. While prior research has tended to provide a bleak and distressed image of employee reactions during M&A (Ivancevich et al., 1987; Marks, 1982; Risberg, 2001), there has been little discussion about the *factors* affecting the fluctuations of employee reactions from the negative to the positive in times of M&A (Bourantas & Nicandrou, 1997; Seo & Hill, 2005). Moreover, the literature takes a seeming focus on post-deal employee reactions (e.g., Fairfield-Sonn et al., 2002; Fried et al., 1996; Froese et al., 2007; Pioch, 2007; Risberg, 2001). In the light of these considerations, by focusing on the dynamics of the *pre*-acquisition reactions of target firm employees, the article makes the following contributions to M&A research.

First, the findings provide a view that contradicts the mainstream M&A human research tradition in that six out of the studied eight acquisitions leaned more toward employee motivation than uncertainty during the pre-acquisition era. In other words, the much publicized issue of human “toll” was largely missing in the acquisitions examined in this study. Consequently, the findings contribute a positive view of employee reactions to an acquisition ex ante. In contrast, most M&A research to date has highlighted the negative stigma surrounding M&A (Buono & Bowditch, 1989; Marks, 1982; Risberg, 2001), especially in the pre-acquisition era (Ashkanasy & Holmes, 1995; Buono and Bowditch, 1989; Ivancevich et al., 1987). The significance of this finding needs to be set in the broader M&A performance context (King et al., 2004; Zollo & Meier, 2008), in that here it is assumed that acquisitions in which employees are motivated from the day of the deal onward are likely to enjoy not only an easier integration period but also a healthier one in terms of performance, devoid of the oft-mired people-related challenges, including labor and managerial turnover (Hambrick & Cannella, 1993; Hayes, 1979; Krug & Nigh, 2001; Véry et al., 1997), increased absenteeism (Davy et al., 1988), rumoring (Ivancevich et al., 1987), and the loss of productive work hours (Wishard, 1985). More strikingly, employee reactions in times of M&A seem to be enduring, in that positive reactions remain in the years subsequent to an acquisition (Fairfield-Sonn et al., 2002), with this reaction not diminishing but tending to become emphasized over time (Schweiger & DeNisi, 1991).

The next question to consider is what explains these results and how they could be applied to other contexts. The second contribution is unearthing the dynamics explaining why the pre-acquisition reactions of acquired firm employees tend toward motivation or uncertainty. While previous M&A research has brought forward a bleak image of the negative consequences of M&A on acquired firm employees (Buono & Bowditch, 1989; Cartwright & Cooper, 1990; Marks, 1982; Napier, 1989), especially in the pre-acquisition era, it has not actively focused on *explaining* shifts in employee reactions between the positive and the negative throughout an acquisition process (Bourantas & Nicadnrou, 1997; Seo & Hill, 2005), let alone the pre-deal period. Moreover, an overall lack of M&A research on the pre-acquisition era has been bemoaned (Greenwood et al., 1994; Schweiger & Goulet, 2000). Indeed, the post-acquisition integration era does not start in a void, but is directly influenced by what has taken place in the pre-acquisition phase (Haspeslagh & Jemison, 1991; Quah & Young, 2005). Calls to link the pre- and post-deal phases of M&A have been made (Haspeslagh & Jemison, 1991; Hunt, 1990), while highlighting the complex nature of this relationship (Kitching, 1967; Marks, 1982). Despite this, it seems that the dynamics of this relationship, for example, how the pre-deal phase impacts on the ensuing integration phase, remain unclear and require more systematic research (Greenwood et al., 1994; Schweiger & Goulet, 2000). The present findings on pre-deal employee reactions contribute to a gradually expanding field of research on the pre-acquisition period.

The proposed model points to the heart of the issue behind the direction of pre-deal employee reactions as that of whether a forthcoming acquisition is perceived as an opportunity or a threat by employees in the target firm. The present findings show that only when an opportunity perspective prevailed in the target firm (in the views of the management) did the management of that target firm become noticeably proactive in making the forthcoming acquisition a success. When this occurred, target firm managers were able to project this view of the future to the employees, as a result of which employee reactions leaned toward motivation. The acquisitions studied showed that when such activity was missing, employees and managers of the acquired firm alike remained lulled in an increasing state of uncertainty and fear vis-à-vis the future.

In summary, the degree of acquired firm managerial involvement in the pre-deal phase was found to have the greatest predictive power on the direction of employee reactions. Hence it is in the interest of acquiring firm managers to ensure that their counterparts in the acquired firm have an active involvement and interest toward the acquisition. The fact that this finding emerged in the present study of largely Finnish, namely, Nordic, buying firms is worthy of attention in itself. The Finnish management style tends to be low hierarchy, empowerment oriented, and geared to individualism (Hofstede, 2001; House et al., 2004). These characteristics are in contrast with those found in the acquired firms (whose national origins were French, English, German, American, and Danish). With the exception of Denmark, in these countries management hierarchy levels are more prevalent than in Finland. This cultural discrepancy, although not without difficulties, was also to the Finnish buying firms' advantage. As predicted by Cartwright and Cooper (1992), and recently shown in Korean cross-border acquisitions by Froese et al. (2007), acquired firms were satisfied at welcoming a less hierarchical corporate regime. From the pre-deal phase onwards, managers of acquired firms were expected to involve themselves in the making of their future; this further increased their motivation to work for the new parent firm. This finding stands in contrast to the results of previous M&A research. Haspeslagh and Jemison (1991) argue for the existence of "expectational ambiguity" in the acquisition process. This view expects disharmony and distrust to exist between the involved firms. Nahavandi and Malekzhadeh (1988) see post-acquisition stress as arising from the firms involved holding differing views (or "acculturative modes") regarding the acquisition regime. Both views assume conflict and disharmony between the partners, whereas the findings presented here point to the possibility of managerial involvement of the acquired firm and positive interfirm relations—this leading to positive employee reactions following the deal. It could be that a potential limitation in the article, that the study is restricted to Finnish buying firms, has turned into the article's strength. By studying acquisitions from a low hierarchy cultural context, part of the prevailing assumptions in M&A research were found not to hold.

If it is so important, how can target firm managerial involvement be secured in the pre-acquisition phase? As we noted earlier, target firm managers became involved if they perceived an opportunity in the acquisition. I termed the two dimensions *target managerial involvement* and *the acquisition perceived as an opportunity* jointly as *target behavioral responsiveness*. I found target behavioral responsiveness to result from (a) static partner- and target-related factors (partner organizational attractiveness and target cognitive responsiveness) as well as (b) dynamic partner- and target-related factors (partner behavioral attractiveness and target strategic responsiveness). What was significant was that the dynamic factors were found to exhibit a stronger predictive impact on target behavioral responsiveness than were the static factors. Indeed, in two of the studied acquisitions, a low ranking of static factors was countered by a high ranking of dynamic factors; namely, attractive partner behaviors and a strategically responsive target. This leads me to conclude that employee reactions to a forthcoming acquisition are not the deterministic result of the change or the nature of the partner organization per se, but views that can be influenced through the buying firm's behavior (see also Marks, 1991; Schweiger et al., 1987) and positive future intentions, as well as the perceptions of the target regarding a need to be acquired. This finding can also be regarded as contradicting the prevailing view in M&A research. Nahavandi and Malekzhadeh (1988), basing themselves on cross-cultural psychology (Berry, 1983), argue that the degree of acculturative stress following an acquisition depends on the preferred acculturation modes of the firms involved. They conceptualize acquired firm reactions to the buying firm as resulting from the degree of partner attractiveness and the extent to which the acquired firm wishes to preserve its own culture. These issues would, in the present article, both be considered as static factors, standing in contrast to the impact of the dynamic factors that were here found to be of greatest significance.

These findings offer insights into interesting avenues for future research on M&A. First, how would the present findings stand up in the post-acquisition integration period; would similar factors and employee reaction patterns be identified? Second, would the present findings hold for other types of acquisition, be they different integration strategies, degrees of relatedness, or different geographical, cultural, and industrial settings? Third, how could the topic be studied through a quantitative measurement instrument? Given the significance of M&A as corporate phenomena, active research efforts are called for.

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