

Managerial Communication during Mergers and Acquisitions: Testing a Four- Factor Model

By

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ABSTRACT

This article examines the interrelationship among perceived managerial communication, employees' perceptions of justice, employee turnover intentions and employee satisfaction in the post-merger integration (PMI) phase. A mixed method research design was adopted to carefully observe and investigate the communication strategies of five mergers and acquisitions (M&A) deals. Quantitative data and qualitative data were collected through surveys from the employees (N=315) of the acquired organizations, and through in-depth interviews from the managers (N=18) of the acquiring companies respectively. The results of the structural equation modeling (SEM) explained and predicted the mediated relationship between the perceived effectiveness of communication and employee satisfaction (+) and their turnover intentions (-). Perceived justice mediated these relationships, however, distributive justice was not included in the overall equation. The results of the qualitative study corroborated with SEM results, categorized communication effectiveness into six important themes- audiences, channels/ modes, frequency, timing, motives, communicators with 13 sub-themes.

Originality/ Value/ Contribution: This study explains the role of effective managerial communication in increasing employee satisfaction and lowering employee turnover intentions during M&A. Communication has always been neglected by the merging organizations and thus, the organizations had to bear the cost of neglecting it in the form of poor M&A performance.

Proper implementation and execution of communication practices in the PMI phase enables employees to cope with their negative emotions during M&A, help develop fair perceptions about the company and thus helps in achieving employees' full cooperation and support during change phenomenon which further leads to successful change.

Keywords: Communication, Justice, Turnover Intentions, Satisfaction, Mergers and Acquisitions.

INTRODUCTION

Mergers & acquisitions (M&A) have always been instrumental for companies in consolidating and growing (Ellis & Lamont, 2004), not only in the developed economies but also in the countries which are in their developing state. Recent years have been marked with the tremendous growth in the number of M&A deals. 2016-17 has been marked with tremendous growth as worth \$61.26 billion was spent on M&A activities in India while this amount was \$27.62 billion in 2016, comprising 8.8% of overall Asia Pacific deals market. According to the report of Merger Management consultancy, M&A targeting India totaled US\$ 4.9 billion in Q1 2014, 12.7 % over the Q4 2013 value (US\$ 4.4 billion).

But despite the high rate of M&A deals in India, more than 75% of local M&As failed to accomplish their set objectives, and more than 59% of the organizations have actually ruined the value of the firm within just one year of the deal, as revealed by a study of KPMG. The research in this area also has time to time corroborated with the findings of these consultancies, as on similar lines Rafferty and Restubog (2010, p.2) summarized- "M&A are large scale changes that engender considerable disruption and result in a number of negative consequences for employees and organizations". Different authors have ascertained the impact of M&A on employee perceptions- particularly, on feeling of insecurity and uncertainty, separation anxiety, loss of power and authority, unfavourable changes in job roles etc.

Looking at the models and research on integration it can be said that a wide variety of disparate factors, especially HR practices that lead dissatisfaction during PMI have been identified in recent

past (Cartwright & Cooper, 1995; Daniel & Metcalf, 2001; and Bansal, 2015) to resolve these issues. Within organizations, these are the HR executives who are responsible for making employee friendly policies (Garavan, 2007). Developing communication plan and implementing the strategies set is the key concern of HR during M&A. If not handled properly, may hit employees' emotions and they may not remain satisfied in their new organization. KPMG in its study on managers in corporations of Canada identified communication to be the most important factor in successfully leading the change. Further, another research on Fortune 1000 organizations' managers emphasized on the crucial role played by "clear and consistent communication" across the change process. According to Marks & Mirvis (1985) incorporating communication during M&A is crucial in combating with the feeling of merger syndrome. Also, the regular formal communication even in the pre-merger phase help preventing the PMI issues.

Despite, M&A crisis very visibly demonstrates the importance of effective communication process during M&A, but this singular focus of communication effectiveness on employee satisfaction may not suffice the explanations of individuals' felt experiences. Hence, borrowing from the study of Ambrose & Schminke (2009) and Gopinath and Becker (2000) the current study looks at the mediating role of organizational justice and employee turnover intentions, as the earlier research yet not been able to find the direct link between the communication effectiveness and employee satisfaction during M&A.

Organizational justice is an important construct as M&A involve plenty of decisions related to the allocation and distribution of resources, which builds the employees perceptions of fairness in the merged firm (Citera & Rentsch, 1993). In the lack of information, employees tend to feel fishy and suspicious on about the policies of the organization. The role of communication effectiveness was also studied on employees' turnover intentions, which signifies that if employees are informed about the future changes in their organization by the acquiring organization they tend to feel assured and their loyalty towards merged organization go unimpacted (Balmer & Dinnie, 1999).

Hence, the objective of this study is two-fold, one- understanding the mediating role of perceived organizational justice and turnover intentions in predicting the relationship between effective managerial communication and employee satisfaction, second- to develop and test the structural model of communication performance during M&A. Supported literature is undergone to assess

the relevance of all the constructs under study. After elaborating on the model and various relationships, the research methodology explains the data collection and analysis parts which are followed by in-depth quantitative and qualitative results and discussion. This research concludes by discussing the research and managerial implications and subsequently, limitations of the current study.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

Employee Satisfaction during M&A

Extensive M&A research exists on how financial constructs affect the performance of M&A across the globe, but now the researchers and practitioners have started acknowledging that the large rate of M&A failure has to do more than the financial and regulatory reasons. More than 65% of failed M&A are preceded by 'people issues', i.e. acculturations, lack of communication, large employee attrition etc. which leads to poor productivity. The combining of companies often pushes too much change too rapidly. An overly hurried integration results in turmoil, employee dissatisfaction, and resentment (Buono & Bowditch, 1989). A vast literature (Covin, Sightler, Kolenko, & Tudor, 1996) indicates that the M&A generates waves of negative/ less favorable responses from the people of the merging firms in respect with post- M&A organizational satisfaction with M&A. The interest in the relationship between satisfaction with the firm performance goes back to 1930s with the Hawthorne studies and human relations movement. Individual performance can be defined as a function of individual ability, skill and effort in a given situation (Porter and Lawler, 1968).

Lau, Tse & Zhou (2002) in their study talked about the change orientation of people, which develops from the relationship of the change events and the individual's relationship with the change events, which further explores the impact of change on individuals. According to the research more they feel the change is favorable, more they are satisfied and committed for the change. When it is the time of integration, people make assumptions, which later create conflicts (Caza, Caza, & Lind. 2011). Employees even resist the change, do not follow what is asked and often get into noncompliance towards the merging firm (Seo, 2003). And hence, the attitude of satisfaction becomes an important contributor in the overall performance of the firm. Researchers

have time to time associated job satisfaction with lower intentions to leave and less turnover of employees (Amiot, Terry, Jimmieson & Callan, 2006). However, on contrary, employees with high job satisfaction work harder and have higher productivity. However, lack of job satisfaction has been directly related with higher absenteeism and turnover (Thakur & Bansal, 2015). The study of attitude of satisfaction amongst the affected employees during M&A is important as satisfaction has been found by researchers (Marks & Mirvis, 2001; Weber & Tarba, 2010; and Bansal & Thakur, 2013) as a major construct defining M&A performance. Therefore, it is essential to generate job satisfaction among employees involved with an acquisition (Birkinshaw, Bergsman & Hakanson, 2000).

Role of Managerial Communication during M&A

The importance of managerial communication lies in the fact that post- M&A integrations exist in an environment of confusion and rumors (Bekier & Shelton, 2002; Whittle, 2002; and Honore & Maheia, 2003), and a lack of communication plan can cause employees to get involved in rumor mill which may not be healthy for employees and employer both (Mitleton-Kelly, 2006; and Bansal, 2015). Continuous open communication at all the levels is an essential element of success during integration (Haspeslagh & Jemison, 1991; Schweiger & DeNisi, 1991; and Thakur & Bansal, 2015). Messmer (2006) also talked about how communication could be important in dealing M&A related anxiety employees have. He emphasized on- **early communication** and **staff involvement**. **Balle (2008) model** also identifies two types of communication perspectives to be studied during integration: **channels of communication**, and **messages and content of communication**. This is based on handling of two types of communication issues, first handling rational issues through *factual information* and handling cultural and identity questions through *identity communication*. Factual information comes from **clear, consistent, and continuous communication**, while identity communication implies losses to employees during M&A, like loss of income, authority, position, relations, identification etc. Handling these concerns and accepting the new identity is complex. Organizations often incorporate initiatives to make employees feel at ease, and communication is one such initiative where, team building initiatives like regular formal and informal meetings, various soft skills and hard skills training programs

with combined participation etc. impact the success of PMI phase (Whitaker, 2011; and Thakur, Bansal & Stokes, 2016). Researchers (Schweiger & Goulet, 2005; and Badrtalei & Bates, 2007) have time to time advocated the positive impact of communication strategy on merger outcomes. The organizations that pay heed towards employee communications in the first six months of the merger are the ones which hardly get affected by the communication gap during M&A. However, unfortunately a direct relationship between managerial communication and satisfaction could not be established in the earlier research but research (Zhang & Agarwal, 2009; and Ambrose & Schminke, 2009) has hinted towards the mediating role of perceived organizational justice in determining the attitudinal outcomes in the organizations.

During M&A, when employees are already insecure about their jobs and uncertain about their job conditions, a lack of information may lead to the increasing level of anxiety and frustration if those further evidenced by the lack of justice/ equity. This turbulence may further lead to decline in employee job satisfaction in the newly merged organization (Schweiger & Denisi, 1991). Ambrose & Schminke (2009) in their research have studied the mediating role of overall justice (with all its dimensions) on attitudinal outcomes. Further, Gopinath and Becker (2000) have discussed the employees' perceptions of procedural justice during the event of divestiture, which certainly is the case with employees if they are from the acquired organization in the case of acquisition or from the less dominating organization in the case of a merger. Employees have the tendency to make inferences about the entire process, if their thought reasons of overall deal are negative then the lack of information would sufficiently impact their assessments of overall process, and hence, their perception of procedural justice subsequently. Hence, involving employees into decision making and offering them the justification for the decisions can effectively enhance their perceived procedural justice, and therefore, a relation between communication effectiveness and procedural justice can be developed (Zhang & Agarwal, 2009). Besides, the perception of interactional justice is also subsequently impacted by people's positive perception about managerial communication. Ployhart, Ryan and Bennett (1999) in their effort on ascertaining perceived interactional justice of job applicants found a significant positive view of the same when job applicants were given sufficient explanations for the selection decisions. Hence, when people perceive the communication to be open and complete, they feel that the organization is fair towards the

employees of merging organizations and then they tend to feel that they are treated fairly (Conlon, 1993). This leads to following hypothesis:

H1: There is a significant positive relationship between the perceived communication effectiveness and perceived organizational justice during M&A.

Its already established how change is not welcomed by employees, even so if they are not able to control it, they need time to understand it first before they get committed for the change. However, if they do not perceive the change important, then their attitude turn further negative towards the organization. And hence, another major cause of employees' high turnover seems to be the anxiety and uncertainty they have about the entire M&A process. The **anxiety theory in M&A** describes the anxiety, uncertainty and fear employees have during the times of M&A (Seo & Hill, 2005). Even though people are not terminated from the organization, they tend to develop separation anxiety just by seeing their colleagues and friends leaving the organization. Further Veen (2013)

“Employees value honesty and fairness by their employers. Employees might not see the fairness in certain decisions employers make, especially after M&A's. M&A often involves displacing and reselecting employees. These decisions have to be justified by using clear criteria” (Veen, 2013, p. 14). Veen further explains that if organization is not able to defend the criteria of firing and relocating employees, employees turn dissatisfied. Perceived injustice influence people's attitude in predicting the occurrence of withdrawal or turnover (Seo & Hill, 2005). This leads to the following hypothesis:

H2: There is a significant negative relationship between the perceived communication effectiveness and employee turnover intentions during M&A.

Expectancy- based theories of motivation emphasized on the relationship between intrinsic and extrinsic rewards and employee performance (Naylor, Pritchard & Ilgen, 1980; Vroom, 1964). Employee performance leads to further job satisfaction. Another view presented by Lawler and

Porter (1967) claimed that rewards are contingent to performance, which further follow satisfaction. This finds support in the interactive theories of satisfaction which explain that the job satisfaction is the result of interaction between situation and personality. Locke (1976) proposes that a person's job satisfaction is dependent on the interaction of discrepancies- which is difference between a person's desire and what he/she get- and importance of desire to the person. Similarly, Hulin, Roznowski & Hachiya (1985) and Hulin (1991) have presented '**Cornell integrative model**' which is based on attitude formation theories. This model defines job satisfaction as the function of balance between role input (experience, skill, training, time and effort being put into work by individual) and role output (factors received by the individual such as pay, promotion, status, working conditions, and intrinsic factors). Individual's perception on value of inputs and values of outcomes influence the level of satisfaction.

A study conducted by Tang and Baldwin (1996) also identifies the components of distributive and procedural justice and their impact on the other work-related factors in the organizations. This study throws light on the relationship- between distributive justice and employee satisfaction with pay, promotion and performance evaluation and between procedural justice and employee satisfaction with supervision, performance evaluation, commitment and job involvement. Also as proposed by McCann & Holt (2010) together these two dimensions of justice influence ethical behavior, which further impacts satisfaction. Further, Steensma and Milligen (2003) wrote about interaction justice, and mentioned how revealing details about decision positively impacts on employees' attitudes, and simultaneously reduces negative attitudes and emotions like frustration and anger. This also curtails the rumor mills in the organization, and thereby helps in building satisfaction of employees during M&A. Thus, this discussion logically concludes into following hypotheses:

H3: There is a significant positive relationship between the perceived organizational justice and employee satisfaction during M&A.

Martin (2008) in his research emphasized on how M&A activities have bearing on employee attitudes and their retention in the organizations. The study successfully established how

commitment and satisfaction possess negative correlation with employee intentions to leave during the times of M&A. As this study also explains commitment speaks of continuing, and turnover intention speaks of intent leaving. As summarized by Lum, Kervin, Clark, Reid, Sirola (1998, p .2), “turnover behavior is a multistage process that includes attitudinal, decisional and behavioral components”. **Theory of planned behavior** (Ajzen, 1991, p. 6) further suggests that “perceived behavioral control, together with behavioral intention, can be used directly to predict behavioral achievement”. Several research (Fox & Fallon, 2003; and Shields & Ward, 2001) have further presented how behavioral intentions found to possess correlation coefficient with actual turnover, further, supporting the contention of Ajzen. Chiu and Francesco (2003) have also predicted as how intent to stay or quit is also found to be important predictors of turnover decisions. This leads to the following hypothesis:

H4: There is a significant negative relationship between the employee turnover intentions and employee satisfaction during M&A.

Martin and Roodt (2008, p.3) already established that “the immediate precursor of behaviour is thought to be intentions, and therefore the best predictor of turnover should be intention to turnover”. However, Mobley (1977) talked about the possibility of presence of several other factors as well which lead to the employee withdrawal decision. People have time to time studied this construct with the help of their intent to stay/ quit, and their willingness to search for other jobs. The current study considers turnover intentions as mental conation intervening between the affect part of the individual and his or her subsequent behavior related retention/ turnover (Sager, Griffeth & Hom, 1998, p. 255). This leads to the following hypothesis:

H5: There is a significant negative relationship between the perceived organizational justice and employee turnover intentions during M&A.

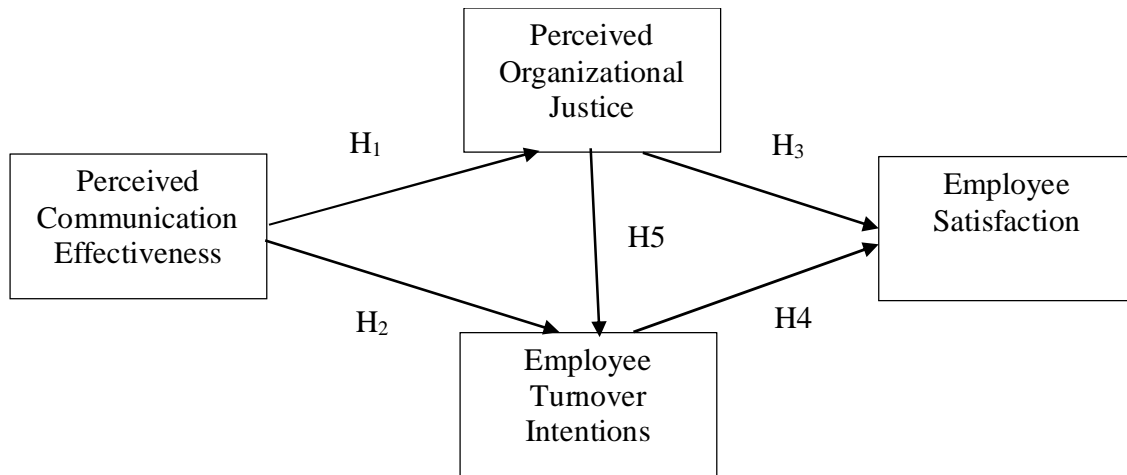


Figure 1: Hypothetical Framework of the Study

RESEARCH METHODOLOGY

A causal study was conducted to investigate the relationship between the dimensions related to communication effectiveness and employee satisfaction. The mix method research design was used where qualitative and quantitative data were collected. The pilot study has identified the factors related to effectiveness of communication in organizations pursued during M&A as their growth strategy.

Sampling and Participants

Five M&A deals were chosen which took place from 2008 to 2013. In order to ensure relevance, the M&A consultants were employed who further identified 50 M&A deals which clearly indicated the presence of significant efforts made towards the internal communication in the respective acquired organizations. The M&A deals represented various industries e.g. FMCG, IT, Banking, Healthcare, and Aviation. Multi-frame sampling was employed with ‘purposive sampling’ and ‘simple random sampling method’ with the objective to choose employees who were M&A survivors in their respective organizations, and to further ensure randomization respectively. A sample of 315 employees was received from different industries- FMCG (n=32), Health Care (n=69), Banking (n= 55), IT (n= 83), and Aviation (n= 76) (Table 1). The second sample included of senior managers, integration managers and HR managers from the acquired organizations. In

total a sample of 18 managers was obtained. The details of the organizations understudy and the sample have been presented in Table 1.

Table 1: Characteristics of the Sample for Quantitative Survey and Qualitative In-depth Interviews					
	M&A Deal 1	M&A Deal 2	M&A Deal 3	M&A Deal 4	M&A Deal 5
Sector	FMCG	Healthcare	Banking	IT	Aviation
Number of Employees	60000	48000	78000	58000	32000
Number of Employee Participants/ Sample (N= 315)	32	69	55	83	76
Gender (M/F)	27/ 05	61/ 08	49/ 06	67/ 16	76/00
Number of Managers (N=18)	2	4	6	2	4

Measures

Instrument for the quantitative study

The study has administered questionnaires to investigate the constructs under pilot study. The questionnaire included both demographic questions and questions related to the variables understudy- communication effectiveness, perceived organizational justice, employees' satisfaction, and their turnover intentions. Perceived communication effectiveness was measured using the adapted version of the Miller, Johnson, & Grau (1994)'s scale of change communication. This construct was measured by six items which were developed to characterize the effective communication (Miller, Johnson, & Grau, 1994). This instrument measured following dimensions- usefulness, content, timeliness and accuracy on a five- point Likert scale.

Perceived organizational justice was measured using three different independent scales for three of its dimensions. The scale developed by Curry, Wakefield, Price, & Mueller (1986) with six items was used to measure the distributive justice. Colquitt (2001)'s seven- item scale, and Niehoff and Moorman (1993)'s nine- item scale were used to measure the procedural justice and interactional justice respectively.

Employee turnover intention was measured using a four- items scale proposed by Mobley, Horner & Hollingsworth (1978). They measured turnover intention of employees through questions ranged from- 1. probability of finding an acceptable alternative, 2. intention to search, 3. intention to quit and, 4. thinking of quitting. The results of the factor analyses for the employee turnover intentions have clustered the data into two factors- thinking of quitting, and probability of finding an acceptable alternative, which in the analysis are denoted by TI1 and TI2.

Employee job satisfaction was measured using the three items developed by Cammann, Fichman, Jenkins, and Klesh (1983) as part of the Michigan Organizational Assessment Questionnaire (MOAQ). These items were used to assess the global satisfaction of employees with their job. A total of 315 employee responses were collected. In total, 80% of employees' data were collected using online survey, while rest were visited separately by researcher at their work stations and were got the questionnaires filled.

Interview schedule for the qualitative study

An interview schedule was prepared to conduct the in-depth interviews with the managers of the acquiring organizations. The interview schedule aimed at seeking information from the senior management of the acquiring organizations. This pool involved data collection from the integration managers and HR managers who were the part of strategy formulation during the PMI phase. The interview schedule consisted of eight projected and subsequent emerging questions. Questions were also asked related to the unique challenges, difficulties and vision of the respective M&A deals. Face to face as well as telephonic interviews were conducted. 'Personal information form' was also used to gather information regarding the gender, age, work experience, hierarchical position in the organization etc.

Analysis

Structural Equation Modeling was performed on the quantitative data to assess the relationship among the constructs under study. As the earlier research have already indicated the lack of research approving a direct or complete relationship between the employees' perception of communication effectiveness and their attitude of satisfaction in the organization, this research attempted to study the role of mediators to establish the indirect relationship of the above two

mentioned factors. Qualitative data obtained from interviews was analyzed using Thematic Content. The data statements were further categorized, coded, and organized into themes, and sub-themes. The analysis of interview data led to six major themes and 13 sub-themes of communication strategies.

RESULTS AND DISCUSSION

“Creating a communication plan during the due diligence and negotiation phases of a transaction so that employees and external parties are informed as soon as a deal is closed is only the first step in an effective communication” as stated by Ashkenas, DeMoncao and Francis (1997). However, the lack of appropriate communication processes starts playing in the post- M&A integration (PMI) phase where employees are most vulnerable to the changes and their subsequent impact on their job conditions. In order to assess the impact of communication on overall employee satisfaction, the current study presents the detailed quantitative analysis and results performed with the help of structural equation modeling. Subsequently, the results of qualitative study were analyzed and discussed.

The quantitative data were analysed using bivariate analysis and structural equation modelling to assess the model “fits”. Inter-correlations were obtained to assess the relationships, and structural model was tested for the effectiveness of the internal communication through justice perceptions and turnover intentions. The hypothesized model proposed that the employees’ overall satisfaction during the mergers or acquisition in their own organization is positively impacted by the effectiveness of the communication done by their organization to the employees, the relationship is further mediated by the perceived organizational justice and their turnover intentions.

Inter-Correlations among Variables

A significant high correlation was found between the two constructs, communication effectiveness and employee satisfaction during post- M&A integration (Appendix A, Table 1: $r= 0.555$, $p<0.01$). Communication effectiveness was found to have negative correlation with employees’ turnover intentions ($r= -0.612$, $p<0.01$), which further had significant correlation with employee satisfaction ($r= 0.612$, $p<0.01$). Interestingly, communication effectiveness also found to have stronger correlation with perception of justice ($r= 0.691$, $p<0.01$), which further possessed high correlation with employee

satisfaction ($r= 0.760, p<0.01$), and high negative correlation with employee turnover intention ($r= -0.679, p<0.01$). This reflection from the correlational analysis was assessed using structural equation modeling (SEM- version 21.0.0) for the mediator's analysis. It was found that the perception of communication effectiveness is the important input to predict the employees' overall satisfaction with the M&A and their turnover intention. Perception of communication effectiveness also impacts the employees' perception of organizational justice.

Measurement Models

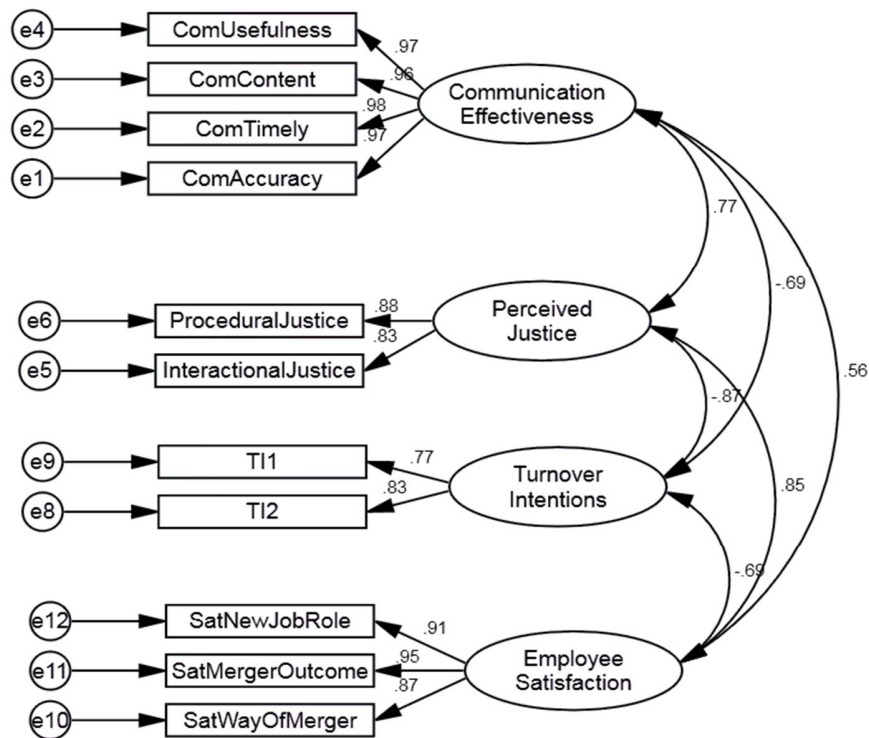


Figure 2: Measurement Model

Table 2: Goodness-of-Fit Statistics for Communication Effectiveness- Measurement Model

Model	CMIN/DF	GFI	CFI	RMSEA	PCLOSE
Default Model	3.342	.924	.976	.092	.000

The measurement properties are evaluated by running a confirmatory factor analysis (CFA) first for all the four understudy variables i.e. perception of communication effectiveness, perceived organizational justice, employee turnover intention and employee satisfaction. To assess the factor structure of the measures, a series of measurement models were run and tested on SEM. Four constructs were studied with 12 items in total. Across all the measurement models the relationship was first estimated among all the variables understudy. The models ran on all the variables gave poor model fit indices. It was found that procedural justice and interactional justice accounted for more unique variances in satisfaction at personal-level evaluation, than did distributive justice. And hence, the dimension of distributive justice was dropped for the reasons of continuous insignificant loadings. Obtained four-factor measurement model without the dimension of distributive justice exhibited adequate fit with the data (Table 2: $\chi^2= 126.97, p < 0.001, df =38$). The other fit- indices were: CMIN/DF (Root mean square error of approximation over Degree of Freedom) = 3.342; CFI (Comparative fit index) = .976; GFI (Goodness-of-fit statistics) = .924; RMSEA (Root mean square error of approximation) =.092; and PCLOSE = 0.000. Moreover, all the parameter estimated were statistically significant ($p < 0.001$) and all the standardized loadings were greater than .70. And hence, unidimensionality can be ascertained from here.

Construct and Indicators	Standardized Loadings	Critical Ratio	Composite Reliability	AVE
Perception of Communication Effectiveness		***	.983	.937
Usefulness	.97	9.070		
Content	.96	9.744		
Timeliness	.98	7.940		
Accuracy	.97	8.185		
Perceived Organizational Justice		***	.844	.730
Procedural Justice	.88	7.582		
Interactional Justice	.83	9.288		
Employee Satisfaction		***	.933	.824

Way of merger	.91	9.654		
Merger outcome	.95	5.415		
New job role	.87	9.654		
Employee Turnover Intention		***	.780	.639
TI 1	.77	.8.626		
TI 2	.83	6.607		

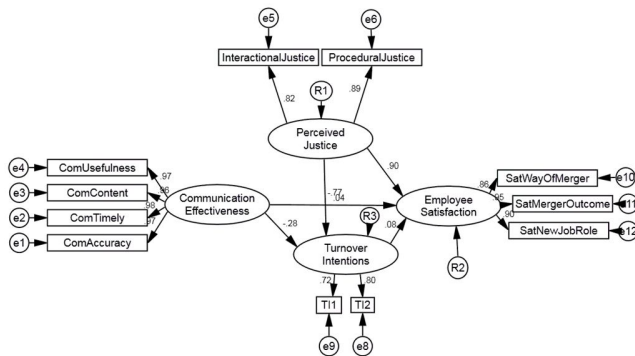
As a necessary step, the convergent validity of all the constructs were evaluated using the criteria suggested by Fornell and Larcker (1981): a. all standardized parameter estimates must be significant and exceed .70, b. construct reliabilities must exceed .80, and c. AVE (average variance extracted) must exceed the variance. As depicted in the table, all standardized loadings are significant and are above the value of .70. Also, the composite reliabilities of all the constructs is above .80, except for employee turnover intention which is .78, close to .80. Also, AVE ranged from .639 to .937 (Table 3).

Structural Models

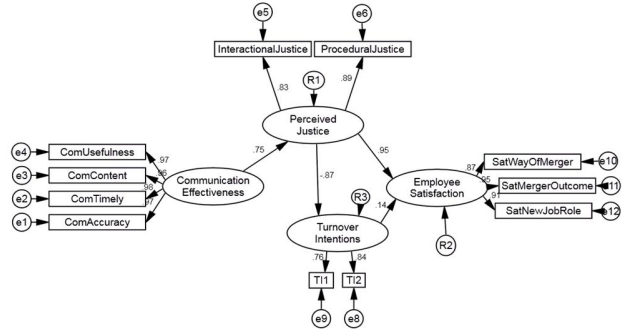
The structural equation modeling was used to test the proposed hypotheses consisted of all the four factors taken in CFA. A series of nested structural models were estimated to test the relationships amongst the constructs understudy. Perceived organizational justice, and employee turnover intentions were free to get correlated with each other. The models were contrasted by estimating the direct and indirect/ mediated relationships between the independent and dependent variables.

Table 4: Model Fit	
<p>Model 1 Fit Indices: $\chi^2= 134.443, p < 0.001, df =39, CMIN/DF = 3.447; CFI = .974; GFI = .920; RMSEA =.094; and PCLOSE = 0.000$</p> <p>The diagram for Model 1 shows the following paths and standardized coefficients: Communication Effectiveness to Perceived Justice (.75), Perceived Justice to Employee Satisfaction (.95), Employee Satisfaction to Turnover Intentions (.14), and Turnover Intentions to SatWayOffMerger (.87), SatMergerOutcome (.96), and SatNewJobRole (.9). Error terms are labeled e1 through e12. R-squared values are shown for Perceived Justice (R1), Employee Satisfaction (R2), and Turnover Intentions (R3).</p>	<p>Model 2 Fit Indices: $\chi^2= 126.977, p < 0.001, df =38, CMIN/DF = 3.342; CFI = .976; GFI = .924; RMSEA =.092; and PCLOSE = 0.000$</p> <p>The diagram for Model 2 is identical to Model 1 but includes an additional path from Perceived Justice to Turnover Intentions with a coefficient of -.12. The R-squared value for Turnover Intentions (R3) is now .18.</p>

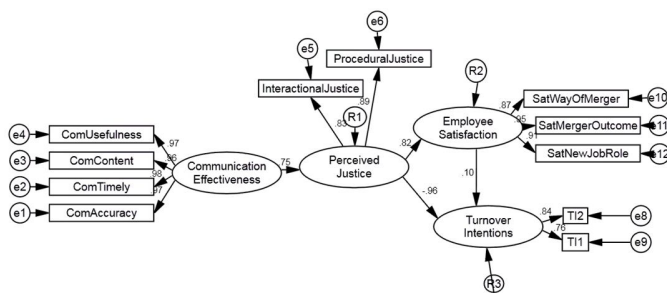
Model 3 Fit Indices: $\chi^2= 318.969, p < 0.001, df =39, CMIN/DF = 8.179; CFI = .925; GFI = .851; RMSEA =.161; and PCLOSE = 0.000$



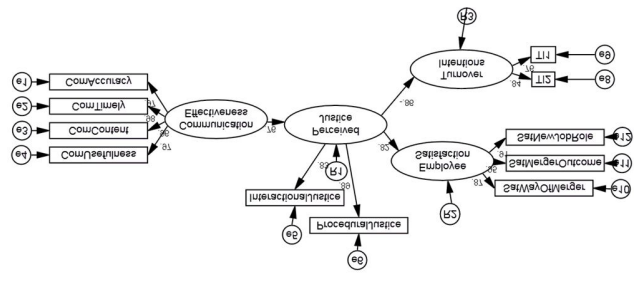
Model 4 Fit Indices: $\chi^2= 137.086, p < 0.001, df =40, CMIN/DF = 3.427; CFI = .974; GFI = .919; RMSEA =.094; and PCLOSE = 0.000$



Model 5 Fit Indices: $\chi^2= 137.086, p < 0.001, df =40, CMIN/DF = 3.427; CFI = .974; GFI = .919; RMSEA =.094; and PCLOSE = 0.000$



Model 6 Fit Indices: $\chi^2= 138.058, p < 0.001, df =41, CMIN/DF = 3.367; CFI = .974; GFI = .918; RMSEA =.062; and PCLOSE = 0.000$



The first structural model estimated the initially hypothesized relationship amongst the variables where, perceived communication led to the positive relationship with the perceived organizational justice, and inverse relationship with the turnover intentions, which mediated the positive and inverse relationship with employee satisfaction respectively. This model was the poor fit to the data as the predicted value of R square for turnover intentions was -.11, and for the employee satisfaction was .14, which were insignificant.

Model 2 additionally attempted to estimate the direct relationship between communication effectiveness and employee satisfaction, but R square value obtained for employee satisfaction was below the accepted limit i.e. .23. The third model only studied the direct relationship between communication effectiveness and employee satisfaction which again generated a very low R square value i.e. .04, with poor model fit indices like insignificant GFI= .851. Hence, another

model, Model 4 proposing the relationship between communication effectiveness and employee satisfaction mediated by perceived justice was tested. The R square obtained was .95 which is highly significant. Meanwhile, the R square obtained for turnover intention remained consistently below the accepted limit. Model 4 also estimated the relationship between communication effectiveness and turnover intentions mediated by perceived justice, the R square obtained was .87, while, the R square obtained was .14 in the relationship mediated by turnover intention. As an alteration, model 5 hypothesized the reverse relationship between employee satisfaction and turnover intentions, but a further small R square value i.e. .10 led to discarding this relationship too.

This led to proposing model 6 which consisted of one independent variable i.e. communication effectiveness and two outcome variables i.e. employee satisfaction and turnover intention. This relationship was mediated by perceived justice. The measures of the model fit indicated the significant results ($\chi^2= 138.058, p < 0.001, df=41$). The other fit- indices were: CMIN/DF = 3.367; CFI = .974; GFI = .918; RMSEA = .092; and PCLOSE = 0.000. The measurement model indicated that perceived justice has strong and direct positive effects on employee satisfaction and strong and direct negative effect on employee turnover intentions. Test for the structural equation modelling using AMOS also indicated the same relationship, with R square values of- .82 for employee satisfaction, -.86 for employee turnover intentions, and .76 for employees' perceived justice. Table 5 determines the CMIN/DF value which was 3.367 for this model, indicating a significant fit with the data. GFI and CFI values were found to be .918 and .974 respectively which implied a very good model fit with the data. RMSEA was also within the allowed limits.

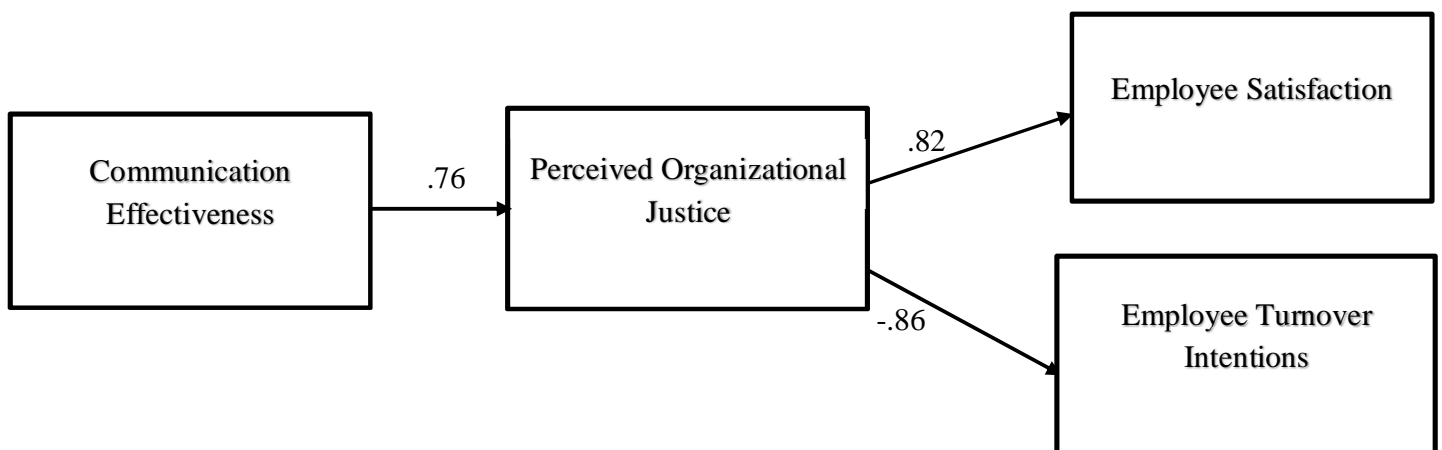


Figure 3: Structural Model

Table 5: Goodness-of-Fit Statistics for Communication Effectiveness- CFA Model					
Model	CMIN/DF	GFI	CFI	RMSEA	PCLOSE
Default Model	3.367	.918	.974	.062	.000

A comparison between the model 3 and model 6 further clears readers understanding on the direct relationship of communication effectiveness and employee satisfaction and the mediated relationship by organizational justice respectively. Model 3 failed to support the direct relationship with low R square value of .04. However, a mediation by perceived organizational justice considerably increased the R square value to .84 (Model 6). This leads to the failure in accepting the hypothesis 5 which suggested turnover intention being the mediator in the relationship of communication effectiveness and employee lowered satisfaction, rather, the results confirmed the mediation by perceived justice between the relationship of communication effectiveness with both-employee satisfaction and their turnover intention (inverse) in the times of M&A.

The Analysis of the Qualitative Data

The qualitative data was collected from 18 senior level managers (HR managers, integration managers and M&A consultants) with the objective to understand the organizational initiatives undertaken to strengthen the communication initiative for the employees of both, the acquiring firm as well as the acquired organization after merger or acquisition.

Thematic content analysis of the data obtained from managerial interviews from five M&A deals has categorized the descriptors of communication initiatives in following six major themes- (1) communication to different audience, (2) channels or modes of communication, (3) frequency of communication, (4) timings of communication, (5) motives of communication, and (6) communicators and 13 sub-themes explained below.

Table 6: Results of Qualitative Analysis of Managerial Interviews: Organizational Communication Initiatives in Five M&A Deals During Post- M&A Phase (N= 18)

COMMUNICATION INITIATIVE Themes	Sub-Themes	Deal 1 (N= 2)	Deal 2 (N= 4)	Deal 3 (N= 6)	Deal 4 (N= 2)	Deal 5 (N =4)	Summary of Deals (N= 18)
1. Communication to Different Audiences	a. To Senior Management	(+) (through meetings)	(+) (through meetings)	(+) (through meetings)	(+) (through meetings)	(+) (through meetings)	Present in all five deals.
	b. To Employees	(+)	(+)	(+)	(+)	(+)	Present in all five deals.
2. Channels/ Mode of Communication	a. Written Communication	(+) (letter from CEOs)	(-)	(+) (through memos and newsletters)	(+) (letter from CEOs)	(-)	Present in three out of five deals.
	b. Blogs/ Forums / Websites	(+) (through website)	(-)	(+) (through website)	(+) (through website)	(+) (blogs and forums)	Present in four out of five deals
	c. Face to Face Communication	(-)	(+) (Informal meetings)	(-)	(+) (Townhalls and meetings)	(+) (Meetings)	Present in three out of five deals
3. Frequency of Communication		Initial as well as post-M&A communication	Initial communication	Initial as well as later	Initial as well as post-M&A communication	Initial communication	Initial communication in all five deals. Post-M&A communication in three Deals.

Table 6: Results of Qualitative Analysis of Managerial Interviews: Organizational Communication Initiatives in Five M&A Deals During Post- M&A Phase (N= 18)

COMMUNICATION INITIATIVE Themes	Sub-Themes	Deal 1 (N= 2)	Deal 2 (N= 4)	Deal 3 (N= 6)	Deal 4 (N= 2)	Deal 5 (N =4)	Summary of Deals (N= 18)
4. Timings of Communication		Day 1 only news of M&A was given, Rest of the decisions were communicated laterwards.	All decisions were communicated on day of finalizing deal.	Day 1 only news of M&A was given, Redundancies were announced after six months.	Employees were communicated gradually about the changes.	All decisions were communicated on day of finalizing deal.	All decisions were communicated on day in two deals.
5. Motives of Communication	a. Information	(+)	(+)	(+)	(+)	(+)	In all five deals.
	b. Relieving the fear	(+)	(+)	(+)	(+)	(-)	In four out of five deals.
	c. Attending to employees' queries and grievances	(+)	(+)	(+)	(+)	(+)	In all five deals.
6. Communicators	a. Top Management	(+), Top management of acquiring entity	(-)	(-)	(+)	(-)	In two deals top management of acquiring firm communicated.

Table 6: Results of Qualitative Analysis of Managerial Interviews: Organizational Communication Initiatives in Five M&A Deals During Post- M&A Phase (N= 18)

COMMUNICATION INITIATIVE Themes	Sub-Themes	Deal 1 (N= 2)	Deal 2 (N= 4)	Deal 3 (N= 6)	Deal 4 (N= 2)	Deal 5 (N =4)	Summary of Deals (N= 18)
	b. Immediate Manager	(-)	(+)	(+)	(-)	(-)	In two deals immediate boss conveyed the information.
	c. Media/Rumours	(+)	(-)	(+)	(+)	(+)	In four deals media has become an important means of communication.

Communication to different audiences was studied under two sub-themes- communication to senior management and communication to employees, which reflected how the different stakeholders seek different information. It's not uncommon for an organization to send one message to shareholders (wanting the benefits of disposing of unprofitable sites) and another to the staff (an upbeat message about employment prospects), forgetting that many staff read newspapers and hold shares. Thus, audience specific communication is must in times of change. Interviews of managers from all five M&A deals reflected a clear communication to the senior managers as well as to the employees, which also reflects the one condition of selecting the specific M&A deals for the current study i.e. the presence of internal communication during M&A.

The second theme identified was *channels/ mode of communication*. To make the communication initiative a success requires more than sharing information bulletins. Rather, creation of forums for possible interaction and two-way communication can help span the cultural stress between the acquiring and the acquired organizations. The greater the uncertainty, the more often the message needs to be given and the greater the variety of media needed to communicate with employees. Channels of communication included both direct communication and indirect communication methods. The descriptors were categorized into three sub-themes: written communication, blogs/ forums/ websites, and face to face communication. Three deals reflected the direct communication method used by the organizations i.e. written communication and face to face communication, however, indirect communication method like blogs, forums, websites were used in four M&A deals.

Further, both the themes- *frequency and the timings of communication* were evaluated by single sub- themes. Results validated the initial communications in all five deals which was continued even in post- M&A phase in deal 1, 3, and 4. Researches on the communication consistently show that that it is not just a matter of the first 100 days as explained in the GE's Path Finder Model. Most of the managers in all five companies admitted that the initial flush of enthusiastic communication quickly dies away. However, on the question of timing of the communication, 6 managers (66.66%) in 3 deals i.e. deals 1, 3, and 4 reported that they did not give too much detail on 'day one', because people take time to accept such a big change in their organization. Once they are prepared to accept this change (M&A), the changes sought in their job profiles, roles, and employment were communicated to them. Deal 2 launched the idea even before the M&A happened. Only one out of five organizations shared the news before it happened. In deal 2, a more regular communication pattern was followed.

Motives of communication were studied under three sub-themes- (1) Information as a motive of communication during M&A, (2) Relieving the fear of acquired firm' employee as motive of communicating during M&A, and (3) Attending to employees' queries and grievances as motive of communicating during M&A. The first sub-theme validates on the assumption that more people know about what is happening, more they will be able to accept the change and will be able to overcome their cultural and historical differences. 100% managers from all five transactions

agreed on communicating with their employees throughout the process of M&A in order to keep them informed about latest happening in the deal. In deals 1, 3, and 4, the employees of their respective organizations were kept informed about their goals sought in their organization. This was done to know where the pockets of resistance are, and to keep everyone up to date about progress on the acquisition plans and all related projects. In deal 2, the acquiring organization communicated the 'vision' of the newly merged organization to the employees of the acquired firm. Employees were given three types of information: significance of change, job security, and benefits of deal. However, another sub-theme i.e. relieving the fear of employees was specifically related to responding to the employees fears and insecurities. When pain is concerned there is no easy solution, but it's best to get it over with quickly. The sooner it's over, the sooner it's forgotten. Results revealed that 88.9% participants in four out five deals (i.e. deals 1, 2, 3, and 4) agreed on providing the kind of communication to allay the fear of employees. The employees who were going to be affected negatively and who were not going to be affected in the concerned transaction were identified so that the relevant information could be communicated to them immediately. The people who were supposed to be terminated after the deal were informed with a notice period of three months while the people going to pursue their job were assured of their safe job status. Managers of deal 1 reported that people are much more tolerant of discomfort if they know when it will end. The real problems come when people don't know how long it's going back. In deal 4 employees were found to be rigid for the change and out of fear they themselves started leaving the organization which caused an approximately 10-15% job loss. In this situation, employees were consoled and assured repeatedly of their job security. A manager stated: "*Employees rigidity and negativity for the changes caused us a job loss of 10-15%. Negative emotions spread fast and destroy fast.*" The third sub-theme directly was related to what extend the employees' queries and grievances were taken as the motives of the communication. The analysis of the managerial interviews revealed that employees were sufficiently communicated in response to their queries and grievances in all five M&A deals. To handle queries it is important to be a good listener. As one of the interviewee during managerial interviews quoted- "*Never interrupt when an employee is talking, even if you disagree with the opinions expressed. Complaints often dissolve and resolve themselves when people simply have a chance to talk about them.*"

The sixth theme i.e. *Communicator* implies the person who had finally conveyed the information to the audiences of any M&A deal. The descriptors of communication have been studied along three sub-themes- (1) top management, (2) immediate manager, and (3) media/ rumors. Below is the summary of themes and sub- themes related to communication during M&A based on the interviews of managers. The best results of integration come when those responsible for communication and implementing HR activities on both sides get rapidly into single team and take advantage of the diversity of cultures. The longer that takes, the more chaos and miscommunication is likely to occur. When company 1 and company 2 merge, putting the two teams together definitely increased the speed of the process in transaction 1, and it helped the organization to achieve better objectives. In none of the organization, the employees got to interact or hear the CEO.

DISCUSSION AND CONCLUSION

The current study contributes three important findings to the theory and research on managerial communication and employee satisfaction- first, in terms of the mediating role of perceived organizational justice in determining employee satisfaction and their turnover intentions, second, developing a conceptual framework of path relationships amongst the variables under study, and third, identifying the factors (themes from qualitative analysis) to design an effective communication plan during M&A.

In support of hypothesis 1, employees' perceptions of effective and appropriate communication predict their perceptions about justice. Distributive justice was dropped from the overall measurement model after performing several iterations which can be explained with the support of the results of the study of Cropanzano & Folger (1991) who stated that "if employees can be guaranteed fair procedural treatment, they are more likely to become loyal, a sign of organizational commitment" which essentially leads to satisfaction. When procedural justice is fair, it is more difficult to question the outcomes (distributive justice) (Bansal, 2017). Cropanzano & Folger (1991) further argue that "distributive justice predicts satisfaction with the outcome (i.e., pay satisfaction), whereas procedural justice influences the evaluation of the organization and its authorities (i.e., trust in supervision and

organizational commitment)". Results from the past research (Gopinath & Becker, 2000; Zhang & Agarwal, 2009; and Bansal, 2016) also established the positive significant relationship between managerial communication and their perception of procedural and interactional justice, but failed to establish if managerial communication also possess a significant relationship between perceptions of distributive justice. Hypothesis 2 which advocated the relationship between effective managerial communication and lowered employee turnover intentions could not predict the direct relationship between the two variables. This analysis finds support from few of the early and well accepted studies on turnover intentions where Mobley, Horner & Hollingsworth (1978) studied the above mentioned relationship and found that job satisfaction has a successively weaker direct effect on thinking of quitting, intention to search, and intention to quit, but no effect on turnover other than its indirect but weaker contribution to absence of intentions of quitting with mediation from perceived organizational justice (hypothesis 5).

Hypothesis 3 got support from the contention of Mathieu and Taylor (2006) who referred mediation as the instances where the relationship between the independent and dependent variables is partially or fully determined by the presence of the mediator variable. Here, organizational justice successfully explains and predicts the presence of employee satisfaction and absence of employee turnover intentions. The same case is obtained for turnover intention where a mediated relationship led to a better model fit than a direct relationship between communication effectiveness and turnover intentions.

Hence, the final structural model incorporated- the communication effectiveness with all its four factors i.e. usefulness of the communication, content sufficiency of the communication, timeliness of the communication and accuracy of the communication; the perceived organizational justice with two factors i.e. procedural and interactional; employee satisfaction with three factors i.e. satisfaction with the deal, satisfaction with the outcomes, and satisfaction with the new job role; and employee turnover intentions with two factors i.e. intent to quit/ stay, and probability of finding new job. The finding of the current research corroborates with the findings of Zhang and Agarwal (2009, p.13) who concluded that in an M&A event, "employees value information that extends beyond justifications and explanations (the two aspects of interactional justice) provided by their supervisors on micro-issues such as job-related decisions. Information on macro-issues such as organizational changes is also important in employees' evaluations of fairness". Hence, it can be

concluded that the perceived organizational justice mediates the relationship between employees' perception of communication effectiveness with their level of satisfaction and further lowers their turnover intentions in the merged organization.

The results of qualitative analysis also validated the results of the quantitative analysis as the data revealed that the employees of deal 1 were found to be more satisfied ($M= 3.02$) which also evidently had institutionalized consistent communication initiatives to address the different audiences of merger process (Table 6). These results find support in the contention of Appelbaum, Gandell, Yortis, Proper, and Jobin (2000) who concluded that communications throughout the M&A process plays a crucial role in M&A' eventual success. Providing clear, consistent, factual, sympathetic, and up-to-date information in various ways will increase the coping abilities of employees, which will in turn increase their productivity. This increased productivity will positively impact the firm's performance. Also, the employee turnover was found low, partially also because this was the merger between the two public sector organizations which guarantees the stability in the employee jobs.

Moreover, it is important for employees to be informed about the important decisions as well as sufficient advanced notice of changes should be communicated in the integration phase. As suggested by (Schweiger and Denisi, 1991), managers should take over the responsibility of this job and they should inform their subordinates about the planned changes. The qualitative analysis confirmed this view as in deal 3, nothing was changed on day 1, and important decisions were implemented in different phases of post- M&A integration. For example, in the first phase of integration (0-6 months) employees were informed in advance that no major changes would be carried out. Hence, only new email ids were created for the employees on the domain of the acquiring firm. In phase 2 (6-12 months), new offer letters were prepared and dispatched to all employees. In phase 3 (1 year – 2 year), salary components were changed as per the policies of acquiring entity, which were communicated to the employees well in advance (Table 6). And thus, the reported level of employee satisfaction in deal 3 was found to be higher ($M= 3.17$) in comparison to the deal 5 ($M= 1.7$) where employees were not sufficiently communicated by their managers, rather they got random information about merger and its subsequent changes through media and grapevine.

Hence, the study concludes by emphasizing on the successful adoption of thoroughly worked communication plan during the post- M&A integration phase as it is crucial to the success of the deal

and of the overall satisfaction of employees of the merging entities. In this study, the qualitative data have revealed the importance of the different communication requirements for different audiences, also the significance of using variety of modes of communication, frequency of the communication, and timing of the communication. While, quantitative data have revealed how these factors are important to foster a satisfied and committed workforce.

IMPLICATIONS OF RESEARCH

This research contributes to the literature by examining employees' satisfaction during M&A. This study helps in gauging the communication initiatives practiced in successful M&A in the context of India. As a common trend of M&A, organizations operating in India and practicing M&A as their growth strategy fail to give due attention to the acceptance level and adaptability of these kind of changes. This study theoretically explains the role of integration-related communication initiatives in the success of corporate M&A, which leads the path to Indian corporate leaders to opt for the best way to achieve integration during M&A by achieving maximum employee satisfaction and ensuring minimum employee turnover behavior. The qualitative data have already reported how an HR intervention in terms of sharing the information to the employees in advance has proven to be assuring to the employees and has led to the reduced turnover of employees in those organizations. No wonder, communication is crucial for organizations to not only achieve highly motivated employees but also to be able to cut down their costs of repeated recruitment and training processes of new employees, who join post- high attritions in the post- M&A phase. Finally, given the scarcity of scholarly researches conducted on integration initiatives and communication practices in the context of M&A in India, this study will provide significant impetus for systematically investigating the important roles of HR practices in achieving successful corporate mergers in Indian context.

LIMITATIONS AND FUTURE DIRECTIONS FOR RESEARCH

One of the limitations of the study is that it could not study the need of the communication initiatives in the pre-merger deal scenario. Also, for future it would be interesting to look at the employees' psychological outcomes at department level or different units working in different settings within

the same organization as the current study does not fulfill this objective but collects data only from lower and middle level executives (white collar workers). Moreover, besides communication, there can be other factors/ practices which may significantly impact the dependent variables of the study. Also a longitudinal study, depicting a clear transition from pre-integration to post- integration phase in light of the communication initiatives would add value to the related future research.

Furthermore, a longitudinal research design can facilitate the exact comparisons of employees' perceptions and attitude across the periods. Longitudinal designs, however, are not necessarily always remedies for assessing causation. According to Farkas and Tetrick (1989), the time frame between data collection period waves is an important consideration in such designs. If the time frame adopted is not long enough to permit the development of merger survivors' attitudes and perceptions, or if participants experience markedly different organizational events and actions between data collection periods, then the influence of reciprocal or cyclical effects can be difficult to interpret. Thus, collection of data at the time of the event and at several points following the merger may provide a more holistic perspective of the relationship between the constructs under study.

This study also serves as a point of departure for other future research. For example, the Clampitt model of communication can be tested to understand more specifically the managerial strategy on communication initiatives in turbulent times.

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Appendix A

Table 1: Results of Correlational Analysis amongst the Variables Understudy (N= 315)				
	Communication Effectiveness	Perception	Employee Satisfaction	Turnover Intentions

			Of Justice		
Communication Effectiveness	Pearson	1			
	Correlation				
	Sig. (2-tailed) N	278			
Perception Of Justice	Pearson	.691**	1		
	Correlation				
	Sig. (2-tailed) N	.000 278	278		
Employee Satisfaction	Pearson	.555**	.760**	1	
	Correlation				
	Sig. (2-tailed) N	.000 278	.000 278	278	
Turnover Intentions	Pearson	-.612**	-.679**	-.607**	1
	Correlation				
	Sig. (2-tailed) N	.000 278	.000 278	.000 278	278
**. Correlation is significant at the 0.01 level (2-tailed).					