Trust dynamics in acquisitions: A case survey

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The Role of Trust in the Post-Acquisition Integration Process:

A Case Survey

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The Role of Trust in the Post-Acquisition Integration Process: A Case Survey

This study addresses the largely neglected, but potentially critical, role that trust plays in acquisitions. We present a model that synthesizes existing research on the factors that influence the post-acquisition integration process, with target firm members' trust in the acquiring firm's management as a key mediating variable. The results of a case survey suggest that while aspects of the acquirer-target relationship, such as the pre-acquisition performance differences, power asymmetries, and combining firms' collaboration history, are poor predictors of trust, integration process variables such as the speed of integration, communication quality, and cultural tolerance and sensitivity exhibited by the acquirer are major factors influencing target firm members' trust in the acquiring firm's management. Mediator analyses revealed that trust mediates the effects of the integration process variables on post-acquisition integration outcomes.

Keywords: mergers and acquisitions, post-merger integration, trust, case survey

The Role of Trust in the Post-Acquisition Integration Process: A Case Survey

For the past three decades, there has been a growing body of research on the variables that affect the success of mergers and acquisitions [M&A]. However, the key factors for success and the reasons why M&A often fail remain poorly understood. A meta-analysis by King et al. (2004) of 93 published studies found that none of the most commonly studied antecedent variables were significant in predicting post-acquisition performance. King et al. conclude that "despite decades of research, what impacts the financial performance of firms engaging in M&A activity remains largely unexplained" (2004: 198).

While attempts to explain M&A success and failure have traditionally focused on strategic and financial factors, more recently research attention has shifted to the less tangible psychological, sociocultural and human resources issues involved in M&A. Variables such as cultural fit, the pattern of dominance between merging firms, the social climate surrounding a takeover, as well as acculturation, sensemaking and learning processes have increasingly been recognized to be critical to the success of M&A (e.g., Birkinshaw, Bresman & Håkanson, 2000; Björkman, Tienari & Vaara, 2005; Cartwright & Schoenberg, 2006; Larsson & Finkelstein, 1999; Morosini, Shane & Singh, 1998; Olie, 1990; Vaara, 2003; Weber, Shenkar & Raveh, 1996). However, one variable that is likely to play a key role in the post-merger integration process has been left largely unexplored: trust. Although there is a large body of evidence about the critical role that trust plays in alliances (e.g., Child, 2001; Currall & Inkpen, 2004; Zaheer, McEvily & Perrone, 1998), little is known about the factors that facilitate or hinder the development of trust in acquisitions. The benefits of trust and the damage incurred by trust violations (Dirks & Ferrin, 2001; Sitkin & Stickel, 1996) make it essential to understand the conditions under which trust can develop following a corporate takeover. In this paper, we develop a model that synthesizes our current understanding of the antecedents and consequences of trust in acquisitions, and test it using the case survey method.

TRUST IN THE POST-ACQUISITION INTEGRATION PROCESS

In this study, we define trust as “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (Rousseau, Sitkin, Burt & Camerer, 1998: 395). Conversely, distrust can be defined as negative expectations of another’s intentions or behavior (Lewicki, McAllister, & Bies, 1998). As trust scholars have noted, the risk of negative outcomes must be present for trust to operate, and the trustor must be willing to be vulnerable. In the absence of risk, trust is irrelevant because there is no vulnerability (Inkpen & Currall, 2004; Mayer, Davis & Schoorman, 1995).

This conceptualization of trust has been applied to interorganizational relationships. For example, in joint ventures, open communication and information exchange, task coordination, informal agreements, and levels of surveillance and monitoring are all manifestations of trust based on a willingness to rely on or be vulnerable to the other party under a condition of risk (Currall & Inkpen, 2002). In the context of M&A, there is a large body of anecdotal evidence in the form of case studies (e.g., Chua, Stahl & Engeli, 2005; Olie, 1994) and interviews with acquired managers and employees (e.g., Krug & Nigh, 2001; Schweiger et al., 1987) that suggest that the period following the announcement of an M&A is one of intense risk assessment in which trust is easily damaged and difficult to restore. With a new organization, a new top management team and a new superior, there is little trust initially and employees are left wondering what the next wave of changes will bring and whether they should leave the organization or stay (Hurley, 2006). The following quote from Daniel Vasella, CEO of Novartis, concerning the merger that created the pharmaceutical giant highlights both the importance and fragility of trust in M&A:

> Only in a climate of trust are people willing to strive for the slightly impossible, to take decisions on their own, to take initiative, to feel accountable. … Among all the corporate values, trust was the one that suffered most from the merger. … To create a culture based on trust takes time; it requires dedication and the right mindset. We must earn it by 'walking the talk', with candor, integrity, openness and fairness, as well as with credible, consistent and convincing behavior. (Chua et al., 2005: 391-392)

Figure 1 depicts the model developed in the following discussion. It focuses on the relationship between the two main parties involved in an acquisition: the top management of the acquiring firm or, in the case of a merger, the dominant partner (henceforth, *acquiring firm management*); and the employees of the acquired firm or, in the case of a merger, the subordinate partner (henceforth, *target firm members*). The model proposes that target firm members' trust in the acquiring firm's management is affected by a set of factors related to the acquirer-target relationship, as well as process variables related to the acquirer's integration approach. The model further suggests that the degree to which target firm members trust the acquiring firm's management will affect a variety of attitudinal, behavioral and performance outcomes. The distinction between status variables (i.e., characteristics of the initial takeover situation) and integration process variables is consistent with current theory on M&A integration. A "process perspective" (Birkinshaw et al., 2000; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986) on acquisitions suggests that while factors such as strategic, organizational, and cultural fit determine the potential for synergies, the extent to which that potential is realized depends on the ability of the acquirer to manage the integration process in an effective manner.

Insert Figure 1 here

Antecedents of Target Firm Members' Trust in the Acquiring Firm's Management

Next, we will explore how factors related to the acquirer-target relationship may affect target firm members' trust in the acquiring firm's management.

Collaboration history. Trust evolves over time through repeated interactions between partners (Lewicki, Tomlinson, & Gillespie, 2006; Ring & Van de Ven, 1992; Zaheer, McEvily & Perrone, 1998). Not unlike romantic relationships, interfirm relationships mature with interaction frequency, duration, and the diversity of challenges that partners encounter and face together (Lewicki, McAllister & Blies, 1998). As Rousseau et al. (1998: 399) have noted, "[r]epeated cycles of exchange, risk taking, and successful fulfillment of expectations strengthen the willingness of trusting parties to rely upon each other and expand the resources brought into the exchange". Furthermore, partners come to learn each other's idiosyncrasies and develop deeper mutual understanding over time, which improves the affective quality of the relationship (Inkpen & Currall, 2004; Parkhe, 1993). This indirect evidence from the alliance literature suggests that in acquisitions, familiarity through prior collaboration, e.g., in the form of a joint venture, may facilitate the emergence trust between the members of the two organizations. However, trust can be expected to emerge between organizations only when they have *successfully* completed transactions in the past and they perceive one another as complying with norms of equity (Ring & Van de Ven, 1992). If members of the target firm and the acquiring firm had a conflict-rich or inequitable exchange prior to the acquisition, this is likely to limit the potential for trust to emerge. Taken together, these arguments support the following hypothesis:

Hypothesis 1: The longer and more positive the history of collaboration between the two firms, the higher the level of trust that target firm members have in the acquiring firm’s management.

Mode of takeover. Although prior acquisition research has not directly addressed the relationship between mode of takeover and trust, it has been argued that hostile takeover tactics can result in sharp interorganizational conflict and difficulties integrating the acquired company (Hambrick & Cannella, 1993; Hitt et al., 2001). The tone of the negotiations – whether the tone is friendly or hostile – is an important influence on the post-acquisition integration process because of its effect on the quality of the interpersonal relationships between the members of the two organizations (Hunt, 1990). Friendliness is likely to generate perceptions of openness, goodwill, and trustworthiness (Buono & Bowditch, 1989). In contrast, trust can erode when executives from a hostile takeover target and the acquiring firm battle each other in a public forum, each being suspicious of the other’s intentions and claiming the other party’s inadequacy and lack of integrity. Hambrick and Cannella (1993) have observed that the atmosphere surrounding a hostile takeover is often characterized by bitterness and acrimony, making smooth social integration and successful trust building after the deal less likely. These arguments support the following hypothesis:

Hypothesis 2: The friendlier the mode of takeover, the higher the level of trust that target firm members have in the acquiring firm’s management.

Power differential. A power differential between the two organizations involved in an acquisition reflects the extent to which there can be a unidirectionality of influence from acquirer to target. The capability and tendency of the acquiring firm for exercising power to enforce its preferences upon the target is particularly strong when the acquirer is significantly larger than the target firm (Pablo, 1994). In such cases, target firm members' needs tend to get overlooked or trivialized by the acquiring firm's management (Jemison & Sitkin, 1986). The impact of a power differential between the two organizations involved in an acquisition "is not simply the overwhelming and domination of the smaller entity through sheer magnitude, but also the intensification of beliefs about superiority and inferiority" (Pablo, 1994: 810). Acquiring executives tend to adopt an attitude of superiority and treat the members of the target firm as inferior, thereby resulting in status degradation and the voluntary departure of key employees (Hambrick & Cannella, 1993; Lubatkin et al., 1999). The mere existence of a power differential may lead to suspicion through anticipation of dominance by acquiring executives. For example, it has been observed that the members of target firms altered their behavior in response to the threat of a powerful buyer even prior to being acquired, e.g., by seeking employment elsewhere (Hambrick & Cannella, 1993; Krug & Nigh, 2001; Olie, 1990). Moreover, as power asymmetry increases, the weaker party often becomes distrustful because the more powerful firm has no need to be trusting and can use its relative power to obtain cooperation (Anderson & Weitz, 1989). Therefore, we propose the following hypothesis:

Hypothesis 3: The greater the power differential, the lower the level of trust that target firm members have in the acquiring firm's management.

Relative performance. The impact of a corporate takeover on the acquired personnel's morale and productivity is not always negative (Cartwright & Cooper, 1996). This is especially true when the members of the target firm see the acquiring company as a savior or having a more enlightened culture, or when they see a variety of positive outcomes in being associated with the acquiring company (better pay, more prestige, etc.). For example, Bastien (1987) found that the overall mood of target employees was celebratory and optimistic after a "white knight" acquisition by a healthy buyer. Being liberated from weak and ineffective management may enhance employee satisfaction and commitment, and is likely to result in positive attitudes toward the acquiring firm's management (Hunt, 1990; Schweiger, 2002). The foregoing discussion suggests that high performance of the acquirer relative to the target may have a positive effect on target firm members' trust, in that the acquiring firm's managers are perceived to be more competent, effective and supportive.

Hypothesis 4: The better the pre-acquisition performance of the acquirer relative to that of the target, the higher the level of trust that target firm members have in the acquiring firm's management.

It is important to note that the above relationship is likely to be affected by target firm members' hierarchical level in the organization. In this paper, we focus on non-managerial employees in the target firm. Since the poor performance of a company is commonly attributed to its top managers, the prospect of being acquired by a more successful company is likely to be threatening to the target firm's executives, but less so to rank-and-file employees who may benefit from a takeover by a healthy buyer.

Cultural similarity. The "cultural distance" hypothesis (Hofstede, 1980), in its most general form, suggests that the difficulties, costs, and risks associated with cross-cultural contact increase with growing cultural divergence between two individuals, groups, or organizations. Although studies that tested the cultural distance hypothesis in the context of M&A have yielded inconclusive results (see Cartwright & Schoenberg, 2006; Stahl & Voigt, 2008 for reviews), research on intra- and interorganizational trust suggests that shared norms and cultural values facilitate the development of trust and the emergence of a strong group identity, while limiting the potential for conflict (Kramer, 1999; Lewicki et al., 1998; Sarkar, Cavusgil & Evirgen, 1997). Conversely, trust can erode and the potential for conflict increases when a person or group is perceived as not sharing key values and beliefs (Sitkin & Roth, 1993). As a result of basic cognitive processes such as social categorization, the members of the out-group are often evaluated as uniformly malevolent, incompetent, or ill-informed – and the in-group is viewed in the opposite terms (Kramer, 1999; Sitkin & Stickel, 1996). In cross-border M&A, feelings of hostility, resentment and distrust may be further fueled by cultural stereotypes and xenophobia, resulting in an exaggerated view of differences and a lack of attention to similarities (Vaara, 2003). These arguments lead to the following hypothesis:

Hypothesis 5: The greater the cultural similarity, the higher the level of trust that target firm members have in the acquiring firm's management.

In addition, we propose that five integration process variables affect target firm members' trust in the acquiring firm's management. Each is discussed below.

Retained autonomy. Although, theoretically, integration can result in a balanced merging of two organizations, their cultures and workforces, this balance rarely occurs in practice. Instead, the acquirer – or, in the case of a merger, the more powerful partner – typically imposes control on the target firm and, where changes occur in policies, systems, and culture, they usually affect the target firm employees more strongly than those of the acquirer (Cartwright & Cooper, 1996; Pablo, 1994; Weber et al., 1996). Imposed control refers to a situation in which the acquirer removes autonomy from the target firm and imposes a rigorous or standardized set of rules, systems, and performance expectations upon it in order to gain quick control (Jemison & Sitkin, 1986). Autonomy removal can be devastating from the perspective of the members of the target firm and lead to feelings of helplessness and open hostility, as managers and employees vigorously defend their autonomy (Hambrick & Cannella, 1993) – a situation that Datta and Grant (1990) have termed the “conquering army syndrome.” Moreover, because tight controls tend to signal the absence of trust, their use typically hampers its emergence in interorganizational relationships, often resulting in a cycle of escalating distrust and conflict (Inkpen & Currall, 2004; Jemison & Sitkin, 1986). Therefore, we hypothesize:

Hypothesis 6: The greater the extent of retained autonomy, the higher the level of trust that target firm members have in the acquiring firm’s management.

Integration speed. In the M&A literature, there is considerable disagreement about the nature of the relationship between speed of integration and post-acquisition integration outcomes. While some authors (e.g., Jemison & Sitkin, 1986) have cited the tendency to consummate deals too hastily as a major contributor to the high failure rate of M&A, others (e.g., Buono & Bowditch, 1989) have suggested that a window of opportunity exists during the short time after an acquisition when the organization is “unfrozen” and employees expect change and are thus malleable to new ways of doing things. Others have suggested that the optimal speed of integration depends on a number of contingencies, such as the strategic intent behind the acquisition and the integration approach taken (Evans et al., 2002; Haspeslagh & Jemison, 1991). Despite these complexities, there seems to be agreement that, although a high speed of integration is associated with greater stress, hesitation in approaching integration and telling employees that little will change is likely to create the impression of incapable management and generate suspicion, because employees expect significant change following a takeover (Buono & Bowditch, 1989; Stahl & Sitkin, 2005). As Mitchell (1989: 44) has noted, “if the acquirer does not act quickly to harness the expectations of the target firm and take advantage of the new loyalties, the chances are these expectations and loyalties will rapidly disappear into a miasma of disillusionment and mistrust.” Therefore, we propose the following hypothsesis:

Hypothesis 7: The greater the speed of integration, the higher the level of trust that target firm members have in the acquiring firm’s management.

Cultural tolerance and sensitivity. The impact of a takeover on target firm members’ morale is likely to depend on the acquirer’s multiculturalism and cultural sensitivity. The term multiculturalism refers to the degree to which an organization values cultural diversity and is willing to tolerate and encourage it (Nahavandi & Malekzadeh, 1988). A multicultural acquirer considers diversity an asset, and is therefore likely to allow an acquired firm to retain its own values and practices (Pablo, 1994). By contrast, a unicultural acquirer emphasizes conformity and adherence to a unique organizational ideology, and is therefore more likely to impose its culture on the target firm. Cultural intolerance may increase an acquirer’s tendency to overemphasize cultural differences and result in an attitude polarization toward distrust (Sitkin & Stickel, 1996). A variable that is closely related to cultural tolerance is cultural sensitivity. Research on alliances suggests that cultural sensitivity, defined as a firm’s capability to deal sympathetically with cultural differences, enhances the partner’s trust and increases the likelihood of successful strategic integration (Johnson et al., 1997). In acquisitions, a lack of cultural sensibility on the part of the acquirer can lead to feelings of resentment, hostility and distrust on the part of the target firm employees (Jemison & Sitkin, 1986). Therefore,

Hypothesis 8: The greater the acquirer’s cultural tolerance and sensitivity, the higher the level of trust that target firm members have in the acquiring firm’s management.

Reward and job security enhancement. There is evidence to suggest that the way employees react to an acquisition depends to a large extent on the personal benefits and losses attributed to the takeover. If, for example, the members of a target firm see the takeover as a chance for greater job security and increased prospects for compensation and promotion, this is likely to affect their attitudes toward the acquirer in a positive way, and reduce the potential for conflict (Larsson, 1990; Schweiger, 2002). Cisco, for instance, buys companies for their technology and R&D talent and then assimilates them into the Cisco culture, but it attempts to retain most of the employees, including top management, and provides strong financial incentives, excellent career opportunities, and promotes a vision of the merged entity that includes an important role for the acquired employees. Such recognition and incentives help to build trust and encourage acquired employees to stay (Chaudhuri, 2005). The strategic alliance literature also addresses this issue. Research has shown that the perceived benefits derived from an alliance have a positive effect on the mutual trust and commitment of the parties involved (Anderson & Weitz, 1989; Sarkar et al., 1997). Collectively, these arguments suggest the following hypothesis:

Hypothesis 9: The greater the post-acquisition reward and job security enhancement, the higher the level of trust that target firm members have in the acquiring firm's management.

Communication quality. Providing acquired employees with credible and relevant information has been shown to reduce the uncertainty associated with corporate takeovers and to mitigate their negative effects on employee morale and productivity (Bastien, 1987; Schweiger & DeNisi, 1991). A lack of credible and open communication, on the other hand, has been found to adversely affect employee commitment and trust in the aftermath of M&A (Buono & Bowditch, 1989). However, while the credibility of the information provided by the acquiring firm's management can be considered a *sine qua non* for trust to emerge, Hogan and Overmyer-Day

(1994) found that too much information disseminated to employees in acquisitions characterized by high levels of integration can exacerbate undesirable attitudes and behaviors, because it increases anxiety in a situation where employees already feel uncertain about their jobs. These findings suggest that the quality and timing of communication may be more important than the amount of information provided by the acquirer. Failure to share critical information with the members of the target firm in a timely manner may generate suspicion and mistrust. Therefore:

Hypothesis 10: The more credible, timely, and relevant the information provided by the acquirer, the higher the level of trust that target firm members have in the acquiring firm's management.

Effects of Trust on Post-Acquisition Performance and Integration Outcomes

Figure 1 proposes that the degree to which the target firm members trust the acquiring firm's management is likely to affect a variety of attitudinal, behavioral, and performance outcomes. Next, we discuss the consequences of trust for sociocultural integration and synergy realization.

Sociocultural integration outcomes. Sociocultural integration, defined as the combination of groups of people with a shared identity, compatible values, and positive attitudes toward the new organization (Birkinshaw et al., 2000; Shrivastava, 1986), represents an important dimension of acquisition success from an organizational and human resources perspective. Consistent with the definition of trust adopted in this study, sociocultural integration outcomes such as employee commitment, willingness to cooperate, and intent to stay imply some form of risk taking and a willingness to be vulnerable on the part of the target firm members – and thus require trust. Likewise, the negative reactions and outcomes that have been observed in the aftermath of M&A, such as employee resistance, political in-fighting, and turnover (Buono & Bowditch, 1989; Hambrick & Cannella, 1993; Vaara, 2003), may reflect an unwillingness on the part of the target firm members to be vulnerable and engage in behaviors that put them at risk. This is in line with two meta-analyses of the role of trust in organizational settings (Dirks & Ferrin, 2001, 2002), which suggest that trust affects a variety of attitudinal and behavioral outcomes at the individual level. This leads us to the following prediction:

Hypothesis 11: The degree to which the target firm members trust the acquiring firm's management is positively associated with attitudinal and behavioral outcomes, such as target firm members' commitment, satisfaction, acceptance of change, willingness to cooperate, open communication, and intent to stay.

Post-acquisition performance. We propose that the degree to which target firm members trust the acquiring firm's management will not only affect the process of sociocultural integration, but will also influence the post-acquisition performance. A growing body of research (e.g., Birkinshaw et al., 2000; Haspeslagh & Jemison, 1991; Larsson & Lubatkin, 2001) has shown that the execution of a well-designed integration process that minimizes interorganizational, interpersonal and intercultural friction is essential to capturing anticipated synergies in acquisitions. For example, Birkinshaw, Bresman and Håkanson (2000), in a study of foreign acquisitions made by Swedish multinationals, found that mutual respect and trust made the post-acquisition capability transfer and resource sharing easier; successful efforts to transfer knowledge and capabilities, in turn, facilitated the development of a shared identity and trust. These findings suggest that poor sociocultural integration limits the effectiveness of task integration efforts, because the individuals on both sides do not trust one another and are unwilling to collaborate. Lack of trust can thus undermine the realization of synergies in two ways: first, through its adverse effect on sociocultural integration outcomes, such as the quality of communication and collaboration between the members of the combining organizations; and second, by undermining the transfer of capabilities, resource sharing, and learning in the aftermath of a takeover. Collectively, these arguments support the following hypothesis:

Hypothesis 12: The degree to which target firm members trust the acquiring firm's management is positively associated with realized synergies.

Trust as a Mediating Variable in the Post-Acquisition Integration Process

Trust theorists and researchers have modeled trust as an independent variable, a dependent variable, or a moderating condition for a causal relationship (Dirks & Ferrin, 2001). As Rousseau et al. (1998) have noted, when performance outcomes are of interest, researchers often conceptualize trust as a potential cause (e.g., high levels of trust lead to superior team performance). Conversely, trust can be conceptualized as an effect (e.g., the result of team building interventions). In this study, we model trust both as a cause and an effect. That is, we conceptualize trust as a mediating variable in the relationship between the hypothesized trust antecedents and post-acquisition outcomes. Specifically, we propose that aspects of the acquirer-target relationship (e.g., performance differences), as well as aspects of the acquirer's integration approach (e.g., autonomy removal) affect sociocultural integration outcomes and synergy realization by undermining or enhancing target firm members' trust in the acquiring firm's management. This leads to our final hypothesis:

Hypothesis 13: Target firm members' trust in the acquiring firm's management mediates the relationships between the hypothesized trust antecedents and integration outcomes.

METHOD

The hypotheses were tested using the case survey method. Case surveys represent a particular type of integrative research review (cf. Cooper, 1984; Yin & Heald, 1975). They involve the quantification of a group of case studies for statistical analysis (Bullock & Tubbs, 1987; Jauch, Osborn & Martin, 1980). The basic procedure is to (1) select a set of case studies relevant to the research question, (2) develop a coding scheme for systematic conversion of the qualitative case descriptions into quantified variables, (3) use multiple raters to code the cases and measure interrater reliability, and (4) statistically analyze the coded data (Larsson, 1993).

The usefulness of the case survey method for investigating complex organizational processes has been firmly established by prior research (e.g., Larsson & Finkelstein, 1999; Miller & Friesen, 1980). Studies suggest that the case survey method is an economical, yet powerful method in research fields where case studies dominate. It allows capturing a broad range of conditions and identifying and testing patterns in situations where an experimental design is not possible and a large-scale survey design would be impractical. The major strength of the method is that it permits in-depth analysis of rich and detailed case descriptions while providing large amounts of data to allow statistical testing and generalization of findings. These strengths make the case survey method particularly well-suited for the study of trust in acquisitions. M&A case studies provide rich longitudinal process descriptions that allow coding of the social, cultural, and human resources issues involved in M&A (Larsson & Lubatkin, 2001).

The validity of the case survey method is constrained by the quantity and especially the quality of available case studies, as well as non-random collection of case studies and simplification of cases in the coding process. However, there are several ways to address these validity concerns. These include analysis of the effects of case study design characteristics on case survey results, and participation of the case authors in the coding process and validation of case codings

(Larsson, 1993). Possible sampling biases can also be tested and, if needed, controlled through stratified sampling (Lucas, 1974).

Sample

Case study search. To prevent sample bias and guarantee large coverage, the case search involved computerized and manual searches of published and unpublished cases. Computerized searches were performed on the following databases: ABI/INFORM, Business Source Premier, Proquest, EconLit, PsychInfo, and Dissertation Abstracts Online. Other search strategies included the screening of bibliographies and case catalogues, internet search using standard search engines, and manual searches in relevant books and journals. More than 150 cases were identified through this process. The cases were then screened for completeness and relevance.

Selection criteria. For a case study to be included, it had to fulfill the following criteria: (1) Only real-life cases qualified for inclusion in the case survey; fictional cases or cases that contained fictional elements, as they are sometimes used for educational purposes, were excluded. (2) Only cases covering the post-acquisition integration period were selected; cases that focused on the pre-acquisition phase or the time of the legal combination were excluded. (3) Since the purpose of this study was to examine the role that trust plays in acquisitions, only cases that addressed issues related to trust (e.g., descriptions of how the acquirer’s integration decisions generated suspicion and mistrust) were included; cases dealing solely with financial or strategic issues were excluded. (4) Since the model tested in this study is applicable only to M&A in which the pattern of power is asymmetrical, cases of “mergers of equals” did not qualify for inclusion in the case survey. However, a closer inspection of the case studies indicated that all mergers described in the cases (including those termed “mergers of equals”) showed clear signs of power asymmetry; hence, all cases were included.

Sample characteristics. A total of 50 cases meeting the eligibility criteria were identified through this process. The final sample comprised both domestic and cross-border acquisitions in a variety of industries that had been completed over a 30 year period. Twenty cases involved US acquirers, 25 cases European acquirers, two cases Asian acquirers, and in three cases the nationality of the acquirer was unclear. The Appendix provides a synopsis of the cases.

Coding and Inter-Rater Agreement

The coding of cases was conducted in accordance with guidelines provided by Larsson (1990; 1993). Many of the items were adopted from coding schemes used by Larsson in earlier case surveys of M&A (e.g., Larsson, 1990; Larsson & Finkelstein, 1999; Larsson & Lubatkin, 2001). In addition, several new items were designed to measure variables suggested by the theoretical model (e.g., trust). Most variables were measured by using 5-point scales to maximize the amount of information captured through coding, with interrater reliability serving as a quality constraint. Items that could not be coded reliably on a 5-point scale were subsequently collapsed to fewer points until acceptable reliability was obtained. For each variable, the underlying theoretical concept was explained in the coding scheme and indicators were listed to facilitate the coding process.

All cases were coded by at least two, sometimes three, independent raters: one of the authors, a post-graduate student who was unaware of the hypotheses, and, in some cases, the case author. The interrater reliability coefficient used for metric variables was the *Intraclass Correlation Coefficient* (*ICC*) (Shrout & Fleiss, 1979). *ICCs* above .70 can be considered satisfactory and those above .80 good. *ICCs* obtained in this study ranged from .37 to .96. With one exception, where the *ICC* was .69, variables with an ICC below .70 were excluded from the analyses. The interrater reliability coefficient used for variables measured on a nominal scale was Cohen's *kappa*. As a rule of thumb, *kappas* above .80 can be considered good (Neuendorf, 2002). *Kappas* for the nominal variables measured in this study ranged from .76 to 1.00.

Measures and Properties

Given the dynamic nature of trust in M&A, multiple measurement points were used to capture the evolution of trust over time. Figure 2 illustrates the temporal division of the post-acquisition integration period, starting at the time of the legal combination (t1) and ending with the end of the case description (t3), when the acquired company was either successfully integrated or integration had failed (often resulting in divestment). The point in time that divides the integration period into two halves was defined as t2. Variables that could be expected to change over time were measured at several points in time. All trust indicators were measured at t1, t2 and t3. Variables related to the acquirer-target relationship at the time of takeover (e.g., collaboration history) required only a single measurement at t1. Integration process variables (e.g., integration speed) were measured during periods t1-t2 and t2-t3. Post-acquisition integration outcomes (e.g., employee commitment) were measured at t2 and t3. This design made it possible to study the evolution of trust over time and to examine the effects of the hypothesized trust antecedents at different stages of the integration process. It also made it possible to detect time lags between the acquirer's integration decisions and actions, and the manifestation of sociocultural integration outcomes.

Insert Figure 2 here

Trust. Target firm members' trust was conceptualized as the perceived trustworthiness of the acquiring firm's management in terms of five attributes (Mayer, Davis & Schoorman, 1995; Mishra, 1996): Ability (ICC = .88 at t1, ICC = .94 at t2, ICC = .86 at t3), Integrity (ICC = .71 at t1, ICC = .94 at t2, ICC = .94 at t3), Benevolence (ICC = .73 at t1, ICC = .84 at t2, ICC = .83 at t3), Openness (ICC = .52 at t1, ICC = .58 at t2, ICC = .42 at t3) and Value Congruence (ICC = .83 at t1, ICC = .70 at t2, ICC = .88 at t3). Hence, the Openness measure had to be eliminated due to unreliability. In addition, an item measuring Overall Trust was included (ICC = .76 at t1, ICC = .79 at t2, ICC = .91 at t3). To test whether the various bases of trust combine to determine overall trust (Mayer, Davis & Schoorman, 1995), multiple regression analyses were conducted, with Overall Trust as the dependent variable. After controlling for research design characteristics (see below), the four trust indicators explained large amounts of variance in Overall Trust at t1 ($\Delta R^2 = .57$, $n = 25$, $p < .01$), t2 ($\Delta R^2 = .78$, $n = 27$, $p < .01$), and t3 ($\Delta R^2 = .84$, $n = 24$, $p < .01$). Therefore, the ability, integrity, benevolence and value congruence measures were combined to form composite trust scales, Trust t1 ($\alpha = .86$), Trust t2 ($\alpha = .91$) and Trust t3 ($\alpha = .92$).

Status variables. Single items were used to measure three aspects of the acquirer-target relationship, namely Takeover Friendliness (ICC = .37), Power Differential (ICC = .75), and Relative Firm Performance (ICC = .87). The Takeover Friendliness measure was excluded from subsequent analyses due to unreliability. Two items measured different aspects of cultural similarity, namely Shared Meanings (ICC = .69) and Management Style Similarity (ICC = .78). The ratings were averaged to form a composite scale, Cultural Similarity. No Cronbach’s alpha was calculated, as the two indicators represent different dimensions of the underlying construct. Two items measured different aspects of collaboration history, namely Relationship Quality (ICC = .63) and Length of Relationship (ICC = .92). Since the Relationship Quality measure had to be eliminated due to unreliability, only one aspect of collaboration history, Length of Relationship, was included in subsequent analyses.

Integration process variables. Single items were used to measure three integration process variables at different points in time, namely Integration Speed (ICC = .79 for t1-2, ICC = .86 for t2-3), Cultural Tolerance and Sensitivity (ICC = .88 for t1-2, ICC = .88 for t2-3), and Communication Quality (ICC = .64 for t1-2, ICC = .79 for t2-3). The Communication Quality measure for the time period t1-2 had to be eliminated due to unreliability. Three items measured different aspects of retained autonomy, namely Asymmetric Operational Control (ICC = .84), Broken Integrity (ICC = .77), and Force Against Will (ICC = .90). Ratings were inverted and combined to form a new scale, Retained Autonomy. No Cronbach's alpha was calculated, as the three variables represent different facets of autonomy that can vary independently of one another. Two items were used to measure reward and job security enhancement, namely Reward Change (ICC = .91) and Job Security Change (ICC = .86). Ratings were averaged to form a new scale, Reward and Job Security Enhancement. No Cronbach's alpha was calculated, as job security and compensation and rewards represent different aspects of an acquirer's HR policies and practices.

Sociocultural integration outcomes. Single items were used to measure the following attitudinal and behavioral outcomes: Satisfaction (ICC = .75 at t2, ICC = .89 at t3), Commitment (ICC = .48 at t2, ICC = .87 at t3), Acceptance of Change (ICC = .49 at t2, ICC = .89 at t3), Intention to Stay (ICC = .49 at t2, ICC = .81 at t3), Willingness to Cooperate (ICC = .83 at t2, ICC = .84 at t3), Job Performance (ICC = .90 at t2, ICC = .90 at t3), and Open Communication (ICC = .78 at t2, ICC = .78 at t3). Some of these measures had reliabilities below .70 and had to be excluded from further analyses. Since employees may enter a takeover situation with differing "baselines" of attitudes and behaviors, changes in attitudes and behaviors over time rather than absolute levels were measured by comparing pre-acquisition with post-acquisition levels.

Synergy realization. Since few case studies contain detailed information on realized synergies (e.g., in terms of transfers of capabilities and resource sharing), two accounting-based measures, Sales Growth (ICC = .93 at t2, ICC = .89 at t3) and Realized Profit (ICC = .91 at t2, ICC = .92 at t3), were used to measure post-acquisition performance. The use of accounting-based measures as a proxy for synergy realization is widely considered appropriate in M&A performance research, because "[t]he realization of synergies should be reflected in accounting-based performance improvements" (Harrison et al., 1991: 181).

Controls. The following control variables were included to test whether research design and sample characteristics affected the results: *Comprehensiveness of Data Collection* (e.g., number of persons interviewed); *Use of Multiple Methods* (e.g., number of different data collection methods used); *Validation* (whether systematic attempts were made to validate the case study findings); *Length of Integration Period* (in months); *Publication Status* (published vs unpublished); *Anonymity* (whether the identities of the firms were disguised); *Author Participation* (whether the author was involved in the coding). Interrater reliabilities for the control variables were satisfactory to very good, with ICCs and Kappas ranging from .71 to 1.00.

Validity of case coding

The use of control variables helped to identify possible sampling biases by testing for the effects of different case sources and designs (Larsson, 1993). The results of bivariate correlations show very limited and scattered effects, suggesting little systematic influence of case study design characteristics. Out of a total of 145 correlation coefficients between control variables and study variables, only eight (5%) were significant. Of these, six were correlations with the control variable, *Length of Integration Period*. The almost complete lack of significant correlations with other control variables supports the validity of the codings as not being systematically biased.

The participation of case authors allowed analysis of whether cases that were coded based on secondary data differed systematically from cases that were coded based on the case authors' primary data (Larsson, 1993; Lucas, 1974). None of the correlations with the *Author Participation* dummy variable were significant, suggesting very little, if any, systematic differences and thereby supporting the validity of the codings.

Thirteen of the 50 cases were drawn from the Larsson and Finkelstein (1999) M&A case sample and 19 of the originally coded variables were re-used in this study. In Larsson and Finkelstein's (1999) study, the validity of the case data had been tested against various external, independent data on M&A performance, relatedness, combination type, organizational integration, and employee resistance that all consistently supported the validity of the coded case sample. We tested for any systematic differences between the codings used by Larsson and Finkelstein (1999) and those obtained in the present study through the use of a dummy variable and found no significant differences. We also tested the sensitivity of our findings to the inclusion of the externally validated cases by redoing the correlational analysis for the sub-sample of cases that had not been externally validated, and found the same correlational patterns with only a few minor variations in levels of significance. Thus, the inclusion of the case data used by Larsson and Finkelstein (1999) added externally validated case codings that represented about 25% of the total case sample without significantly biasing the results. Overall, the available evidence suggests that the case data are valid representations of the M&A cases that were studied.

RESULTS

Zero-Order Correlations

The means, standard deviations, and Pearson correlation coefficients of all variables are presented in Table 1. As indicated by the correlation matrix, trust levels at the three measurement points were positively and significantly intercorrelated and increased over time. The difference between the beginning and the end of the integration period is statistically significant ($t = 2.7$, $n = 46$, $p < .01$). A similar development over time can be observed for most of the sociocultural integration outcomes and performance measures. Where measures exist for two measurement points, a positive development over time can be observed. Significant mean differences were found for Satisfaction ($t = 2.63$, $n = 36$, $p < .05$), Willingness to Cooperate ($t = 4.15$, $n = 47$, $p < .01$), Job Performance ($t = 2.66$, $n = 31$, $p < .05$), Communication ($t = 2.80$, $n = 32$, $p < .01$), and Sales Growth ($t = 2.48$, $n = 30$, $p < .05$). These findings suggest that human resources related problems are more prevalent at an early stage of the integration period than at later stages.

Insert Table 1 here

Moreover, the correlation matrix indicates that all sociocultural integration outcomes are significantly and positively intercorrelated. This is not only the case for measurements at the same point in time but also for measurements at different points of the post-acquisition integration period. Similarly, the two organizational performance measures examined (Sales Growth and Realized Profit) are positively and significantly correlated at both measurement points. While Realized Profit is significantly and positively correlated with most of the sociocultural integration outcomes examined, Sales Growth shows positive but weaker and only partly significant correlations with attitudinal and behavioral outcomes.

Hypotheses Tests

Multiple regression analysis was used to test the relationships between the hypothesized trust antecedents and trust (Hypotheses 1-10). In all regression analyses, the control variables were entered before the predictor variable of interest; the increase in variance explained by the predictor was then used as an estimate of the predictor's relative importance in influencing trust.

Hypotheses 1 to 5 propose that variables related to the acquirer-target relationship affect target firm members' trust in the acquiring firm's management. Table 2 shows how much variance in trust is explained by each of the predictor variables at different times of the integration period. The first variable hypothesized to affect trust, Collaboration History, accounts for non-significant amounts of variance in trust at all three measurement points, suggesting that the length of the relationship between the acquirer and the target does not influence target firm members' trust. Thus, Hypothesis 1 is not supported. Hypothesis 2 could not be tested due to poor interrater reliability of the Takeover Friendliness measure. The amount of variance in trust explained by Power Differential is non-significant at all measurement points and the standardized regression coefficients are opposite to the hypothesized direction. Thus, Hypothesis 3 is not supported. Relative Performance accounts for non-significant amounts of variance in trust at different points of the integration period. Thus, Hypothesis 4 is not supported. The amount of variance in trust explained by Cultural Similarity is non-significant at the beginning and around the middle of the integration period but is significant at the end of the integration period. The standardized regression coefficient is in the expected direction, providing partial support for Hypothesis 5.

Insert Table 2 here

Hypotheses 6 to 10 propose that several integration process variables affect target firm members' trust. Trust levels measured at t2 were regressed on integration process variables measured during the first half of the integration period, while trust levels measured at t3 were regressed on process variables measured during the second half. As indicated by Table 2, the amount of variance in trust explained by Retained Autonomy is non-significant. Thus, Hypothesis 6 is not supported. The amount of variance explained by Integration Speed is non-significant for the first half of the integration period but is significant for the second half. The regression coefficient is in the expected direction, suggesting that high integration speed is associated with higher levels of trust. Thus, Hypothesis 7 is partly supported. The amount of variance explained by Cultural Tolerance and Sensitivity is significant for both measurement periods and the regression coefficients are in the predicted direction, suggesting that cultural tolerance and sensitivity on the part of the acquirer are positively associated with trust. Thus, Hypothesis 8 is supported. Reward and Job Security Enhancement, measured over the entire integration period, accounts for a significant amount of variance in trust. The regression coefficient is in the predicted direction, supporting Hypothesis 9. Hypothesis 10 could only be tested for the second half of the integration period due to poor reliability of the Communication Quality measure for the first half. The amount of variance in trust explained by Communication Quality is significant, suggesting that credible, timely, and relevant information provided by the acquirer management is positively associated with target firm members' trust.

Hypotheses 11 and 12 propose that target firm members' trust will affect a variety of attitudinal, behavioral and performance outcomes. Table 3 shows how much of the variance in each outcome variable is explained by trust levels at different points of the integration period after controls are entered. Sociocultural integration outcomes were regressed on trust levels measured at the same point in time, based on the assumption that trust (or lack of trust) affects attitudinal and behavioral outcomes instantly. Post-acquisition performance measures were regressed on trust levels measured earlier in the integration period (e.g., sales growth from t2 to t3 was regressed on trust at t2), based on the assumption that a time lag exists between trust inducing (or reducing) events and possible performance effects at the firm level. Table 3 indicates that trust, measured around the middle and at the end of the integration period, accounts for a significant amount of variance in several integration outcomes. Trust is a significant predictor of target firm members' satisfaction, job performance, willingness to cooperate, and open communication around the middle of the integration period. In addition, trust is significantly and positively associated with all sociocultural integration outcomes measured at the end of the integration period. Thus, Hypothesis 11 is supported. As indicated by Table 3, trust does not seem to affect sales growth, but is positively associated with realized profits at later stages of the post-acquisition integration period. Thus, Hypothesis 12 is partly supported.

Insert Table 3 here

To test whether trust acts as a mediating variable, we adopted Baron and Kenny's (1986) four-step approach to assessing mediating effects. According to Baron and Kenny, mediation exists if the following four conditions are met: (1) The predictors are significantly related to the potential mediator; (2) the potential mediator is significantly related to the criteria; (3) the predictors are significantly related to the criteria; (4) the variance in the criteria explained by the predictors is substantially reduced when the potential mediator is controlled. As has already been shown, condition 1 is met for five trust antecedents, namely cultural similarity, integration speed, cultural tolerance and sensitivity, reward and job security enhancement, and communication quality (see Table 2). The results further indicate that condition 2 is met for all sociocultural integration outcome variables and realized profit (see Table 3).

Table 4 reveals whether the remaining two conditions for mediation are met. Only those predictors and outcome variables that are significantly related to trust (i.e., for which conditions

1 and 2 are met) are included. As indicated by Table 4, the five predictors explain significant amounts of variance in several integration outcomes, thus satisfying condition 3. Moreover, the results show that after entering trust as a control, the amount of variance in integration outcomes explained by the predictor variables is substantially reduced in most cases, which implies that condition 4 is met for most of the relationships. Collectively, these findings suggest that trust mediates the effects of some of the trust antecedents on sociocultural integration outcomes. Variables such as cultural similarity, integration speed, reward and job security enhancement, communication quality, and the cultural tolerance and sensitivity exhibited by the acquirer thus seem to affect target firm members' attitudes and behaviors largely through perceptions of the acquiring firm managers' trustworthiness. Interestingly, the effects of cultural similarity and two of the integration process variables – reward and job security enhancement, and communication quality – on realized profits also seem to be partly mediated by trust. These findings support the conclusion that the way in which an acquiring firm approaches the integration process may affect a variety of behavioral, attitudinal and performance outcomes by undermining or enhancing target firm members' trust.

Insert Table 4 here

DISCUSSION

Despite a large body of anecdotal evidence supporting the critical role that trust plays in M&A, little is known about the factors that influence the development of trust in acquired organizations and the effects of that trust on post-acquisition outcomes. We set out to develop a model that synthesizes our current understanding of the factors that influence the post-acquisition integration process, with target firm members' trust in the acquiring firm's management as a key mediating variable, and tested it using the case survey method. We found that while aspects of the acquirer-target relationship were poor predictors of trust, integration process variables such as the quality of communication, the cultural tolerance and sensitivity exhibited by acquiring managers, and the quality of post-acquisition reward and job security changes were major factors influencing target firm members' trust. Given that trust requires a willingness to rely on and be vulnerable to another party under a condition of risk (Mayer et al., 1995), it seems intuitively plausible that aspects of the integration approach and management practices adopted by the acquirer are more closely associated with the emergence of trust than characteristics of the initial takeover situation. These management-related factors not only have a major impact on acquired personnel's lives and careers, they also reveal much about the acquiring executives' competence, integrity, and concern – and, thus, their trustworthiness.

While trust has been found to be a significant predictor of employee attitudes and behaviors in previous research on the role of trust in organizational settings, empirical evidence for the impact of trust on firm performance is mixed (see Dirks & Ferrin, 2001 for a meta-analysis). The case survey findings suggest that in corporate acquisitions, not only does trust have a powerful effect on target firm members' attitudes and behaviors, it may also contribute to the realization of synergies. This is consistent with recent research on M&A (e.g., Birkinshaw, Bresman & Håkanson, 2000; Larsson & Lubatkin, 2001) that suggests that aspects of sociocultural integration, such as building an atmosphere of mutual respect and trust, facilitate the transfer of capabilities, resource sharing and learning; and that, conversely, sociocultural and human resources problems can undermine the realization of projected synergies. Future research – and management practice as well – would benefit from a closer examination of how aspects of the sociocultural integration process, such as the emergence of a shared identity and trust, affect the performance of firms involved in M&A activity.

One of the key findings of this study is that trust mediates the effects of the acquirer's integration approach and management practices on post-acquisition integration outcomes. Using a mediated regression procedure (Baron & Kenny, 1986), we found that factors such as the cultural sensitivity exhibited by the acquiring managers and the extent to which the information provided by the acquirer is credible, timely and relevant affect target firm members' attitudes and behaviors through perceptions of the acquiring executives' trustworthiness. Interestingly, these integration process variables also seem to affect the realization of synergies, and this effect is mediated through trust. Collectively, the findings support a "process perspective" on acquisitions (Haspeslagh & Jemison, 1991), which suggests that the extent to which synergies are realized depends on the ability of the acquirer to manage the integration process effectively. While factors such as strategic and organizational fit may determine the potential for synergies, the integration approach and management practices adopted by the acquirer affect the extent to which that potential is realized.

The case survey findings presented in this paper provided some new insights into the role that trust plays in the post-acquisition integration process. However, there are several possible limitations, as well as avenues for future research. Perhaps the most critical question is related to the appropriateness of the case survey methodology for studying the trust dynamics in M&A. The usefulness of the case survey method for investigating complex organizational processes has been established by prior research (e.g., Bullock & Lawler, 1985; Larsson & Finkelstein, 1999; Miller & Friesen, 1980). Following Bullock and Tubbs (1987), we used a variety of case sources and search strategies to reduce possible sample biases. We also tested for possible sampling biases due to different case sources and study designs using several control variables and found not systematic differences. A key component of the validity analysis was the participation of case authors, which allowed us to test whether case codings made on the basis of the available case material were comparable to those made by the case authors on the basis of primary data. We also contrasted the case survey findings with those of a subsample of cases, which Larsson and Finkelstein (1999) had validated using primary and archival data independent of the case studies. All these analyses consistently supported the validity of our findings.

There are possible concerns that can be raised regarding the external validity of the findings. The case sample is small by traditional survey standards and it has not been randomly drawn from the overall M&A population. This suggests the need for cautious interpretation of the case survey findings. However, it is the variety of case sources, designs, and authors that provide much of the strength of the case survey method in terms of the generalizability of results, which goes beyond that of single qualitative case studies or smaller multi-case studies. The fact that the case sample consisted of 50 case studies, conducted by different researchers with different research approaches and designs, made this study a stronger test than would have been possible had we conducted several in-depth case studies. Future M&A research using this methodology should try to increase the number of M&A cases studied to allow for comparisons across industries, nations and other contexts. This requires the creation of larger M&A case databases.

CONCLUSION

The case survey findings presented in this paper confirm what managers and employees involved in M&As intuitively understand, namely that trust plays a key role in the integration process. They also point to the important role of the acquiring firm’s integration approach in building trust and contributing to the success of the post-acquisition integration. This paper delineated a number of actions that can be taken by the acquiring firm’s managers in order to prevent the occurrence of distrust and secure commitment and cooperation from acquired employees.

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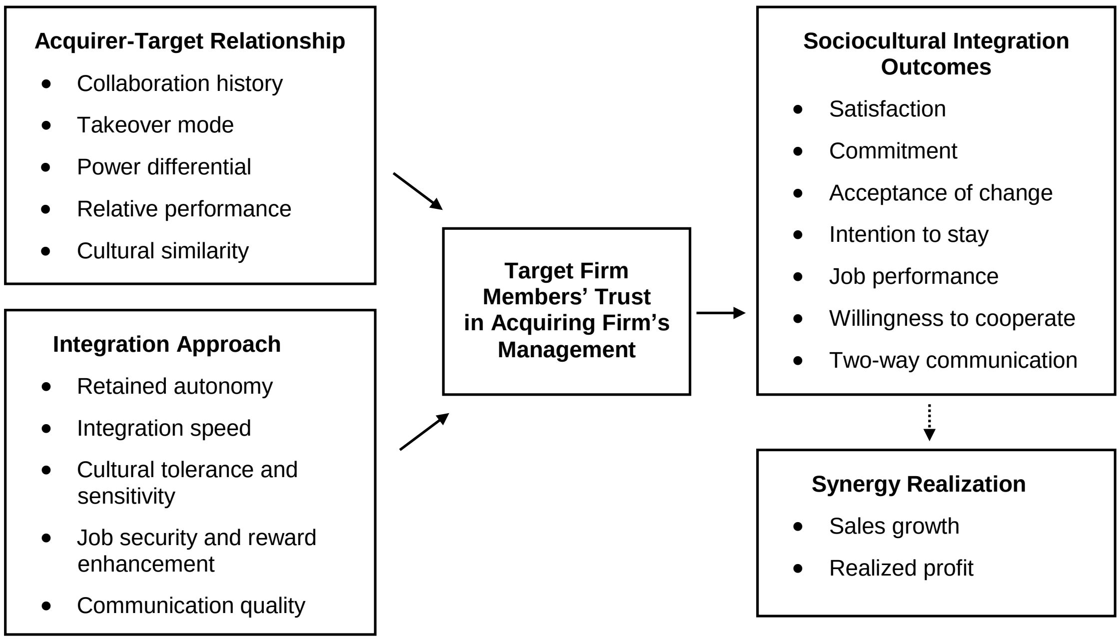
Figure 1

Model of the Antecedents and Consequences of Trust in Acquisitions Tested in this Study



Note: Solid arrows indicate relationships tested in this study; dotted arrows indicate proposed relationships that could not be tested directly.

Figure 2

Temporal Division of Post-Acquisition Integration Period (adopted from Larsson, 1990)

Pre-acquisition | **Legal combination** | **Middle** | **End of case description or point of divestment**

t1 **t2** **t3**

-----------------------------------X--------------x-------------X --------------------------X--------- > time

<1st quarter>

<--------1st half ------> <------2 nd half ----->

<----------- studied integration period -------->

Table 1

Means, Standard Deviations, and Correlations among Variables

		n	M	sd	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	1
1.	Trust t1	48	2.59	1.12	1.00															
2.	Trust t2	48	2.78	1.15	.42**	1.00														
3.	Trust t3	48	3.05	1.17	.31*	.86**	1.00													
4.	Power Differential	50	3.49	1.23	.23	.11	.16	1.00												
5.	Relative Performance	42	2.51	1.48	-.33*	-.22	-.15	-.12	1.00											
6.	Cultural Similarity	48	1.49	.56	-.01	.35*	.30	.14	-.09	1.00										
7.	Collaboration History	44	2.65	1.43	-.22	.04	.18	-.36*	.16	-.19	1.00									
8.	Retained Autonomy	50	3.02	1.03	.09	.20	.17	-.38**	-.14	-.20	.27	1.00								
9.	Integration Speed (t1-t2)	34	3.18	1.45	.16	.25	.30	.13	-.32	.30	-.28	.06	1.00							
10.	Integration Speed (t2-t3)	34	3.43	1.40	.15	.41*	.41*	.38*	-.20	.38*	-.29	-.16	.83**	1.00						
11.	Cultural Tolerance (t1-t2)	47	2.96	1.19	.24	.48**	.32*	-.40**	.06	.13	.09	.57**	.06	-.09	1.00					
12.	Cultural Tolerance (t2-t3)	47	2.90	1.16	.21	.42**	.45**	-.38**	-.17	.16	.12	.66**	.20	-.06	.83**	1.00				
13.	Reward Enhancement	45	2.56	.71	-.02	.51**	.48**	-.07	-.19	.16	.27	.33	-.13	-.12	.34*	.34*	1.00			
14.	Communication Quality (t2-t3)	44	3.17	1.29	.15	.73**	.80**	.06	-.25	.13	.02	.35*	.57**	.56**	.42**	.47**	.41**	1.00		
15.	Job Satisfaction t2	37	2.41	1.04	.10	.50**	.53**	.03	-.32	.30	.04	.23	.33	.30	.22	.29	.58**	.52**	1.00	
16.	Job Satisfaction t3	38	2.83	1.19	.07	.51**	.79**	.29	-.26	.30	.32	.08	.28	.32	.07	.31	.42*	.61**	.76**	1
17.	Commitment t3	48	2.57	1.03	.16	.69**	.83**	.26	-.29	.28	.04	.12	.44*	.41*	.28	.40**	.55**	.75**	.66**	.8
18.	Acceptance of Change t3	46	3.27	1.31	.16	.67**	.87**	.21	-.12	.29	.17	.12	.49**	.50**	.22	.38*	.49**	.79**	.64**	.8
19.	Intention to Stay t3	41	2.61	1.05	-.06	.52**	.74**	.13	-.28	.24	.25	.17	.26	.32	.11	.30	.42**	.60**	.51**	.8
20.	Willingness to Cooperate t2	47	2.63	1.13	.09	.72**	.65**	.08	-.10	.26	.06	-.03	.42*	.42*	.24	.25	.52**	.56**	.53**	.5
21.	Willingness to Cooperate t3	47	3.28	1.28	-.01	.64**	.82**	.19	-.12	.36*	.13	.07	.43*	.41*	.25	.41**	.51**	.71**	.58**	.8
22.	Job Performance t2	33	2.68	.94	.11	.78**	.71**	.18	-.26	.07	.17	.22	.41	.48*	.22	.26	.66**	.74**	.73**	.6
23.	Job Performance t3	32	3.05	1.08	.07	.73**	.83**	.29	-.19	.31	.34	.11	.36	.42	.26	.36*	.65**	.76**	.71**	.8
24.	Open Communication t2	33	2.92	1.36	.22	.71**	.66**	.21	-.19	.26	.01	.00	.46*	.49*	.11	.06	.48**	.72**	.55**	.5
25.	Open Communication t3	32	3.30	1.47	.21	.76**	.78**	.30	-.22	.27	.11	-.01	.51*	.46*	.16	.24	.49**	.85**	.46*	.6
26.	Sales Growth t2	30	3.22	1.70	-.03	.34*	.43*	-.19	.64**	.13	.25	.00	.44	.38	.19	.05	-.07	.23	.17	.
27.	Sales Growth t3	32	3.59	1.64	-.11	.29	.49**	.07	.54**	.18	.24	-.09	.24	.17	.15	.11	.03	.16	.18	.4
28.	Realized Profit t2	31	2.95	1.53	.17	.72**	.77**	.10	-.03	.44*	.15	.16	.69**	.67**	.13	.23	.39*	.59**	.54**	.6
29.	Realized Profit t3	31	3.15	1.59	.11	.53**	.70**	.28	-.09	.41*	.22	.05	.38	.38	.07	.24	.49**	.46*	.58**	.8
30.	Comprehensive data collection	44	3.42	1.09	.50**	.06	-.01	.13	-.18	.01	-.28	.05	.18	.18	-.11	-.04	-.18	.00	.17	.
31.	Systematic data collection	45	2.23	1.42	.27	-.07	-.13	.03	-.13	-.01	-.27	-.08	-.16	-.07	-.14	-.20	-.13	-.12	-.02	-.
32.	Validation	45	2.19	1.43	.14	-.08	-.10	.17	-.12	-.17	-.19	.02	-.11	-.01	-.04	-.16	.01	-.03	-.01	-.
33.	Length of Integration period	46	2.83	1.48	.00	-.14	-.13	-.19	-.20	-.33*	.15	.33*	-.39*	-.55**	.21	.13	.18	-.17	-.19	-.
34.	Author coding	50	.30	.46	.23	.09	.06	.24	.01	-.22	.06	-.12	.04	.20	-.15	-.28	.06	-.10	.00	.

*p<.05;**p<.01

Table 1 (continued)

Means, Standard Deviations, and Correlations Among Variables

	17.	18.	19.	20.	21.	22.	23.	24.	25.	26.	27.	28.	29.	30.	31.	32.	33.	34.
15. Job Satisfaction t2																		
16. Job Satisfaction t3																		
17. Commitment t3	1.00																	
18. Acceptance of Change t3	.90**	1.00																
19. Intention to Stay t3	.83**	.81**	1.00															
20. Willingness to Cooperate t2	.57**	.61**	.49**	1.00														
21. Willingness to Cooperate t3	.88**	.92**	.79**	.61**	1.00													
22. Job Performance t2	.65**	.68**	.55**	.80**	.58**	1.00												
23. Job Performance t3	.86**	.85**	.76**	.69**	.85**	.84**	1.00											
24. Open Communication t2	.74**	.68**	.51**	.77**	.68**	.70**	.69**	1.00										
25. Open Communication t3	.80**	.85**	.63**	.73**	.76**	.67**	.78**	.90**	1.00									
26. Sales Growth t2	.22	.43*	.25	.41*	.33	.20	.22	.19	.19	1.00								
27. Sales Growth t3	.42*	.54**	.47*	.38*	.53**	.21	.44*	.22	.33	.87**	1.00							
28. Realized Profit t2	.65**	.75**	.52**	.72**	.64**	.68**	.67**	.72**	.69**	.47*	.53**	1.00						
29. Realized Profit t3	.74**	.79**	.71**	.66**	.80**	.65**	.79**	.68**	.71**	.32	.60**	.80**	1.00					
30. Comprehensive data collection	.05	-.01	-.09	-.06	.00	-.09	-.11	.11	-.07	-.03	-.15	.00	.00	1.00				
31. Systematic data collection	-.11	-.19	.02	-.21	-.14	-.39*	-.32	-.13	-.24	-.05	-.06	-.24	-.11	.48**	1.00			
32. Validation	.07	-.06	.11	-.26	-.08	-.38*	-.22	-.09	-.11	-.25	-.09	-.16	-.08	.27	.78**	1.00		
33. Length of Integration period	-.05	-.24	-.03	-.31*	-.21	-.26	-.22	-.34*	-.30	-.34	-.22	-.32	-.32	-.15	.20	.47**	1.00	
34. Author coding	.11	.01	.02	.11	-.02	.14	.14	.07	-.02	-.05	.07	.18	.18	-.06	-.01	.21	.11	1.00

*$p<.05$; **$p<.01$

Table 2

Results of Regression Analyses of Trust on Antecedent Variables [a]

Predictors		Trust t1	Trust t2	Trust t3
Collaboration History	β	-.03	.18	.13
	ΔR^2	.00	.03	.02
	(n)	(40)	(42)	(42)
Takeover Friendliness	/ [c]	/ [c]	/ [c]	/ [c]
Power Differential	β	.17	.02	.12
	ΔR^2	.03	.00	.02
	(n)	(43)	(48)	(48)
Relative Performance	β	-.25	-.09	-.07
	ΔR^2	.06	.01	.00
	(n)	(37)	(41)	(41)
Cultural Similarity	β	-.03	.27	.30
	ΔR^2	.00	.07	.09*
	(n)	(42)	(47)	(47)
Retained Autonomy	β			.12
	ΔR^2	/ [b]	/ [b]	.01
	(n)			(48)
Integration Speed	β		.18	.39
	ΔR^2	/ [b]	.03	.16*
	(n)		(32)	(32)
Cultural Tolerance and Sensitivity	β		.47	.36
	ΔR^2	/ [b]	.22**	.11*
	(n)		(45)	(45)
Reward and Job Security Enhancement	β			.39
	ΔR^2	/ [b]	/ [b]	.13**
	(n)			(43)
Communication Quality	β			.79
	ΔR^2	/ [b]	/ [c]	.55***
	(n)			(43)

[a] Estimates are standardized regression coefficients. ΔR^2 = increment in R^2 after controlling for case study design characteristics.

[b] Not defined for this measurement point.

[c] Could not be tested due to poor interrater reliability of measure.

*p<.05; **p<.01; ***p<.001

Table 3

Results of Regression Analyses of Post-acquisition Integration Outcomes on Trust[a]

		Satisfaction	Commitment	Acceptance of Change	Intention to Stay	Willingness to Cooperate	Job Performance	Open Communication	Sales Growth	Realized Profit
Trust t1	β ΔR^2 (n)	/ [b]	/ [b]	/ [b]	/ [b]	/ [b]	/ [b]	/ [b]	-.03 .00 (29)	.09 .01 (31)
Trust t2	β ΔR^2 (n)	.49 $.24^{**}$ (37)	/ [c]	/ [c]	/ [c]	.75 $.54^{***}$ (42)	.69 $.32^{**}$ (27)	.65 $.31^{**}$ (32)	.29 .08 (31)	.46 $.18^{*}$ (31)
Trust t3	B ΔR^2 (n)	.79 $.63^{***}$ (38)	.83 $.69^{***}$ (46)	.85 $.62^{**}$ (44)	.74 $.55^{***}$ (39)	.82 $.68^{***}$ (45)	.74 $.48^{***}$ (31)	.73 $.50^{***}$ (31)	/ [b]	/ [b]

[a] Estimates are standardized regression coefficients. ΔR^2 = increment in R^2 after controlling for case study design characteristics.

[b] Not defined for this measurement point.

[c] Could not be tested due to poor interrater reliability of measure.

*$p<.05$; **$p<.01$; ***$p<.001$

Table 4

Results of Regression Analyses of Integration Outcomes on Trust Antecedents Before and After Controlling for Trust[a]

Predictors		Satisfaction	Commitment	Acceptance of Change	Intention to Stay	Willingness to Cooperate	Job Performance	Open Communication	Sales Growth	Realized Profit
Cultural Similarity	β	.33.	.30	.32	.28	.38	.35	.22		.38
	ΔR^2 (before controlling for trust)	11^{*}	$.09^{*}$	$.10^{*}$	.08	$.15^{**}$	$.12^{*}$	.04		$.13^{*}$
	ΔR^2 (after controlling for trust)	.03	.00	.01	$/^{c}$	.01	.03	$/^{c}$	$/^{b}$	.05
	(n)	(37)	(46)	(44)	(39)	(45)	(31)	(32)		(31)
Integration Speed	β	.32	.41	.49	.32	.41	.43	.29		.29
	ΔR^2(before controlling for trust)	.10	$.17^{*}$	$.24^{**}$	.10	$.17^{*}$	$.18^{*}$	.06		.08
	ΔR^2 (after controlling for trust)	$/^{c}$	.01	.02	$/^{c}$	.00	.01	$/^{c}$	$/^{b}$	$/^{c}$
	(n)	(24)	(32)	(32)	(30)	(33)	(21)	(22)		(20)
Cultural Tolerance and Sensitivity	β	.22	.40	.29	.30	.41	.08	.15		.16
	ΔR^2(before controlling for trust)	.05	$.16^{**}$	.08	.09	$.16^{**}$	.01	.02		.03
	ΔR^2 (after controlling for trust)	$/^{c}$	.03	$/^{c}$	$/^{c}$	.06	$/^{c}$	$/^{c}$	$/^{b}$	$/^{c}$
	(n)	(35)	(45)	(43)	(39)	(44)	(27)	(32)		(31)
Reward and Job Security Enhancement	β	.42	.55	.41	.42	.51	.53	.42		.42
	ΔR^2(before controlling for trust)	$.18^{*}$	$.30^{**}$	$.16^{**}$	$.18^{**}$	$.27^{**}$	$.24^{**}$	$.17^{*}$		$.17^{*}$
	ΔR^2(after controlling for trust)	.00	.03	.00	.01	.02	.03	.01	$/^{b}$	.03
	(n)	(36)	(43)	(41)	(39)	(42)	(32)	(32)		(31)
Communication Quality	β	.61	.75	.75	.60	.71	.67	.79		.39
	ΔR^2(before controlling for trust)	$.37^{**}$	$.56^{***}$	$.51^{***}$	$.36^{**}$	$.50^{***}$	$.38^{**}$	$.58^{***}$		$.14^{*}$
	ΔR^2 (after controlling for trust)	.00	.02	.02	.00	.01	.03	$.12^{**}$	$/^{b}$	.01
	(n)	(36)	(42)	(41)	(39	41)	(29)	(30)		(28)

[a] Estimates are standardized regression coefficients. ΔR^2 = increment in R^2 after controlling for case study design characteristics.

[b] The first two conditions for mediation specified by Baron and Kenny (1986) are not met.

[c] The third condition for mediation specified by Baron and Kenny (1986) is not met, i.e., ΔR^2 before controlling for trust is non-significant.

*p<.05; **p<.01; ***p<.001

Appendix

Case Survey Sample

Case title	Primary reference	Number of pages	Publication Status	HQ Country Acq:er	HQ Country Acq:ed	Combi-nation year
2 ACo / 2 Bco	Bastien, 1987	3	Journal	USA	USA	/[b]
Age/ Nouvelle	Cartwright and Cooper, 1996	14	Research Book	France	GB	/[b]
Anglo American/ Gas Appliances	Hubbard, 1999	15	Research Book	GB	GB	1991
AON Singapore	Francesco, 2003	12	Research Book	USA	Singa-pore	1996
Bank A/ Bank B	Buono & Bowditch, 1989[a]	24	Research Book	USA	USA	1980
Baxter T./ American Hospital Supply	Ulrich, 1998	17	Journal	USA	USA	1985
Borroughs/ Sperry	Mirvis and Marks, 1992	79	Research Book	USA	USA	/[b]
Brio/ Alga	Larsson, 1990	4	Doctoral Dissertation	Sweden	Sweden	1982
Casco/ Nordsjö	Larsson, 1990	34	Doctoral Dissertation	Sweden	Sweden	1983
CBG/ Blackwell	Kets de Vries and Florent, 1996	7	INSEAD Case	Switzer-land	GB	1995
Ciba/ Sandoz	Rühli and Sachs, 1999	10	Journal	Switzer-land	Switzer-land	1997
ComNet/ Net Co	Buono, 1997	11	Journal	USA	USA	1994
Daimler/ Chrysler	Blasko, Netter and Sinkey, 2000	25	Journal	Germany	USA	1998
DBS/ Thai Danu Bank	Wilson, Williamson and Chua, 2000	32	INSEAD Case	Singa-pore	Thailand	1997
DC/ Grand Co	Sales and Mirvis, 1984[a]	85	Research Book	USA	USA	1978
Discovery/ Scottish Yeast	Hubbard, 1999	13	Research Book	GB	GB (Scotl.)	/[b]
Drake/ Cecil	Graves, 1981	25	Journal	GB	GB	1974

Appendix

Case Survey Sample (continued)

Case title	**Primary reference**	**Number of pages**	**Publication Status**	**HQ Country Acq:er**	**HQ Country Acq:ed**	**Combi-nation year**
Electrolux/ Zanussi	Ghoshal and Haspeslagh, 1990	20	Journal	Sweden	Italy	1984
Enka/ Glanzstoff	Olie, 1996 [a]	101	Doctoral Dissertation	Nether-lands	Germany	1969
Fast Car/ Greenside Motors	Cartwright and Cooper, 1996	29	Research Book	GB	GB	/ [b]
Fast Car / Princess G.	Cartwright and Cooper, 1996	29	Research Book	GB	GB	/ [b]
Fill-it Packaging	Cartwright and Cooper, 1996	14	Research Book	GB	GB	/ [b]
Fokker/ VFW	Olie, 1996 [a]	116	Doctoral Dissertation	Germany	Nether-lands	1969
Gable/ Apex	Cartwright and Cooper, 1996	16	Research Book	GB	GB	/ [b]
Global Products/ Johnson	Hubbard, 1999	13	Research Book	USA	GB	Betw.1985 and 1989
Global Products / US enterprise	Hubbard, 1999	3	Research Book	USA	USA	Early 90ies
Harris Semiconductors/ GESS	Schweiger, Ridley and Marini, 1998	30	Research Book	USA	USA	1988
Herrick/ Lawson	Arnold, 1983	2	Journal	/ [b]	/ [b]	/ [b]
High Tech/ computer firm	Buono and Nurick, 1992	13	Journal	USA	/ [b]	Late 80ies
Hoogovens/ Hoesch	Olie, 1996 [a]	124	Doctoral Dissertation	Nether-lands	Germany	1972
HP/ Apollo	Mirvis and Marks, 1992	20	Research Book	USA	USA	/ [b]
Intel/ DEC Semiconductors	Zollo and Crawford, 2000	32	INSEAD Case	USA	USA	1997
Int. Nickel of Canada/ ESB	Ravenscraft and Scherer, 1987	20	Research Book	Canada	USA	1974

Appendix

Case Survey Sample (continued)

Case title	Primary reference	Number of pages	Publication Status	HQ Country Acq:er	HQ Country Acq:ed	Combi-nation year
Kone Cranes/ GH Carruthers	Risberg, 2001	22	Journal	Finland	GB (Scotl.)	1989
Kone Cranes/ Wisbech R.	Risberg, 2001	22	Journal	Finland	Norway	1973
Microsoft/ Vermeer	Nanda and Levenson, 1997	22	Harvard Case	USA	USA	1996
Mutual/ Colony	Arnold, 1983	2	Journal	/[b]	/[b]	/[b]
1 Sco/ 1Jco	Bastien, 1987	3	Journal	USA	USA	/[b]
Service Conglomer./ Quality Guarding	Hubbard, 1999	19	Research Book	GB	GB	/[b]
SKF/ Prototyp	Larsson, Petersson and Krauss., 1994	53	Unpublished	Sweden	Germany	1986
SKF/ ATB	Larsson, Petersson and Krauss., 1994	49	Unpublished	Sweden	Nether-lands	1988
SKF/ Jacob	Larsson, Petersson and Krauss., 1994	1	Unpublished	Sweden	Switzer-land	1987
Suburban/ Town Hospital	La Farge et al., 2003	19	Research Book	USA	USA	1991
TeleCable G. / Infosys	Hubbard, 1999	16	Research Book	GB	GB	/[b]
Texaco/ Getty Oil	Altendorf, 1986	214	Doctoral Dissertation	USA	USA	1984
Toyo Ink / Francolor	De Meyer and Probert, 1998	21	INSEAD Case	Japan	France	1993
Trans Co/ Coop Foods	Buono & Bowditch, 1987	21	Research Book	USA	USA	1987
Transway/Sero / Intertrans	Blake and Mouton, 1985	16	Journal	USA	GB	1982
Trucking A/ Trucking B	Larsson, 1990	6	Doctoral Dissertation	Sweden	Sweden	1983
United Bank/ Community Bank	Napier, 1989	18	Journal	USA	USA	1984