

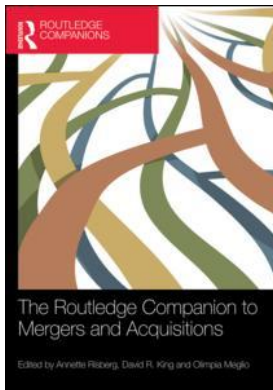
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## **The Routledge Companion to Mergers and Acquisitions**

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### **Causes and consequences of different types of identity threat**

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# Causes and consequences of different types of identity threat

## Perceived legitimacy of decisions in M&As

*Anna A. Lupina-Wegener, Güldem Karamustafa,  
and Susan C. Schneider*

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### Introduction

Both academics and practitioners have argued that developing a shared identity is important for the success of mergers and acquisitions (M&As) (van Dick *et al.* 2006; Millward and Kyriakidou 2004; van Dick 2004). Thus, literature mostly focuses on development of a shared identity, which is seen to be crucial in achieving a positive outcome of M&As. However, research findings also indicate that developing a shared identity can be problematic if the identities of the merging organizations are threatened (Terry and Callan 1998).

Identity threat often occurs as a result of disruptive organizational events, such as major strategic change or restructuring, that challenge collective self-perceptions of “who we are” and members’ beliefs about what is central to and distinctive about their organization (Ravasi and Schultz 2006). Indeed, in the context of M&As, employees may wonder about “who we were” and “who we will be” in the post-merger organization. Research has demonstrated that developing a shared identity becomes problematic when employees experience identity threat (Millward and Kyriakidou 2004) and subsequently engage in collective efforts to preserve their distinctive values as well as their self-esteem and sense of continuity. Yet the causes and consequences of identity threat and the multi-faceted and complex nature of threat (Albert and Whetten 1985) have not been examined in great depth by M&A scholars. It remains unresearched what causes employees to experience identity threat and, furthermore, what types of threat may be experienced and what employees’ subsequent reactions to these threats might be. Addressing this research gap may help integration agents reduce identity threat in order to move forward and help to develop a shared identity and achieve a positive outcome of the integration process.

In this chapter, we will draw upon acculturation and social identity theories. Acculturation theory provides the basis for understanding the causes of identity threat in M&As (Buono *et al.* 1985; Marks and Mirvis 2011b; Nahavandi and Malekzadeh 1988). Social identity theory (SIT) explains different types of threat and subsequent collective employees’ reactions (Albert and Whetten 1985; Branscombe *et al.* 1999; Hogg and Terry 2000). Building on these two theoretical approaches to M&As, we propose a typology of identity threat and a model wherein employees’

perceived legitimacy of implementation decisions can trigger a particular type of identity threat and subsequent collective reactions to reduce that threat. As a result, we believe that this chapter will provide a more nuanced understanding of identity threat and employees' subsequent reactions during socio-cultural integration process by recognizing that identity threat can be experienced for different reasons with particular reactions. The typology and model presented can have major practical implications that can provide guidance to the integration managers as well as employees going through the merger.

The chapter is structured as follows. First, we review studies of identity threat in M&A literature and present the two theoretical approaches to socio-cultural integration in M&As as the basis for understanding the causes and consequences of different types of identity threats. Afterwards, we introduce the typology wherein the perceived legitimacy of integration decisions can generate different types of identity threat. We further proceed with a model of the causes and consequences of different types of identity threat as well as efforts to reduce that threat. Finally, we conclude with recommendations for managerial practice.

### Identity threat in M&A studies

The majority of M&A research has focused on the post-merger integration process, defined as “a guided process to implementing organizational change, affecting mainly the acquired unit(s), and ultimately the parties involved, with the aim of aligning the new unit(s) with the desired strategic direction” (Teerikangas and Joseph 2012: 342). In this chapter we focus more specifically on socio-cultural integration (Stahl and Voigt 2008), wherein formerly separate (often competing) groups need to work together and exchange knowledge. Developing a shared identity is considered to be crucial for a successful outcome (Lupina-Wegener *et al.* 2011; Teerikangas and Very 2006; Ullrich *et al.* 2005; van Knippenberg *et al.* 2002). Shared identity is typically conceptualized as both content—perception of a common ingroup identity (Gaertner *et al.* 1993)—and process—degree of identification with the new organization (van Dick *et al.* 2006; cf. Haslam *et al.* 2003 for conceptualization of shared identity in terms of *content* and *process*). However, threat to pre-merger identities has been found to create intergroup dynamics, which may interfere with developing a shared identity (Gleibs *et al.* 2008; Terry and Callan 1998; van Dijk and van Dick 2009).

Although the general notion of identity threat has been well established in M&A research, the causes and consequences are less understood as theoretical and methodological issues prevail. First, from a theoretical standpoint, existing research adopts a definition that does not allow different types of identity threat to be captured, for example in reference to human resource (HR) practices that may pose a “threat to positive identity” (Smith *et al.* 2012) or employees' resistance to change as threat to change agent's identity (van Dijk and van Dick 2009). Rather, identity threat needs to be considered as a multidimensional construct. We conceptualize identity threat, building on Albert and Whetten (1985) and Branscombe *et al.* (1999), according to whom three types of identity threat may be experienced by organizational members: value threat, distinctiveness threat, and continuity threat.

Value threat may be experienced when employees perceive that their competencies and capacities are not appreciated in the post-merger organization. Specifically, they may experience their pre-merger identity to be less valued than the pre-merger identity of the outgroup (Gleibs *et al.* 2010). This perceived underestimation of self-esteem constitutes value threat.

Distinctiveness threat refers to employees' perceived loss of a previously well defined pre-merger identity allowing differentiation from significant others (Brewer 1991). Pre-merger groups experience distinctiveness threat when, “What makes us different from the outgroup?” is

no longer clear (Gioia *et al.* 2010). Indeed, ingroup members seek to emphasize differences from outgroup members (Tajfel and Turner 1979). And thus, the integration of pre-merger groups risks challenging the essence of group distinctiveness (Branscombe *et al.* 1999).

Continuity threat is related to the broken stability of pre-merger identity over time. M&A research reveals that employees have a need to perceive continuity not only between present and past (van Knippenberg *et al.* 2002) but also between present and future (Clark *et al.* 2010; Lupina-Wegener *et al.* 2014; Ullrich *et al.* 2005). This perceived lack of continuity between pre- and post-merger organization and post-merger organization in the early stage and its future identity constitutes continuity threat.

Second, from a methodological standpoint, identity threat in M&As was chiefly operationalized and measured as individuals' appraisal of the stressfulness of the event as compared with other stressful situations experienced (Terry and O'Brien 2001), their sense of uncertainty (Terry and Callan 1998), or the degree of perceived continuity between pre- and post-merger identity (Bartels *et al.* 2009; van Dick *et al.* 2006). These approaches are problematic because operationalizing threat as stress confounds the experience with the reaction. Also, these measures neither capture the specific causes nor the types of threat possible.

Summing up, past M&A research has not drawn enough attention to these three distinctive types of threat and particular reactions of employees, which may follow. Indeed, with social identity, scholars reveal that different collective reactions (ingroup bias, trust) might be observed under a specific type of threat (Smurda *et al.* 2006; Voci 2006). Consequently, there is a need to provide a more differentiated understanding of specific types of identity threat that may emerge in socio-cultural integration. We present the two theoretical perspectives on the socio-cultural integration process in order to identify antecedents to three types of identity threat and employees' possible subsequent reactions.

## **Two perspectives on socio-cultural integration and implications for identity threat**

Socio-cultural integration has predominantly been studied based on two theoretical perspectives, acculturation theory (Berry 1980) and social identity theory (Tajfel and Turner 1979). While these two theoretical perspectives are similar in their focus on the outcome, they approach the socio-cultural integration process focusing on different levels of analysis. More specifically, the acculturation perspective focuses on cultural change and autonomy decrease (organizational level) and subsequent employee reactions (e.g. stress) and resistance (Buono *et al.* 1985; Marks and Mirvis 2011b), while the social identity perspective addresses threats to pre-merger identities (organizational level) and subsequent intergroup dynamics (Terry and Callan 1998; Terry and O'Brien 2001).

### *Socio-cultural integration from the acculturation theory perspective*

Derived from anthropology, acculturation is defined as cultural changes resulting from the contact between two groups with distinctive cultures (Berry 1980). In the context of mergers and acquisitions, different modes of socio-cultural integration have been identified: "blending" or "integration"—taking the best of each and developing a new culture and practices; "separation"—retaining distinct identities; and "assimilation," where one party adopts all or part of the other's culture (Schweiger *et al.* 1993).

The different approaches are considered to be a function of the motive behind the decision to acquire and the degree of synergies expected (Haspeslagh and Jemison 1991; Shrivastava 1986) or "combination potential" (Larsson and Finkelstein 1999). Consequently, the level of

change in pre-merger cultures and the degree of autonomy decrease may vary according to the socio-cultural integration approach taken. For example, if synergies are sought, managerial interventions will be designed for a high level of operational integration. This may lead to many changes to well established norms and patterns of behavior (i.e. culture) that have evolved over time prior to the merger (Barth 2006) in order to ensure value creation (Haspeslagh and Jemison 1991). Furthermore, to enhance synergies or to gain better control, managerial interventions may reduce freedom of choice and action, resulting in a decrease in autonomy of the pre-merger organizations (Datta and Grant 1990; Eilam and Shamir 2005; Hambrick and Cannella 1993). Thus, integration decisions regarding staffing, rewards and benefits, and systems and procedures signal the extent to which pre-merger culture change and decrease in autonomy can be expected. Efforts to reduce stress and enhance social integration through HR practices, communication, and social controls are encouraged (Larsson and Lubatkin 2001; Schweiger and Denisi 1991).

And indeed, success or failure of the integration process is often attributed to employees' anxiety reactions to cultural change and loss of autonomy (Marks and Mirvis 2011a). Past research also points out that the compatibility of the integration mode between merging groups might help enhance positive M&A outcomes (Nahavandi and Malekzadeh 1988). Thus, employees might prefer to merge with a company that has an attractive culture (Cartwright and Cooper 1993) or may opt for an integration mode that minimizes change (Giessner *et al.* 2006; Gleibs *et al.* 2013). As a result, the more that cultural change is imposed and the more that autonomy decreases, the more pre-merger identity may be called into question, posing a threat to pre-merger identity (Fiol *et al.* 1998). Overall, scholars examining socio-cultural integration from an acculturation theory perspective provide the basis for understanding the causes of identity threat in M&As.

### *Social identity approach to socio-cultural integration*

M&A research based on social identity theory (Tajfel and Turner 1979) seeks to explain employees' collective reactions to the socio-cultural integration process wherein pre-merger identities are threatened. SIT addresses social behavior, wherein individuals are not acting on the basis of their personal identities but as members of their group(s) in relation to members of other groups. Personal identity, "How am I different from him/her?," becomes less salient particularly when there is intergroup contact, as is the case with M&As. In parallel, self-categorization theory (Turner 1985; Turner *et al.* 1987) underlines that various social identities for self-categorization are available to an individual at a particular time (Brewer 1991). Individuals may choose to identify with groups that provide a distinctive and positive identity in order to enhance self-esteem (Tajfel and Turner 1979) as well as to reduce uncertainty (Hogg and Terry 2000). This can result in intergroup dynamics wherein group members tend to engage in ingroup favoritism and outgroup discrimination (Terry and Callan 1998, Terry and O'Brien 2001, van Dijk and van Dick 2009).

While developing a shared identity is considered to be necessary for successful M&A outcomes, much of the prior research adopting a social identity approach has sought to determine how intergroup dynamics in terms of power asymmetries on the one hand and boundary permeability on the other hand may affect merger outcomes (Hogg and Terry 2000; Lupina-Wegener *et al.* 2011; Terry *et al.* 2001; Terry and O'Brien 2001). Power asymmetries refer to the distribution of influence of pre-merger organizations in the integration process, i.e. whether one merger partner is dominant over the other (as is typically the case in acquisitions) versus "mergers of equals" (Meyer and Altenborg 2007). On the other hand, boundary permeability is defined as a possibility of mobility within the new organization or having access to resources in terms of rewards, development opportunities, informal networks, and career progress (Santos and

Eisenhardt 2005). Merging groups’ perceptions regarding implementation decisions may create intergroup dynamics about power asymmetries as well as boundary permeability. Employees may experience identity threat when the implementation decision is perceived as illegitimate, and subsequently merging organizations do not agree on who dominates and on who is a new ingroup and who is not (cf. Gleibs *et al.* 2013; Giessner *et al.* 2006 for a legitimacy of integration patterns).

The implications for identity threat are twofold. First, adopting an acculturation theory perspective we identify that employees’ perceptions of the legitimacy of implementation decisions with regard to loss of autonomy and change in culture can generate identity threat. Second, following social identity theory, we suggest that employees collectively react to identity threat as efforts to redress the perceived illegitimacy through identity work. In light of existing theoretical perspectives and M&A research, we now present a typology that differentiates specific types of identity threat and subsequent collective reactions.

### Typology of identity threat

Building on past research embedded in acculturation and social identity theories, the typology developed here identifies distinct types of threat during socio-cultural integration that may be experienced by the employees regardless of the “officially proclaimed” implementation approach (Gleibs *et al.* 2013; Lupina-Wegener *et al.* 2011). Furthermore, based on SIT, three types of identity threat will be experienced as a function of the perceived legitimacy of implementation decisions in two dimensions, autonomy decrease and change as identified by the acculturation theory. The typology presented in Figure 21.1 discusses each type of threat as it may be experienced with regard to the experienced legitimacy of implementation decisions.

		<b>Autonomy evaluations</b>	
		<b>Illegitimate</b>	<b>Legitimate</b>
<b>Culture change evaluations</b>	<b>Illegitimate</b>	Continuity threat (both change and autonomy decrease refused)	Distinctiveness threat (change refused)
	<b>Legitimate</b>	Value threat (autonomy decrease refused)	Minimum threat (acceptance of autonomy decrease and change)

Figure 21.1 Typology of pre-merger identity threat based on employees’ evaluation of the implementation decisions

Continuity threat is related to the enduring nature of identity. In the seminal paper by Albert and Whetten (1985), continuity threat is discussed in terms of stability over time and further extended by Rousseau (1998), underlining the necessity of maintaining a sense of continuity rather than sameness. In M&As, such continuity can be put at stake when both autonomy decrease and culture change are experienced as illegitimate. Indeed, in some circumstances, members of merging organizations might seek to preserve pre-merger culture and to maintain autonomy in terms of impact on building the post-merger organization. If a desired implementation decision is not coherent with an actually implemented one, continuity threat will be apparent. An example would be the case of an acquisition of a successful start-up by an established, bureaucratic holding with strongly established procedures and systems, wherein the acquirer imposes their ways of doing business on the acquired firm. Then, a move from a relatively small structure to a business unit position in a large conglomerate might imply an important loss of “who they were” before the acquisition, and fears for survival in the post-merger organization may increase for the members. This can result in employees feeling disoriented given the loss of the former identity—“who we were”—and the lack of a clear vision of “who we are going to be.” As a result, employees may increase their complaints or may be demotivated from engaging in the integration process.

Distinctiveness threat refers to the perceived loss of a previously well-defined identity as compared to a significant outgroup (Jetten and Hutchison 2011; Stahl *et al.* 2011). In M&As, such distinctiveness threat might emerge when an implementation decision aims at culture change and reducing differences between two merging organizations. Indeed, in some circumstances, group members may resist attempts to be assimilated into the culture of the acquirer, and any efforts to change cultures might then be considered as illegitimate. At the same time, employees might consider their loss of autonomy as appropriate, as for example in circumstances of rescue from bankruptcy.

Value threat is experienced when employees feel that their competencies and capacities are not appreciated in the post-merger organization. Indeed, in some circumstances, group members might welcome change in culture, but they may seek to maintain autonomy. This might be the case in a “reverse takeover” or in a “best-of-both” integration wherein changes are introduced to both acquired and acquiring groups. Thus, an acquirer might agree to introduce changes to their pre-merger culture if the culture of the acquired organization is more attractive and is believed to contribute to the performance of the post-merger organization. While change might be welcomed, concerned group members seek to have an influence on how the post-merger organization is constructed. If an actual implementation decision is not coherent with a desired one, a decrease of autonomy might be perceived to challenge positive pre-merger group perceptions and, thus, lead to value threat. Interestingly, a qualitative study conducted by Smith *et al.* (2012: 318) reveals how value threat might emerge. Indeed, HR practices imposed by the dominant organization might lead to threat to positive identity so that “the HR practices appear as an aggression that demands a response.”

The typology helps to understand employees’ reaction under identity threat in relation to their experiences of autonomy decrease and culture change. Employees’ reactions under identity threat were one of the emerging themes of a case study conducted by one of the authors. The case study explored how capabilities develop during a post-merger integration process, relying on interviews and archival data as primary data sources. The methodology of the study is presented elsewhere in detail (cf. Karamustafa *et al.* 2013; Castañer *et al.* 2013). In the following section, we present the case study to illustrate how different types of threat can be observed during the socio-cultural integration process.

### *Identity threats: a case example*

A German multinational corporation (MNC) (MarsCo) was acquired by an American MNC (SunCo), a global player in the consumer goods industry. MarsCo was acquired with the objective of growth in the beauty sector both in retail and professional sales channels. MarsCo's different business units were considered to be a strategic fit given the product lines and presence in different geographic locations. In particular, the unique capability of MarsCo's core business in the professional sales channel was an important motive behind the acquisition.

**Acquisition implementation:** After the acquisition announcement, integration plans were delayed due to the regulatory differences in the respective institutional context. While MarsCo's management was maintained, MarsCo and SunCo employees had limited contact until the conflict was resolved. Almost a year after the acquisition announcement, MarsCo's smallest business that sold products through retailers was absorbed into SunCo's much larger business that had a strong presence in the retail channel. In the meantime, the decision to implement SunCo's structure into MarsCo's largest business (the core business that possessed the unique capability) was taken, during which MarsCo's second business was integrated into SunCo's similar and equivalently sized business. The combination of this second similar business had high synergy potential; thus, the integration approach formally adopted was a "best of both," where the contributions of members of both organizations were jointly considered. Meanwhile, the integration at MarsCo's core business was further delayed by SunCo's acquisition of another American company, VenusCo, that was ten times larger than MarsCo.

A year after implementing SunCo's structure at MarsCo's core business, its top manager was replaced by a SunCo executive. In contrast to SunCo's more centralized organization with many detailed processes and systems, MarsCo had a decentralized structure where the country organizations enjoyed autonomy with their own resources. The country organizations were then placed under a new structure putting an additional layer between the country managers and the head of the business unit, thus limiting their autonomy. Once the resources were secured from the SunCo corporate offices, an integration team was put in place to complete the remaining integration. In the final step, harmonization of systems and HR processes took place along with functional integration, leading to a complete absorption within roughly three years.

**Identity threats:** The acquisition triggered identity threats for MarsCo's employees. Indeed, MarsCo was a European, family company, highly decentralized and much smaller compared to SunCo, an American publicly owned, highly centralized, global multi-business company. MarsCo's employees worried that MarsCo's pre-merger identity, highly influenced by its core business established by the founding family, would not be appreciated and maintained at SunCo, due to very different national and organizational cultures. Many MarsCo employees were wondering how much their traditional way of doing business as a family company in the professional sector, for example being very relationship oriented, would be retained and drive the future of the business. Thus, continuity threat was apparent among MarsCo's employees, particularly during the initial stages. MarsCo's employees highlighted MarsCo's long-standing heritage and expertise built over years.

The differences became more apparent once employees started to work together, confronting MarsCo employees with the SunCo culture. The more that SunCo processes and systems were implemented, the more SunCo culture was introduced. SunCo employees promoted their structured approach, their processes and systems, as well as their global presence and success in the market. However, MarsCo's employees did not consider SunCo's highly centralized and process-oriented structures appropriate for MarsCo's core business, given that they were designed for doing business in the retail channel. Being a family company encouraged strong relationships



and loyalty within the company as well as with their customers. Speed and entrepreneurial spirit were considered to be distinctive features that had made MarsCo successful in the past. As a result, MarsCo's employees experienced distinctiveness threat and engaged in ingroup favoring comparisons through differentiation on the basis of how the business is conducted.

Decisions taken to create a more centralized organization further limited MarsCo's autonomy in its core business. Although MarsCo's employees accepted that MarsCo would not be the same as before the acquisition, reflecting on the fact that they were a family company acquired by a large multinational (cultural change legitimate), they considered that their decreased autonomy at the core business was illegitimate given that MarsCo's unique capability at the core business was the motive of the acquisition. Also, limiting the autonomy of MarsCo's country organizations was not only hampering their relationship with their customers but also reducing the speed in responding to market needs. They complained that their implicit knowledge of the business was not appreciated within SunCo. Moreover, MarsCo's employees did not feel that their capabilities were being valued in a business that was different from most of the other SunCo businesses. As a result, they felt that they were in a disadvantageous position compared to employees in other SunCo businesses in terms of career progression at SunCo. This constituted a value threat to MarsCo's employees, which created passive resistance to SunCo's dominance in determining the future of MarsCo's core business. Particularly, employees reacted to ensure a legitimate level of autonomy by status-related comparisons.

In summary, the case reveals the presence of three different types of identity threat based on the perceived legitimacy of integration decisions as well as collective reactions such as resistance and intensified intergroup conflicts. In the SunCo–MarsCo case, continuity threat was prevalent as both culture change and autonomy decrease were considered illegitimate, especially following the acquisition announcement. Stress, anxiety, and fear were apparent among MarsCo's employees, who sought to maintain the continuity between the pre-merger and post-merger organization. When the autonomy at MarsCo's core business was somewhat maintained following implementation delay due to the institutional context, efforts to change MarsCo's existing processes and systems lead to distinctiveness threat among MarsCo employees. As a result, ingroup favoritism and outgroup derogation increased, and MarsCo employees sought to preserve their pre-merger identity, increasing their opposition to the changes being introduced. The decrease in autonomy in MarsCo's core business, for example in the country organizations, led to value threat. MarsCo's employees resisted the increased influence of SunCo through defensive reactions such as questioning the decisions and making status-related comparisons.

### *Model of employees' collective reactions to identity threat*

In this section, we introduce a model of employees' collective reactions to different types of identity threat. Indeed, a comparative case study by Courpasson *et al.* (2012) found that employees' resistance can actually influence top management's decisions and produce eventual change. Organizational members attempt to make sense of the consequences of change, and how they act on their observations in turn generates further changes (Stensaker and Langley 2010). Hence, it is apparent that the unfolding socio-cultural integration process is influenced by both employees' evaluations of the legitimacy of the implementation decisions and their subsequent collective reactions that in turn may create pressures to modify the implementation decision. Figure 21.2 illustrates that first implementation decisions can result in perceptions of culture change and decrease of autonomy. The extent to which these are considered by employees to be illegitimate results in specific identity threats such as continuity, distinctiveness, and value threats, as depicted in the typology of identity threat (Figure 21.1). Second, employees will collectively

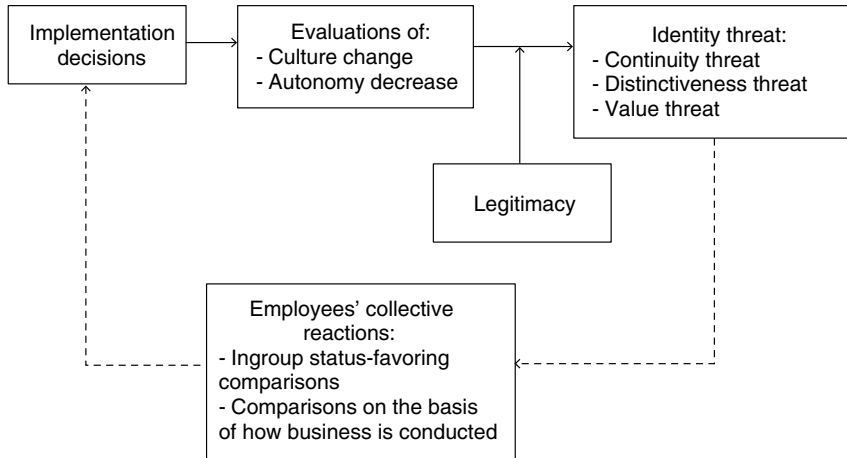


Figure 21.2 Process model of identity threat

react to restore legitimate levels of autonomy decrease or culture change and, thus, to reduce threat. Specifically, they may engage in intergroup comparisons in order to preserve self-esteem, distinctiveness, and continuity in the post-merger organization. However, collective reactions and subsequent group dynamics will differ depending on the type of threat experienced.

Employees who experience value threat might try to restore legitimate levels of autonomy through status-related comparisons such as seeking visibility in executive positions. Particularly, they may react by trying to engage more actively in the integration process, demonstrating specific skills and knowledge that are valued. Members of the acquired organization may seek to maintain their value by bringing forward their contribution that was initially appealing for the acquirer and therefore was the motive for the acquisition, as in the case of MarsCo. Summing up, in the case of value threat, employees react to ensure a legitimate level of autonomy by status-related comparisons.

Employees who experience distinctiveness threat will seek to preserve their differences in the way the business was done prior to the merger. They may promote the effectiveness in management processes and procedures or friendliness in the work climate in the pre-merger organization. Such efforts to reassert pre-merger identity and, thus, restore distinctiveness (Van Leeuwen *et al.* 2003) can exacerbate intergroup conflict through ingroup favoritism and outgroup derogation (Stahl *et al.* 2011). Summing up, in the case of distinctiveness threat, employees react to ensure a legitimate level of culture change by differentiating themselves on the basis of how the business is conducted.

When employees experience continuity threat, they will recall the past and make past-related descriptions in terms of intra-group (nostalgia) and at the same time make ingroup-favoring comparisons to be carried into the future organization (Iyer and Jetten 2011). As in the case of MarsCo, employees may bring forward the long-standing heritage and past success. In other words, restoring autonomy and minimizing change take place through attempts to preserve the past “reality” intact. Summing up, in the case of continuity threat, employees react to preserve both the pre-merger autonomy and pre-merger culture by strong past-orientated comparisons on the basis of status and also on how the business is conducted.

Integration leaders, or change agents, may respond to employees’ collective reactions by modifying the integration decision and deploying interventions to increase employees’ evaluations

of the legitimacy of autonomy decrease and culture change. However, change agents tend not to respond to employees' collective reactions, if perceived as resistance. If employees' reactions threaten the identity of managers in charge (van Dijk and van Dick 2009), they may in turn also respond with resistance. Thus, instead of addressing employees' concerns regarding identity threat, management may become more controlling, thus further limiting autonomy and imposing culture change. Indeed, the latest research suggests that employees' collective reactions such as ingroup favoritism and outgroup derogation might be reactions to identity threat and recognized as efforts to reduce it (Courpasson *et al.* 2012). Therefore, modification of the implementation decision might be necessary. Indeed, there is a growing body of literature on employee voice—focusing on helping managers understand employee concerns and helping employees know that managers will hear their voiced concerns (Wilkinson and Fay 2011).

Specifically, we propose that implementation decisions may be redesigned or managerial interventions may be deployed to address the type of threat that corresponds to the experiences of groups. In cases of value threat, staffing plans may need to be made carefully, for example, assigning acquired leaders to manage the change process. As a result, integration leaders can reduce identity threat by acknowledging the unique contribution of each group and their status in the new organization. Employees may actively seek to maintain autonomy to restore positive identity and a positive self-image through defensive reactions or resistance and thus limit identification with the post-merger organization (Stahl *et al.* 2011). When distinctiveness threat is salient, integration managers may consider designing interventions not only to recognize differences in pre-merger identities but also to focus on how differences might be utilized as an asset to the new organization, which in turn can reduce distinctiveness threat. When members experience continuity threat, even intentions to combine the “best of both” might not reduce the threat. Rather, the past has to be acknowledged and embraced by keeping the artifacts alive so as to make clear links between the past, present, and future.

Summing up, and as indicated in Figure 21.2, employees may react to reduce identity threat and to restore a legitimate level of autonomy decrease and culture change, which in turn may pose a threat to other groups within the organization and which might produce further threats and subsequent reactions. Thus, we argue that modifying integration decisions, taking into account the degree of autonomy decrease or culture change, might be necessary and that the employee perceptions of their legitimacy can decrease the experience of identity threat. However, failure to identify what causes threats and, thus, modifying implementation decisions in the wrong dimension (i.e. autonomy or culture change) can reinforce the experience of identity threat.

## Conclusions

In this paper, we contribute to existing M&A research by considering the dynamic interaction of employees' perceptions of the legitimacy of culture change or autonomy decrease in implementation decisions and the subsequent reactions to reduce identity threat. Based on the two most referenced approaches to the integration process—acculturation and social identity theories—we argue that employees' evaluation of the implementation decision in terms of culture change and decrease in autonomy can result in threat to identities. However, the degree to which culture change and decrease in autonomy is evaluated as legitimate results in three different types of identity threat: continuity, distinctiveness, and value. We provide a typology of identity threat based on the evaluation of legitimacy of culture change and autonomy decrease. The differentiation of threat types allows a more nuanced understanding of employees'

reactions and a better appreciation of the impact of implementation decisions. Thus, incorporating insights from two theoretical approaches to socio-cultural integration helps to understand how the socio-cultural integration process unfolds in ways that are more or less intended, with outcomes that are more or less hoped for. Furthermore, it is important to mention that different types of threat and the dynamic process presented in this chapter are not limited to M&As but may be observed in other contexts of major strategic change. Thus, we contribute to the literature regarding identity dynamics in strategic organizational change by studying how employees' evaluation of the implementation decision may create identity threat, employee reactions, and the dynamic interactions at multiple levels of analysis—organizational, group, and individual. By exploring these actions and reactions, managers and employees can be helped to better navigate these events and thus enhance the likelihood of achieving the hoped for outcomes.

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