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EMPLOYEE REACTIONS TO CROSS-BORDER ACQUISITIONS: EVIDENCE FROM AN ACQUIRED SERBIAN COMPANY

ABSTRACT: The purpose of this paper is to examine factors influencing employee reactions to changes brought about by cross-border acquisitions. The research was conducted in a company operating in Serbia's retail sector that was acquired by a Belgian multinational company. The data were collected from 344 respondents. Measures of central tendency, the Mann-Whitney U test, and regression analysis were used to test the research hypotheses. The research results show that employee reactions to changes brought by cross-border acquisition were generally positive. The study shows that corporate cultural differences between the acquiring company and the acquired

company and the support of transformational leaders resulted in employees reacting positively to the changes. The study attempts to improve understanding of employee reactions during the process of change occurring as a result of cross-border acquisition. Additionally, this study has practical implications, as it points to how the appropriate management of human resources contributes to positive employee reactions.

KEY WORDS: employee reactions, cross-border acquisitions, acquired company, corporate cultural differences, transformational leadership.

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1. INTRODUCTION

Although companies engage in acquisition processes with optimism, empirical evidence shows that a large number of acquisitions are unsuccessful and that many companies do not realize the expected results. In an effort to identify the causes of failure and the factors that are critical for successful acquisitions, research emphasizes the importance of ‘soft’ factors. Many companies focus on tangible financial, business, and managerial strategies that can be planned in advance, as well as on potential synergetic benefits. However, Buono and Bowditch (1989) point out that top management often neglects the behavioural aspect of acquisitions. Cartwright and Cooper (1990) agree that the behavioural aspect of acquisitions is an often “neglected” or “hidden” factor in the success of acquisitions. Neglecting human resource issues is somewhat surprising, since human resource management plays an important role in the process of post-acquisition integration.

Acquisitions include organisational change and the integration of certain parts or all parts of the functions and activities of an organisation. Managing such organisational changes is a big challenge since employees may react negatively and resist changes. Acquisitions can be traumatic events for employees because they involve possible lay-offs, adjusting to a new corporate culture, and the introduction of new forms of management and new business rules. The psychological reactions of employees during acquisitions are thus an interesting area of research. However, studies of employee reactions toward change during and after acquisitions have primarily focused on developed economies (Kavanagh and Ashkansasy; 2006; Schweizer and Patzelt, 2012, Teerikangas, 2012), while research on transitional economies is limited. Transitional economies are characterized by a damaged socialist administrative heritage, inefficient human resources, and obsolete management practices, and changes are necessary at both the macro level (changes in the institutional and economic setting) and at the micro level (reorganisation of companies after acquisition). Therefore, the challenges that employees face in transitional economies are greater than in developed economies. This study attempts to fill the research gap by exploring employee reactions to cross-border acquisitions and the factors influencing them in a transitional economy. The research was conducted in a company operating in Serbia’s retail sector, which was acquired by a Belgian multinational company.

The study makes a significant empirical contribution in the areas of acquisitions and organisational behaviour. First, it adds to the understanding of employee reactions to cross-border acquisition in the context of a transitional economy. Second, it investigates how employees can be made to positively perceive corporate cultural differences. Third, it emphasizes the significance of transformational leaders, who are essential in creating positive employee reactions toward change. Fourth, the study provides practical recommendations for managers involved in cross-border acquisitions as to the appropriate human resource practices needed to elicit positive employee reactions.

The paper is structured as follows. The first section presents the theoretical background and hypotheses. The second describes the research methodology, particularly the sample research, the way of measuring the research variable, and the method of analysing the data. The third section presents the research results and discussion. Finally, the last section presents the study's theoretical and practical contribution and future directions of research.

2. THEORETICAL BACKGROUND AND HYPOTHESIS

2.1. Employee reactions to cross-border acquisitions

Organisational and personal changes resulting from cross-border acquisitions create unavoidable uncertainty for employees, as many of the changes are of an evolutionary character and final outcomes are often unknown in the initial phase of the acquisition process. Organisational changes often result in unfavourable consequences for employees, resulting in their resistance. Some research has focused on studying the reactions and behaviours of employees and how they experience these processes (Marks and Mirvis, 1992; Galpin and Harndon, 2007; Teerikangas, 2012; Schweizer and Patzelt, 2012; Gunkel et al., 2015).

Employees often experience a high level of concern and uncertainty after the announcement of an acquisition, fearing that they could lose their job or their existing status and position and experience problems related to career development. During the acquisition process rumours may emerge that lead to concern and counterproductive behaviour (Buono and Bowditch, 1989). These rumours are often based on fear rather than on reality and may significantly strengthen employees' concern and stress.

The announcement of an acquisition will most probably initiate questions from employees on the characteristics of the organisation, the integration process, and the outcomes of acquisition. When faced with unexpected events the employees need to understand the meaning of these events and to decide how to respond to them. During cross-border acquisition the employees in an acquired company fear a possible loss of identity. This can lead to serious intergroup/outgroup polarisation, which may create serious inter-organisational conflict (Marks and Mirvis, 1986).

According to job characteristics theory (Oldham and Hackman, 1976), employee reactions are influenced by the characteristics of the organisational tasks that they have to perform after the acquisition. The main characteristics of organisational tasks (diversity of skills, task identity, task importance, task autonomy) have a great influence on employees' perception of acquisitions, their motivation, and their dedication. In cross-border acquisitions employees face uncertainty and concern regarding their competence fulfilling new roles and meeting new demands (Chung et al., 2014). Other dimensions of the business environment such as career development, geographic transfer, and safety at work also influence employee reactions. Employees often react negatively to changes since a large number of acquisitions are followed by changes in the organisational structure, labour relations, and company culture, a lack of communication, career disruption, and loss of status. During the early phase of integration the loss of existing structures and insufficiently developed new structures may lead to negative employee reactions, which makes their adjustment to the new situation more difficult and leads to them having less commitment to the new company (Schweizer and Patzelt, 2012). Galpin and Herndon (2007) emphasize that the productivity and morale of employees in the acquired company may decline significantly due to negative employee reactions toward changes resulting from cross-border acquisition, resulting in negative effects such as declining productivity, absenteeism, declining morale, workers leaving the organisation, and resistance to changes during the first months of the post-acquisition period (Schweiger and DeNisi, 1991; Cartwright and Cooper, 1997; Marks and Mirvis, 2001). This contributes to the outflow of value and the inability to realise projected cash flows and synergies (Schweiger and Very, 2003).

While most of the literature highlights the negative reactions of employees to acquisitions, Teerikangas (2012) demonstrates the possibility of positive employee reactions toward change. In a study of acquisitions by Finnish multinational companies, Teerikangas (2012) examined employee reactions in the pre-acquisition phase and found that in 6 out of 8 researched companies the employees had a positive attitude to the upcoming acquisition, perceiving it as an opportunity rather than a threat. The target companies were aware of the necessity for change and recognized the attractiveness of the acquiring companies. As a result of that, the management of the target companies became proactively involved in successfully implementing the acquisitions. Sarala et al. (2019) point out that employees in economically less developed economies can perceive cross-border acquisitions positively. If the acquiring company is from a highly developed, economically strong economy, the employees of the acquired company understand that there will be increased opportunities for improving personal skills and knowledge and for career development. Personal skills and knowledge are improved by knowledge transfer via various mechanisms, including employee rotation and joint training and education (Aleksić Mirić, 2017). Chung et al. (2014) emphasize that employees react positively to changes when they expect benefits from them. Employees with a positive attitude to organisational changes are prepared to be patient, follow new workplace rules and norms, endure temporary discomfort, overcome obstacles, and work consistently towards realising set goals.

Although empirical research on how acquisitions influence employee reactions is mixed, most research finds that employees have negative reactions toward change. Hence, the first research hypothesis is:

Hypothesis 1: During the process of cross-border acquisition the employees of the acquired company react negatively to the changes.

2.2. Corporate cultural differences and employee reactions

When companies from different countries are involved in acquisitions there is a high probability that cultural conflict will occur. The employees may experience psychological stress and concern due not only to differences in corporate culture but also to differences in national cultures. Weber and Camerer (2003) define corporate culture as a shared social understanding that results in company

members having common assumptions and viewpoints. Another definition of corporate culture is “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation or internal integration, that has worked well enough to be considered valid and, therefore, to be taught new members of organisation as the correct way to perceive, think, and feel in relation to those problems” (Schein, 1992, p.12). The decisions that managers and employees make, the actions they take, and the interactions they participate in are largely determined by the values and norms of corporate culture (Janićijević et al., 2018). Companies are cultural configurations built into a national context; hence, corporate culture also reflects certain national cultural values (Dauber, 2012).

According to Hofstede (2001), the four fundamental dimensions of national culture are power distance, uncertainty avoidance, individualism–collectivism, and masculinity–femininity. Power distance indicates “the level to which the less powerful members of society accept that power is distributed unequally” (Hofstede 2001). Uncertainty avoidance expresses the level to which the members of society feel uncomfortable with issues of uncertainty and ambiguity. Individualism implies a loose social structure in which each individual is fully responsible for their own destiny, and collectivism implies a strong social structure in which individuals have the right to expect the community to take care of them and their family (Janićijević, 2003). Cultures where ‘feminine’ values prevail appreciate interpersonal relationships, quality of life, cooperation, balance, and harmony, while cultures where ‘masculine’ values prevail appreciate accomplishment, material rewards for success, assertiveness, and aggressiveness (Janićijević and Marinković, 2015). The culture influences individual perceptions and behaviour, as well as management styles, decision-making, and conflict resolution (Popli et al., 2016).

Corporate culture influences both employees’ type of skill and behaviour, and human resource practices. When two companies involved in cross-border acquisition have very different corporate cultures their employees will have fundamentally different skills and behaviours (Sarala et al., 2016). Cultural differences cause differences in organisational behaviour, including work motivation, defining goals, communicating, decision-making and management style, performance evaluation, and rewards (Bogićević-Milikić and Janićijević,

2009). Cultural differences between the acquiring company and the acquired company may become an obstacle to realising the benefits of integration, exacerbate problems of social integration, and reduce employees' organisational commitment to the company (Shi, 2017).

Acquisitions affect the process of employee identification because they involve organisational changes that often imply loss of identification with previous organisational attributes, formation of a new identity, and re-identification with the new entity (Guerrero, 2008). Van Dick et al. (2006, p.72) emphasize that a strong "sense of continuity" will facilitate post-acquisition identification. If employees perceive fewer changes in their jobs, then their identification is more likely to be transferred and retained after the acquisition. If, on the other hand, there is discontinuity (moving to another location, change in the corporate culture) it is less likely that a group will transfer its previous identification to the new organisation (Ullrich et al., 2005).

A cultural conflict occurs when employees are faced with different modes of operating concerning communication style, hierarchy, team work, and monitoring, and believe their way to be superior (Marks and Mirvis, 1992). Usually the acquiring company will impose its own work rules, behavioural norms, and corporate culture. Cultural differences tend to create perceptions of 'us vs. them' and 'inferior vs. superior', which may cause negative employee reactions and lead to distrust, conflict, stress, resistance, and limited cooperation (Wang et al., 2020). Sarala (2009) examines the impact of cultural differences on employees and post-acquisition conflict in a sample of domestic and cross-border acquisitions implemented by a Finnish company in the period 2001–2004. The study finds that differences in corporate culture increase uncertainty, stress, and anxiety for employees in the acquired companies, resulting in negative reactions toward change and less commitment to realising acquisition objectives.

The review of the literature has emphasized the problems and negative employee reactions that result when there are differences in corporate culture. Therefore, the following hypothesis is proposed:

Hypothesis 2: Corporate cultural differences cause negative employee reactions to changes demanded by cross-border acquisition.

2.3. Transformational leadership and employee reactions

Organisational changes in a company can be realised by transformational factors that include a new mission, strategy, or corporate culture, and transactional factors that include new procedures, tasks, and individual skills (Chung et al., 2014). Acquisitions, and especially cross-border acquisitions, involve radical changes, primarily in the acquired companies. These are highly emotional events for the employees, and the uncertainty regarding the acquisition situation arouses strong psychological reactions that can result in positive or negative behaviour. Avolio and Bass (2002) emphasize that efficient employee reactions toward changes are highly dependent on transformational leadership, defined as a leadership style that increases awareness of the collective interest among organisational members and helps them to realise collective objectives (Garcia-Morales et al., 2012). Theories of transformational leadership emphasize emotions, values, and the importance of leader orientation in stimulating employees to accept changes and realise common objectives. The employees are valuable organisational resources, and transformational leaders take responsibility for them and promote their professional development.

Transformational leadership is a process in which one person influences another to voluntarily and enthusiastically direct their efforts and abilities to realising defined objectives (Nel et al., 2004). A transformational leader helps employees become aware of organisational problems and provides the necessary resources and feedback to develop a sense of acceptance, safety, and efficiency. Their role is to provide appropriate support to employees, to build the “connective tissue” that helps each side understand the other, to find the appropriate balance between individual interests and company interests, and to convince employees to take personal responsibility regarding ethics and adherence to a common goal (Sitkin and Pablo, 2005). The four dimensions of transformational leadership are: charisma or idealised influence (the leaders act as a role model), inspirational motivation (inspiring employees to accept changes with enthusiasm), intellectual stimulation (encouraging employees to be creative and innovative in new circumstances), and individual considerations (providing help to each individual employee by reacting to his/her problems) (Bass, 1999). In order to develop employee commitment to changes, leaders should demonstrate commitment to change through personal example, provide a clear image or vision of the future, share information, enable employees to participate in changes, tell employees

what exactly is expected from them, and provide necessary support to employees in the form of advice, understanding, and training. Thus, leaders reduce uncertainty among organisation members regarding their role and the future direction of the organisation's development (Chipunza et al., 2011).

Some empirical studies have investigated the influence of transformational leadership on employee reactions (Nemanich and Keller, 2007; Chung et al., 2014; Gunkel et al., 2015; Bader et al., 2015). Nemanich and Keller (2007) show that transformational leadership in the context of acquisitions has a positive influence on employee satisfaction. Analysing a Chinese retail company which is acquired by a large American company, Chung et al. (2014) research employee reactions during and after acquisition in a sample of 174 respondents. The research results show that the support of trained leaders had a significant influence on employees' support for the process of change. A study by Gunkel et al. (2015) analyses cross-border acquisitions in a sample of three companies from Germany, Luxemburg, and Netherlands, acquired by the same company. The research shows that the leaders' support helped create a positive attitude among the employees. Bader et al. (2015) research reactions and responses to acquisitions in a sample of 186 employees in Korean companies that were subject to cross-border acquisition. They analyse how the support of management at various levels in the hierarchy is reflected in employee attitudes to acquisition and find that support from leaders positively impacts employee satisfaction.

Based on the results of these studies, it is expected that the support of transformational leaders during a cross-border acquisition will lead to a positive employee reaction. Hence, the following hypothesis is proposed:

Hypothesis 3: The support of transformational leaders during the acquisition process results in a positive employee reaction towards the changes demanded by cross-border acquisition.

3. METHOD

3.1. Sample and procedure

The research focuses on a leading retail business in Serbia that was subject to cross-border acquisition in 2011 by a Belgian company. The acquired company

is one of the leading companies in the retail sector in the Republic of Serbia, while the acquiring company is Belgian multinational company. The multinational company had a retail network on three continents and wanted to expand into the South Eastern Europe market. The research was conducted two years after the acquisition as part of wider research. A traditional paper-and-pencil questionnaire was used to collect the data. A draft version of the questionnaire was tested on a small sample of the respondents, who were asked to provide feedback on the questionnaire item. As a result of this pilot test the author redefined certain items, thus ensuring that there was no confusion about the translated questionnaire.

The human resources management of the acquired company was contacted to approve the research, emphasizing that this type of research could be useful to the company. The management approved its implementation, motivated the employees to participate in the research, and facilitated the distribution and collection of the questionnaire in all parts of the Republic of Serbia where the company operates in order to make the sample representative. Thus, the support of the human resources department ensured the representativeness of all employee categories regarding qualifications, position in the company, sector in the company, and geographical prevalence. The acquired company has 6,356 employees, and the research was conducted on a representative sample of 344 respondents, or 5.41%. Table 1 presents the structure of the respondents according to gender, age, years of work experience, position, and company sector. In the respondent structure, 86.6% are in sales and 13.4% are in administration, which includes risk and control, category management, logistics, marketing and strategy, legal affairs, SAP (System Analysis Program) project, finance and accounting, indirect procurement, human resources and organisational development, IT development, business development, and joint services. An analysis of the company's annual business reports shows that the structure of sales and administrative employees corresponds to their participation in the sample.

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Table 1: Sample characteristics

Variable	Frequency	% of Total
Gender		
Male	97	28.2
Female	194	56.4
No response	53	15.4
Age distribution		
18–25	20	5.8
26–35	114	33.1
36–45	106	30.8
46–55	54	15.7
>55	9	2.6
No response	1	11.9
Years of work experience		
<5	70	20.4
5–10	72	20.9
11–15	68	19.8
16–25	43	12.5
>25	52	15.1
No response	39	11.3
Position		
Managerial positions (top, middle, and operative management)	43	12.5
Operating positions	221	64.2
No response	80	23.3
Sector in the company		
Sales	298	86.6
Administration	46	13.4

Source: Author

Because we wanted to include employees who had sufficient years of service to be able to form an attitude towards the acquisition, and as the research was conducted two years after the acquisition, it was important to calculate the stability index of the employees who participated in the survey. The stability index was calculated as the ratio of the number of respondents with five or more years

of service to the total number of respondents. The stability index was 75% for sales employees and 85% for administration employees.

3.2. Measures

Employee reactions to the acquisition were measured using a 6-item scale. According to the theory of job characteristics, employee reactions to acquisitions are influenced by the characteristics of the organisational tasks that employees need to perform after the acquisition. Employee reactions also depend on dimensions of the business environment such as career development and the possibility of losing a position or job. A sample item from the questionnaire is: “I could easily respond to the requirements of the new job”. All items were rated on a five-point Likert scale where 1 means strongly disagree, indicating a negative reaction to the acquisition, and 5 means strongly agree, indicating a positive reaction.

Corporate cultural differences were measured by items adapted from surveys developed by Chatterjee et al. (1992), Lubatkin et al. (1999), and Weber (1996). The respondents were asked to indicate the degree of change in the acquired company's corporate culture after the acquisition. The analysed dimensions were innovation, top management contact, autonomy and decision-making, reward orientation, and performance orientation. Sample items are: “After the acquisition there were changes in the ways of rewarding and encouraging employees” and “After the acquisition there were changes in the degree to which the company leaned on employees to improve their performance”. The 5-point response scale for each item ranged between 1 (strongly disagree) and 5 (strongly agree). Additionally, **national cultural differences** were measured according to the four dimensions of power distance, uncertainty avoidance, individualism–collectivism, and masculinity–femininity (Hofstede, 2001).

Transformational leadership was measured using a modified Multifactor Leadership Questionnaire (Bass and Avolio, 2000). The respondents were asked to rate whether the management exhibited leadership behaviour, inspired employees, acted as models of respect, encouraged innovative behaviour, and helped employees to overcome problems. Transformational leadership was measured using 13 items. Sample items are: “The best managers spoke optimistically about the future of the company” (for inspirational motivation)

and “The best managers stimulated the employees through their personal example” (for idealised influence). The 5-point response scale for each item ranged between 1 (strongly disagree) and 5 (strongly agree).

3.3. Data analysis

The data was analysed using the Statistical Package for Social Sciences (SPSS Version 20.0). The reliability and internal consistency of the variables was measured using Cronbach's Alpha. The analysis showed that all variables had a high level of internal consistency. The transformational leadership variable had the highest ($\alpha = 0.975$), followed by corporate cultural differences ($\alpha = 0.915$). The employee reactions variable had the least internal consistency ($\alpha = 0.865$), but it was significantly above the acceptable coefficient level of 0.7.

Table 2: Values of Cronbach's Alpha and the Kolmogoro-Smirnov test

Variable	Cronbach's Alpha	Kolmogoro-Smirnov test		
		Statistic	df	Sig.
1. Employee reactions	0.865	0.101	327	0.000
2. Corporate cultural differences	0.915	0.66	333	0.001
3. Transformational leadership	0.973	0.089	315	0.000

Source: Author's calculation

The Kolmogoro-Smirnov test was used to test the normality of the variables' distribution. Normality of distribution of the variables exists if $\text{Sig.} > 0.05$. The test results found that the assumption of normality of distribution was not confirmed. Therefore, the significance of differences between sub-samples was tested using the non-parameter Mann-Whitney U test. Table 2 presents the values of Cronbach's Alpha and the Kolmogoro-Smirnov test. Measures of central tendency (mean, median, mode), the Mann-Whitney U test, and regression analysis were used to test the research hypotheses.

4. RESULTS AND DISCUSSION

Table 3 shows the mean, median, and mode of the employee reactions variable. Table 4 shows mean values of the items used to measure the employee reactions variable. The value of the mean is above 3 (mean=3.66), and the value of the

median is 3.80. The respondents' reaction to changes brought by the acquisition was generally positive. The highest degree of agreement was in relation to the respondents' ability to respond to the demands of their new job (mean=4.08). This shows that organisational tasks assigned to employees after the acquisition did not change significantly and the employees consider that they have a sufficient level of knowledge and capabilities to perform them.

Table 3: Employee reactions variable – mean, median, mode, and standard deviation

Variable	N	Missing N	Mean	Median	Mode	SD
Employee reactions	327	17	3.66	3.80	3.00	0.949

Source: Author's calculation

Table 4: Items for measuring the employee reactions variable – mean, median, mode, and standard deviation

Items	N	Mean	Median	Mode	SD
I could easily respond to the requirements of the new job	341	4.08	4.00	5.00	1.093
During the acquisition process I could concentrate at work	338	3.93	4.00	5.00	1.149
During the acquisition process I was not afraid of losing my position	338	3.77	4.00	5.00	1.206
During the acquisition process I was not afraid that I would be fired	336	3.69	4.00	5.00	1.262
My expectations of future changes were positive	344	3.56	4.00	4.00	1.156
I understood the changes as an opportunity to develop my career	340	3.30	3.00	4.00	1.275

Source: Author's calculation

The research results show that the respondents expressed the least degree of agreement with the item "I understood the changes as an opportunity to develop my career" (mean=3.30). For most of the items the value of the arithmetic mean is above 3.5, which means that with the exception of seeing change as a career

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opportunity the employees had a generally positive attitude toward the changes. Such results are opposite to most research, which shows that employees generally perceive changes brought by acquisition negatively. However, they are in accordance with the research of Teerikangas (2012), which finds that the respondents in the researched companies perceived changes after acquisition as an opportunity since they realised their necessity and significance. Also, since the Serbian company in this study was acquired by a company from an economically developed country, the employees viewed the acquisition as an opportunity to improve their personal skills and acquire additional competence by working in a multinational company. Therefore, Hypothesis 1 is not supported by the results.

Additionally, since it is a retail company, it is useful to determine whether employee perceptions differ depending on whether they are employed in sales or administration. As the test of the normality distribution of the variables showed that there are statistically significant deviations from normal distribution, the Mann-Whitney U test was used to test the significance of the difference between the two sub-samples.

Table 5: Significance testing for differences in employee reactions in sales and administration

	Sector	N	Mean Rank	Sum of Ranks
Employee reactions	Administration	45	99.31	4469.00
	Sales	282	174.32	49159.00
	Total	327		
Sig.				0.000

Source: Author's calculation

Table 5 shows the results of the Mann-Whitney U test used to test differences in employee reactions in the administration and sales sectors. The analysis shows that employee reactions differ ($p=0.000$) depending on whether the respondents are employed in administration or sales: sales employees reacted more positively to changes (Mean Rank=174.32) than administration employees (Mean Rank=99.31). Table 6 shows the differences in employee attitudes by individual item. The biggest difference is in the items “During the acquisition process I was not afraid that I would be fired”, so it can be concluded that administration employees were more afraid of losing their job than sales employees.

Table 6: Significance testing for the different employee reactions in sales and administration

	Company sector	N	Mean Rank	Sum of Ranks
My expectations of future changes were positive	Administration	46	132.83	6110.00
	Sales	298	178.62	53239.00
	Total	344		
I observed the changes as an opportunity to develop my career	Administration	46	115.78	5326.00
	Sales	294	179.06	52644.00
	Total	340		
During the acquisition process I was not afraid of losing my position	Administration	46	102.47	4713.50
	Sales	292	180.06	52577.50
	Total	338		
During the acquisition process I was not afraid that I would be fired	Administration	45	97.77	4399.50
	Sales	291	179.44	52216.50
	Total	336		
During the acquisition process I could concentrate at work	Administration	46	130.22	5990.00
	Sales	292	175.69	51301.00
	Total	338		
I could easily respond to the requirements of the new job	Administration	46	150.73	6933.50
	Sales	295	174.16	51377.50
	Total	341		

Source: Author's calculation

Table 7 shows the mean, median, and mode of the organisational culture differences variable. The value of the arithmetic mean is above 2.5 (2.99), which means that respondents perceive that the organisational culture has changed to a certain extent. The value of the arithmetic mean of the dimensions of organisational culture are 3.13 for innovation, 2.93 for top management contact, 2.84 for autonomy and decision-making, 2.66 for reward orientation, and 3.01 for performance orientation. The research results show that the innovation dimension has changed the most, while the reward-orientation dimension has changed the least.

Table 7: Organisational culture differences variable: mean, median, mode, and standard deviation

Variable	N	Missing N	Mean	Median	Mode	SD
Organisational cultural differences	333	11	2.99	3.00	3.00	1.05

Source: Author's calculation

Table 8 shows the Hofstede indexes of the four dimensions of the national cultures of Serbia and Belgium. The greatest degree of similarity is in the dimension of uncertainty avoidance, which is high in both Serbia and Belgium. Companies in cultures with a high degree of uncertainty avoidance have a large number of formal rules to regulate employee behaviour, standardisation, and formalisation, in order to ensure greater stability and predictability. The power distance index is higher in Serbia than in Belgium, meaning that Serbs accept a hierarchical order and centralisation and unconditional obedience to people in positions of power are popular. The value of the masculinity/femininity index for Serbia is 43, meaning that Serbia has medium to medium-high levels of 'feminine' values that focus on 'working in order to live': people value equality, solidarity, and quality in their working lives. Belgium's score is similar but slightly higher (54). The greatest degree of difference is in the dimension of individualism/collectivism. While Serbia is a country that has a collectivistic culture, shown by its low individualism index, Belgium is a country with an individualistic culture.

Table 8: Hofstede indexes of the four dimensions of national culture: Serbia and Belgium

	Serbia	Belgium
Power distance index	86	65
Uncertainty avoidance index	92	94
Individualism/collectivism index	25	75
Masculinity/femininity index	43	54

Source: <https://www.hofstede-insights.com/country-comparison/>

Table 9 shows the mean, median, and mode of the transformational leadership variable. The value of the arithmetic mean of transformational leadership is 3.26.

The values of the arithmetic mean of the transformational leadership dimensions are 3.38 for inspirational motivation, 3.30 for idealised influence, 3.06 for individual consideration, and 3.16 for intellectual stimulation. The research results show that employees have a positive perception of the support from leaders, especially in terms of leaders' effort to inspire and encourage employees.

Table 9. Transformational leadership variable: mean, median, mode, and standard deviation

Variable	N	Missing N	Mean	Median	Mode	SD
Transformational leadership	315	29	3.26	2.98	3.00	1.11

Source: Author's calculation

Table 10 presents the results of the regression models. Model 1 tests the impact of corporate cultural differences on employee reactions. This model is statistically significant ($F = 139.456$; $p = 0.00$) and explains 30.7% of the variance in the employee reactions variable (adjusted $R^2 = 0.307$). Model 2 tests the impact of the variable 'transformational leadership' on the dependent variable 'employee reactions'. This model is statistically significant ($F = 113.503$; $p = 0.00$) and explains 27.2% of the variance in the employee reactions variable (adjusted $R^2 = 0.272$). The results of the first regression analysis represented by Model 1 show that differences between the corporate cultures of the acquiring company and the acquired company cause a positive employee reaction to the acquisition ($\beta = 0.554$; $p = 0.00$). This is opposite to the formulated hypothesis that differences in corporate culture negatively influence employees and cause a negative reaction to changes. A possible explanation could be that leaders explained and communicated the necessity of the changes (including changes in corporate culture) to the employees. These research results show that Hypothesis 2 is supported.

Table 10: Results of regression analyses

Variable	Model 1			Model 2		
	β	SE	VIF	β	SE	VIF
Corporate culture differences	0.554**	0.042	1.000			
Transformational leadership				0.524**	0.042	1.000
Model statistics						
R ²	0.554			0.274		
Adjusted R ²	0.307			0.272		
F	139.456**			113.503**		

Source: Author's calculation Note: Standardised (β) regression coefficients are shown; **p < 0.01.

The results of the second regression analysis represented by Model 2 show that the support of transformational leaders has a positive influence on employee reactions ($\beta = 0.524$; $p = 0.00$). Such results are expected, given that transformational leaders cause positive employee reactions by explaining the meaning and purpose of cross- border acquisition, communicating a vision of future development, providing necessary help to employees, inspiring and encouraging employees, and transferring realistic information about the necessity of implementing changes. Therefore, the results support Hypothesis 3.

5. CONCLUSION AND IMPLICATIONS

Acquisitions are one of the most difficult organisational changes that employees can face during their working lives. The speed of globalisation during the last few decades has led to a large number of companies adopting cross-border acquisition as a strategy to expand markets. Cross-border acquisitions often have negative consequences for companies and their employees due to cultural differences and possible cultural conflict. The announcement of an acquisition will likely initiate questions from employees regarding the characteristics of the acquiring organisation, the integration process, and the outcomes of the acquisition. Faced with unexpected events, the members of the organisation have to understand their meaning and how they will respond.

The results of this study of a Serbian company that was acquired by a Belgium multinational company show that the employees reacted positively to the changes. Positive employee reactions mean that the employees are better motivated and their commitment to achieving acquisition objectives increase, whereas negative reactions such as anxiety, concern, and frustration reduce the commitment of employees to realising organisational goals. The research finding that the Serbian employees reacted positively to the changes from the acquisition is unexpected in a country whose national culture has an extremely high level of risk aversion. This result is also contrary to the initial assumption based on research in developed economies. The positive employee reactions to the analysed acquisition can be explained by employees' perception that they stand to gain certain benefits from a successful multinational company that operates in a large number of countries and has a presence on three continents. This is in accordance with the opinion of Sarala et al. (2019), who emphasize that often the employees in companies acquired from less developed economies see cross-border acquisitions, especially those by companies from economically developed countries, as an opportunity to improve skills, knowledge, and competences. Further, an internationally recognised multinational company can improve the acquired company's performance by introducing innovative ways of operating, thus benefitting employees in terms of increased salaries and career advancement.

The results of the Mann-Whitney U test show that the sales employees reacted more positively to the changes than the administration employees. This is unexpected, as the comparative stability index results for the two sectors suggest that the administrative staff would have a more positive attitude to change. One explanation for the results of the Mann-Whitney U test is that the administration employees are exposed to greater changes. According to the job characteristics theory, employee reactions are influenced by the organisational task characteristics (diversity of skills, task identity, task importance, task autonomy) that they have to perform after the acquisition, which change more for administration employees than for sales employees. Administration employees face uncertainty and concern because of their competence fulfilling new roles and demands after the acquisition. However, it is also possible that the results of the Mann-Whitney U test are affected by the high turnover rate among sales staff, because employees who left the company are not included in the sample.

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The research results show that differences in corporate culture influence the creation of positive employee reactions toward changes that must be implemented in the acquired company. Additionally, support from transformational leaders contributes to a positive employee reaction toward the changes demanded by implementing a cross-border acquisition. Employees react positively to changes when they are personally convinced of the purpose of the changes. Hence, explaining the reasons for change and communicating an attractive and convincing vision can be critical in determining a positive employee reaction. In order to mitigate negative reactions it is important to implement management practices that focus on communication, convey realistic information about the necessity of implementing changes, inspire employees, and include training, and transformational leaders are responsible for all these activities.

This study constitutes a significant theoretical and practical contribution to the literature. First, it contributes to a better understanding of employee reactions to cross-border acquisitions in the context of a transitional economy, and thus to the literature on acquisitions and organisational behaviour in general. The study shows that despite challenges posed by cross-border acquisition, employees will respond positively to changes if they perceive acquisition as an opportunity rather than a threat. Second, the study emphasizes that differences in corporate culture can contribute to positive employee reactions if the necessary changes are appropriately communicated. Third, the study emphasizes the role of transformational leaders, who contribute significantly to creating positive employee reactions by supporting employees and managing changes appropriately during the cross-border acquisition. Fourth, the study results provide significant implications to practitioners indicating that adopting appropriate human resource practices during acquisitions reduces negative employee reactions. Hence, if a company has transformational leaders at various positions, it will increase the number of employees who react positively to changes and therefore will reduce the likelihood that employees would leave the acquired company due to inability to cope with uncertainty and problems.

This study has some limitations. Focusing on one acquired company limits the generalisation of the research results. However, observing one case of cross-border acquisition enables an in-depth analysis and detailed examination of

employee reactions. Also, such approach provides the possibility for future research, i.e. implementation of longitudinal study. After a certain time period this company can be studied again to determine whether the initial positive reactions and perceptions of employees have been retained and whether the multinational company has benefitted employees in terms of improved knowledge, experience, working conditions, salaries, and position in the company. An additional limitation is the high turnover rate of sales staff, which possibly affected the results of the Mann-Whitney U test, as employees who left the company are not included in the sample.

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