

Changes in Target Employees' Old and Current Organizational Identification and the Impact of Motivational Cultural Intelligence

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Abstract

This study investigates changes in organizational identification of target employees in a post cross-border acquisition. The study also examines the influence of motivational cultural intelligence on organizational identification of target employees. We examined organizational identification using the Social Identity Theory as the underlying theoretical framework. The study found evidence that the process of organizational identification is a continuous and slow process, remaining stable to the old but increasing to the new firm. Also, motivational CQ of target employees influenced the degree of organizational identification to the new firm.

The findings in this study showed that organizational identification and motivational cultural intelligence of target employees are important factors what need to be taken into account after a cross-border acquisition has taken place.

Keywords: Organizational identification; motivational CQ; cross-border acquisition; Social Identity theory; Japan

Paper type: Research paper

1. Introduction

Target employees' organizational identification immediately following an acquisition understandably shows a downward trend (He & Brown, 2013), often declining very sharply (Van Knippenberg, Knippenberg, Monden & Lima, 2002). This is because such deals pose threats and increase uncertainties to target employees, especially in cross-border acquisitions where different national cultures play a role (Cartwright & Cooper, 1992; Abedin & Davies, 2007).

The underlying argumentation of organizational identification after the whole M&A process in a nutshell is that the organizational identification of target employees will sharply decrease

immediately after the takeover (Van Knippenberg et al., 2002; Gleibs, Mummendey & Noack, 2008) and then identification is expected to become stabilized (Kroon & Noorderhaven, 2016; Giessner, 2011).

Therefore, to measure changes in organizational identification of target employees, researchers preferably investigate shortly after the deal announcements have been made (Ullrich & Van Dick, 2007). Common expressions illustrate such behavior with phrases such as “change in the turbulent time” (e.g. Appelbaum et al, 2017, p. 139). Kroon & Noorderhaven (2016) consider “organizational identities to be particularly salient during post-merger integration”. Bartels et al. (2006) state: “Only in times of considerable change – such as organizational restructuring, fast growth, mergers or downsizing – will elements of organizational identity become salient” (p.52). This all will be even more severe at cross domestic transactions when different national cultures come into play (Reynolds & Teerikangas, 2016).

The abovementioned notwithstanding, very little research has been carried out to investigate motivational cultural intelligence (motivational CQ) and changes in organizational identification two to three years after the acquisition. Moreover, no research has been conducted to investigate specifically past and present organizational identification of target employees. Therefore, in this study, we are responding to a call by Kroon & Noorderhaven (2016) that “employees differ in their perceptions of past and future, and it seems worthwhile to explore the effects of this in relation to identification in a post-merger context” (p. 27). Therefore, we investigate changes within this time span to understand how target employees identify themselves with their current firm as well as how strongly they identified retrospectively with their previous firm. Such an understanding is critical for managing a successful integration and to ensure organizational sustainability in a cross-border acquisition (Ismail & Bebenroth 2016; Ismail, Umar Baki, Omar, & Bebenroth, 2016). Also, this research further explores the possibility that motivational CQ of target employees determines their organizational identification to the new firm.

This research investigates German target employees overtaken by a Japanese steel maker in Germany. In recent years, it has become increasingly popular for Japanese MNCs to invest abroad by taking over foreign firms. In 2017, the highest number ever of cross-border deals was recorded as Japanese firms acquired 672 foreign target firms (Recof, 2018). As a result of the increasing number of Japanese cross-border acquisitions, it is surprising that – to the knowledge of the authors – there is no study available about target employees’ attitudes such as identification of non-Japanese with its current Japanese bidder firms.

In the next section, we discuss the theoretical concepts of the study and develop several hypotheses. In section 3, the specific organizational context of the study is explained. The method used for this study is found in section 4. The presentation of results is in section 5. We present our discussion and limitations of the study in section 6, and the practical implication as well as conclusion in section 7.

2. Theoretical Framework and Hypotheses Development

2.1. Social Identity Theory

Mael & Ashforth (1992, p.104) define organizational identification as “the employee’s expression of oneness with the organization or belongingness to an organization, where the individual defines himself or herself in terms of the organization in which he or she is a member”. The essence of the theory (Ashforth & Mael, 1989; Kramer, 1991) shows that a part of the individual’s identity is derived from membership in groups, whether in an organization/firm or in a profession. Organizational identification relates to a member’s cognitive connection with his or her workplace, derived from images that each member has of the organization (Hogg & Terry, 2000).

Organizational identification of employees has been extensively researched for many years (Elsbach & Glynn, 1996) in regard to the image of the organization (Bhattacharya, Rao & Glynn,

1995), to stay within the organization (Scott, Connaughton, Diaz-Saenz, Maguire, Ramirez, Richardson, Shaw & Morgan, 1999), or to cooperate with other team members in the organization (Dutton, Dukerich & Harquail, 1994). However, investigation on organizational identification of employees during a change process such as an M&A has yet to receive much attention (He & Brown, 2013).

The literature, furthermore, is silent about how target employees identify with both the previous and current organizations over an extended period after the post-acquisition integration has matured. Van Knippenberg et al. (2002) conducted a survey on organizational identification three years after an acquisition, as well as Kroon & Noorderhaven (2016) but did not compare them in a manner this study attempts to undertake, two to three years after the acquisition took place.

Besides organizational identification, we investigate motivational CQ what goes back to a study about cultural intelligence by Sternberg & Detterman (1986). Overall, cultural intelligence consists of the following four separate constructs: meta-cognitive, cognitive, behavioral and motivational CQ (Ang et al., 2004). While meta-cognitive CQ describes an individual's cultural consciousness and awareness in circumstances when people from different cultural backgrounds interact with one another, cognitive CQ describes an individual's knowledge about different cultural settings. Behavioral CQ refers to an individual's flexibility of his /her verbal and nonverbal actions when interacting with people from different cultural backgrounds. Motivational CQ describes an individual's self-efficacy and interest in adapting to a different culture. Motivational CQ also describes anticipated interactions among people from different cultural backgrounds. In other words, motivational CQ serves as a component referring to a person's willingness and intentionality to interact with people from the other culture (Earley & Ang, 2003, p. 26). As this research aims to investigate organizational identification of target employees at a cross-border acquisition, we apply only the fourth construct of the original cultural intelligence concept. Motivational CQ is operationalized using five questionnaire items by Ang et al. (2007).

2.2. Hypothesis Development

The social identity theory predicts that at the beginning of the M&A integration process, organizational identification of target employees will decrease sharply because of uncertainties and changes (Van Knippenberg et al., 2002; Gleis et al., 2008; Marks & Mirvis, 2001). The longer the period since the acquisition, the higher should be the “recover” of target employees' identification with their current firm (Ullrich & Van Dick, 2007). In other words, the time span of two years seems to be sufficient for target employees to identify higher to their new firm than to their old one. Also, to the best knowledge of the authors, there has been no research explicitly demonstrating how organizational identification of employees changes from the second to the third year. We expect that organizational identification of target employees increases to the new firm but decreases to the old firm. The increase of organizational identification to the new firm stems from a smoother adaptation to processes and exchanges to the acquirer (Kroon & Noorderhaven, 2016; Van Knippenberg et al., 2001). As time passes in the integration period, target employees should feel a continuous ease in dealing with managers from the acquirer (Van Knippenberg et al., 2002). The decrease of organizational identification to the old firm is based on reasoning that employees will forget about the old firm as time passes (Rouzies & Colman, 2012). Therefore, we expect employee's identification with the current firm to increase but with the old firm to decrease. These arguments yield the following three hypotheses:

Hypothesis 1: Two years after the acquisition, target employees should identify higher with the current firm than with the old (acquired) firm.

Hypothesis 2: Target employee's identification with the current firm should increase as time goes by.

Hypothesis 3: Target employee's identification to the old firm should decrease as time goes by.

We also predict that a higher motivational CQ of target employees will lead to a higher organizational identification to the new firm. Reasoning is that a high cultural distance leads to a

negative performance (Stahl & Voigt, 2008). While employees resistant to other cultures hinder synergy realization (Larsson & Finkelstein, 1999) and cause problems with transfer of capabilities (Birkinshaw, Bresman & Hakanson, 2000), employees high on motivational CQ will see the new firm as a chance to use their abilities (Vaara, Junni, Sarala, Ehrnrooth & Kovesnikov, 2014). Also bidder firm manager sent over to the target are more likely to work with these target employees which are culturally more open to people from other cultures (Reynolds & Teerikangas, 2016). We state the following hypothesis as follows:

Hypothesis 4: Target employees with a higher motivational CQ identify more positively with the new target firm.

3. Organizational Context of the Case Study

The present case study involved a medium-sized German engineering firm in the waste energy power plant industry with operations in the European market. Until 2014, the firm was an independent provider of power plant solutions in the industry. The firm was then taken over in May 2014 by one of the biggest Japanese steel makers that had an engineering unit in the same field of business. The acquisition could be described as friendly because the German target managers were in favor of the takeover. Also, the acquisition was considered horizontal in nature since the Japanese bidder firm also had some experience in this field of business.

In our case study (and perhaps less so in Western firms), the Japanese steelmaker attempted to become more globalized. However, competition in the European market for engineering solutions at waste energy power plants was very keen. As this was a highly competitive industry, prices were low (Nicolli & Vona, 2016). Nonetheless, the intensely competitive industry had also a positive push effect in which the German firm had to strategize to become a world standard setter in the technological niche market of waste energy power plants. Nevertheless, it is not uncommon for firms to relinquish their independent identity and exit through being acquired even if they are technically excellent (Cefis & Marsili, 2012).

Firms providing solutions to the waste energy power plant sector in Japan are in a favorable position in terms of competition. In contrast to the situation in Germany, Japanese firms receive their orders from municipalities that award firms with contracts on the basis of trust rather than on (international) performance criteria. In other words, offers are not always be decided on the basis of the best price or quality. Instead, long-term relationships and the trustworthiness of the firm are the deciding factors. For foreign competitors in such a sector, the Japanese market is difficult or even impossible to penetrate owing to bureaucratic issues. “Bureaucratic hurdles give Japanese firms an advantage in receiving (domestic) orders despite their technological knowledge being quite low” (interview with the Japanese top manager, 2016).

The Japanese bidder firm in this study did not intend to increase their market position in Europe. Instead, through the takeover, “the Japanese side seemed to be interested in our (the German target) technical expertise to compete against other Asian rivals, with the aim especially to enter the Chinese market” (Interview with the German top manager, 2016). In view of the stiff competition, some German engineering firms for waste energy power plants may be tempted to sell directly in the Asian market but it is not easy. There are high cultural barriers (higher than for Japanese firms) and the geographical distance to Asia is to consider. “It is just not feasible to send own (German) engineers over to China for several weeks to compete in any project” (Interview with the German top manager, 2016). In all, the high costs prevent the adoption of a market access approach for European firms trying to conduct business deals directly in the Asian region. Therefore, the German top management in this study decided to join forces with its Japanese counterpart to build waste energy power plants preferably in China through a friendly acquisition agreement by the Japanese bidder firm. Under this arrangement, the German top management had an understanding that German engineering technology would be promoted in Asia by the Japanese partner. The Japanese partner would provide

knowledgeable and competent staff, especially experienced Chinese-speaking Japanese managers to “conquer” the Chinese market in the sale of engineering solutions for waste energy power plants. A further synergy in this Japanese-German joint undertaking was the “melding of German technical leadership with the solid financial backing of the Japanese steelmaker” (Interview with the German top manager, 2016).

After the acquisition had taken place, the Japanese bidder firm sent several managers on short-term visits to the engineering firm in Germany. The purpose of these visits was to enable the Japanese managers to familiarize themselves with the target firm so that they could benefit from German technological expertise. One Japanese expatriate became the vice president of the German target while two other Japanese managers were sent to the target firm for a three-year stay. Their main tasks were to introduce the Japanese way of thinking to the German engineers and to facilitate communication between the target employees and those from the Japanese headquarters.

4. Methods

4.1. Procedures for Data Collection

We were interested to obtain information on changes in perceptions of German target employees with regard to their organizational identification after the acquisition. Furthermore, we were interested how motivational CQ impacted organizational identification. Therefore, we collected the relevant data from the target twice. Prior to conducting the surveys, we interviewed the German CEO three times and the expatriated Japanese top manager one time to obtain background information on the acquisition as well as to develop and discuss our self-administered questionnaire surveys. Upon receiving approval from the German firm work council, an electronic survey link was sent out from the German top management office to all (240) German target employees. A cover letter accompanied the questionnaire sent to every potential respondent to describe the purpose of the study and to ensure anonymity. The first questionnaire was sent out in May 2016, two years after the acquisition was signed (in 2014); the second survey was carried out in May 2017. To achieve a high rate of response, we relied very much on the cooperation of the German top management of the organization to encourage participation in the survey. After a second reminder, we received N=176 usable questionnaires during the first round (Survey 1) or 73.3% response rate from the employees. For the second round of questionnaire (Survey 2), a year later, we received N=110 usable responses (45.8% response rate).

4.2. Measures

We measured the construct “organizational identification” with six items revised from a study by Mael & Tetrick (1992) and the construct “motivational CQ” with five items revised from Ang et al. (2008), respectively. A list of the questionnaire items used in the two surveys is given in Appendix 2.

Taking into account our research objectives, we asked target employees twice to answer the six items about their organizational identification to the target firm. In other words, on two separate occasions we ascertained their organizational identification with the old and current firm. First, we asked them to rate their identification to the old firm (before the acquisition took place), and in the next box we asked about their identification to the current firm. For example, in the situation where firm ABC acquires firm XYZ, Item 1 reads: “When I speak about my old firm [XYZ], I normally say *we* rather than *they*”. We then asked participants to rate the recent situation. “When I speak nowadays about my current firm [ABC], I normally say *we* rather than *they*”. We then followed up one year later (in May 2017) asking exactly the same questions about their identification retrospectively to the old firm, and to the current firm. Thus, we ended up having four sets of data, i.e. two sets from Survey 1 in 2016 and another two sets from Survey 2 in 2017. Also, motivational CQ items were measured two times, asking the identical questions (Survey 1 in 2016 and Survey 2 in 2017). One example item was:

“I am confident that I can get accustomed speedily to a foreign business culture”. All responses to the questionnaire items were measured using a five-point Likert scale, with response options ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was originally written in German because all the employees of the target firm were Germans. We translated the items from English using the usual back translation method (Douglas & Craig, 2007).

5. Results

A preliminary analysis on demographic variables such as age and duration at the firm indicated that almost half of the respondents were over 50 years old. In Survey 1, the mean age was 49.3 years and in Survey 2, it was 48.2 years. The tenure at the firm was high, with more than half of the employees having been with the firm for more than 15 years (mean 1 = 16.5 years; mean 2 = 14.6 years). Finally, the various departments in both surveys were well represented, albeit with understandably high participation of technical employees from “Energy from Waste”, “Flue Gas Cleaning” and “Project Management”. In both surveys, there was not much difference in representation from the various departments (Appendix 1).

In total we have two surveys, four sets of data on organizational identification (past and present organizational identification) and two sets of motivational CQ of the German target employees. We conducted several independent sample t-tests on organizational identification to investigate response time bias. To do this, we looked at the early responders in both surveys (N=92 in Survey 1 and N=89 in Survey 2; all responded in the first week of the event time) and compared them to the late responders (who mostly responded after the second reminder). Out of our four sets of data with 6 items each (24 combinations), a significant difference between early and late responders occurred only two times. Survey 2 Item 3 (current firm): “I am very interested in what others think about my firm” had a significant difference in the responses; identification for early responders was significantly lower (mean = 3.72) compared to late respondents (mean = 4.22). Also, the response to Survey 2 Item 5: “If a story in the media criticized my firm, I would feel embarrassed” significantly differed between early and late respondents for both old and current firm’s identification. Since all the other items did not show any significant difference, we are confident that our constructs were not biased by early and late respondents.

Table 1 shows descriptive results on organizational identification and motivational CQ. Not surprisingly, Survey items of old and new organizational identification correlate with each other. Also motivational CQ correlates to new organizational identification in both Surveys.

Table: Descriptive results

Variables	Mean	S1 IDOld	S1 IDNew	S2 IDOld	S2 IDNew	S1Motiv. CQ	S2 Motiv. CQ
S1 IDOld	3.40	1	.809**	0.018	0.021	0.139	-0.047
S1 IDNew	3.59	.809**	1	0.059	0.075	.259**	-0.07
S2 IDOld	3.32	0.018	0.059	1	.555**	-0.028	0.059
S2 IDNew	3.73	0.021	0.075	.555**	1	0.042	.289**
S1 Moti. CQ	3.22	0.139	.259**	-0.028	0.042	1	0.091
S2 Motiv. CQ	3.31	-0.047	-0.07	0.059	.289**	0.091	1

** = 5% significant

Next, we compare organizational identification of target employees from Survey 1 and Survey 2 (2016 & 2017, respectively). Both surveys differed in their organizational identification from the old to the new firm. In Survey 1, the mean was lower at the old firm (mean = 3.40) compared to the mean for the new firm (mean = 3.59). In Survey 2 (2017), we observed the same tendency, a mean of = 3.32 for the old firm to a mean = 3.73 for the new firm. H1 is therefore supported in both Surveys.

Also, we correctly suggested in H2 that target employee’s organizational identification to the new firm increases in the second Survey (Survey 1, mean = 3.59; Survey 2, mean = 3.72). However,

for H3, even if organizational identification to the old firm decreased from the first to the second Survey (Survey 1, mean = 3.40; Survey 2, mean = 3.32), we could not find any statistically significant difference of that relationship. H 3 is therefore rejected. Table 2 shows two paired samples t-tests (for H 1) and Table 3 two one sample t-tests (for H 2 and H 3).

Table 2: Paired Samples-t-Statistics on old and current identification, two to three years after the acquisition

Hypotheses	Surveys	n	M	SD	Paired mean Difference	SD	t	Sig.
Survey 1 H 1	Old firm	175	3.40	0.83	-0.18	0.51	-4.75	0.00
	New firm	176	3.59	0.82				
Survey 2 H 1	Old firm	110	3.32	0.79	-0.41	0.73	-5.89	0.00
	New firm	111	3.73	0.75				

Table 3: Two one-sample t test on organizational identification to the new and old firm

Variable: Identification	Identification Survey 1 to 2	n	M	mean Survey 2	Mean Difference	SD	t	Sig.
H 2	New Identification	176	3.59	3.73	-0.14	1.11	-2.28	0.02
H 3	Old Identification	175	3.40	3.32	0.08	0.83	1.30	0.19

The above results, as predicted in two of three hypotheses, show that organizational identification of employees is a continuous and slow process, changing from the second to the third year after the acquisition.

We also run two linear regression analyses to confirm that motivational CQ impacts organizational identification (Table 4). Motivational CQ impacts organizational identification of target employees to the new firm in both Surveys (to 5%). Also, our prediction of motivational CQ influencing organizational identification becomes stronger as time passes, having an increase of the standardized beta (Survey 1 = 0.208; Survey 2 = 0.272).

Table 4: Results of Regression Analysis

Survey 1 (Year 2)					
Predictor Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.939	0.423		6.953	0
Age	0	0.007	-0.004	-0.038	0.969
Firm-years	-0.005	0.005	-0.099	-1.006	0.316
Motivational CQ	0.231	0.089	0.208	2.581	0.011
R=.245	R Square= .060		Adj. R Square =.041	F= 3.180	
Survey 2 (Year 3)					
Predictor Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.614	0.527		4.956	0
Age	0.001	0.008	0.018	0.153	0.879
Firm-years	-0.006	0.008	-0.087	-0.724	0.471
Motivational CQ	0.349	0.137	0.272	2.544	0.013
R=.306	R Square= .094		Adj. R Square =.064	F= 3.173	

6. Discussion

6.1. Contributions

Our study results advance the theoretical and practical aspects of target employees' identification with their old and current firm (Van Knippenberg et al., 2002; Vora & Kostova, 2007). Our findings indicated that employees (in the second year) identified more with the current firm than with their old/target firm before the acquisition. This finding supports previous research that organizational identification is a continuous and slow changing process in the years after the shock event (Knippenberg et al., 2002; Gleibs et al., 2008; Hogan & Overmyer-Day, 1994). Furthermore, we showed that identification with the current firm increased with time (Survey 2, year 3); However, identification with the old target firm (to the time before the takeover) was not statistically significant lower to the current firm. We also show in this study that motivational CQ as an underlying antecedent influences organizational identification even years after the acquisition.

Within the framework of the Social Identity Theory, our study provides several theoretical contributions. Our observations are in line with research by Rouzies & Colman (2012) who find evidence that identification with the current firm increases as time passes. However, their investigation on several factory plants was only for a relatively short period after M&A, i.e. 6 months, 12 months and 24 months after the deal had taken place. Our observations were from 24 to 36 months after the deal announcement.

In this study, the cross-border investment of a Japanese firm had its own dynamics arising from a typically hesitant Japanese management taking decisive actions concerning their target firm (Morikawa, 2016). In this regard, Heenan & Perlmutter (1979) discussed ethnocentrically-oriented management. It is interesting to note that international business (IB) literature has almost exclusively adopted a negative view on ethnocentricity, suggesting that it hinders the adoption of a global business strategy and organizational identification of out-members as well. However, a recent article by Michailova, Piekkari, Storgaard & Tienari (2017) adopts a neutral stance and even shows the benefits of ethnocentrism, using insights from three basic disciplines of anthropology, sociology, and psychology to rethink the concept of ethnocentrism in IB research. They argue that Japanese firms' success in international business is because of their strong practice of in-group ethnocentrism, especially in the automobile, electronics and in major technology management sectors (Michailova et al., 2017). The researchers propose that ethnocentrism may lead to positive results in IB management which opposes the traditional view based on Kopp (1994) that "ethnocentric staffing and policies are associated with higher incidence of international human resource management problems" (p. 581). Hence, we support this claim in our research that organizational identification increases and that motivational CQ impacts German target employees of a Japanese target firm. Motivational CQ of target employees matters for their organizational identification suggesting that the impact even increases from two years after the deal to three years after it (having an increased standard coefficient beta from Survey 1 = 0.208 to Survey 2 = 0.272).

This study also offers some practical suggestions based on its findings. Managers have to be aware that target employee identification is not only a relevant phenomenon right after an acquisition has taken place but that it is an ongoing and still changing process, still relevant even years after an acquisition event has taken place.

It is evident that target employees' identification with the current firm increases as time goes by. The success of the current firm in this aspect would depend on the extent of integration of target employees with the new firm, and the extent of detachment from the old firm. We show that cultural aspects measured in motivational CQ of target employees matters for their organizational identification.

Researchers have suggested carrying out an assessment of employees' existing identification, followed by taking steps to strengthen it for the benefit of the organization (Terry & O'Brien, 2001). Several interventions can support the creation of a new identity (Ortiz, Donate & Guadamillas, 2017). These include articulating a new vision, common goals, and organizational symbols. All these

interventions could be done through proper communication strategies (Brooks, Rosson, & Gassmann, 2005) to make target employees identifying better to their organization. This research demonstrated that cultural openness of target employees impacts their organizational identification. In this, M&A decisions, such as those related to the new company name or logo, elimination or consolidation of brands, and consolidation of corporate value statements, play a key role in shaping one’s new identity to the company. The following summary provides our results:

Table 4: Summary of hypotheses and decisions

H	Hypotheses	Decisions
H1	Two years after the acquisition, target employees should identify higher with the current firm than with the old (acquired) firm.	supported
H2	Target employee’s identification with the current firm should increase as time goes by.	supported
H3	Target employee’s identification to the old firm should decrease as time goes by.	Not supported
H4	Target employees with a higher motivational CQ identify more positively with the new target firm.	supported

6.2 Limitations

Nevertheless, this study is not without its limitations. Like other surveys, our data were gathered via questionnaires that relied on a Likert-scale measurement for responses, thus rendering self-responding bias inevitable. As such, the reliability of the data depended on the sincerity of the participants’ responses to the items on the questionnaire. Secondly, the organizational identification of employees of only one target firm was investigated and as such, confounding influences could interfere with the reliability of the results. However, we argue that the two questionnaire surveys sent to all target employees have yielded adequate information to shed new light into the M&A discussion. This approach is similar to the research conducted by Van Knippenberg, Van Knippenberg, Monden & De Lima (2002) who asked participants about their organizational identification on two occasions. In addition, it is not unusual for Japanese (or generally Asian) bidder firms to give their cross-border targets relatively high autonomy. That is a normal procedure for Asian firms but not for Western firms because the latter often try to integrate their targets in line with their global strategies to bring out the best synergies. Also, the nature of the industry matters. In this study, as the target firm belongs to the engineering industry, we have confidence that this rather international industry is more robust compared with local industries (Lee & Ki, 2017), and thus our results should be more generalizable to other industries. While the M&A deal in this study was undertaken in a friendly manner, future researchers could focus on investigating unfriendly acquisitions as it might expose employees with a deeper identification with their old firm, than when the acquisition is friendly.

7. Conclusion

This study investigated German target employees’ organizational identification and how motivational CQ influenced this process. For this, we applied the Social Identity Theory.

The data were collected from survey questionnaires on two occasions; two years after the acquisition and again, a year later. Our observation from the first survey was that employees’ identification with the old firm was lower than with that to the current firm. Also, as predicted in the time span from 24 to 36 months, identification with the current firm strengthened while that with the old firm remained at around the same level. Furthermore, motivational CQ impacted employees’ organizational identification positively and even higher on the second survey. The results show that employees’ organizational identification is not only important to be considered in the wake of an M&A but that it is even more pronounced three years after the acquisition event occurred.

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Appendix 1: Demographic Profile of the Sample

Variables	Survey 1 (n=176)		Survey 2 (n=110)	
	Frequency	Percentage	Frequency	Percentage
<i>Age (Years)</i>				
18-30	16	9.1	13	11.6
31-40	16	9.1	13	11.6
41-50	46	26.1	22	19.6
51-65	77	43.8	52	46.5
not specified	21	11.9	12	10.7
<i>Duration in Firm</i>				
up to 3 years	21	11.9	4	3.6
up to 8 years	35	19.9	34	30.4
up to 15 years	41	23.3	30	26.8
over 15 years	58	32.9	30	26.8
not specified	21	11.9	14	12.5
<i>Departments</i>				
Energy from Waste	46	26.1	28	25.0
Finance / Accounting	4	2.3	5	4.5
Flue Gas Cleaning	36	20.5	24	21.4
Human Resources	4	2.3	2	1.8
Project Management	20	11.4	11	9.8
Project Service	25	14.2	18	16.1
Purchasing	8	4.5	3	2.7
Sales & Proposals	15	8.5	10	8.9
Others	14	8	10	8.9
not specified	4	2.3	1	0.9

Appendix 2: Questionnaire Items Pertaining to Old (and Current) Identification of German Target Employees

Construct: old Identification (with the past independent German engineering firm)

- Q 1. When I spoke about my firm, I normally said “we” rather than “they.”
- Q 2. The firm’s previous successes felt like my own success.
- Q 3. I was very interested in what others thought about my firm.
- Q 4. When someone praised my firm, it felt like a personal compliment.
- Q 5. If a story in the media criticized my firm, I would feel embarrassed.
- Q 6. When someone criticized my firm, it would feel like a personal insult.

Construct: new Identification (with the current firm as part of the Japanese steelmaker)

- Q 1. When I speak nowadays about my current firm, I normally say “we” rather than “they.”
- Q 2. The firm’s successes today feel like my own success.
- Q 3. I am very interested in what others think about my firm.
- Q 4. When someone praises my firm, it feels like a personal compliment.
- Q 5. If a story in the media criticizes my firm, I would feel embarrassed.
- Q 6. When someone criticizes my firm, it would feel like a personal insult.

Construct: Motivational cultural intelligence (of German target employees)

- Q 1. I would enjoy living in a foreign culture.
- Q 2. I would have problems to get along in a foreign culture (reverse coding)
- Q 3. I am confident that I can get accustomed speedily to a foreign business culture.
- Q 4. I get in touch very often with people from other cultures.
- Q 5. I am confident that I can socialize with locals in a culture unfamiliar to me.

* Several interviews were undertaken with the CEO of the German firm between 2014 and 2016. The interview always took place at the German subsidiary office in North Rhine Westphalia.

Personal communication:

Interview with the German top manager, 2016.

Interview with Japanese top manager 2017.