

**Effects of transformational leadership and TMT
heterogeneity on M&A integration and performance
in China**

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Abstract

With the growth of mergers and acquisitions (M&As) in China, the role of leadership and organisational human resource factors in the integration and performance of these deals has been widely studied. In recent years, more and more articles are related to the merger integration, leadership and TMT factors affecting merger performance. However, there has not been sufficient research on combining them and developing a comprehensive model to understand their impact on M&A. Besides, the existing studies are mainly on the basis of the Western backgrounds, and the research on the emerging economies like China is insufficient. In order to bridge this gap, the purpose of this research is to explore how transformational leadership and TMT heterogeneity has an impact on understanding the performance of Chinese M&A transactions. A comprehensive review of the relevant literature is also provided to guide the related theoretical development.

This study is guided by a total of three questions. Firstly, what is the impact of transformational leadership and TMT heterogeneity on M&A integration in China? Secondly, what is the relationship between M&A integration and performance in China? And thirdly, how do transformational leadership and TMT heterogeneity moderate the relationship between M&A integration and performance in China?

The theoretical framework was tested with a sample of 295 respondents from six Chinese industries. The empirical results indicate the comprehensive support for the effect of transformational leadership on the M&A integration, whereas TMT

heterogeneity is only positively associated with degree of integration, and insignificantly related to speed of integration. Also, the degree of integration is explored, indicating that it is directly proportional to staff satisfaction and engagement, TMT turnover and M&A success. However, the speed of integration is not statistically related to all of the dependent variables. At last, these findings indicate the partial support for the moderating effect of transformational leadership and TMT heterogeneity on M&A integration and post-M&A performance. In accordance with these results, implications for theory and practice are advanced by taking account into the unique organisational and managerial context of China.

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List of Abbreviations

M&A – Merge and Acquisition

TMT – Top Management Team

CFA – Confirmatory Factor Analysis

EFA – Exploratory Factor Analysis

SEM – Structural Equation Modelling

EMNC – Emerging Market Multinational Company

CEO – Chief Executive Officer

CFO – Chief Financial Officer

COO – Chief Operating Officer

UET – Upper Echelon Theory

PCA – Principal Component Analysis

GCC-BJ – Gansu Chamber of Commerce

SAT – Staff Satisfaction

SE – Staff Engagement

MAI – M&A Integration

TL – Transformational Leadership

OS – Objective Success

SS – Subjective Success

TMTH – TMT Heterogeneity

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Author's Declaration

I declare that this thesis is original work and I am the only author. This work has never been awarded at this or any other university before. All sources are acknowledged as References.

Chapter 1. Introduction

1.1 Background

Over the past 20 years, transnational mergers and acquisitions (M&As) have seen a significant increase in emerging markets (Cooke, 2006; Chen and Young, 2010; Cooke and Huang, 2011; Khan et al., 2020; Aybar and Ficici, 2009; Kohli and Mann, 2012; Luo and Tung, 2007; Rao-Nicholson et al., 2016b; Muralidharan et al., 2017; Loukianova et al., 2017). M&As in which Chinese enterprises get involved have experienced an increase in number and value (Tao et al., 2017). For instance, the statistics of Thomson Reuters showed that around 9,500 enterprise M&A deals with the involvement of Chinese companies reached 558.7 billion U.S. dollars, among which M&A transactions in 2016 achieved the highest value of 11,407 billion U.S. dollars.

Despite the global financial market crisis, M&A activities in a variety of industries around the world are increasing (Bauer and Matzler, 2014), whose high failure rate forms a sharp contrast with their growth, the amount of funds involved and the popularisation of M&As (King et al. 2004; Schweiger and Lippert, 2005; Weber et al., 2009, 2011; Venema, 2015; Rozen-Bakher, 2018). Even the merger of numerous Chinese companies does not necessarily indicate that all M&As have a good ending. Bower (2001) pointed out that 40%-60% of M&As cannot succeed in creating value. In the eyes of some authors, the rate of failure is even higher, ranging from 70% to 90% (Christensen et al., 2011; Cartwright et al., 2007; Pike, 2017; Raukko, 2009; Olcay et al., 2019). Budden (2007) discovered that approximately 75% of M&As in

transnational companies failed to create value or produced value lower than expected, and only around 25% generated the expected growth of China. The increase of M&A activities is in deep contrast with their high failure rate (Weber et al., 2009; Zhang et al., 2015), leading to investigations on factors related to the performance of M&As. A number of factors affect the performance of M&As after M&A deals. However, these findings are found to be inconsistent through a review of related literature on a variety of research fields (including finance, organisational behaviour, strategic and international management, etc.). For instance, financial and strategic literature has long attached importance to pre-merger issues to determine the factors affecting successful merger performance (Rozen-Bakher, 2018; Weber and Fried, 2011b; Weber and Tarba, 2010; Lipponen et al., 2017). Nowadays, researchers pay increasing attention to the process and post-M&A integration practices (Dao and Bauer, 2020; King et al., 2020; Cartwright, 2005; Homburg and Bucerius, 2006; Weber and Fried, 2011a, 2011b). Reasons affecting M&A performance are insufficient strategic motivation, inadequate pre-M&A evaluation and improper post-M&A integration management (Almor et al., 2009; Weber et al., 2009, 2011; Ahammad and Glaister, 2011; Weber et al., 2011), indicating that post-M&A integration is a critical influence factor for the success of M&As (Sitkin and Pablo, 2005; Nemanich and Keller, 2007; Vasilaki, 2011a, 2011b; Haapanen et al., 2019). The performance of M&As is improved through their integration process (Haspeslagh and Jemison, 1991; Jemison and Sitkin, 1986; Liou and Rao-Nicholson, 2019), which is critical to the phase of post-M&A integration and

therefore the success of transactions if effective and efficient (Weber et al., 2011; Birkinshaw et al., 2000).

King et al. (2004) called for more M&A research on the impact of non-financial variables because financial and strategic variables cannot effectively explain differences in M&A performance. An increasing number of management researchers recognise that human negligence and improper management are important determinants of the success or failure of M&As as well (Seo et al., 2012; Van Knippenberg and Sleebos, 2006; Meglio et al., 2015; Schweiger et al., 1987). It is well-known that human resource management (HRM) is closely associated with the positive behaviour and well-being of employees and vital to the success of M&As (Aklamanu et al., 2016; Amiot et al., 2007; Chung et al., 2014; Vasilaki et al., 2016; Dao and Bauer, 2020; Liu and Meyer, 2020). Early research observed that employees are likely to experience a period of instability in the process of M&A integration. Unless managed effectively, employees will be frustrated or angry due to the uncertainty of M&As, which thus reduces their job satisfaction, productivity and innovation ability, leads to their resignation and ultimately decreases the economic benefits of newly merged companies because of acquisitions (Schuler et al., 2004; Gomes et al., 2012; Hambrick and Cannella, 1993; Hogg and Terry, 2000; Buono and Bowditch, 2003, Ernst and Vitt, 2000; Nygaard and Dahlstrom, 2002; Schweiger and DeNisi, 1991). In addition, prior research has suggested that the long-term instability of top management teams (TMTs) may lead to the failure of mergers (Cannella and Hambrick, 1993; Hambrick and

Cannella, 1993; Lubatkin et al., 1999; Krug, 2003a, 2003b; Krug and Shill, 2008; Martin et al., 2017). Thus, leadership is essential for M&As aligning organisations and culture with the expectations of M&As (Sitkin and Pablo, 2005; Waldman and Javidan, 2009; Gomes et al., 2012; Rao-Nicholson et al., 2020) and advocating the factors of transformational leadership (Rao-Nicholson et al., 2016; Savović, 2017; Morosini et al., 1998; Nguyen and Kleiner, 2003; Lander and Kooning, 2013; Thuy et al., 2020).

The transformational leadership behaviour of senior managers may be more effective in a dynamic environment (Waldman et al., 2001), which can improve employee satisfaction, motivation, participation and work environment and avoid employee turnover (Cumming et al., 2010; Kumar et al., 2012). Transformational leaders transform and offer vision and inspiration to their followers during the entire transitional phase of M&As, and create a broad corporate vision and culture to achieve and promote various sorts of positive behaviours required to integrate two organisations (Brătianu and Anagnoste, 2011; Zhang et al., 2014; Nemanich and Keller, 2007; Pike, 2017; Savović, 2017; Vasilaki et al., 2016).

Apart from focusing on leadership style, researchers are increasingly interested in the role of TMTs in the top management of an organisation and the way of affecting performance by strategic decision-making (Daily and Dalton, 2003; Forbes and Milliken, 1999; Kim and Rasheed, 2014) since the publication of a seminal article by Hambrick and Mason (1984) on top management, especially TMT heterogeneity and

its impact (Hambrick et al., 1998; Carpenter et al., 2004; Homberg and Bui, 2013; Nielsen, 2010; Rao-Nicholson et al., 2019; Wei et al., 2005).

Most of previous research focused on the impact of TMT heterogeneity on performance outcomes (Carson et al., 2004; Carpenter, 2002; Nielsen, 2009; Kim and Rasheed, 2014; Olson et al., 2006). Results of some studies are controversial (Barsade et al., 2000; Homberg and Bui, 2013; Ferrier, 2001; Carmeli et al., 2009), but empirical literature suggests that the demographics of TMTs do exert a positive impact on organisations (Boone and Hendriks, 2009; Harjoto et al., 2015; Naranjo-Gil et al., 2008). A highly heterogeneous TMT brings more diversified cognition, symbolism and communications, thereby improving the effectiveness of strategic decisions and the possibility of transmitting and implementing them (Milliken and Martins, 1996).

Diversity is more relevant during the periods of significant strategic changes (Dixon-Fowler et al., 2013; Triana et al., 2014). In general, M&As require the two companies involved to make a number of decisions and significant changes in the combination of assets and businesses to achieve expected common strategic growth (Haspeslagh and Jemison, 1991). It can be seen that M&A deals are usually regarded as rare strategic events because of their complex uncertainties (Zollo, 2009), providing an excellent environment for the analysis of the impact of TMT heterogeneity. The decision-making process and abilities of TMT members are of critical importance for the smooth and successful execution of value-creating acquisition transactions (Saxton and Dollinger, 2004). Besides, different leadership abilities and knowledge resources

are required at the stage of M&A integration. TMT heterogeneity will have different effects with the development of the merger decision-making process. In particular, heterogeneity can provide a wide range of information and a variety of skills when TMT members have diverse educational and functional backgrounds, which will facilitate decision-making (Carpenter, 2002). Nevertheless, TMT members may have conflicts with each other due to heterogeneity (Amason and Sapienza, 1997).

The main findings of previous studies can be summarised as follows:

(1) Effective and efficient M&A integration significantly affects the success of M&A performance;

(2) Transformational leadership is the key people-related theme of M&A integration;

(3) TMT heterogeneity conducive to strategic decision-making plays an essential role in promoting the success of M&As.

Previous research findings have shown that no in-depth empirical research seems to have been conducted on the comprehensive model of the above three aspects to understand its impact on M&As.

1.2 Identification of Research Gaps

In dynamic business environments like the post-M&A context in China, the transformational leadership and TMT heterogeneity of executives are of critical importance, whose impact on M&A integration and performance fails to be studied

theoretically and empirically, and which is thus main research motivations. Specific research gaps are presented below:

1) Bass (1985) defined transformational leadership and pointed out its importance. Transformational leaders are essentially change agents inspiring their subordinates to realise a new future with them (Vera and Crossan, 2004). The transformational leadership behaviour of executives is more likely to be useful in dynamic environments like M&A integration (Bass, 1998; House and Aditya, 1997; Waldman et al., 2001; Yukl and Howell, 1999). Despite the anxiety and uncertainty in the process of integration, transformational leadership behaviours motivate employees to maintain work satisfaction and performance. However, limited studies have been carried out outside a stable environment to study the relationship between transformational leadership and M&A integration during organisational changes, especially M&A performance (Nemanich and Vera, 2009; Vasilaki, 2011b), which is not supported by empirical research.

2) Another gap in literature on transformational leadership lies in that it has little understanding of the occurrence mechanisms of such influence (House and Aditya, 1997; Yukl, 2002). A part of studies have paid attention to studying intermediary mechanisms to gain a better understanding of how transformational leaders have an influence on the outcomes of subordinates (Avolio et al., 2004; Jung and Avolio, 2000; MacKensie et al., 2001; Pillai et al., 1999; Zhu et al., 2005). This study uses transformational leadership as a moderator to further reduce the impact of uncertainty

and change in the process of M&A integration. The creation of an atmosphere emphasising clear objectives can reduce ambiguity and achieve better M&A performance.

3) Regarding the TMT knowledge gap, it is not clear which specific characteristics of TMTs are critical to M&As. Studies have found that TMT heterogeneity will affect the decision-making process as a feature of TMTs (Bunderson and Sutcliffe, 2002), but few studies on M&As consider TMT heterogeneity as a critical factor during the M&A process (for example, Vasilaki and O'Regan, 2008; Vasilaki, 2011a, 2011b). Furthermore, literature has proven the impact of TMT heterogeneity on other intermediary factors (Michie et al., 2002; Blanco-Oliver et al., 2018), but few studies on TMT heterogeneity use it as a moderator to explore its impact (Ferrier and Lyon, 2004; Lui et al., 2019) and study it systematically.

Moreover, little management literature explores the impact of transformational leadership and TMT heterogeneity in the context of Chinese M&As. Given that many existing studies are mainly based on Western backgrounds, previous findings may not be fully applicable to emerging economies like China.

These research gaps encourage researchers to further explore the impact of the transformational leadership and TMT heterogeneity of executive leaders on the integration and performance of M&As in China.

1.3 Research Questions and Aims

This study seeks to bridge the above-mentioned research gaps and aims to solve the following research questions:

RQ1: What is the impact of transformational leadership and TMT heterogeneity on M&A integration in China?

RQ2: What is the relationship between M&A integration and performance in China?

RQ3: How do transformational leadership and TMT heterogeneity moderate the relationship between M&A integration and performance in China?

On the basis of these research questions, this study seeks to achieve the research aims as follows:

RA(a): To cultivate an understanding of how transformational leadership and TMT heterogeneity influence the integration of M&A deals in Chinese firms.

RA(b): To comprehensively and critically review the broad area of transformational leadership, TMT heterogeneity and M&A research to guide theoretical development.

RA(c): Carry out a process of scale development to validate instruments.

RA(d): To develop a theoretical framework to illustrate the causal relationship between proposed factors.

RA(e): To perform empirical tests on the relationships hypothesised in the theoretical model.

RA(f): To better provide significant and meaningful implications for both practitioners and academics.

1.4 Thesis Structure

This research comprises eight chapters, whose remainder is presented as follows:

Chapter 1 makes an introduction of research background, raises three research questions on the basis of research gaps found in literature, and sets six research aims in order to narrow these research gaps.

Chapter 2 reviews relevant literature in a wide range of fields such as business, sociology and psychology, and strictly examines the definition, critical theories and approaches of transformational leadership, TMT heterogeneity, the degree and speed of M&A integration, staff satisfaction and engagement, TMT turnover rate as well as M&A success.

Chapter 3 establishes a theoretical framework. First, a hypothesis is made on the impact of transformational leadership and TMT heterogeneity on M&A integration (the degree and speed of M&A integration). Then, the impact of M&A integration on M&A performance (staff satisfaction and engagement, TMT turnover rate and M&A success) is hypothesised. Finally, the influence of transformational leadership and TMT heterogeneity as intermediary factors on M&A integration and performance is put forward.

Chapter 4 outlines research methodology, explains research strategy and reasons for the adoption of quantitative research and survey-based methods, describes the

framework of data analysis, including Q-sort method, content analysis, confirmatory factor analysis (CFA), exploratory factor analysis (EFA) and structural equation modelling (SEM).

Chapter 5 outlines the process of scale development, makes a sample survey of target M&A companies in Chinese, measures measurement items, and conducts a variety of assessment structure reliability, convergence validity, discriminant validity and one-dimensional tests.

Chapter 6 aims to empirically evaluate the hypotheses proposed in Chapter 3, contains the reliability and validity tests of nine suggested structures (like CFA and EFA), and SEM methods testing the theoretical framework.

Chapter 7 discusses the empirical results obtained from the last chapter.

Chapter 8 makes a final summary, and offers theoretical contributions and management significance based on the research results. To be specific, research purposes are re-discussed, and a discussion is held on how this dissertation answers research questions and realises research aims. The research results are summarised, limitations are recognised, and suggestions are proposed for future research.

Chapter 2. Literature Review

2.1 Introduction

This thesis is aimed at understanding various effects of M&A integration on companies and examining the roles of operational staff satisfaction and TMT heterogeneity in the context of transformational leadership. Thus, it is very important to comprehensively understand these critical factors and their ways of relating to the process of M&As before consideration is given to the central concepts of this research (i.e., transformational leadership and TMT heterogeneity). Besides, it is necessary to peel off operational staff factors, M&A integration and performance as well. As a result, this chapter aims to outline and define these concepts and how they work in M&As.

2.2 M&A

Merger refers to the outcome of a mutual agreement reached by the managers of no less than two companies to set up a new joint legal entity through exchanging shares or other funds rather than the acquisition of one by another (Häkkinen et al., 2004; Caiazza and Volpe, 2015; Friedman and Friedman, 2018; Gaughan, 2010; Jagersma, 2005). According to Haspeslagh and Jemison (1991), acquisition means that the acquiring company obscures the majority stake of the acquired one without altering its name or legal structure. Considering them simultaneously, M&As mean consolidating businesses or assets, generally including two companies (Picot, 2002). A slight difference exists between M&As, which however is not discussed in this research because of not exerting a significant influence on the topic of this study.

Is it a happy ending after an M&A between two companies? It seems that the answer is 'Yes' for most people. On the contrary, the effective growth rate of M&As stays at a high rate of failure (Weber and Tarba, 2011). Because the average failure rate of M&As is as high as 50%, investors have low expectations on value creation or investment return (Rosenbusch et al., 2013; Dauber, 2012; Himmelsbach and Saat, 2014). For example, a study on 160 mergers published in the report of *McKinsey Quarterly* (2004 issue 2) showed that 70% of mergers failed to achieve desired synergies (Christofferson et al., 2011). However, M&As aim to pursue strategic profits (Weber and Dholakia, 2000) or synergies through 'combined forces'. Synergy means integrating the resources and assets of two parties, multiplying their benefits and expanding their advantages to maximise profits, which is beneficial to the work efficiency of two companies and the cooperation of workers. Nevertheless, synergies are not just a simple combination but an integration process (Amit and Livnat, 1998). The integration process assists companies in combining the technological assets and financial benefits of two separated companies and strengthening their business.

2.3 Reasons for Merger Failure

The high failure rate of M&As can be explained by a number of reasons. Initially, market or financial factors can be significant determinants of M&A failure. Despite the consistent occurrence of M&A activities in the market, 43% of companies failed in the past 15 years because their profits were lower than those before mergers, thereby leading to the forced separation of more than 50% of merged companies (Banel-Estanol

and Seldeslachts, 2011). In order to ensure the success of M&As, organisations need to solve all kinds of HR issues (McNulty et al., 2007) because different corporate cultures increase conflicts in the same society (Sarala, 2010; Sarala and Vaara, 2010; Stahl and Voigt, 2008; Bauer and Matzler, 2014; Trompenaars and Asse, 2012; Stahl and Voigt, 2005; Shimizu et al., 2004; Sarala et al., 2019). It involves differences of identity resulting in the stigmatisation between groups (Cartwright and Schoenberg, 2006), the vagueness of values and practices, mistrust and the lack of cooperation because increased inter-group conflicts give rise to stress, anger, alienation, low commitment and detachment (Weber et al., 2011). Therefore, an integration process needs to be employed to resolve conflicts, acting as a transition to successful M&As. In addition, the choice of the integration approach is critical to this (Stahl and Voigt, 2008; Weber and Tarba, 2011, 2012; Ahammad et al., 2015). However, it is still challenging to discover why M&As have a high failure rate (Vaara et al., 2012).

A series of reasons were summarised by Bellinger and Hillman (2000) to explain M&A failure, and presented as follows: A hard move of other M&A strategies in the absence of appropriate comprehension (Haunschild, 1993; Cartwright and Cooper, 2012; Bauer and Matzler, 2014), the shortage of effective integration strategies (Haspeslagh and Jemison, 1991; Nahavandi and Malekzadeh, 1988), management hubris (Haunschild, 1993), ineffective communication (Angwin, 2007), poor talent management, brain drain (Zhang et al., 2015), the underestimation of targets, the lack of commitment, leadership or strategic guidance after M&A negotiations and the

decrease of slack resources (Haspeslagh and Jemison, 1991; Brown, 2004).

Besides, Gadiesh and Ormiston (2002) held that the failure of an M&A may be attributed to cultural mismatch, unsuitable strategic rationale, insufficient integration planning and execution, overpayment for the acquisition as well as the ineffectiveness of executive leadership. Giles (2000) stated that the neglect of HR personnel is a main reason for M&A failure. Companies cannot achieve success if failing to recognise the importance of HRs for organisations and the success of integration, which is especially crucial for M&As. A study by Hunt (2003) showed that the management of one third of companies is unable to determine the role of HRs in post mergers, which is the main reason for the failure of M&As. Currently, HR departments in organisations are of practical and strategic importance, which can add important value to companies through making development, dealing with personnel conflicts, reinforcing new HR systems and corporate culture, and providing communication and leadership to reduce turnover (Gaughan, 2005).

2.4 Transformational Leadership

Bass and Avolio (1994) claimed that transformational leadership refers to a leadership style assisting managers in enhancing the concerns of employees and increasing their perception level and acceptance of group visions and aims. Over the past few years, transformational leadership has become a popular topic in the literature on HRM, especially empirical research examining its antecedents and consequences. Thomson et al. (2016) suggested that transformational leadership is beneficial to

increasing citizenship, culture, visionary organisations, employee trust, empowerment, satisfaction, self-efficacy, beliefs and motivation, and reducing voluntary turnover. According to Chen et al. (2018), transformational leadership can promote the work meaning and intrinsic motivation of employees, which also eliminates adverse impact like the low degree of collective team identification in different groups from the perspective of social categorisation (Kearney and Gebert, 2009).

It is considered that transformation leadership is one of the most effective leadership styles (Bommer et al., 2004). Effective leadership is deemed as a combined activity with highly task-oriented and relationship-centred characteristics. The capability of establishing close and intimate relationships by emotions is especially apparent in transformational leaders (Ciulla, 2004). Therefore, integrity existing in the transformational leadership between leaders and followers is of considerable significance and related to successful leadership (Storr, 2004).

In light of drastic changes in the macro environment, increasing global competition and high political uncertainty, transformational leadership has become more important for companies (Lim and Ployhart, 2004). Transformational leader can be characterised as leaders who encourage their followers to perform well with unified beliefs and values as well as personal development. Mathew and Gupta (2015) described that transformational leaders care for the needs of followers and enhance their engagement and empowerment.

Literature also showed that transformational leadership has positive effects on

numerous aspects of organisational function, such as employee motivation, performance upgrade, organisational commitment and job satisfaction (Bass and Avolio, 1994; Kim and Shin, 2019; Walumbwa et al., 2005). Besides, transformational leaders are of great importance for organisation performance. In general, organisational performance, like financial performance and employee satisfaction, is regarded as a dependent variable in business research and a most fundamental target in management (Pagell and Gobeli, 2009; Richard et al., 2009). Transformational leadership is related to organisational and operational performance as well as employee behaviour. According to Bass and Avolio (1994), transformational leadership assumes that subordinates are trustworthy with the capability of solving complicated problems and contributing significantly to organisations. Chen et al. (2018) proposed that transformational leadership leads to an increase in the vocal behaviour of employees, which provides innovative ideas suppressing negative organisational consequences and improving performance and organisational effectiveness. This bottom-up leadership starting from ordinary employees for higher organisational performance involves guiding, coaching and instructing subordinates (Yukl, 1999), enhancing their self-esteem (Shamir et al., 1993) and creating an active mood for their higher level of efforts (Tusi et al., 2006).

Transformational leaders stimulate subordinates to show a higher level of performance so as to enhance organisational performance (Boerner et al., 2007). Examples of this approach involve enhanced employee organisational commitment

(Avolio et al., 2004; Barling et al., 2000; Viator, 2001; Walumbwa et al., 2005; Kim and Shin, 2019), increased work motivation and satisfaction (Bass, 1998; Hinkin and Tracey, 1999; Barroso Castro et al., 2008; Kane and Tremble, 2000; Nemanich and Keller, 2007; Kensbock and Boehm, 2016), reduced absenteeism (Zhu et al., 2005) as well as higher quality output (Elenkov, 2002; Hoyt and Blascovich, 2003; Karya, 2012; Piccolo and Colquitt, 2006; Sivasubramaniam et al., 2002). It has been proven that transformational leadership improves a vast scope of organisational outcomes (Howell and Avolio, 1993; Kavanagh and Ashkanasy, 2006; Lee et al., 2011; Sendjaya et al., 2008; Pereira and Gomes, 2012).

Besides, extensive research has been carried out on the direct influence and relationships of transformational leadership styles and revealed self-esteem, voluntary employee turnover, social and corporate entrepreneurship, and organisational growth (Chang et al., 2017; Katou, 2015; Matzler et al., 2015; Muralidharan and Pathak, 2018; Sahu et al., 2018). In summary, transformational leaders enhance followers' perceptions of satisfactory organisational outcomes or performance, stimulate them to surpass individual interests, and improve their abilities (Hult et al., 2007).

Transformational leadership is multi-dimensionally conceptualised, and more specifically involves four constructs which are idealised influence (behaviour and attributes), inspirational motivation, intellectual stimulation as well as individualised consideration (Rowold and Heinitz, 2007; Ghadi et al., 2013).

1) Idealised Influence (behaviour and attributes): Idealised influence attributed

refers to the cultivation and accumulation of respect and pride in leaders, particularly the ability of followers to identify with leaders (Bass, 1985; Teymournejad and Elghaei, 2017). Perceived to model the role of a trustworthy persona, idealised influence is a kind of representativeness for charisma and regarded as impact on ideals, values and issues more important than life, concerning to the role-modelling behaviour and attributed extraordinary personalities of transformational leaders (Bass, 1998). Associated with an increased sense of connection between people (Zdaniuk and Bobocel, 2015), idealised influence evokes strong emotions out of followers and their identification with and emulation of leaders since the latter is a strong role model in groups. Subordinates show a very high level of moral standards and behaviour ethically (Bass, 1985, 1998).

Feizi et al. (2014) argued that idealised influence is corresponding to the charisma of leaders whose capabilities leave an impression on followers. Factors of idealised influence are more related to the impression of followers than any characteristic of leaders themselves (Stempel et al., 2015). In consistent with this point, Jyoti and Dev (2015) showed that leaders who demonstrate their ideal impact should focus on how their values, beliefs and missions shape their decisions and actions.

According to Rana et al. (2016), the sub-factors of transformational leadership have a positive relationship with job involvement. In particular, idealised influence is positively associated with predictive job participation, which is related to motivations and positive attitudes towards the realisation of organisational goals and work

satisfaction (Rana et al., 2016). Similarly, Mehar et al. (2015) found that idealised influence is positively related to organisational commitment, which is consistent with the findings of Joo and Lim (2013).

2) Inspirational motivation: According to Avey et al. (2008), inspirational motivation refers to the ability of leaders to clearly and enthusiastically communicate a vision to followers and arouse their desire to perform well in certain positions, and involves developing and conveying an attractive or evocative vision to teams or organisations by means of symbols and images to appropriately exert the efforts and modelling behaviours of subordinates (Ghadi et al. 2013). Transformational leaders inspire followers by focusing on their emotions rather than everyday interactions (Teymournejad and Elghaei, 2017). Inspirational motivation stimulates followers to participate in organisations through the creation of an engaging environment (Ghadi et al., 2013), where leaders make use of discussions and negotiations, and lay emphasis on a positive attitude towards the future compared with the current situation in order to inspire followers to be supportive of a shared vision (Feizi et al., 2014). By means of optimism and excitement, the management shows encouraging motivations to move followers towards organisational goals and give them a reason for the pursuit of higher performance (Prasad and Junni, 2016). Inspiring motivations convey unusual expectations for performance, leading to employees' acceptance of their critical role in making contributions to organisations and attaining their professional goals (Joo and Lim, 2013). Bright, confident, optimistic and passionate in conveying their vision,

motivational leaders are role models for followers to achieve their goals (Jyoti and Dev, 2015).

3) Intellectual stimulation means that leaders encourage followers to question the current assumptions about the role of innovative and risk-taking leaders with non-traditional thinking in stimulating intelligence and reframing problems and solutions in new ways (Ghadi et al., 2013), which is of great importance and results in creative and innovative solutions to issues that cannot be solved by ordinary and standard practices in an organisation (Bass, 1985; Feizi et al., 2014; Prasad and Junni, 2016). In addition, it enhances followers' awareness of problems, helps them to view problems from a new angle and encourages them to question the values, beliefs and thinking ways of their leaders (Jyoti and Dev, 2015), which consequently contributes to the creativity and innovation of followers and causes them to challenge the beliefs and values of their own, leaders and organisations. According to Joo and Lim (2013), intellectual stimulation motivates employees to seek demanding tasks, skills, abilities, new knowledge and balance between personal and professional life, which supports followers in dealing with intellectual risks and challenging authority. Furthermore, it was found that intellectual stimulation is directly proportional to job satisfaction.

4) Individualised consideration means that transformational leaders coach and mentor followers by taking into account their individual differences, and have the right to distinguish followers and pay personalised attention to motivate them to exercise the power of decision-making (Ghadi et al., 2013; Teymournejad and Elghaei, 2017), which

involves providing followers with support, encouragement, guidance, delegation, suggestions and feedback to promote their personal development. Leaders with a high level of individualised consideration see followers as individuals, focus on their needs and feelings, and inspire them to be responsible for self-development (Jyoti and Dev, 2015; Prasad and Junni, 2016; Teymournejad and Elghaei, 2017). Additionally, leaders offer followers practical, educational and training opportunities to enable them to discover their potential and capabilities (Feizi et al., 2014). Joo and Lim (2013) showed that leaders should pay attention to employees, inspire them to discover value in their studies and raise expectations for occupational success.

2.4.1 Transformational Leadership and M&As

Poor M&A performance is usually related to the lack of leadership (Haspeslagh and Jemison, 1991), which is manifested in the inadequate foresight and dehumanisation of new organisations and the increase of mistrust among employees (Ullrich et al., 2005). In the process of M&As, senior leaders are typically considered to be outsiders, thereby leading to a reduction in employees' degree of identification with new horizons (Giessner and Schubert, 2007). Employees often form their own opinions on their excellent leadership skills, which however complicates the situation. Bligh (2006) cited various leadership expectations among employees, including using cultural differences, providing an expression forum, managing changing expectations, and clearly expressing the need for change and leaders' mindfulness of their actions.

Leaders offer vision and inspiration through the use of stories and shared vision

statements, and the creation of supportive structures and cultures required by the integration of two organisations (Nemanich and Keller, 2007; Waldman and Javidan, 2009). These structures contain a system of HRM practices which cannot positively affect the acceptance of acquisitions and the satisfaction and productivity of employees if not implemented properly (Fey et al., 2009; Guest, 2002; Nemanich and Keller, 2007). Rao-Nicholson et al. (2016) examined the relationship between leadership and employee psychological safety (EPS) featuring the employee expectations of salary and job stability during cross-border M&As by Indian and Chinese emerging market multinational companies (EMNCs), and discovered that EPS was not affected by the leadership visibility of EMNCs in the process of M&As, but positively influenced by the trust in the leaders of EMNCs. Good leadership can reduce the ambiguity of causality, affect followers' attainment of their goals, and exhibit motivation, intellectual stimulation and other behaviours (Elenkov et al., 2005; Lakshman, 2011).

In the situation of uncertainty or crises, transformational leadership is more likely to focus on shared values (Nemanich and Vera, 2009; Waldman and Javidan, 2009) and able to overcome conflicts related to large cultural distances (Vasilaki, 2011a) and relieve post-acquisition integration via positive associations with the performance of employees, creative thinking and the acceptance of M&As (Nemanich and Keller, 2007). This kind of leadership plays a key role in building trust and affecting employees' realisation of their desired goals through opening up, participating and combining old procedures with new systems (Morosini et al., 1998; Nemanich and Vera, 2009; Vera

and Crossan, 2004), and provides direction and assurance for followers (Bass, 1990; Jansen et al., 2009; Shamir et al., 1993; Waldman et al., 2001).

Empirical research found that transformational leadership is positively correlated with a series of outcome indicators. Consistent with the findings of DeGroot et al. (2000), Jacobsen and House (2001) and Lowe et al. (1996), Vasilaki (2011a, 2011b) confirmed the positive and significant impact of transformational leadership on organisational performance in multinational acquisitions.

This section focuses on outlining the importance of transformational leadership in organisations and M&A integration. It is believed that transformational leadership always plays an essential role in the continuous renaissance of organisations (Elenkov et al., 2005). In the meanwhile, Haspeslagh and Jemison (1991) noticed that the lack of leadership leads to poor acquisition performance, thereby highlighting the necessity of investigating the role of transformational leadership in M&As.

Besides, the literature reviewed shows that most research involving leadership is associated with transformational leadership, personalised consideration, intellectual stimulation, idealised influence or inspirational motivation positively affecting employee responses (Chipunza et al., 2011; Hinduan et al., 2009; Nemanich and Keller, 2007) and integration (Schweizer and Patzelt, 2012), but limited research is conducted on the performance of M&As (Nemanich and Vera, 2009; Vasilaki, 2011a, 2011b).

2.5 TMT Heterogeneity

Previous research defined TMT to be chief executive officers (CEOs), senior

management personnel whose titles are president, vice president, general manager, chief financial officer (CFO), and other senior managers. For instance, Hambrick and Mason (1984) stated that TMT refers to senior management. Knight et al. (1999) held that TMT is an executive from CEO to senior vice president. According to West and Schwenk (1996), TMT refers to senior managers like CEO and general manager to whom subordinates directly report. Krishnan and Park (2005) maintained that TMT means CEO, CFO, chief operating officer (COO) and above. Definitions of TMT are not exactly the same, whose scope however is usually the same. In other words, its definition primarily includes senior managers who play a decisive role in the major strategic issues of a company. Therefore, this research defines TMT to be the senior management team of an organisation or company, including senior management personnel whose titles are president, CEO, general manager or vice general manager.

Hambrick and Mason (1984) paid attention to the whole TMT and put forward the upper echelon theory (UET) pointing out that TMT characteristics will exert an impact on the perceptions, attitudes and values of executives, in turn affecting information processing, decision-making behaviour, strategic choices and organisational performance. The competitive behaviour of an organisation will be affected by different cognitive foundations, insights and values of each team member and the interaction between these traits (Haleblian and Finkelstein, 1993; Keck, 1997; Michel and Hambrick, 1992; Murray, 1989; Norburn and Birley, 1988; Priem, 1990; Smith et al., 1994; West and Schwenk, 1996).

Previous research focused on defining TMT and identifying its dimensionality (Bauweraerts and Colot, 2018; Chizema et al., 2015). For example, literature showed great interest in identifying the characteristics of TMTs and connecting them with the creativity and flexibility of organisations (Cao et al., 2010; Li and Cui, 2018; Yoon et al., 2015). More recently, Su et al. (2019) have applied a new fuzzy-set analysis to re-examine TMT dynamics. The diversity of team cognition is another main research stream in the research of TMTs (Barkema and Shvyrkov, 2007; Boone and Hendriks, 2009; Naranjo-Gil et al., 2008). Literature has made a remarkable contribution to the research of TMTs, but it is surprising that TMT heterogeneity received limited attention from relevant research.

Referring to the degree of difference in demographics, functions and background dimensions (Murray, 1989; Simons et al., 1999; Alexiev et al., 2010), TMT heterogeneity is a constituent feature that will affect its capability of cognition and information processing (Simons et al., 1999; Van Knippenberg and Schippers, 2007; Alexiev et al., 2010). However, existing analyses are not consistent in distinguishing the composition of TMT heterogeneity because some researchers attempt to contain age, tenure as well as functional and educational backgrounds (Hambrick et al., 1996), while others (e.g., Simons et al., 1999; Pelled et al., 1999) proposed two kinds of heterogeneity which are more related to job (education, tenure and functional background) and less related (age and gender). The job-related backgrounds of TMTs can have a significant impact on its cognitive structures, knowledge and skills (Sessa

and Jackson, 1995; Milliken and Martins, 1996; Pelled, 1996; Gunz and Jalland, 1996; Lee and Park, 2006). For example, choosing desirable acquisitions requires knowledge and experience gained through exposure to a variety of functional areas. These different experiences lay a solid foundation for capabilities, making it easy for teams with different functions to reach agreements and participate in complex transactions like M&As. Therefore, the functional background and education of TMTs are used to measure heterogeneity in this study.

Is TMT heterogeneity of importance to improve the decision-making process of companies? Bunderson and Sutcliffe (2002) believed that TMT heterogeneity has a far more significant on the decision-making process than its strategic content, and the composition of TMTs will indeed affect strategic choices. For example, TMTs are dominated by executives who gain information on sales and marketing experience from the environment and therefore support product innovation and differentiation (Hambrick and Mason, 1984). In addition, TMTs led by executives with financial and accounting backgrounds tend to be diversified through acquisitions (Song, 1982; Bergh, 2001; Cannella and Hambrick, 1993). Research also supported the idea that the performance of a company should be at the level of a strategy fitting executive background into the choice of the company (Michael and Hambrick, 1992). Compared with homogeneous TMTs, heterogeneous ones are believed to be more capable of studying the industry environment, assessing corporate strength and weighing the advantages and disadvantages of M&As (Nielsen, 2009).

Watson et al. (1993) agreed with the better performance of heterogeneous groups than homogeneous ones under the framework of upper-level theoretical explanations, which is based on the precondition that strategic decision-making refers to a process featuring uncertainty, complexity and unconventional tasks. As a result, heterogeneous groups are inclined to improve decision-making quality and comprehensiveness, thereby contributing to the improvement of corporate performance. At last, what is noteworthy is that TMT heterogeneity will have an impact on enterprise-level decisions, including strategic direction (Yang and Wang, 2014), the speed of strategic responses (Hambrick et al., 1996), the success of acquisitions (Nadolska and Barkema, 2014), etc. from the perspective of UET. These premises are on the basis of the assumption about the contribution of TMT heterogeneity to increased corporate performance and better overall strategic decisions.

Literature suggested that TMT heterogeneity can help companies to enhance their cognition, perception, judgement, problem-solving and decision-making capabilities through the processing of team reflexivity, unique information related to work, and health conflicts associated with tasks by teams (Hinsz et al., 1997; Van Knippenberg and Schippers, 2007; Van Knippenberg et al., 2004; Yang and Wang, 2014; Dezsó and Ross, 2012; Dixon-Fowler et al., 2013). In spite of being based on high-level perspectives (those directly affecting the formulation of corporate strategies), a great deal of research has paid attention to the relationship between overall TMT heterogeneity and organisational performance (Certo et al., 2006; Chaganti et al., 2016),

whose empirical results however are not always consistent (Roh et al., 2019). For instance, Boone and Hendriks (2009) observed that TMT heterogeneity can improve the innovation and growth of companies (Boone and Hendriks, 2009), while West and Schwenk (1996) argued TMT heterogeneity has no significant impact on firm performance. More recently, Soulat and Nasir (2017) have shown that TMT heterogeneity can create some destructive conflicts and miscommunications among TMT members, which thus exerts a negative influence on corporate performance. These findings have determined that TMT heterogeneity can have a positive and negative impact on the decision-making quality of a company (Parola et al., 2015; Kauer et al., 2007; Triana et al., 2014).

TMT heterogeneity results in various mixed and contradictory outcomes of performance, consensus, social integration, decision-making processes, etc. For example, Wiersema and Bantel (1992) demonstrated that heterogeneous teams are more creative than homogeneous ones and will establish a more comprehensive network of information when evaluating alternatives. Prior studies have confirmed that TMT heterogeneity has strong ability in managing firms in turbulent and complex environments (i.e., uncertain corporate competitive environments) to achieve superior corporate performance under such conditions (Cannella et al., 2008; Carpenter, 2004; Keck, 1997). Benefits of heterogeneity come from vital and sharable information resources (Kauer et al., 2007), the assessment of improved strategic decision-making ability (Hambrick and Mason, 1984) and the benefits of scanning important information

(Keck, 1997), which may lead to the significant improvement of decision-making quality during M&As.

On the contrary, other earlier research found that TMT heterogeneity has a negative impact on the process of decision-making, thus emphasising a great decline in ineffective communication among members of a TMT (Ring and Van de Ven, 1994), which arises from conflicts because of different opinions (Simons et al., 1999) and the lack of consensus building (Knight et al., 1999), and is the main reason for the negative impact on company performance due to different positions on topics of strategic importance. Besides, some researchers believe that heterogeneity creates tensions or gaps limiting the exchange of information and exerting an adverse impact on business performance (Ancona and Caldwell, 1992). Researchers found that heterogeneous teams give rise to lower levels of social integration and communication among senior management teams and higher turnover rates (Wagner et al., 1984). Due to diverse perspectives, different thinking wavelengths, unusual vocabulary, paradigms and goals, heterogeneous teams often have exclusive responsibility for organisations (Hambrick et al., 1996). Therefore, heterogeneous teams can put pressure on the decision-making process, which can harm organisational performance (Pfeffer, 1983). Thus, heterogeneity has two sides (Finkelstein and Hambrick, 1996). TMT heterogeneity can affect company performance both positively and negatively, which will have an influence on the progress of acquisitions. Other possible explanations for the inconsistency of results are that TMT heterogeneity is believed to be directly related to

and possibly indirectly affect company performance.

2.5.1 TMT Heterogeneity in M&As

Surprisingly, very few studies on M&As take into account TMT heterogeneity (e.g. Vasilaki and O'Regan, 2008; Vasilaki, 2011a) which is a critical factor in the case of taking all strategic decisions into consideration before any acquisition effort. Recognising the need for specialised skills in decision-making requires and proves the fact that diverse backgrounds are needed to ensure the value increase of acquisition transactions. Moreover, mixed literature is about TMT heterogeneity and company performance, which may be partly because heterogeneity has the most significant value in the face of complex problems according to UET. M&As fall into this category. Therefore, this research hopes to contribute to the literature on both M&As and TMT heterogeneity by linking these two pieces of literature to empirically study the potential impact of human-related characteristics (namely TMT heterogeneity) on M&As.

2.6 M&A Integration

Researchers emphasised that post-acquisition integration is important. Lasson and Finkelstein (1999) suggested that M&A integration is 'the interaction and coordination degree of two companies involved in an acquisition or merger'. Beginning with completing an M&A transaction, M&A integration is generally completed in several years, whose plan usually starts long before the completion of the transaction (Ellis et al., 2011; Ranft and Lord, 2002; Schweiger and Goulet, 2000). The integration of two separated firms involves a number of aspects, whose success or failure depends on

complex conditions. Effective integration is likely to produce positive M&A outcomes (Weber, 1996; Larsson and Finkelstein, 1999; Zollo and Meier, 2008). Larsson and Finkelstein (1999) proposed an integration model for identifying the key factors driving the success of integration. In this model, the combination potential of acquisitions is influenced by synergy realisation (High synergy realisation leads to a high degree of integration), organisational integration (It is deep integration in the case of high combination potential) as well as employee resistance (High combination potential leads to a high degree of integration) (Larsson and Finkelstein, 1999). Bauer and Matzler (2014) proposed a comparable model predicting the complementarity of strategy and culture, and found that the degree and speed of integration are the key factors determining the success of integration. Following the research of Bauer and Matzler (2014), this research adopts this model and uses degree of integration and speed to predict the outcomes of integration, which is mainly because the degree and speed of integration are normally the aspects most concerned by managers at the stage of post-M&A management and widely observed by literature to assess the process of M&A integration (Uzelac et al., 2016; Graebner et al., 2017).

An increasing number of studies have emphasised the importance of taking actions after the completion of M&A transactions and studied organisational integration from multiple perspectives (Cartwright, 2005; Homburg and Bucerius, 2006; Weber and Fried, 2011a, 2011b; Uzelac et al., 2016). Haspeslagh and Jemison (1991) claimed that post-merger integration will create unique value for newly formed companies.

Effectively integrating the operations of two previously independent firms determines the success of M&As to a large extent (Stahl and Voigt, 2008; Weber et al., 2011). Previous research emphasised that effective HRM at the stage of company integration is a critical factor for the success or failure of M&As (Birkinshaw et al., 2000; Lupina-Wegener et al., 2011; Teerikangas and Very, 2006; Stahl and Voigt, 2008). Additionally, HR orientation plays an essential role here (Weber and Fried, 2011b; Schuler and Jackson, 2001; Kiessling and Harvey, 2006). Ignoring or improperly managing human factors can result in lots of negative consequences, such as absence related to stress, increased labour mobility and withdrawal behaviour, which may harm the performance of M&As because integration often leads to the stress and dysfunction of employees involved (Cartwright, et al., 2007).

HR-oriented research focuses on the role of organisational members and their response to organisational change after mergers. In particular, literature examined the role of organisational members from the perspective of hierarchy—from TMT members to operational staff (Teerikangas et al., 2011). People have discovered a variety of problems in human behaviour like communication failures (Buono et al., 1989; Marks and Mirvis, 1998; Napier, 1989; Shin and Denisi, 2004) and shared identity (Meyer et al., 2006; Birkinshaw et al., 2000; Van Dijk and Van Dick, 2009; Clark et al., 2010; Millward and Kyriakidou, 2004; Brannen and Peterson, 2009) during the process of fusion. In order to address these issues, studies have found that HR managers in acquired firms (Graebner, 2004; Antila, 2006) and professional labour (Greenwood et

al., 1994) are all of considerable significance for integration, especially cross-border deals (Aguilera and Dencker, 2004). According to Birkinshaw et al. (2000), missions can only be integrated based on successful human integration.

2.6.1 Degree of Integration

Meanwhile, several studies on integration involve the degree of integration which is necessary for the transfer of capabilities, the elimination of redundant resources and the utilisation of synergies (Birkinshaw et al, 2000; Larsson and Finkelstein, 1999; Marks and Mirvis, 1998; Pablo, 1994; Weber et al., 2009, 2011). Pablo (1994) held that the degree of integration can refer to the level of post-acquisition changes in the technical, cultural and administrative configuration of organisations, and conceptualised different degrees of integration. The low degree of integration is limited to financial risks and resource sharing to combine technology with administration and adopt necessary management systems and processes to facilitate communication (Bauer et al., 2018). The moderate degree of integration includes changes to the 'value chain' when physical and knowledge-based resources are shared or exchanged (Pablo, 1994). Administrative integration may involve the necessary selective modification of reporting relationships and decentralisation as structural integration which requires reconstructing the cultural basis of decision-making. The highest degree of integration involves extensively sharing all kinds of resources (human, financial and material resources) and following the use of operation, control, planning systems and procedures by the acquirer and the cultural absorption and complete structure of the acquired

(Pablo, 1994).

To complete post-merger integration effectively, the TMT of the acquirer usually intervenes in the decision-making of the management team of the acquired and imposes relevant regulations on it. Expected integration may affect the commitment of the top management of the acquired to the team and cooperation of the acquirer (Weber and Schweiger, 1992; Barling et al., et al., 1996). The TMT intervention of the acquirer in the management decisions of the acquired may lead to the loss of autonomy, which in turn results in tensions and the negative attitude of the acquired towards the merger.

The dilemma between the degree of post-acquisition integration and the development of expected synergistic potential is particularly apparent when an M&A happens in high-tech companies. M&As in this sector are usually stimulated by the desire to acquire and transfer hidden and socially complex knowledge-based resources (Ranft and Lord, 2002; Ranft, 2006). It is necessary to achieve a high degree of M&A integration due to the general difficulty in transferring the tacit knowledge expected by high-tech management (Puranam et al., 2003, 2006; Puranam and Srikanth, 2007). However, M&A integration may destroy the resources of acquired companies based on knowledge if employee turnover is high and organisational practices are disrupted frequently (Puranam et al., 2003; Ranft and Lord, 2002).

Therefore, it may be difficult to trade off high and low degree of integrations (Weber et al., 2009). Fully utilising the high level of synergy may require a high degree of integration that however may cause HR problems, thereby destroying the value of

acquired companies, increasing costs and offsetting the expected benefits of mergers, which may explain the contradictory findings regarding the impact of integration on M&A performance. For instance, integration has been found to have a positive relationship with M&A performance in some studies (Larsson and Finkelstein, 1999; Weber, 1996), but be not essential in domestic M&As in others (Datta, 1991; Morosini et al., 1998). Meanwhile, other studies (Calori et al., 1994; Weber and Drori, 2011; Marmenout, 2011) observed that performance is negatively correlated with the integration (the formal control of operating procedures) of cross-border M&As. Besides, Lubatkin et al. (1999) found that the turnover of acquired TMTs will be higher when the degree of integration is higher (in the decision-making process). The loss of these TMTs is considered to be a severe decline in precious resources, which thus reduces the value of acquired companies. As a matter of fact, it has been found that the performance of acquiring companies will be lower when TMT turnover rate is higher (Hambrick and Cannella, 1993).

Degree of integration is a double-edged sword. For one thing, it positively affects synergy and potential realisation, and thus the success of M&As (Larsson and Finkelstein, 1999). For another thing, high degree of integration will lead to more changes and coordination costs (Pablo, 1994; Slangen, 2006; Teerikangas and Very, 2006). However, empirical evidence shows that maintaining certain degree of integration plays an essential part in the success of M&As (Chatterjee et al., 1992; Singh and Montgomery, 1987; Zollo and Singh, 2004).

The degree of integration can be determined by different contextual factors. Interviews with directors of acquisition companies in Britain found the association between national differences and degree of integration (Child et al., 2000; Pitkethly et al., 2003). For instance, a high, moderate and low degree of integration is preferred by acquirers in the United States (US), France as well as Japan and Germany respectively.

To sum up, the review of literature suggested that degree of integration is a critical factor for integration and M&A performance. However, inconsistent and sometimes contradictory findings are obtained, which thus leads to the conclusion that the impact of this significant variable of integration (i.e. degree of integration) on M&A performance is more complex and remains to be explored.

2.6.2 Speed of Integration

Speed of integration is a potential factor affecting the success of M&As, but only a small amount of academic research has focused on it during the process of M&As and its relationship with the success of M&A transactions (Haspeslagh and Jemison, 1991; Bragado, 1992; Olie, 1994; Gerpott, 1995; Angwin, 2004; Homburg and Bucerius, 2005, 2006; Inkpen et al., 2000; Ranft and Lord, 2002; Fujitsu Consulting, 2001; PriceWaterhouseCoopers, 2000; Bauer et al., 2018). The speed of integration is operationalised as the time a company needs to integrate structures, systems, activities and processes after the merger of two companies (Homburg and Bucerius, 2006).

In business practice, fast integration (Weber and Fried, 2011a) positively affects

the performance of M&As. Schlaepfer et al. (2008) indicated that half of organisations surveyed want to complete integration in the first seven months. From the angle of behavioural psychology, speed of integration can decrease uncertainty among employees and minimise instability to lower the resistance of employees, leading to the faster use of synergy and quicker return on investment (Birkinshaw et al., 2000; Angwin, 2004; Homburg and Bucorius, 2005; Buono and Bowditch, 2003). Faster integration makes full use of momentum at the early stage of passion after transactions (Angwin, 2004) and prevents competitors from profiting from the phase of internal organisational transformation (Cording et al., 2008; Appelbaum et al, 2000). Besides, it has been found that adjusting the speed of task and human integration separately exerts a positive effect on the performance of M&As (Bauer et al., 2016; Birkinshaw et al., 2000; Schweizer, 2005; Gates and Very, 2003).

However, research on the impact of speed of integration on M&A performance obtains mixed results (Bauer et al., 2018). Homburg and Bucorius (2005, 2006) examined the association between speed and integration success in terms of sales and marketing, and found different relationships between speed of integration and M&A success, which relies on the combination of both internal and external relevance. Research by Homburg and Bucorius (2005, 2006) is limited to the integration of marketing and sales, whose results thus may be inapplicable to the integration of other functions. Besides, Olie (1994) claimed that slow integration is beneficial to appropriately reducing conflicts between parties involved in integration based on case

studies. Similarly, Ranft and Lord (2002) noticed that slow integration increases trust between employees of acquired companies through several case studies. According to Morag and Barakonyi (2009), the reason for slowing down the speed of integration is that the process of due diligence conducted before the completion of M&A transactions usually shortens the learning curve to the deep identity of acquiring firms. On the contrary, the lack of due diligence procedures in acquiring companies will further hinder the integration of merged companies. That is to say, the familiarity of the acquirer with the business transactions and profiles of the acquired will lower the speed of integration (Capron and Pistre, 2002).

Another stream of research on the process of M&A integration held a different view towards the speed of integration. For instance, Schuler and Jackson (2001) argued that the reorganisation process of merged companies is a key process and should be completed early, fast and correctly, and it is necessary to determine the time required to complete integration in any case (Schuler and Jackson, 2001). Therefore, the speed of integration needs to be as fast as possible on the one hand. The active involvement of managers is required on the other hand (Gadiesh et al., 2001, 2003).

All in all, little research has been conducted on the association between speed of integration and M&A performance. More specifically, consideration should be given to speed of integration in the depth of empirical academic studies on the performance of M&As (Homburg and Bucerius, 2006).

2.7 Operational Staff Factors

2.7.1 Staff Satisfaction

According to Aziri (2011), staff satisfaction has been widely investigated in research, whose definition however remains controversial. Therefore, the nature and importance of staff work should be first considered as a universal human activity before the definition of staff satisfaction is given.

Literature defined staff satisfaction from different perspectives. Hoppock (1935) held that staff satisfaction is any combination of physical, psychological and environmental conditions making people honestly express their satisfaction with work. According to this method, staff satisfaction is related to employee perception in spite of being influenced by plenty of external factors. In other words, staff satisfaction presents a series of factors that lead to fulfilment. Vroom (1964) defined staff satisfaction as the personal emotional orientation of the job roles employees currently hold, focusing on the role of the expiation of employees themselves in the workplace.

Based on the perspective of personal achievement, Kaliski (2007) held that staff satisfaction is the sense of success in the work of employees and generally considered to be directly related to productivity and emotional well-being. In other words, staff satisfaction is a critical element leading to a sense of identity, income, promotion and other goals, which will bring a sense of accomplishment to employees (Armstrong, 2006; Mullins, 2005; Aziri, 2008; George et al., 2008).

In this study, staff satisfaction refers to the degree of employee satisfaction with

work, which can be measured by job security, discrimination, autonomy, salary, interaction, guidance, recognition, colleagues, fringe benefits, task requirements, employee policies, professional status and career development (Slavitt et al., 1986).

Staff satisfaction will be particularly important when it comes to many of its negative consequences, including the lack of loyalty, the increase of absenteeism and accidents, etc. Spector (1997) indicated that an important characteristic of firms creating staff satisfaction is to guide daily operations through human values. Organisations oriented by human values will normally strive to treat employees fairly and with respect (Crawshaw et al., 2012). In this case, the evaluation of how a company treats the idea of human values can be used as a good indicator of employee satisfaction. A higher level of employee satisfaction also indicates that the mental state of employees is usually good. Therefore, maintaining high employee satisfaction is of importance for the business operations and activities of organisations as the satisfaction level of employees is associated with their behaviour (Barakat et al., 2016). To be more specific, employee satisfaction will result in positive behaviour and vice versa. Finally, an organisation can use staff satisfaction as a performance indicator of its activities. For example, different satisfaction levels of different administrative units can be defined through the assessment of employee satisfaction, which in turn can well indicate which organisational units should be changed to improve performance (Spector, 1997).

2.7.1.1 Staff Satisfaction and M&As

Pavigliante (2007) pointed out that employee response to M&As ranges from

support or loyalty through compliance or opinion expression to dysfunctional behaviours like the neglect of existing responsibilities. It is believed that the response of employees mainly comes from the effectiveness and cost-return analysis of behaviour, the expectations of employees on M&As, employee trust in the management after acquisitions as well as the job commitment and satisfaction of employees (Charoensukmongkol, 2016). Apart from focusing on employee reactions and behaviours, McCune (1999) proposed that staff satisfaction means an essential theoretical and practical concept due to its possible impact on the ability of employees to successfully satisfy job demands and effectively carry out work. As high workload demands are placed on employees dealing with M&A integration, whether employees are satisfied determines employee performance during periods when organisations may be vulnerable. At the organisational level, low staff satisfaction is associated with absenteeism, unemployment and reduced employee morale and task performance (Petty et al., 1984). This paper believes that any negative outcome may be able to severely disrupt the culture of M&As.

2.7.2 Staff Engagement

Staff engagement has become more critical and plays an essential role in corporate strategy to gain a sustainable competitive edge, which was believed by Arrowsmith and Parker (2013) as a buzzword in the HR field, and has drawn the attention of researchers, the government and industry leaders because of its inestimable influence on the performance of companies (Hooi, 2019; Bakker and Schaufeli, 2008; Christian et al.,

2011; Fleck et al., 2010; Hakanen and Schaufeli, 2012; Halbesleben, 2010; MacLeod and Clarke, 2009; Soane, 2013; Yalabik et al., 2013). Defined by many scholars tentatively, staff engagement can refer to the emotional and intellectual connections established between staff and work, organisations, managers or colleagues, which in turn affects the greater discretion of employees in work (Bates, 2004; Baumruk, 2004; Gubman, 2004; Shaffer, 2004; Smythe, 2005; Perrin, 2003, 2005). From the perspective of work psychology, Saks (2006) held that staff engagement is a unique structure comprising cognitive, emotional and behavioural components related to the performance of individual characters. MacLeod and Clarke (2009) claimed that staff engagement can be ‘a workplace approach developed to make sure that employees are committed to their organisational goals and values, stimulated to make contributions to organisational success and capable of enhancing their sense of well-being simultaneously’. According to Harter et al. (2002), staff engagement refers to ‘the work involvement, satisfaction and enthusiasm of employees’.

Therefore, it can be predicted that dedicated employees are enthusiastic about the work being performed (Shantz et al, 2013), and should show positive behaviours, take a positive attitude towards organisations and organisational values (Robinson et al., 2004), and achieve better performance in theory. Optimistic, energetic, highly focused on and passionate about work (May et al., 2004), such employees are willing to make more efforts to ensure the sustainable performance of organisations (Jose and Mampilly, 2012), and generally show better performance than colleagues leaving work (Schaufeli,

2013).

Nevertheless, the true definition of staff engagement remains unclear. Previous researchers are all interested in discovering the cause and effect of this concept. Because of being commonly used for describing traits, behaviour and mental states, staff engagement can be used to improve company performance (Shantz et al., 2013). Dedicated employees will be more active in participating in work, have higher satisfaction with work and demonstrate organisational citizenship behaviour (Shantz et al., 2013). Despite its unclear relationship with mobility, extra-role behaviour, personal initiative, positive emotions, work addiction and other well-known variables (Attridge, 2009; Harter et al., 2002; Schaufeli and Bakker, 2010), staff engagement will undoubtedly increase organisational productivity and profitability (Demerouti and Cropanzano, 2010; Little and Little, 2006; Macey and Schneider, 2008; Schaufeli and Bakker, 2010) and have a positive impact on financial results (Xanthopoulou et al., 2009).

2.7.2.1 Staff Engagement and M&A

Changes necessary for M&As require leaders to maintain staff engagement in the workplace due to the critical importance of employee productivity for economic success (Barbars, 2015). Leaders of merged organisations seek to restore staff satisfaction and enthusiasm for internal work (Aydogmus et al., 2018). In order to achieve this objective, organisational leaders are advised to invest a lot of energy and resources in staff engagement for the purpose of attracting, recruiting and retaining

aggressive, dedicated and loyal employees (Sonnentag, 2017). The tradition of leaders working hard to establish a culture of staff engagement is widely observed in literature (Barbars, 2015). Both academics and practitioners believed that an appropriate work environment can be created through the promotion of staff engagement (Charoensukmongkol, 2017). In return, employees can be trained to have self-efficacy and self-awareness when necessary, thereby exerting a positive influence on staff commitment and the sense of value and importance (Byrne, 2015; Copeland, 2016).

A large amount of literature has discussed the way of promoting staff engagement. For instance, Aydogmus et al. (2018) stated that superior support can most effectively promote staff engagement. Moreover, Kumar and Pansari (2016) proposed specific methods of developing engagement direction within organisations. The individual engagement, value and goals of staff can be reflected in shared organisational staff engagement. In joint participation, employees will influence each other to establish identity and involvement at the organisational level (Bakker et al., 2016; Barrick et al., 2015; Ismail et al., 2019). Staff engagement greatly benefits from a changing positive work environment. Therefore, company leaders can create a workable framework composed of a communication plan, a concise organisational mission and a sustainable development scheme, thereby leveraging the strengths and capabilities of organisational employees (Appelbaum et al., 2017).

Leaders strive to minimise the problems encountered at three stages of M&A integration. Firstly, leaders encounter the issues of organisational or cultural fit (Reis et

al., 2016). Secondly, it is necessary for leaders to develop organisational identity (Hazy and Uhl-Bien, 2015; Stensaker, 2015). Thirdly, leaders should investigate the views of employees on the initiative to establish new organisational goals and missions (Antony, 2018). To minimise the issues associated with the failure of M&As, it is important for leaders to prioritise organisational resources in task fulfilment in these stages.

In the workplace, engaged employees show a variety of characteristics, including being energetic and connected with work, and maintaining effectiveness in working conditions, optimism, energy, dedication and passion for work (Antony, 2018; Deschamps et al., 2016), who transform meaningless work into meaningful things more beneficial to organisations (Byrne, 2015), and feel connected with other organisation members through work engagement. Work becomes part of more than just their affairs, especially when work tasks are consistent with the strategic goals or priorities of their organisation and leaders (Byrne, 2015). Employees with high work engagement will not only put more efforts into their work, but also have a positive influence on their colleagues (Griffin, 2015). These interpersonal dynamics are especially crucial for managing an organisation, especially understanding how these dynamics affect engagement (Felix and Bento, 2018). Staff engagement leads to work engagement through factors such as staff satisfaction, loyalty, commitment, performance and organisational recognition (Kumar and Pansari, 2016), and is therefore critical to the successful outcome of organisational transformation (i.e. M&A integration) because employees with greater engagement are dedicated to organisational work.

2.8 M&A Performance

2.8.1 TMT Turnover

As the occurrence of an M&A can be regarded as a significant change to a company, TMT stability will be affected without doubt. Walsh (1988) was the first one to empirically prove that TMT turnover rate after M&As is much higher than that before M&As. In the first post-acquisition year, the target company lost about a quarter of its executives on average—three times its average turnover (Furtado and Karan, 1990; Hambrick and Cannella, 1993; Krishnan et al., 1997; Krug and Hegarty, 1997; Martin and McConnell, 1991; Walsh, 1989; Walsh and Ellwood, 1991). Different theoretical views are expressed on the importance of minimising TMT turnover (Krug et al., 2014; Butler et al., 2012). Research conducted from the perspective of the market of company control shows that it is necessary to ‘trim and manage dull things’ for newly acquired companies to improve their financial position (Walsh and Ellwood, 1991). Research conducted from the resource-based perspective suggests that retaining talents may be significant at least for maintaining the integration of acquired companies to achieve positive performance results (Bergh, 2001; Ranft and Lord, 2002). Empirical testing of the relationship between the turnover of senior management and acquisition performance is well documented (e.g. Cannella and Hambrick, 1993; Walsh and Ellwood, 1991; Ranft and Lord, 2002). Krug (2003a, 2003b), Krug and Shill (2008), and Lubatkin et al. (1999) suggested that M&As may lead to the instability of target executive teams existing many years after acquisition deals. As executive turnover is

closely related to poor post-merger performance, merger failure may be attributed to the long-time instability of executive teams (Hambrick and Cannella, 1993; Cannella and Hambrick, 1993). Additionally, Krug and Shill (2008) found that the integration of acquired companies after mergers usually magnifies the instability of their top management, which will negatively affect the performance of acquiring companies (acquirers) because they need to invest more unexpected integration efforts to enhance their performance. These extra integration efforts result in a notably higher turnover of executives in acquired companies. Therefore, the approach of selective integration can result in the better performance of acquirers and vice versa. However, no investigations have been conducted on the relationship between the integration approach and M&A performance and turnover.

An empirical research on two samples of M&As both at home and abroad indicated the relationship between cultural differences and human behaviour problems because of culture shock (Weber et al., 1996). An investigation on manager turnover after mergers conducted by Lubatkin et al. (1999) noted that members of acquired companies are faced with the pressure of resignation because of feeling uncomfortable, lacking a sense of belonging and having worse belief in work dedication to critical decisions treated to be unvalued or even unwelcome. The sense of pleasure, negative work attitudes and the lack of collaboration with managers of the other company directly affect the job satisfaction of employees and their final decision on resignation (Krug and Aguilera, 2005). Previous research on organisational behaviour showed that

voluntary turnover rate will be high when the level of employee commitment is low (Mathieu and Zajac, 1990). However, integration approaches selected by synergy level and cultural differences reduce conflict level and turnover as a result.

In the M&A environment, lots of studies on TMT turnover are based on three theoretical perspectives: (1) The market of company's control; (2) Top management; (3) Resource-based perspective (Butler et al., 2012). In the following sections, literature is reviewed from the perspectives of the market of company control, top management and resource base because of pertaining to TMT turnover.

2.8.1.1 Market of Company Control Related to M&As and TMT Turnover

From the angle of the market of company control, the market centres on corporate contract model and M&As as a mechanism to improve the performance of poor-performance companies (Fama and Jensen, 1983). Walsh (1988, 1989), Walsh and Ellwood (1991) provided evidence of high TMT turnover after acquisitions.

Consistent with the view of the market of company control, the findings show that the poorer performance of acquired companies increases TMT turnover rate (Hambrick and Cannella, 1993; Ranft and Lord, 2000). To be specific, it was found that four factors lead to an increase in the turnover of the acquired TMT: (1) The performance of the merged company is low; (2) The relative size of the merged company is small; (3) The management of the acquired company has little autonomy; (4) The formal identity of post-acquisition managers is minimal (Cannella and Hambrick, 1993). Besides, Lubatkin et al. (1999) supplemented the research conducted by Cannella and Hambrick

(1993) through determining how the status of senior executives is affected by the cognition of autonomy and cultural differences, and indicated that cultural differences and the loss of independence lead to a significant increase in TMT turnover (Lubatkin et al., 1999).

2.8.1.2 Top Management Related to M&As and TMT Turnover

Krishnan et al. (1997) analysed TMT complementarity which refers to the situation where the combined TMT has differences in functional skills and backgrounds, and found that the executives of the target company are more likely to leave when having similar operational background with those of the acquiring company.

Complementary TMTs are directly related to lower turnover and higher post-acquisition performance. Essentially, the advantages of one company balance out the disadvantages of another and vice versa. Differences in functional background are more comfortable to integrate and help to organise the learning process. When possessing a similar operational background, the combined TMT will create synergy by eliminating redundant executive positions (Krug et al., 2014).

In addition to knowledge advantages, the combination of TMTs and different personal characteristics and functional skills can improve the problem-solving capabilities of decision makers by increasing the diversity of solutions provided (Haspeslagh and Jemison, 1991; Puranam et al., 2006; Zollo and Singh, 2004). Older and long-term executives leaving office may be deemed inefficient if depriving companies of experience and leadership. TMT complementarity may be considered

valid because of its ability to produce synergy in the decision-making process.

Krug et al. (2014) claimed that the effective merger of companies refers to a process in which complementary assets, resources and execution ability are combined to improve performance. Decision on the retention of some TMT members and the replacement of others is of high relevance, which is up to TMT characteristics and their expected contribution to M&A targets.

2.8.1.3 Resource-Based View Related to M&As and Turnover

From this point of view, the resignation of acquired executives may have an adverse impact on post-acquisition performance (Cannella and Hambrick, 1993). Besides, the TMT of an acquired company is considered to play an intrinsic part in its resource base, whose retention therefore is probably an essential factor determining post-acquisition performance (Castanias and Helfat, 1991; Cannella and Hambrick (1993). Previous studies have indicated that TMTs as combinative teams may be equipped with tacit knowledge to improve strategic decisions (Amason, 1996; Brockmann and Anthony, 2002), guide advanced expansion at the international level and the transfer of knowledge within firms (Lord and Ranft, 2000; Wally and Becerra, 2001), and exert a direct influence on company performance (Michalisin et al., 2004).

Despite the failure to measure TMT turnover rate, these studies surmised that this may reduce the unnecessary perception of TMT characteristics and raise their perceived value to companies, thereby reducing TMT turnover. Even the intention of TMT turnover may negatively affect information exchange and social capital which are

available to companies (Randel and Ranft, 2007).

To sum up, many researchers have identified that low TMT turnover is the key to the success of M&As and has an impact on M&A performance (Graebner, 2004).

2.8.2 M&A Success

According to Cording et al. (2002), the ‘success’ of M&As can be defined as the creation of cooperation: The combined company has higher value compared with two independently operated companies, which reflects a simple observation that the price of strategic assets must be lower than expected value to add economic value to an acquisition organisation.

Since the effectiveness of the M&As of a company depends on the way of calculating its results at least partly, this section reviews the empirical literature on the measurement of M&A success, and adopts four main methods which are event research, survey data, case studies and accounting-based measures.

Traditionally, capital asset pricing model (CAPM) is the primary measurement tool for determining the degree of economic value generated by M&As. Shortly after the announcement of a merger, the approach of event study was taken to check the stock prices of both acquiring and acquired companies (Fama, 1968), calculate ‘cumulative abnormal return’, and then evaluate results. These studies support the view that M&As create economic value (Ruback and Jensen, 1983; Seth, 1990; Singh and Montgomery, 1987). The same as the long-term stock price method, the accounting-based method is subject to one of the same restrictions: Factors other than M&As may be the reason for

the increase in volume, which thus ignores the importance of the integration phase. Besides, accounting-based method reflects past rather than current expectations for financial performance (Montgomery and Wilson, 1986) and changes in the risk profile of companies. Furthermore, the majority of performance indicators are based on the one-dimensional stock market, which hence overlooks ‘potentially relevant corporate performance dimensions’ (King et al., 2004). For the case study method, it provides a wealth of research resources because each M&A is a unique event occurring in a unique environment affected countless times (Haspeslagh and Jemison, 1991; Marks and Mirvis, 1998; Shanley and Correa, 1992). In spite of being promoted to other specific situations, the case study method can indeed help people to generalise theoretical structure, and analyse the process of value creation instead of simply looking for value-creating events. Some scholars choose to use survey methods to derive the views of management teams on the success of M&As (Cannella and Hambrick, 1993; Capron, 1999; Chatterjee et al., 1992).

Early research focused on M&A success, and then used the ‘iron triangle (time, budget and required quality)’ to evaluate M&A transactions (Westerveld, 2003), but this set of standards may not be sufficient to measure the outcomes of M&As. Jugdev and Müller (2005) stated that *‘Project management only serves tactical (operational) rather than strategic value if projects are measured by the limited variables of scope, time and cost regardless of the links to product or service value’*, and explained that the establishment of criteria for M&A success focuses on organising internal M&A projects

in the beginning due to complex external aspects, and M&A success is measured in implementation and handover stages. However, later researchers are inclined to contain external factors and complicated criteria such as stakeholder satisfaction, the interests of the stakeholder community and organisations and the realisation of such business goals in addition to traditional measurement standards when evaluating M&A success (Atkinson, 1999; Wateridge, 1998). Because of being established for evaluating the outcomes of M&As, many measurement criteria for M&A success can be treated from multiple angles, including the views of project managers and teams, customers and the masses, which explains why the same M&A project is seen as a success by one group, but the cause of failure by another (Lim and Mohamed, 1999). Therefore, no consensus is reached on the standards for M&A success in many pieces of literature.

2.9 Chapter Conclusion

This chapter is aimed at reviewing the relevant concepts of a major research question—How do transformative leadership and TMT heterogeneity moderate the impact of M&A integration on M&A performance. First, information about the fundamental background of M&As is presented. In general, readers may find that the literature review puts forward very different or contradictory ideas in relevant contexts (Allen, 2015). However, this chapter also includes the reasons for the theoretical idea and how it contributes to this research (Goldberg and Allen, 2015). In this thesis, the literature review contains discussions on transformational leadership theory, TMT heterogeneity, M&A integration and how these parts of research lens relate to M&As,

whose rest part includes the review of (a) staff satisfaction, (b) staff engagement, (c) TMT turnover and (d) M&A success.

Chapter 3. Identification of Hypotheses for Investigation

3.1 Introduction

This section presents the way of constructing a conceptual model and developing hypotheses. This conceptual model includes four main factors, namely transformational leadership, TMT heterogeneity, M&A integration and outcome with six hypotheses, and regards M&A outcome as a function of M&A integration subject to transformational leadership and TMT heterogeneity respectively. Besides, transformational leadership and TMT heterogeneity act as a moderator factor affecting the impact of M&A integration on M&A outcome, the description of the conceptual model as well as the development of hypotheses, which will be helpful for further research.

3.2 Conceptual Model

The concept model presents a serial of concepts and their potential linkage, which is known as its first layer and whose second layer is composed of transformational leadership, TMT heterogeneity and the degree and speed of M&A integration that can be labelled as post-M&A issues (i.e. M&A integration). The third layer is M&A outcome, including staff satisfaction and engagement, TMT turnover and M&A success. Moreover, transformational leadership and TMT heterogeneity are assumed as the moderator of the relationship between M&A integration and outcome. Figure 1 illustrates the conceptual model in which all hypothesised relationships are discussed in the following sections.

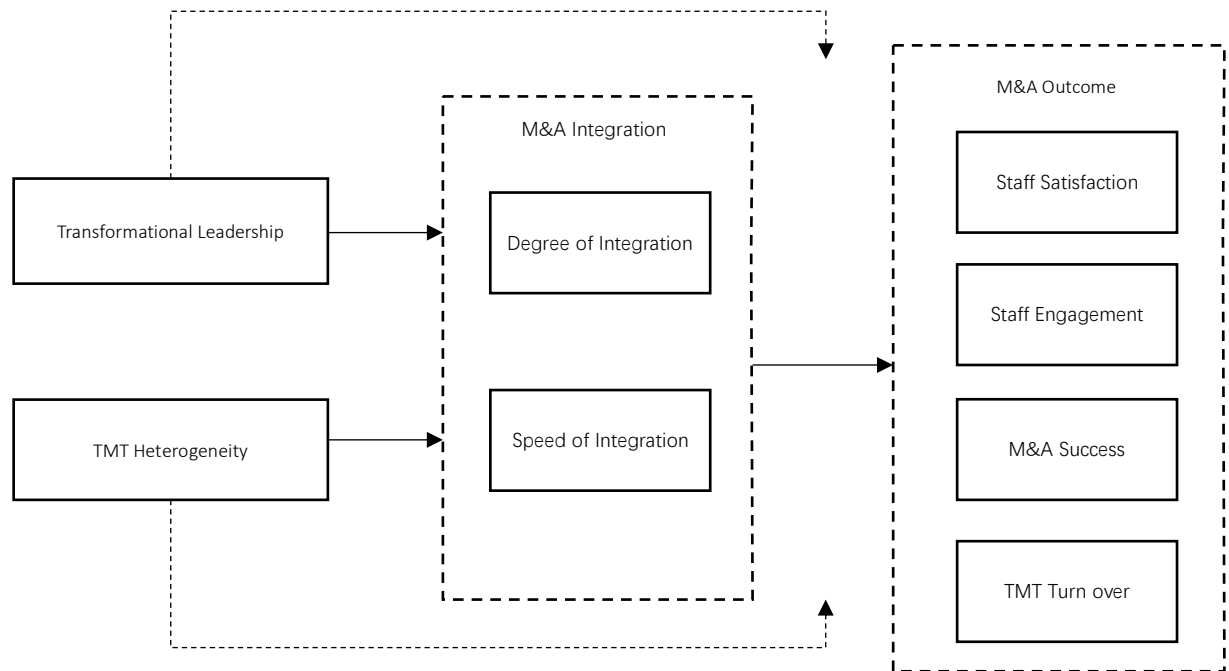


Figure 3.1 Conceptual Model

3.3 Hypothesis about Transformational Leadership

3.3.1 Hypothesis about Transformational Leadership and M&A Integration

Leadership behaviour is a crucial determinant of organisational management (Vasilaki and O'Regan, 2008), involving different logics for leading an organisation and implementing significant organisational changes. Literature on M&A integration widely discusses the association between leadership logics and M&A outcome. For example, a recent study shows that leadership style affects the retention of talents and the outcomes of M&A integration based on case studies in China (Zhang et al., 2015). Zhang et al. (2015) suggested that an appropriate leadership style placing emphasis on

authority and coaching, and centring on tasks and relationships can positively affect talent retention, which conversely influences the validity of M&A integration. In addition, Vasilaki et al. (2016) proposed that transformational leadership can act as a significant moderator influencing human integration and organisational identification during the integration of M&As.

Transformational leadership is able to promote HR practices during M&As, which transforms staff action and identification in positive ways to adapt to newly acquired firms. For example, enhancing two-way communication, promoting staff involvement, initiating group collaboration and providing frequent training and coaching are all the ways of how transformational leadership can inform HR practices. Transformational leaders are normally characterised as efficient communicators to discuss clearly with staff about the adoption of effective coaching methods so as to arm them with high work confidence, which is thus believed to enhance the retention willingness of employees. In addition, transformational leaders can usually explain work content and desired performance clearly to encourage the work of employees, which is beneficial to discovering talents and enhancing their retention rate. Moreover, providing employees with adequate financial incentives is a way for transformational leaders to establish strong and friendly working relationships with subordinates. In this way, this dissertation proposes that transformational leadership can be helpful in encouraging employees to work in newly merged companies with high talent retention rate.

It is supposed that more conflicts will occur within a newly formed organisation

as two organisations gather different departments, practices and organisational structures at a higher level of integration, which highlights the need for transformational leaders more obviously. Therefore, the complexity of high integration leads to the strong need for transformational leadership.

A number of identified different leadership styles are available to an organisation experiencing an M&A, but transformational leadership is widely considered the most efficient. Waldman and Javidan (2009) argued that leadership plays a great role in M&A performance, especially integration outcome, and stated that a certain style of leadership like charismatic leadership embraces absorption strategies beneficial to the effective integration of an M&A, particularly when the target firm is in an unsatisfactory status before the M&A. For instance, most of employees strongly urge the change of the current undesired situation if the target firm is in unsatisfactory operation. In this case, transformational leaders are happy to adopt open-minded absorption strategies which are welcomed by employees in the target firm. Those employees actively support the measurement of M&A integration with the willingness to be a part of the reorganised firm so as to change the unsatisfactory situation for new opportunities in the newly organised firm. Such positive willingness to change will assist the company in speeding up the process of M&A integration.

In addition, Uzelac et al. (2016) argued that employees who are characterised by the style of making decisions and responsible for M&A deals and integration can shorten the time of human and task integration. Moreover, intuitive decision-making

style can strongly and positively affect the link between the speed of task integration and merger performance, but deliberate one can moderate the relationship between the speed of human integration and merger performance. For example, task integration is generally organised based on specific tasks like new product launches, which calls for the collaboration between employees from both acquiring and acquired firms. Therefore, related decision making is more task-focused and can be handled intuitively, which increases the speed of task integration and relevant performance. On the contrary, human integration from the target firm into the acquired one is more complicated and requires careful and deliberate decision making to design human integration programmes which will carefully design activities such as team building missions, corporate culture coaching, collaborative games and group tourism. Through initiating the above-mentioned human integration activities, the deliberate decision-making style can promote the speed of human integration.

In summary, the relationship between transformational leadership and M&A integration can be hypothesised as follows:

***H1a:** Transformational leadership positively affects the degree of integration of acquisitions.*

***H1b:** Transformational leadership positively affects the speed of integration of acquisitions.*

3.4 Hypothesis about TMT Heterogeneity

3.4.1 Hypothesis about TMT Heterogeneity and M&A Integration

TMT members may have different opinions due to the diversity of their backgrounds such as different educational levels, industry experiences and prior M&A operation experiences. Literature has indicated different effects of TMT age, tenure and educational level heterogeneity on firm performance based on an analysis of 130 TMTs with CEO replacement (He et. al, 2015). Such TMT heterogeneity is very likely to affect the degree of integration of M&As. A high level of TMT diversity means that different ideas are more likely to occur in the new direction of management and operation, corporate vision and culture. Moreover, high TMT diversity diminishes the degree of two companies integrated into one with the removal of autonomy. Conversely, Ndofor et al. (2015) found that TMT heterogeneity can positively affect the resources, actions and performance of target firms, and promote the degree of M&A integration by affecting their resources and actions. The reason behind this is that more resources can be applied to push forward M&As and increase the effectiveness of the integration process. Therefore, the degree M&A integration can be further promoted by TMT heterogeneity from the perspective of resource allocation.

The integration process itself is very complicated and full of different kinds of conflicts between two parties involved in M&As. Therefore, literature suggests that TMTs should be capable of making wise decisions to address conflicts in M&A integration. According to Mooney and Sonnenfeld (2001), TMTs need to take the lead

in moderating task-oriented, emotional and relationship conflicts to maximise corporate benefits. By enriching the skillset and mindset of TMTs, TMT heterogeneity should be able to address the conflicts mentioned above. Research has found that TMTs with related experiences in M&A integration are more beneficial to conflict solution than those without (Simsek et al., 2005), providing evidences of the positive impact of TMT heterogeneity. Based on a survey on 42 TMTs from 35 industries, Mooney and Sonnenfeld (2001) demonstrated a positive association between TMT heterogeneity and conflicts, thereby leading to the emergence of an alternative view that smaller TMT heterogeneity makes it easier to enhance the degree of M&A integration. If acting like a close team, TMTs work as a strong arm to promote the integration process and make M&As more successful.

Based on the above discussion, this dissertation posits that higher heterogeneity will result in great conflicts within a TMT (Mooney and Sonnenfeld, 2001). Correspondingly, increased TMT heterogeneity gives rise to greater team conflicts (Hsieh et al., 2010). Heterogeneous TMTs are expected to spend a lot of time in moderating conflicts before and during the integration process. Beyond all question, the results of efforts in moderating TMT conflicts will slow down the whole integration process.

In addition, the reason why TMT heterogeneity hinders the speed of integration of M&As can be multidimensional. In fact, gender heterogeneity in TMTs is one of the most important dimensions hindering the speed of integration. An analysis on over 300

acquisitions of about 1,000 companies shows that TMT gender heterogeneity benefits pre-integration performance but has a negative impact on post-integration performance (Parola et al., 2015). As a result of great gender difference, high TMT heterogeneity may have a negative relationship with the speed of integration of M&As. That is to say, the larger the differences within a TMT are, the slower the progress of M&A integration will be.

As mentioned above, wise decision making in TMTs is required in the integration process of M&As. However, the complexity of M&As produces a variety of decision-making points for TMTs. To ensure the success of M&A integration, TMTs need to make rapid judgements on different opinions or effective advice on integration. However, heterogeneous TMTs may feel difficult to listen to external advice, as argued by Alexiev et al. (2010). The underlying reason is that TMTs have different opinions on external advice and are therefore unable to reach consistency in the acceptance or rejection of external advice due to the great diversity in gender, education background and industrial experience. It can be concluded that more heterogeneity causes TMTs to have more different opinions. Without taking effective advice, TMTs are believed to have difficulty in making strategic decisions on integration, which therefore slows down the speed of M&A integration.

Thus, the relationship between TMT heterogeneity and M&A integration can be hypothesised as follows.

H2a: The greater the TMT heterogeneity is, the higher the degree of M&A integration will be.

H2b: The greater the TMT heterogeneity is, the slower the speed of M&A integration will be.

3.5 Hypothesis about Degree of Integration

3.5.1 Hypothesis about Degree of Integration and Staff Satisfaction

M&A integration is usually considered to be a critical factor for the success of M&As (Haspeslagh and Jemison, 1991; Stahl and Voigt, 2008), whose sufficiency and effectiveness can contribute to the acquisition of expected value in M&As (Haspeslagh and Jemison, 1991; Schweiger et al., 1993; Schweiger and Goulet, 2005; Schweiger and Weber, 1989; Weber and Schweiger, 1992). Therefore, this stage is precarious due to the resistance of employees to changes and cultural conflicts. However, the redeployment and development of resources and the elimination of excess supply will be infeasible without any integration (Cording et al., 2008; Weber and Schweiger, 1992; Homburg and Bucerius, 2006; Karim, 2006; Pablo, 1994).

Satisfying staff in a newly integrated organisation requires a trade-off between high and low degrees of integration (Weber et al., 2009). In a higher degree of integration, an acquired organisation is expected to be more interrupted in resources and routines (Pablo, 1994; Slangen, 2006; Teerikangas and Very, 2006), which will bring insecurity and disappointment to employees, and lead to a reduction in staff satisfaction. However, it will be easier for employees to have a sense of belonging to

the newly formed organisation if two organisations involved in an M&A have only a small amount of interference and few changes in the M&A with a low degree of integration. In spite of being given greater autonomy, they are alienated and lack the clarity of purpose (Haspeslagh and Jemison, 1991). This kind of changes brought about by the low degree of M&A integration may lead to lower staff satisfaction.

Therefore, the relationship between degree of integration and staff satisfaction can be hypothesised as follows.

H3a: The higher the degree of M&A integration is, the higher the degree of staff satisfaction will be.

3.5.2 Hypothesis about Degree of Integration and Staff Engagement

The process of M&A integration may be too complicated to have a high level of staff engagement. However, the reality is that the integration process is impossible to be completed unilaterally by either acquiring or target firms. Therefore, literature suggests that employees from two parties of an M&A deal need to be engaged in the new process as much as possible.

The high level of staff engagement can be characterised by that of employee collaboration. For example, some big projects may require the research and development (R&D) staff of the acquired company to cooperate with those of the acquirer. Staff engagement will influence each other to establish identity and involvement at the organisational level (Bakker et al., 2016; Barrick et al., 2015; Ismail et al., 2019). The attainment of high-level synergy requires a high degree of integration

which will lead to considerable changes in organisations and thus the need for greater coordination and interaction (Larsson and Finkelstein, 1999). However, staff engagement benefits a lot from a changing positive work environment. A pleasant and harmonious working atmosphere after M&As can promote the close cooperation between employees (Jedin and Saad, 2016). Bragado (1992) believed that it will take time for employees to learn and understand another company. Hence, more time needed by staff may lead to higher staff engagement.

Previous studies show that the business of two companies has little interference and small changes when the degree of integration is low (Vasilaki, 2011a). Employees may not feel that they are part of a newly formed organisation. When the independence between them is higher, the lack of clear goals will result in lower staff engagement.

Hence, the relationship between the degree of integration and staff engagement can be hypothesised as follows.

***H3b:** The higher the degree of M&A integration is, the higher the degree of staff engagement will be.*

3.5.3 Hypothesis about Degree of Integration and TMT Turnover

Because of significant changes in organisational structure and power dynamics, TMTs normally have a high turnover rate after an acquisition (Walsh, 1988). Studies on corporate control have paid attention to replacing the ineffective management of target companies (Walsh and Ellwood, 1991), but recent research indicates that the high turnover rate of TMTs can harm M&A performance (Bower, 2001; Krishnan et al., 1997;

Zollo and Singh, 2004). Zollo and Singh (2004) suggested that lower M&A performance has been observed within target or acquiring companies due to the loss of valuable human and social resources caused by TMT turnover (Cannella and Hambrick, 1993; Krishnan et al., 1997; Zollo and Singh, 2004). Due to the implicitness of much strategic knowledge (like TMT experience and guidance), TMT loss is likely to negatively affect the performance of acquired organisations (Kiessling and Harvey, 2006). As mentioned above in this research, a high degree of integration of M&As may cause HR problems. Therefore, it is proposed that high degree of integration may result in high TMT turnover, which is especially true for a turnover occurring after the initial acquisition of TMTs. After the high degree of integration, original managers may become unqualified because the newly formed organisation demands new corporate visions, staff promotion structure and management capabilities. Others are likely to have been replaced before the combined company establishes its initial post-acquisition management team, which does not indicate that those managers are unqualified. Instead, their ability may be unable to fit with the style or culture of a new company. For example, the new direction of development at the stage of post-M&As is to pursue a new technology, which may require replacing some managers without relevant knowledge with some young managers with relevant knowledge. This is due to new corporate development direction rather than the faults of these replaced managers.

The high degree of integration calls for the close coordination and interaction between the TMTs of two companies (Larsson and Finkelstein, 1999), which requires

the reconstitution of a new TMT. Such conflicts may lead to the negative feelings of some team members. Top managers in a new team may feel stressful and depressed about the situation which gets worse after an M&A. In particular, the power distribution of some members sees great changes after the M&A (DeBode, 2014). Before an M&A, managers in the target firm have autonomy which however may be removed after the M&A. Different from the pre-M&A phase, the post-M&A phase needs to report many issues to the acquirer before final decisions are made. Managers of the acquired firm should perceive less power in the newly formed organisation after than before the M&A. Another situation is the downgrade of some managers. After the M&A, some managers are transferred to some positions that are not at an equal level as before since some critical management positions are taken by staff of the acquired. It is common that the managers of the acquirer supervise and monitor the newly acquired firm. Therefore, the post-M&A power of some managers in the target company should be weakened. Due to M&A arrangement, some members may become less potent after an M&A, have resistant and negative feelings of M&A integration, and decide to leave, resulting in high TMT turnover. Besides, Lubatkin et al. (1999) found that the turnover rate of acquired TMT members will be higher when the degree of integration (in the process of decision-making) is higher. It is considered that the loss of these managers from the TMT of the acquired firm is a severe reduction of precious resources, thereby reducing the value of the acquired company.

Hence, the relationship between the degree of integration and staff engagement

can be hypothesised as follows.

H3c: The higher the degree of M&A integration is, the higher the turnover of TMTs will be.

3.5.4 Hypothesis about Degree of Integration and M&A Success

As mentioned above, the phase of post-merger integration is generally considered as a decisive factor for the success of M&As (Haspeslagh and Jemison, 1991; Stahl and Voigt, 2008). Only by going through a sufficient and adequate integration process, can companies obtain expected value from an M&A (Haspeslagh and Jemison, 1991; Schweiger et al., 1993; Schweiger and Goulet, 2005; Schweiger and Weber, 1989; Weber and Schweiger, 1992). Schweiger and Weber (1989) showed that inadequate integration is a significant cause of merger failure. Due to a higher likelihood of cultural conflicts, too much integration can adversely affect outcomes (Weber and Schweiger, 1992). Consistent with previous studies, Weber et al. (2011) claimed that the success of M&As mainly depends on the effective integration of two formerly independent companies (Weber et al., 2011). Therefore, the degree of integration seems to be necessary, which however needs to critically reflect these differences because M&As are conducted in different contexts and for various reasons.

In summary, it must be pointed out that degree of integration has both advantages and disadvantages. To be specific, a high level of integration positively affects synergy, potential realisation and therefore M&A success (Larsen and Finkelstein, 1999). In addition, high degree of integration leads to more changes and coordination costs (Pa

blo, 1994; Slangen, 2006; Teerikangas and Very, 2006). However, evidence shows that at least a certain degree of integration is of decisive importance for the success of M&As (Chatterjee et al., 1992; Singh and Montgomery, 1987).

Hence, the relationship between degree of integration and M&A success can be hypothesised as follows.

H3d: Greater degree of integration contributes to greater M&A success.

3.6 Hypothesis about the Speed of Integration

3.6.1 Hypothesis about Speed of Integration and Staff Satisfaction

The speed of the operation process is always emphasised for business development and success, including M&A integration. To obtain integration success, the speed of integration is very crucial. Literature describes that the first 100 days after M&A transactions is of considerable significance for M&A success (Angwin, 2004). Bauer et al. (2013) argued that whether the integration of M&As can be finished in a relatively short period determines its result (Bauer and Matzler, 2014). For example, a newly merged company may be quicker to act as a whole entity to take some strategies such as initiating new advertisement promotion, introducing new products and sharing talents of two companies if the process of an M&A can be completed in a short time. Thus, the speed of M&A integration should be an important aspect worthy of being concerned by managers. Despite its great importance, the speed of integration itself is seldom investigated, let alone its impact on M&A success (Morag and Barakonyi, 2009).

The speed of integration is of crucial importance to affect the level of staff

satisfaction with the conflicts of M&A integration. A series of conflicts occur in not only the pursuit and design of an M&A itself from all parties, but also the implementation of M&A integration. Some disputes occurring in M&A integration are related to emotions, which indicates that the process of integration is mostly followed by bad emotions such as anger, anxiety and fear (Bean, 2013). For example, the integration of two companies may require promoting new corporate culture or changing some positions, which may result in the anxiety of managers. In particular, managers will feel agitated and depressed when downgraded in acquired firms. Such downgrade of positions after M&As is one key source of anxiety, depression and other negative emotions of managers in acquired firms. It is tough to avoid conflicts occurring in the process of integration due to the difficulty of two different companies in merging into one entity. However, such conflicts can be treated efficiently only when managers can speed up the integration process. A delay in the integration process will amplify the dissatisfaction of staff with the treatment of those conflicts. As a result, employees will be resistant and hostile to integration, thereby harming the performance of M&As.

Moreover, the sense of insecurity resulting from M&As may lower the satisfaction of employees, leading to their resistance to the integration process. However, fast integration can help to enhance the stability of the governance structure of merging organisations (Olie, 1994; Ranft and Lord, 2002; Schweiger and Goulet, 2000). For example, the amalgamation and adaptation of various departments can accelerate the realisation of the synergy between merging organisations. Similarly, quick integration

addresses the uncertainties among staff and customers (Angwin, 2004; Birkinshaw et al., 2000; Buono and Bowditch, 2003; Marks and Mirvis, 1998). More specifically, quickly implementing customer-related decisions can reduce customer uncertainty (Bekier and Shelton, 2002; Homburg and Bucerius, 2006; Reichheld and Henske, 1991) and changes in product price and quality (Homburg and Bucerius, 2006). In return, lowering the uncertainty of corporate operating income will ensure the stability of employee salary. A decent payroll can serve as an excellent incentive to employees for work dedication. Grimpe (2007) also supported this view that the high level of staff satisfaction significantly depends on income security. If experiencing a potential decrease in salary after M&As, employees may perceive insecurity, show low motivation to work, and eventually choose to leave the job. However, employees will be highly motivated to work and happy to promote the integration process if seeing an increase in salary after M&As. For instance, employees will be expected to be very willing to get involved in the integration process and work harder for a high possibility of salary if encouraged by acquired firms through the introduction of a salary motivation system or other benefits.

Hence, the relationship between the speed of integration and staff satisfaction can be hypothesised as follows.

H4a: The speed of M&A integration positively affects staff satisfaction.

3.6.2 Hypothesis about the Speed of Integration and Staff Engagement

Based on the aforementioned arguments, employees are faced with ambiguous

roles, increased workload, uncertain job prospects, changes in work processes and vulnerable relationships and status during the process of M&A integration, giving rise to the need for communication with employees (Ullrich and Van Dick, 2007). Research shows that human integration is of critical importance for M&A performance because of enhancing the willingness of employees to share knowledge, interact and cooperate with those of another company (Larsson and Finkelstein, 1999). Faster integration can minimise organisational instability (Angwin, 2004) and help managers to maintain the momentum of integration (Graebner, 2004; Gates and Very, 2003). In addition, it is important to mention that a key to making better decisions for integration is to equip HR managers with the professional knowledge of integration. Moreover, HR managers can not only motivate more staff to get engaged in integration but also coach them in how to act and communicate professionally in integration by providing training about the integration process, which greatly increases staff engagement. Early human integration, including staff efforts to learn the culture of another company, may lead to a more benevolent attitude towards collaborative realisation (Schweiger and Goulet, 2005).

Hence, staff will be more willing to learn more and develop themselves for work if staff engagement is increased by professional HR managers, which also brings more benefits to corporations (White Ellis and Penno, 2017). Employees initiatively accept the coaching course which is normally a part of M&A integration to learn more about the integration procedure and their role in integration. They will be more than happy to

develop their ability and professionalism of integration if willing to be engaged, who would like to cooperate with employees from acquiring firms in return. Additionally, they are voluntary to assist other employees in solving problems in integration. Such assistance and cooperation are task-related, benefiting M&A performance. More importantly, they will be very open-minded to accept new corporate culture created after M&As.

It is believed that shorter periods of uncertainty and turbulence increase the trust and morale of employees of new organisations compared with the more extended period of integration, which drives staff engagement (Birkinshaw et al., 2000; Gates and Very, 2003).

Hence, the relationship between the speed of M&A integration and staff engagement can be hypothesised as follows.

***H4b:** The speed of M&A integration positively influences staff engagement.*

3.6.3 Hypothesis about the Speed of Integration and TMT Turnover

According to Krug and Aguilera (2005), TMT members with job choices might find significant differences in the nature and dynamics of various job opportunities based on their positions in past corporate acquisitions. Companies attempt to improve performance through participating in M&As that are likely to offer less job security and a more changing and dynamic environment. However, the high speed of integration can reduce organisational instability (Angwin, 2004). TMT retention will be an important element if the process of M&A integration needs to go smoothly with less time spent.

Hildisch et al. (2015) argued that TMTs not only play a key role in providing regular support for employees at work but also significantly affect the working attitudes of employees. Professional and positive staff attitude towards integration gives strong support for the process. A positive atmosphere within a corporation may enhance the morale of employees. One of the reasons why TMT turnover becomes higher in the post-M&A phase is that managers may witness the resignation or dismissal of some employees with whom they have worked for a long time after M&As. Hence, those managers who decide to stay behind may feel anxious to some extent and need more time to get familiar with new employees. Managers who have established a close working relationship with old employees in their original companies may not accept new broad members with different strategic directions and visions. It is not rare to see that managers lead a whole team of personnel to jump to other firms in the case of an M&A. However, rapid integration will be beneficial to building employee trust and morale (Birkinshaw et al., 2000; Gates and Very, 2003), which will lead to a high degree of employee retention and then decrease TMT turnover.

According to Kiessling and Harvey (2006), it is essential to achieve an ‘early victory’ in M&As. In other words, the speed of integration will indicate the first step to M&A success so that both employees and TMT members can be confident in being partners in right strategic decisions, thereby withdrawing resignation and reducing turnover rate.

Hence, the relationship between the speed of M&A integration and TMT turnover

can be hypothesised as follows.

H4c: *The higher the speed of integration is, the higher the TMT turnover will be.*

3.6.4 Hypothesis about Speed of Integration and M&A Success

Speed of integration has quickly become one of the important issues in M&As. Vester (2002) argued that the speed of integration is one of six factors in a successful integration process for the M&As of technology companies, which is critical for the entire process of integration needing to act quickly and continuously. Slow progress can lead to uncertainty and the emergence of rumours. For example, the report of Shamir et al. (1993) showed that GE Capital has initiated a corporate policy to prepare for each acquisition and adopt a definite integration plan for unifying the operations and cultures of companies as soon as possible in the first 100 days (Ashkenas et al., 1998; Ashkenas and Francis, 2000).

Gerpott (1995) conducted a good deal of empirical research, focused on the fusion of R&D functions between merged manufacturing firms, and found that R&D concentration and speed of integration at the stage of post-merger integration exert a common positive effect (namely interaction) on M&A success. Likewise, Bragado (1992) extensively discussed the ‘correct speed of post-merger integration’, and believed that slower post-merger integration may be better than the fast process in some cases, whose main argument is that employees of two companies often need to learn and understand each other. He further pointed out that proper speed of integration is dependent on the ‘fitness’ of a company in question, especially its cultural fitness. The

work of Haspeslagh and Jemison (1991) and Bragado (1992) mentioned that the relationship between speed of integration and M&A success relies on association degree, but failed to conclude the findings through specific assumptions and ample empirical evidence.

Homburg and Bucerius (2005) studied the issue of speed of integration by analysing a large amount of empirical data, and found the weak positive effect of speed of integration on market-related performance after M&As, and called for more research on the role of the speed of M&A integration because of the inconclusive results from empirical research.

Hence, the relationship between degree of integration and M&A success can be hypothesised as follows.

H4d: Higher speed of integration contributes to greater M&A success.

3.7 Hypothesis about the Role of Transformational Leadership as a Moderator

3.7.1 Hypothesis about the Impact of Degree of Integration on Staff Satisfaction and Engagement, TMT Turnover and M&A Success: Moderating Effect of Transformational Leadership

According to Buono (2003), the implementation of practices including teamwork, engagement, authorisation, etc. leads to the integration of employees into a new organisation and higher staff identity, commitment and satisfaction. In a manner of speaking, whether the application of these practices is efficient is up to the nature of

organisational leadership and the extent to which leaders can affect their followers.

Transformational leaders seek to meet higher needs of employees, allow them to reach their maximum potential, inspire them to develop new modes of thinking about problems (Piccolo and Colquitt, 2006; Densten, 2008; Popli and Rizvi, 2017; Abelha and Cavazotte, 2018), encourage them to go beyond their goals and meet higher self-actualisation needs at different levels instead of merely communicating with them (Nemanich and Keller, 2007; Covin et al., 1997; Densten, 2008). In addition, they will find opportunities to enhance the potential and growth of employees (Abelha and Cavazotte, 2018; Antony, 2018) while strengthening their efforts by expressing confidence in their capabilities (Popli and Rizvi, 2017).

Employees seek another important personal trait among leaders, namely trust, especially during the process of M&A integration, and feel more satisfied with people who believe that they can be trusted and recognise their positive personality qualities (Agote et al., 2016). Trust has an influence on staff engagement, civic behaviour, commitment, personal and staff satisfaction, productivity and performance results (Besieux et al., 2015).

In a situation of turmoil and focus on shared values, transformational leadership is more likely to appear (Nemanich and Vera, 2009; Waldman and Javidan, 2009), which can solve conflicts related to high cultural distances (Vasilaki, 2011b) and promote employee autonomy and independent work efforts (Antony, 2018; Aydogmus et al., 2018). Besides, transformational leaders involve employees in organisational

decision-making (Parnell et al., 2018), and simplify post-acquisition integration via positive links with staff performance, creative thinking as well as M&A acceptance (Nemanich and Keller, 2007). This type of leadership plays a key role in building trust through open channels of information-rich communication (Gillespie and Mann, 2017), openness, participation and fusion between old routines and new systems (Nemanich and Vera, 2009; Vera and Crossan, 2004; Morosini et al., 1998). As a result, employees gain meaning (Antony, 2018; Aydogmus et al., 2018), receive guidance (Barbars, 2015), and earn a sense of control from their contributions to organisations (Smollan and Pio, 2018). Through the use of internal communication channels, transformational leaders can establish a sense of community and trust among employees (Antony, 2018), and encourage the opinion expression and self-efficacy of employees, which enhances staff engagement and leads to high staff satisfaction.

As one of the central repositories of corporate knowledge, TMTs have become a valuable resource, which may be one of the reasons for M&As. Therefore, retaining TMTs has become a strategic priority. Zhang et al. (2015) showed that leadership style has an impact on the retention of talents and the outcomes of M&A integration based on Chinese case studies. Furthermore, they suggested that leadership emphasising authority and coaching, and centring on tasks and relationships positively affects talent retention as a result of the effectiveness of M&A integration. For instance, literature on technology-based or knowledge-intensive acquisitions shows that HRs and key employees are usually the most important resources in an (acquired) organisation,

which thus lays more emphasis on HR integration in M&A transactions (Birkinshaw, 1999). This is on the basis of the fact that M&As result in a higher turnover rate of employees and TMTs, especially in acquired companies (Cannella and Hambrick, 1993; Krug and Hegarty, 2001), and such a turnover rate can even last for almost nine years after M&As (Krug, 2003a, 2003b).

Moreover, Vasilaki et al. (2016) proposed that transformational leadership acts as a positive moderator to achieve human integration and organisational identification during integration, and moderates HR practices during M&As, which transforms staff action and identification in positive ways to adapt to newly acquired firms. Such methods include communication, staff involvement, group collaboration, training, coaching, etc. For instance, transformational leaders are able to communicate clearly with staff as an authority and adopt effective coaching methods to arm staff with high work confidence so as to enhance the retention willingness of employees. In addition, this style of leaders can explain clearly task content and desired performance to encourage the work of employees, which is beneficial to discovering talents and enhancing their retention rate. Moreover, they can take incentive strategies to establish a strong and friendly relationship with employees to help employees to integrate into newly merged companies with high retention rate.

Degree of integration exerts a positive impact on M&A success, which is more importantly strengthened by transformational leadership as a moderator. Several works of literature, academic research and examples support the view that transformational

leadership acts as a moderator in the impact of speed of integration on M&A success.

Steigenberger (2017) stated that integration is an essential momentum for M&A success, thereby highlighting the necessity of integrating target firms into acquirers.

Last but not least, Graebner et al. (2017) proposed that degree of integration positively affects the fulfilment level of internal reorganisational objectives within acquiring and acquired firms after M&As. These established objectives indirectly measure the consolidation of similarities and knowledge sharing from acquiring to acquired firms. Through such a relationship, the degree of integration is finally related to corporate stock returns after M&As. They added that cultural differences generally result in a decrease in degree of integration and M&A performance, whose perception by different styles of leaders may explain the impact of cultural differences on degree of integration and M&A performance. For instance, cultural differences usually exist in international M&As because the acquirer and target firm are from different countries. If transformational leaders can use strategies to weaken cultural differences, the target firm can be better integrated into the acquirer. Even within the same countries, corporate culture differences hinder the degree of integration as well. Transformational leaders can set up some seminars or training courses about new corporate cultures with small objectives to gradually weaken the past corporate culture of the target firm and then align or rebuild culture similar to the acquirer. After the reduction of culture differences, the acquirer and target firm can work as a strong army for better work performance after an M&A.

Concerning the moderating role of theorised relationships shown in Figure 1, the impact of high degree of integration on employee satisfaction and engagement in M&As is more significant than that of low degree of integration under transformational leadership. Based on the previous discussion, the relationship between transformational leadership and the positive effect of degree of integration on staff satisfaction and engagement, TMT turnover and M&A success can be hypothesised as below.

H5: Transformational leadership strengthens the positive effect of degree of integration on (a) staff satisfaction, (b) staff engagement, (c) TMT turnover and (d) M&A success.

3.7.2 Hypothesis about the Impact of Speed of Integration on Staff Satisfaction and Engagement, TMT Turnover and M&A Success: Moderating Role of Transformational Leadership

Surely, the successful integration process of an enterprise is mainly attributable to the hands-on style of leadership, the prejudice of actions, the participation of all employees, continuous attention to customers, and most importantly open and frank communication with staff (Nguyen and Kleiner, 2003). Leaders are of essential importance to prepare and integrate an M&A through assisting employees in achieving common goals and minimising the adverse impact on culture, change, diversity, conflicts, team building, role modelling, communication, planning and preparation, enterprise reputation and audience characteristics (Pike, 2017). As an important source of damage to employees and TMTs, M&As normally lead to decreased trust,

commitment, satisfaction, productivity, absenteeism, turnover as well as attitude issues (Bligh and Carsten, 2005). Kotter (1996) claimed that strong leadership is always indispensable for change. Leadership style significantly influences the staff satisfaction, commitment and engagement of acquired and acquiring companies in M&As and merged employees, whose adaptive factors will have a significant impact on staff satisfaction and engagement when undergoing changes.

Joyce Covin et al. (1997) discussed the impact of leadership style on post-merger satisfaction, and pointed out that leadership style has a close relationship with the merger satisfaction of employees of merged and merger parties. The high speed of integration helps employees to establish contact with enterprises with high motivation. The role of leadership style featuring relationship, background, support, inspiration and management will strengthen the impact of fast integration to establish a more solid contact with post-merger organisations (Schweizer and Patzelt, 2012). Purvanova et al. (2006) held that transitional leadership is of vital importance to establish the work commitments of employees, while Thuy and Van (2020) stated that staff commitment is related to labour turnover. Lok and Crawford (2004), and Lo et al. (2009) explained that the positive behaviour of leaders can play a significant role in motivating employees, enhancing their commitment and reducing TMT turnover rate. Results of Erkutlu (2008) supported the recommendations in literature that the behaviours of transformational leadership can motivate organisational engagement and staff satisfaction. Transformational leadership significantly affects job satisfaction,

especially when employees hold an open attitude towards change (Atmojo, 2015; Hinduan et al., 2009; Yang and Islam, 2012). Besides, Nemanich and Keller (2007) studied how transformative leadership affects M&A acceptance, employee satisfaction and performance. Moreover, Joyce Covin et al. (1997) reviewed the impact of leadership style on the post-acquisition satisfaction of staff, and pointed out that leadership style has a strong relationship with the satisfaction of employees of acquired companies with M&As.

The impact of the speed of integration of M&As on staff satisfaction and engagement can be strengthened by transformational leadership, which is because transmitting works between two organisations in a relatively short period can lead to a feeling of tension that may hinder the positive impact of speed of integration on staff satisfaction and engagement while faster M&A integration is believed to be positively associated with staff satisfaction and engagement. Taking approaches like clear communication about the transmission situation and showing empathy for the tension of sudden intensive workload, transformational leaders can help to overcome the issues brought by the fast process of integration.

As mentioned before, higher speed of integration will bring some challenges as well. Building the trust of a new organisation and TMT is usually a long process (Stahl and Sitkin, 2005). If faster, integration will be more challenging to implement (Birkinshaw et al., 2000; Ranft and Lord, 2002). If a relationship of trust is not established, the TMT of the target company will not be sure whether the leaders of the

new company will make decisions and take actions in a way that is in its interests or only pursue their interests through layoffs or other means. Due to this sense of mistrust, the TMT of the target company may resign automatically before being fired. Prior literature has established that transformational leadership is of importance for team and organisational outcomes (Bass, 1985; Lowe et al., 1996). It is possible that transformational leaders will weaken TMT turnover through the construct of idealised influence. Representing the degree of admiration, respect, and trust in leaders, idealised influence includes charismatic behaviours resulting in the identification of followers with leaders (Jansen et al., 2009). It is likely that transformational leaders will have an influence on TMT effectiveness by establishing a trustworthy role model to build enough trust in the TMT of the target company, thereby reducing the turnover rate caused by rapid integration.

Speed of integration positively affects M&A success, which is strengthened by transformational leadership as a moderator. A few academic studies and examples support such an impact of transformational leadership and speed of integration on M&A success.

Waldman and Javidan (2009) argued that leadership plays a significant role in M&A performance, especially integration outcomes, and stated that a particular style of leadership similar to charismatic leadership embraces absorption strategies beneficial to the effective integration of M&As, especially when target firms are in an unsatisfactory status before M&As. For instance, most of employees strongly urge the

change of the current undesired situation if target firms are in undesirable operation. Some leaders like transformational leaders are happy to adopt open-minded absorption strategies which are welcomed by employees in target firms. Those employees actively support the measurement of M&A integration with the willingness to be a part of reorganised firms so as to change the unsatisfactory situation of newly organised firms for new opportunities, which assists in speeding up the integration process.

Besides, Bauer et al. (2016) argued that staff characterised by the style of making decisions and responsible for M&A deals and integration can moderate the speed of human and task integration. Moreover, intuitive decision-making style can powerfully and positively moderate the link between the speed of task integration and merger performance, while deliberate one can moderate the connection between the speed of human integration and merger performance. For example, task integration is generally organised based on specific tasks like new product launches, which calls for the collaboration of acquiring and acquired companies. As a result, related decision making is more task-focused and can be handled intuitively, which increases the speed of task integration and relative performance.

On the contrary, human integration from target firms into acquired ones is more complicated and asks for careful and deliberate decision making to design human integration programmes which carefully develop activities such as team-building missions, corporate culture coaching, collaborative games and group tourism. Therefore, deliberate decision-making style can promote the speed of human

integration and the performance of M&As.

According to the preceding discussion, the relationship between transformational leadership and the positive effect of speed of integration on staff satisfaction and engagement, TMT turnover and M&A success can be hypothesised as below.

H5: Transformational leadership strengthens the positive effect of speed of integration on (e) staff satisfaction, (f) staff engagement, (h) M&A success, but weakens its negative effect on (g) TMT turnover.

3.8 Hypothesis about the Role of TMT Heterogeneity as a Moderator

3.8.1 Hypothesis about the Impact of Degree of Integration on Staff Satisfaction and Engagement, TMT Turnover and M&A Success: Moderating Role of TMT Heterogeneity

It is necessary to first make a brief review of the above perceptions about TMT heterogeneity in order to theoretically explain the influence of these intermediary factors. The degree of uncertainty surrounding the integration of M&As and its complexity highlights that the roles of TMT members are relevant (Haspeslagh and Jemison, 1991; Buono and Bowditch, 2003; Pablo et al., 1996; Gomes et al., 2013; Nadolska and Barkema, 2014). Hypothesis 2b implies that TMT heterogeneity can promote the degree of integration, which is thus believed to directly lead to a more open and participatory organisational atmosphere and improve the responsiveness and participation of employees at a low level (Schneider et al., 2013). For example, Schneider et al. (2011) pointed out that ‘*Workers are willing to accept the efforts of the*

management to concentrate on strategic results bringing value to their organisations when feeling that organisations care about their well-being by emphasising fairness, diversity, morality, trust, etc.' (e.g. Schneider et al., 2013). To achieve a high degree of integration, a merged organisation will be devoted to eliminating the environmental uncertainty brought by an M&A. Thereby, such concerns about fairness, diversity and trust may become more prominent due to more heterogeneous TMTs during the period of a highly integrated M&A. In short, TMT heterogeneous communication and symbolic consequences will strengthen staff satisfaction due to the high degree of integration and thus contribute to overall performance.

Specific TMT characteristics and behaviours are likely to negatively affect the morale of employees (Choi, 2013; Milliken and Martins, 1996), but those characteristics related to TMT heterogeneity (creating an open and communicable organisational atmosphere) may be more positive. For example, Ellis and Shockley-Zalabak (2001) found that trust in TMTs has a close relationship with satisfaction and effectiveness through carrying out a survey on 60 organisations in Italy and the US. In the same way, Cho and Ringquist (2011) found that 'the trust degree of the management' is closely related to a variety of organisational outcomes (like staff satisfaction). These findings and other research (Kim, 2005) have underlying implications for explaining the influence of TMT heterogeneity. It can be reasonably assumed that heterogeneity will positively affect staff satisfaction if TMT heterogeneity is indeed conducive to building greater trust and a more open organisational atmosphere during the high degree

of integration (Raes et al., 2013).

To further demonstrate the point, an investigation should be conducted on the relationship between staff satisfaction and organisational performance. Cho and Ringquist (2011) and Kim (2005) showed that staff with higher satisfaction will show greater engagement and willingness to carry out TMT decisions. Therefore, TMT heterogeneity can also be reasonably assumed to strengthen the relationship between the degree of integration and staff engagement.

Godthelp and Glunk (2003), McCain et al. (1983), Wagner et al. (1984), Wiersema and Bird (1993) confirmed that TMT turnover and heterogeneity are related, but the research of Wiersema and Bantel (1993) is not affirmative. Nevertheless, a key theoretical issue involves personal characteristic that tends to cause TMT turnover. According to Wagner et al. (1984), the similarity of date of joining firms and age has a positive impact on TMT turnover, which is also in line with the discovery of Godthelp and Glink (2003). As a homogeneity dimension of turnover, it can be considered applicable to any organisation type. That is, TMT heterogeneity weakens TMT turnover. Besides, TMT combination characterised by functional heterogeneity like functional heterogeneity (Bantel and Jackson, 1989) and length of education (Smith et al., 1994) may be a precious resource partly because of cognitive conflicts (Amason, 1996). Collin and Umans (2011) claimed that TMT homogeneity is the reactive force of organisational integration.

From the above discussion, it can be seen that TMT heterogeneity may create

conflicts and trigger TMT turnover, but this research only considered TMT functional and education heterogeneity which tend to be associated with innovation because of diverse perspectives in organisations. According to Collin and Umans (2011), the general trend of TMT heterogeneity causing TMT turnover has to take specific groups and their contexts into consideration. TMT heterogeneity (like functional heterogeneity) can weaken TMT turnover through high degree of integration.

As H3d shows that expected definite M&A success is influenced by degree of integration, TMT heterogeneity may strengthen these positive effects. High degree of integration also stands for a strategic consensus among members of a TMT to carry out decisions. Strategic consensus can positively affect performance and promote effective strategic implementation (Knight et al., 1999). In order to manage the concepts of staff maximally, the TMT occupying the dominant position (Cyert and March, 1963) in an organisation is responsible for proposing a common vision (Haspeslagh and Jemison, 1991) to spread strategic consensus within the organisation (Rapert et al., 2002), increasing the understanding and commitment of employees to M&A goals (Floyd and Wooldridge, 1992) and reducing employee anxiety and stress (Buono and Bowditch, 2003). However, the social cognitive advantage of TMT heterogeneity enables TMTs to better handle more complex tasks and accelerate the effective execution of strategic integration, consequently leading to positive M&A performance (Acquah, 2019). In addition, TMT education heterogeneity has an impact on the overall process of decision-making (Papadakis and Barwise, 2002). Because of diversified educational

backgrounds, TMTs can use their knowledge required by internal work to make effective decisions on strategic M&A integration and ensure firm performance and M&A success.

Peterson et al. (2003) asserted that CEO characteristics and personality differences (e.g. personality, extroverted personality, openness, conscientiousness and emotional stability) significantly affect strategic decision-making and TMT processes, which will always be reflected in firm performance. Besides, they found that TMT heterogeneity has a moderate positive influence on sales increase and return on assets. That is to say, TMT heterogeneity can strengthen the objective success of M&As.

Based on the preceding discussion, the relationship between TMT heterogeneity and the positive effect of degree of integration on staff satisfaction and engagement, TMT turnover and M&A success can be hypothesised as below.

***H6:** TMT heterogeneity strengthens the positive effect of degree of integration on (a) staff satisfaction, (b) staff engagement, (d) M&A success, but weakens its positive effect on (c) TMT turnover.*

3.8.2 Hypothesis about the Impact of Speed of Integration on Staff Satisfaction and Engagement, TMT Turnover and M&A Success: Moderating Role of TMT Heterogeneity

As mentioned earlier, M&A integration needs a better sense of direction and a more precise plan guide. Transparent decision-making, appropriate actions and a shared understanding of goals can reduce staff uncertainty and anxiety as well as negative

consumer perceptions and solve competition issues (Ranft and Lord, 2002; Vasilaki and O'Regan, 2008). TMT members need to take purposeful and decisive actions. From the above discussion, it can be seen that the hypothesis about the moderating effect of TMT heterogeneity on the positive effect of degree of integration on employee satisfaction and engagement also applies to the speed of integration. Besides, the higher the speed of integration is, the lower the TMT turnover rate will be under the moderation of TMT heterogeneity. It is necessary to further clarify the impact of speed of integration on M&A success under the condition of TMT heterogeneity.

Based on the preceding discussion, the hypothesis about the relationship between TMT heterogeneity and the positive effect of speed of integration on staff satisfaction and engagement, M&A success and its negative effect on TMT turnover can be hypothesised as below.

H6: TMT heterogeneity strengthens the positive effect of speed of integration on (e) staff satisfaction and (f) staff engagement, and its negative effect on (g) TMT turnover and (h) M&A success.

Chapter 4. Methodology and Methods

4.1 Introduction

In this chapter, research methodology is analysed. In order to answer research questions and achieve research aims, this section offers readers a comprehensive understanding of research strategies and approaches adopted in this thesis. Thus, this chapter introduces the development of variables used in the proposed model, discusses how to use them in the following sections in detail, and strives to give detailed reasons for the selection of quantitative research method apart from providing a general overview of research design. Such an interpretation can be especially beneficial for readers when the most proper approach has an inherent degree of subjectivity.

Apart from restating research purposes and questions, this chapter presents an analysis of how to deal with the choice of a research method, which lays a foundation for the selection of methodology. First, a review is made of research goals and approaches to appropriate qualitative methods. Besides, supported philosophy is introduced through the discussion of epistemology and ontology. The following sections explain how the data were collected for empirical research, and why it is viewed as a proper method of answering research questions.

4.2 Research Philosophy

Based on the study of Bell and Bryman (2007), fundamental epistemological and ontology assumptions are discussed in this thesis. As the initial stage of research design, this stage is to ensure that any or every deviation inherent in a particular point of view

is correctly understood to analyse research results (Babbie, 2010). According to Proctor (1998), research should be reliable and credible. It is of great importance to reach an agreement on analytical methods, research strategies and methods, proposed research questions and how to realise research objectives and goals. Data explained should be all based on consistent philosophy. Saunders et al. (2007) used the research onion (see Figure 4.1) to illustrate the demand for the uniformity and correlation between significant elements, applying the metaphors of stripped onion layers to emphasise the potential influence of poor research design and how to conduct research design. The failure to achieve high consistency in study design will lead to false results, which in turn will cause people to question the validity of any resulting result.

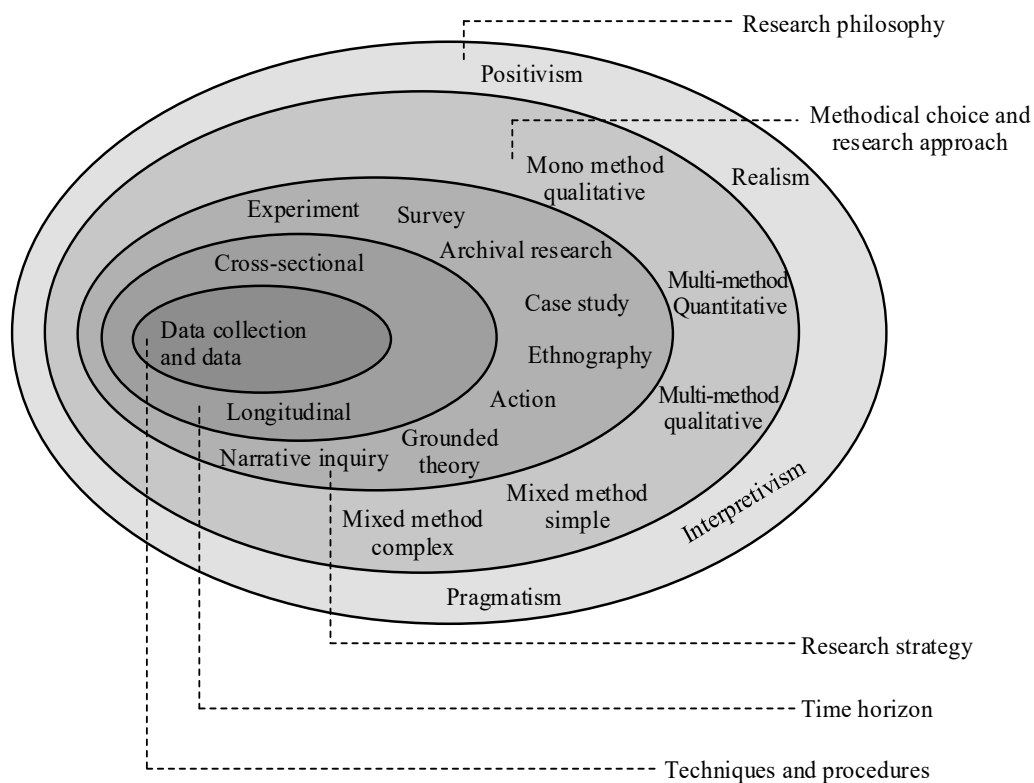


Figure 4.1: Diagram illustrating the research onion

Proposed by Saunders et al. (2007)

Smith (1998) proposed that positivism refers to '*the things that can be explored as hard facts and the correlations between these facts which can be formed and viewed as scientific laws*'. Positivists usually hold that such laws are valid and social objects can be studied in the same way, and regard these laws as the truth while taking the same approach to study social goals as natural objects. Positivism has been viewed as a type of interpretative philosophical view, which can be used for all kinds of science, as emphasised by Blaikie (1993). However, it has been used as the most exclusively applied one in social sciences due to the subject matter studied. Events may be experienced in different senses, which is usually not the case in the field of natural sciences. Therefore, it is believed by interpreters that realising such differences are of great importance in the process of conducting research (Blaikie, 1993). Thus, Green and Saunders et al. (1998) indicated that the social world is essentially a kind of subjective reality, whose construction and reconstruction are achieved based on different expectations, memories and experiences. In this case, the main goal of positivist scholars is to attempt to clarify the fundamental orientation of these experiences, memories and aspirations during investigations.

Two significant positions of research philosophy should be understood better. The natural question coming from such discussions is which view is the most suitable for research design. One possible perspective is that interpretivism can be attractive somehow because of being possibly most often connected with the form of research

that can understand observation subjects better, particularly from their own perspective (Blaikie, 1993; Saunders et al., 2007).

However, the interpretive perspective has conflicts with the central objective of this research which is aimed at establishing a conceptual framework focusing on adjusting the relationship between Chinese transformational leaders and TMT heterogeneity in M&A integration and performance, including HR practices and M&A success. The alternative to the interpretivism is assumed to be a kind of positivist view based on the premise that the reality is measurable and objective and thus exists outside the expectations, memories and experiences of social actors. Therefore, the philosophical view of empiricism is considered to be the most consistent research method, whose research objectives and questions are raised in this study and which therefore should be used in the rest of this research.

4.3 Research Approach

Through the identification of research questions and the most related research philosophy, the most proper research method can provide identification or answer research questions. McCall and Bobko (1990) held a discussion on how to select the most proper research method, and suggested that an adequate method should be on the basis of general research objectives (McCall and Bobko, 1990).

To be more specific, McCall and Bobko (1990) proposed that quantitative method is usually assumed to be proper when research aims to perform theoretical tests instead of constructing or building theories. Based on this point, quantitative research has been

viewed as the most appropriate method when research attempts to test the causation between two or more variables. In contrast, McCall and Bobko (1990) made a recommendation on qualitative research methods, where research is a kind of theory building. Data are used based on expectations, memories and experiences to develop conceptual models with import-based induction methods (McCall and Bobko, 1990). Based on such a description and the purposes of this study, the qualitative approach is not appropriate for this thesis.

The second basis of quantitative research is a large number of samples used for observation. It is assumed that numerical investigations are required to obtain larger sample size (Bell and Bryman, 2007) which is of great importance for this research and helps to adequately summarise and infer the influence of transformation leadership on the success of M&As.

To be more specific, the quantitative research approach enjoys the advantage that all participants have standardised responses, which is of great importance for research carried out to compare the factors affecting financial behaviour due to its general acceptance of limited comparability. Qualitative research methods have some weaknesses as well (Smith, 1998).

The essence of seeking quantitative rather than qualitative research methods is that they can maintain the maximum consistency with the philosophical positions of positivists. As illustrated in the prior section, positivism argues that knowledge is derived from the empirical observations of the objective reality. Therefore, quantitative

research methods are usually considered synonymous (Blaikie, 1993; Saunders et al., 2007; Easterby-Smith et al., 1997). Given this, Proctor (1998) put forward a quantitative method compatible with proposed research philosophy and questions based on his proposal on the consistency of the whole process of research design. More specifically, this research should make use of multivariate, bivariate and univariate analysis techniques to analyse how transformational leadership and TMT heterogeneity are related to each other in M&A integration and performance, including HR practices and M&A success.

4.4 Research Strategy

Based on the prior research method adopted in the discussion of this study, the following section offers the reasons for the selection of research strategies. In this research, some research strategies can be taken to generate data to answer research questions to examples of actions, reviews, simulations, surveys and field experiments. They can be applied for data generation and solve research questions, taking steps, reviews, simulations, surveys and field experiments as examples. According to Galliers (1991), a variety of research questions in social sciences are answered by more than 14 exclusively applied research strategies.

Considering the number of potential research methods that can be selected, the discussion presented here focuses on why research-based research strategies are viewed as the most appropriate methods to answer research questions, as explained in literature review, and fails to try to expound all unselected objects. To be more specific, a survey

method is proposed as a research strategy allowing for the capture of the quantitative descriptions of opinions, attitudes and trends while permitting for particular sample sets (Bryman and Bell, 2015). Beginning with such reasoning, the research strategy is established because of being able to give the most substantial support for the research questions proposed. Finally, research strategies are consistent with philosophical supplements and positions based on the view of Proctor (1998) on the realisation of consistency in the research design process, as emphasised by the taxonomy of Galliers (1991).

4.5 Structural Equation Modelling and Factor Analysis

4.5.1 Factor Analysis

Factor analysis refers to an interdependent technique used for determining the potential relationship between variables analysed (Hair, 2010), whose two types including exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) are used in this thesis (Anderson and Gerbing, 1988). EFA is aimed at determining the structure in a set of variables and mainly applied to reduce the number of variable sets and identify critical dimensions of interest (Ullman and Bentler, 2003). The method of principal components is adopted to prove whether the proposed question can represent a conceptual construct.

If researchers want to validate the proposed framework on the basis of theoretical considerations or empirical support described in literature, CFA can assess the data's degree of fitting the hypothesised structure.

CFA can be utilised to assess the adaptability of indicators in latent variables. Figure 4.2 displays five factors, namely indicators (X1, X2, X3, X4, X5 and X6), latent variable (A, B), factor loading (λ), factor covariation relationship (ϕ) and the error of each item (e_1, e_2, e_3, e_4, e_5 and e_6). These five elements show an example of the CFA model where arrows are ‘two-headed curved’, indicating the existence of only correlational relationships.

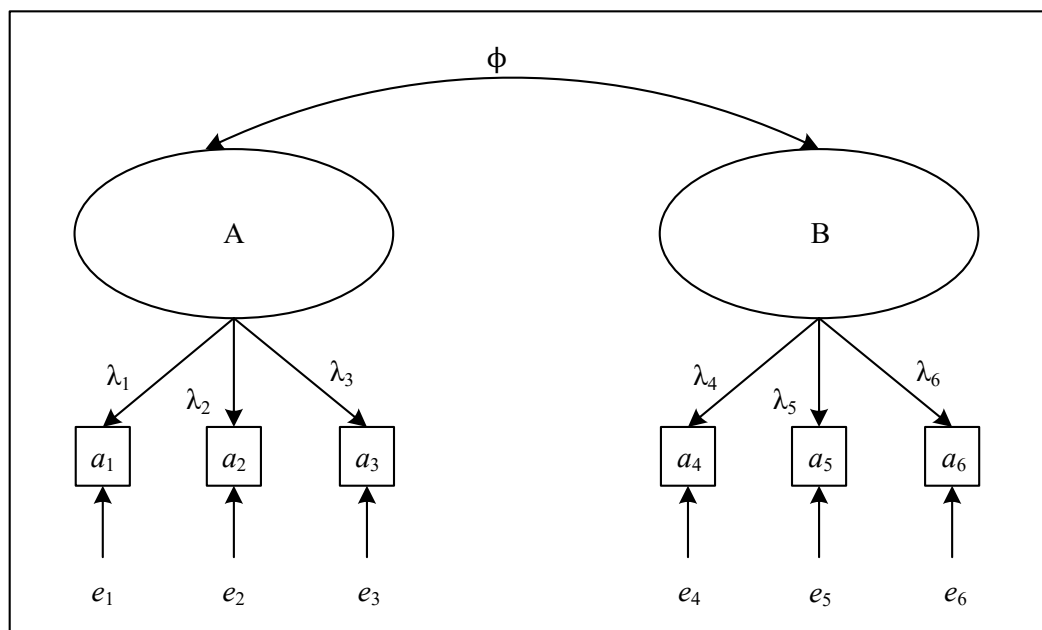


Figure 4.2 Illustration of a CFA Model

4.5.2 Structural Equation Modelling

As a confirmatory approach used for analysing structural relationships (Byrne, 1994), structural equation modelling (SEM) has been depicted as a combination of EFA and multiple regression (Ulman, 2001). Shah and Goldstein (2006) explained that SEM combines factor analysis with multiple regression analysis, which is used for the analysis of the structural relationship between latent constructs and measured variables.

That is, SEM means the structure of the covariance between observed variables, which is represented by latent factors (Hox and Bechger, 1998). Regression or path coefficients between factors represent the relationship between theoretical constructs.

According to Schreiber et al. (2006), SEM is more a confirmatory technique, but can also be used as an exploratory technique, which extends the possibilities of relations between latent variables and consists of two components, namely a structural model and a measurement one (Schreiber et al., 2006). The measurement model is CFA and describes the patterns of the observed variables of potential constructs in the hypothesised model, while the structural model shows the interrelation between latent constructs and observed variables in the proposed model as a series of structural equations (Hair, 2010). In summary, researchers can test theoretical propositions about the way of theoretically linking constructs and the directionality of essential relationships by means of SEM (Jöreskog et al., 2001) which is thus used in this research for examining the hypothesised relationships fitted in the proposed model.

Figure 4.3 presents an example of a structural model of SEM similar to the CFA model. Regression coefficients (λ_{a1} - λ_{a3}) represent the factor loadings of latent variable A. Similarly, regression coefficients (λ_{a4} - λ_{a6}) are influenced by latent variable B. Moreover, ($e_1 - e_3$ & $e_4 - e_6$) stand for the errors of indicator variables (a_1 - a_3 & a_4 - a_6). In the SEM model, arrows which are single-headed indicate structural regression coefficients, thereby indicating the relationship between independent and dependent variables (Byrne, 1998).

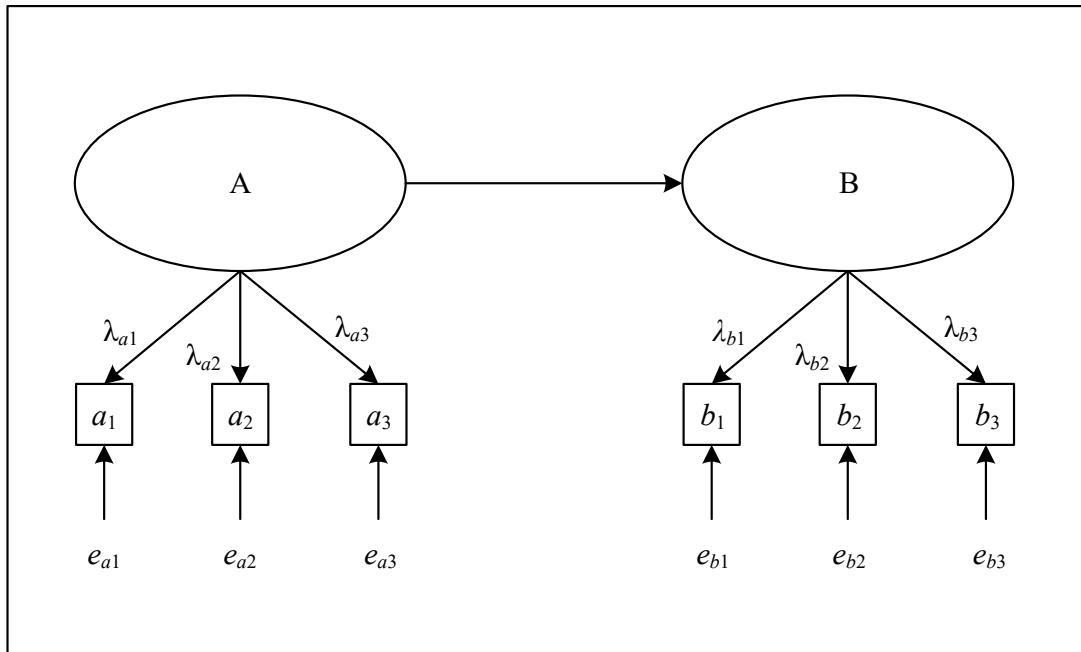


Figure 4.3 Illustration of a Structural model of SEM

To sum up, a two-step method (James et al., 1982) was adopted in this study to test the conceptual model. The first step involves analysing the measurement model and evaluating psychometric properties through the CFA model. Second, the direct or indirect relationship between latent variables is tested through the SEM model. According to Maruyama (1997), CFA can only be used for analysing the nature of structural relationships. After the completion of CFA verification, the structural model should be checked. Swafford et al. (2006) emphasised the determination of the structural model only after an independent review of the measurement model.

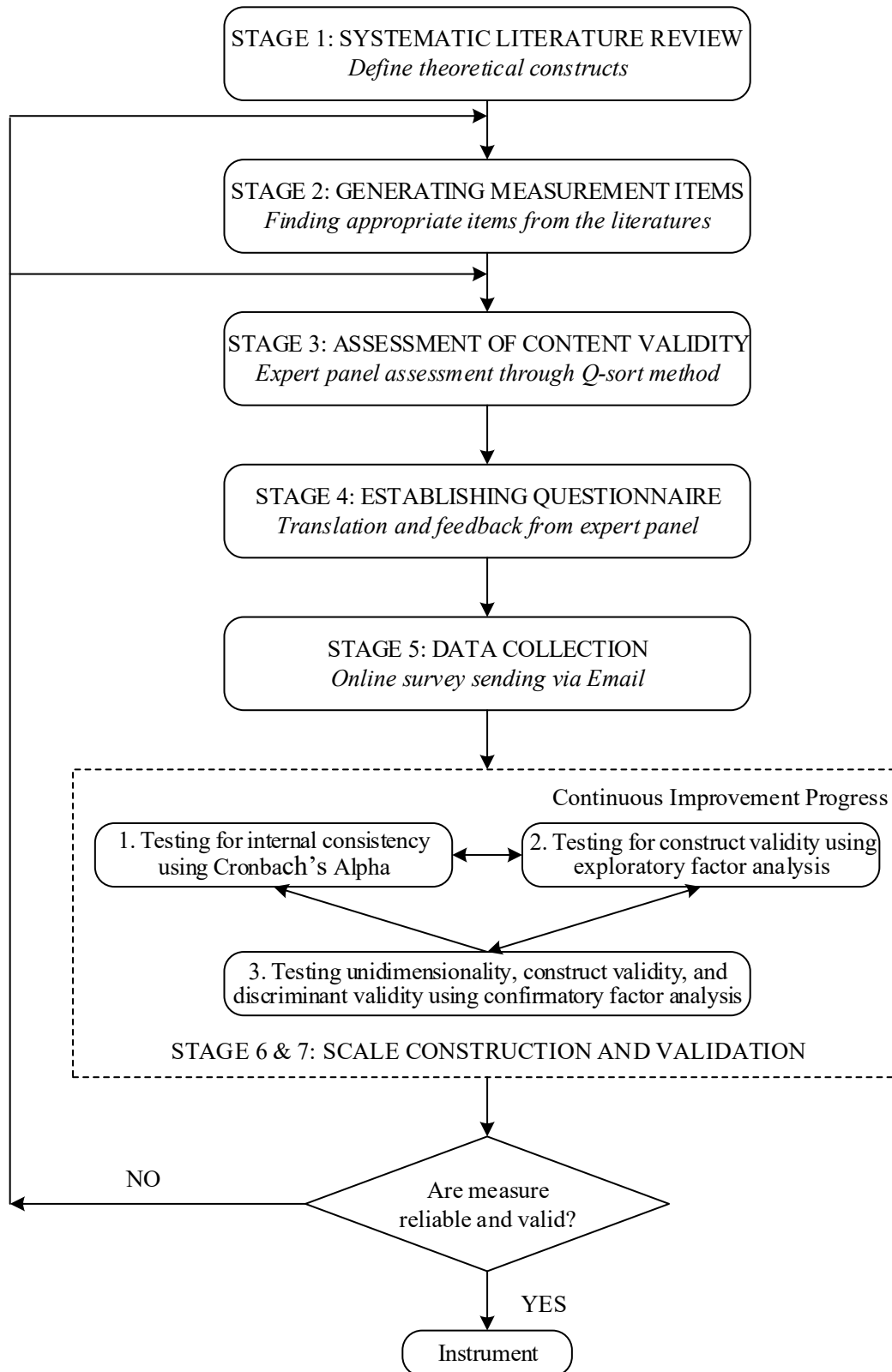


Figure 4.4 Scale development Structure

Developed from the work of Chen and Paulraj (2004)

4.6 Scale Development

Due to the inherent limitations of various measures, both CFA and SEM should be based on multiple measures (namely no less than one test). Thus, it is essential to develop reliable scales for the measurement of concepts. To identify and verify measurement scales, this research goes through a comprehensive process of scale development which usually aims to effectively measure infrastructure (Clark and Watson, 2016). Figure 4.4 illustrates the scale development process used to establish and verify the underlined structure of the theoretical model.

4.6.1 The First Stage: Systematic Literature Review and Definition of Theoretical Constructs

Constructs are conceptualised in this study. Netemeyer et al. (2003) stated that sound conceptualisation should be built on a comprehensive literature review which provides powerful theoretical support for more precise definition of constructs and aims to search literature exhaustively so as to minimise bias reliably, scientifically and transparently (Tranfield et al., 2003).

4.6.2 The Second Stage: Generation of Measurement Items

Stage two involves the selection of proper measurement items to represent concepts. Defining the scope of choices is very important because scale items will be produced to enter the particular conceptual domain (Hinkin, 1995; Netemeyer et al., 2003), but these items must not be too broad or narrow (Netemeyer et al., 2003). In this research, a new scale was proposed for the measurement of management concepts that

should be derived from current measurement tools or recommendations in literature (Churchill, 1979). As stressed by Hinkin (1995, P.971) '*A necessary premise for new measures would seem to establish a clear relationship between items and their theoretical domain*'. Besides, research should pay attention to 'multiple negative', 'double barrelled', 'ambiguous pronoun reference' and other issues (Hikin, 1995; Netemeyer et al., 2003). In this research, measurement items are generated for each structure through making an extensive review and conducting a rigorous conceptualisation process.

4.6.3 The Third Stage: Content Validity Assessment

Checking the validity of content is essential after the establishment of a project library. Generally, Rungtusanatham (1998, P.11) held that content validity can be achieved as '*if items in the measurement instrument form a randomly selected subset of universe of items representing the entire domain of constructs*'. The general method of evaluating the effectiveness of content is review by a panel of experts which is usually composed of academics and practitioners. Based on previous investigations and studies, this research organises a panel of experts consisting of academics and a manager participating in several M&As and intending to evaluate the scale proposed. Firstly, a range of structured interviews are conducted to carefully examine the definition of every structure and the wording relevance and clarity of question items. Because this research focuses on Chinese companies, accurate translation requires the opinion of the panel of experts. Secondly, the expert group is required to arrange questionnaire items

into a corresponding structure, whose feedback can help to avoid the issues mentioned in the previous stage (namely ‘multiple negative’, ‘double barrelled’ as well as ‘ambiguous pronoun reference’). Thirdly, Rungtusanatham (1998) claimed that Q-sort method is adopted to test the content validity of assessment scales.

Moore and Benbasat (1991) defined Q-sort method *‘to have experts serve as judges and sort items into a few groups, each of which corresponds to a dimension on the basis of the agreement between judges’*. In this research, three measurement indicators were used to test the validity of content: a) The percentage of agreement among judges; b) Item placement ratio (namely hit ratio); c) The application of Cohen’s kappa (k) test. To be specific, the rate agreement among judges is the number of items agreed by expert judges to put in a category classified by the entire library of items (namely the total number of items). Hardesty and Bearden (2004) claimed that the threshold of inter-judge agreement rate ranges between 60% and 75%. However, no strict standards are set for the level of ‘hit ratio’ (Moore and Benbasat, 1991) which is generally acceptable when higher than 70% (Stratman and Roth, 2002; Moore and Benbasat, 1991). Cohen's kappa(k) is the last step of Q-sort measurement, representing an index of excellent fit between the judges of the expert group (Cohen, 1960; Stratman and Roth, 2002; Armenakis et al., 2007).

4.6.4 The Fourth Stage: Questionnaire Establishment

Responses of the participants are collected through the design of a fully structured questionnaire (appendix A) which comprises 54 items handling the following 48

constructs described in the conceptual framework, including transformational leadership (nine items), TMT heterogeneity (four items), degree of integration (twelve items), speed of integration (one item), staff satisfaction (eight items), staff engagement (five items), TMT turnover (one item) and M&A success (eight items).

Each structure contains more than three measurement items, each of which uses a seven-point Likert scale. Chinese managers are the subjects of this study. The questionnaire is available in two languages, namely Chinese and English, which thus highlights the importance of accurate translation. Brislin (1980) claimed that the forward and reverse translations of the questionnaire is used for clarifying the appropriate language of the participants surveyed.

Instrument for measuring transformational leadership

Up to now, most of empirical research on transformational leadership has adopted the subjective measures of the assessment of subordinates on the behaviour of leaders (Avolio and Bass, 1999). Multi-factor leadership questionnaire (MLQ) has been criticised for its conceptual framework to some extent (Charbonneau, 2004; Yukl, 1999; Northouse, 1997) in spite of being the tool most widely used for evaluating transformational leadership theories (Kirkbride, 2006) and '*regarded as the most appropriate verification tool for transactional and transformational leadership*' (Ozaralli, 2003). In this research, the 'global transformation leadership scale' developed by Carless et al. (2000) is used as a tool for assessing the impact of each leadership style on several outcomes as many studies (e.g. Munir et al., 2010, 2012; Gaviria-Rivera

and López-Zapata, 2019; Fitzgerald and Schutte, 2010; Alatawi, 2017) follow this trend.

Instrument for measuring TMT heterogeneity

The method of Alexiev et al. (2010) is adopted by the scale used for the heterogeneity of TMTs, requiring the respondents to evaluate the degree of heterogeneity in functional attributes (i.e., background, experience, expertise, education and complementary skills).

Instrument for measuring degree of integration

As a core structure in post-integration, the degree of integration is evaluated at different organisational levels (Bauer and Matzler, 2014). The second-order construct measurement model proposed by Cording et al. (2008) was adopted in this study. Four dimensions are social and cultural, production, marketing and system integration.

Instrument for measuring speed of integration

Like integration level, the speed of integration varies at different organisational levels (Olie, 1994; Ranft and Lord, 2002). Thus, the measurement model of this research comprises the same level as the level of integration. Following the research of Cording et al. (2008), the speed of integration is measured on a five-point scale which ranges from 1 = over two years to 5 = below half a year.

Instrument for measuring TMT turnover

TMT turnover rate at the team level is measured by analysing the number of the top five executives leaving the job in initial post-acquisition. The number of TMT turnover is measured on a five-point scale which ranges between 1 and 5.

Instrument for measuring M&A success

As mentioned in the chapter of literature review, this research evaluates M&A success from the perspective of management. The management of M&A firms usually knows well about the phases of transaction and integration (Datta, 1991; Homburg and Bucerius, 2005). In addition, many researchers clearly show that their scores are closely related to goals (highly relevant) and measures of success (Datta, 1991; Homburg and Bucerius, 2005). Besides, this research focuses on Chinese companies participating in M&As, but some of these companies are usually small and medium-sized enterprises which are generally not traded in public or listed on the stock market and whose valuation rules are low due to the loose requirements for transparency and financial disclosure. As mentioned earlier, successful M&As should include multiple measures. Researchers use self-reported data to show that success has at least two aspects which are objective and subjective (Datta, 1991; Reinartz et al., 2004). Besides, the use of self-reported data for the measurement of M&A success in research has received little attention compared with that of auxiliary data. Therefore, the measurement model proposed by Becker was used to evaluate M&A success, which consists of two dimensions, with each measured by four items (Becker, 2005).

4.6.5 The Fifth Stage: Questionnaire Administration and Data Collection

Electronic questionnaires were sent to potential respondents by an email that includes an information form, a cover letter, a web link of the online survey list, a brief introduction of the questionnaire purpose, the time estimated to finish the survey as

well as instructions on the way of handling confidentiality and using and storing the results.

The participants were required to finish the questionnaire only once, and read every ordered question after the beginning of the survey, whose responses were scored by using a seven-point Likert scale. Each item was compulsorily answered to ensure the answering of each question. After the completion of the last question, the participants submitted their questionnaires and received a thank-you message, reminding them of the questionnaire purpose and describing the way of dealing with confidentiality and instructions on how to use and store the results. Submitted data were collected using commercial survey data platforms. It should be noted that China sets limits on the browse of overseas websites. A local survey data platform rather than foreign questionnaire websites generally used in research was used in this study (such as SurveyMonkey and Qualtrics).

4.6.6 The Sixth Stage: Use of EFA for Scale Construction and Purification

In this research, the association between variables was studied, and consideration was given to correlational statistical testing methods. Pearson correlation test was used. The range of Pearson's correlation is 1, which means perfect correlation with -1 and utterly negative correlation, while a value of 0 indicates no correlation (Adler and Parmryd, 2010). A non-zero value of Pearson's correlation cannot indicate cause and effect (Sedgwick, 2012). Items negatively or weakly related to each other in the same structure should be deleted (DeVellis, 2003). Generally, correlation values of less than

0.20 are considered weak (Netemeyer et al., 2003; Robinson, 1991).

To construct this ratio mathematically, EFA mentioned in the previous section was applied, evaluating unidimensionality first and then delivering the value of Cronbach's alpha to check whether the construction is reliable.

As suggested by a lot of empirical studies (Chen and Paulraj, 2004; Swafford et al., 2006; Zhao et al., 2008), three standards including EFA, varimax rotation and principal component analysis (PCA) were applied to ensure the unidimensionality of EFA. Firstly, materials with a maximum factor loading of more than 0.40 with/or a cross-loading difference of over 0.10 are supposed to be retained (Nunnally, 1978). Secondly, the difference in the percentage of items extracted by the structure should be above 0.50 (Hair, 2010). Thirdly, the effectiveness of convergence can be confirmed when the eigenvalue is greater than 1.0 (Swafford et al., 2006). Nunnally (1978) asserted that Cronbach's alpha rule of thumb should be above 0.70 to make sure that the construction is reliable. In this research, SPSS v22 was used for the inspection of construction reliability and EFA.

4.6.7 The Seventh Stage: Empirical Scale Verification

Hatcher (1994) claimed that CFA can further evaluate whether the constructed scale is unidimensional and valid, in which three methods were adopted, namely the overall fit index of the CFA model, convergent and discriminant validity.

4.6.7.1 Overall Fit Index

AMOS 22 widely applied in recent empirical research was used to evaluate the

CFA model. The observation of the goodness of fit index aims to assess the degree of fitting between data and the proposed model (Cao and Zhang, 2011). Goodness-of-fit criterion is divided into three categories which are model fit (namely absolute measures), comparison (namely relative fit measures) and parsimony (namely reduced fit measures) (Schumacker and Lomax, 1996). Table 4.1 provides recommended values for the three groups of goodness-of-fit indexes based on previous research.

Table 4.1 Recommended Values for Model Fit Indexes

Indexes	Shorthand	Rule of thumb
Absolute		
Chi-square Test	χ^2	NA
Root mean square error of approximation	RMSEA	≤ 0.08
Standardised root mean square residua	SRMR	≤ 0.10
Comparative fit		
Normed fit index	NFI	≥ 0.90
Incremental fit index	IFI	≥ 0.90
Tucker-Lewis index	TLI	≥ 0.90
Comparative fit index	CFI	≥ 0.90
Relative noncentrality fit index	RNI	≥ 0.90
Parsimonious fit		
Parsimony-adjusted GFI	PGFI	Closer to 1
Normed Chi-square	$\chi^2 / d.f.$	≤ 0.10
Parsimony normed fit index	PNFI	≥ 0.70

4.6.7.2 Convergence Validity

Different measures of a structure will be of high relevance if the structure has convergent validity (Churchill, 1987). To evaluate convergence validity, factor loading, composite reliability and average variance extraction (AVE) were applied in this study.

Regarding the standards for convergent validity, factor loading, AVE and composite reliability should be above 0.5 and 0.7 respectively (Narasimhan and Das, 2001; Yang et al., 2004; Shah and Goldstein, 2006).

4.6.7.3 Discriminant Validity

Discriminant validity can ensure that constructed metrics are unique empirically and represent interesting phenomena not captured by other parameters in SEM (Hair et al., 2009). Technically speaking, judging validity requires that ‘The correlation between test and measurement should not be too high’ (Campbell, 1960). To assess discriminant validity, the AVE comparison method was adopted in this research.

4.6.8 Data Collation

All kinds of data used in this study were collected from acquired Chinese firms involved in M&A activities and coming from different industries in China. In particular, leaders at the management and above level are the potential respondents of this research who received Chinese questionnaires based on English translation. Both Chinese and English versions are supplied in Appendixes A and B. It is worth mentioning that the Gansu Chamber of Commerce (GCC-BJ) showed great interest in this research and provided the contact information of chamber members for data collection, whose endorsement letter is supplied in Appendix C.

The time of data collection is from June 15th to August 20th, 2018. An information sheet, a cover letter and a web link of the online surveys list were created and sent to potential respondents by email. It is important to note that a total of 576 responses

received in the online survey were the number of replies before the cleaning of the dataset. To ensure the reliability of subsequent statistical analysis, responses that might be considered as outliers can be removed. After the removal of 125 incomplete responses from the dataset, 295 reliably completed responses remained, thereby achieving an effective response rate of 51.2% (i.e., 295/576).

Table 4.2 shows the profile of the respondents, including job position, company ownership, size and sales, and most recent M&A deals. Firms dealing with M&As mainly come from manufacturing, information technology, e-commerce, real estate, furniture and pharmacy. To maintain moral responsibility, the participants were allowed to submit questionnaires without being coerced. Investigation instructions include statements confirming research nature and anonymous results. Researchers followed the general principles in the Belmont Report (Vollmer and Howard, 2010) and maintained the ethical standards for human participation. Such demographic information issues have been widely used in journals on senior managers (Cao and Zhang, 2011; Cousins et al., 2006; Wong et al., 2011; Zhao et al., 2011). Respondents serve as CEO (22.7%), Vice President/Director (16.9%) and Senior Manager (60.4%). Most senior managers are involved in matters on the management of post-merger corporate integration. Therefore, the informants are considered to be knowledgeable enough to have an understanding of the problem.

Table 4.2 Profile of the Respondents

	Number of the respondents	Percentage (%)
Job Position		
CEO	67	22.7
Vice-President/Director	50	16.9
Senior Manager	178	60.4
Company ownership		
Local Enterprise	222	75.3
Joint Venture	47	15.9
Foreign Enterprise	26	8.8
Company size (Number of employees)		
≤50	11	3.7
51-300	131	44.4
301-2000	117	39.7
>2000	36	12.2
Company Sales (CNY ¥)		
≤10 Million	17	5.7
10 Million–30 Million	52	17.6
30 Million–50 Million	76	25.8
50 Million–200 Million	107	36.2
>200 Million	43	14.6
Most recent M&A deals happening in		
One month	31	10.5
One month-Half a year	60	20.3
Half a year–One year	109	36.9
One year–Three years	68	23.1
Over three years	27	9.1

4.7 Ethical Considerations

Over the last few decades, research on social sciences has focused more on making sure that academic research is conducted with the highest ethical quality, transcending moral advantages, and ensuring the usefulness and reliability of all research results

published (Bell and Bryman, 2007). In consideration of the benefits mentioned, ethical considerations are discussed in the next section.

First of all, Weathington et al. (2010) held that the first and foremost moral requirement for all studies on human subjects is to get the informed consent of all participants. From the perspective of law, Cox et al. (2008) introduced the concept of informed consent with the help of three principles, namely competence, voluntariness and information. Competence requires making sure that all participants know the nature and results of an agreement offered to research workers. Thus, many preconditions can guarantee that subjects have the competence to agree. The first one is the age of subjects. Since children are too young to make an informed decision to participate, studies involving them should gain the informed consent of their statutory guardians. Likewise, people with low intelligence are protected. Knowing this particular problem, this research excludes these two vulnerable groups. Therefore, the competence to consent ought to be affirmed by willingness and information. To ensure the former, prospective participants were provided with an overview of research goals. Similarly, the voluntary principle means that potential participants will not feel compelled or forced.

Weathington et al. (2010) put forward that researchers should carefully settle the possible hazards which may be physical, emotional, physical, psychological or social in addition to informed consent. Seen from historical cases, particularly in the areas of psychology and medicine, taking part in research may cause damage or mental harm to participants, which breaks the principle of ethics in excuse of science (Bell and Bryman,

2007; Babbie, 2010). Given this, online surveys were carried out in this study to protect the participants from being harmed directly. It is also unlikely that participants will sense any social or emotional situation or be troubled by participation.

4.8 Chapter Conclusion

Based on research objectives, quantitative research-the research strategy of this study is demonstrated first. Based on a review of prior empirical research, a plan is formulated in this chapter for the development of measurement scales and the gradual verification of theoretical models.

This chapter introduces an overall plan for data collection and instrument development. In the beginning, a potential questionnaire based on theoretical models is developed. Secondly, a panel of experts (consisting of academics and practitioners) are invited to evaluate questionnaire validity and translation accuracy. Thirdly, a data management plan containing reminder procedure is elaborated to make sure the data collected are effective. Fourthly, a procedure of verifying models including EFA, CFA and SEM is proposed. SPSS 22 is used for EFA, while AMOS 22 is used to verify both CFA and SEM models. Finally, detailed information on the collection of data is presented.

Chapter 5. Scale Development

5.1 Introduction

Based on the proposed process of scale development presented in the chapter of methodology, multi-item measurement and scale development are discussed in this chapter. Due to the differences between China and other (Western) countries in economy, institution and culture, empirical research conducted in Chinese history is not as good as expected. The main reason is that empirical research conducted in China and emerging economies tend to encounter difficulties and challenges due to the traditional secrecy of companies and other logistical difficulties in carrying out investigations (Peng, 2012). Therefore, what factor will have an impact on M&A performance calls for more research in the context of emerging economies like China (Zhou et al., 2015; Lebedev et al., 2015; Welch et al., 2020)? For the above reasons, China was selected as the background of this study.

In consideration of insufficient studies on leadership styles and M&A performance in Chinese M&As, the survey approach was taken in this paper, and adopted by a few research studies on M&As to solve a variety of post-acquisition issues.

This chapter shows that the use of various kinds of data collected from target Chinese firms involved in M&A activities and coming from different industries in China and opinions gathered from a panel of international experts in M&As is conducive to developing the scales for the perceptions of M&A success, particularly adapting the process of scale development from sorts of M&A articles written by

Cording et al. (2008), Bauer et al. (2018), Carless et al. (2000), etc. According to the widely adopted process of scale development, Section 5.2 briefly reports the way of assessing content validity with the assistance of an expert group. Then, Section 5.3 discusses the back-translation of question items. Section 5.4 adopts the famous Q-sort method to further confirm content validity. Section 5.5 involves discussing the reports of the data analysis of multiple statistical tests and corresponding results, including CFA, EFA, non-response bias, common method bias, etc. Finally, Section 5.6 is the conclusion of this chapter.

5.2 Assessment of Content Validity–Preliminary Expert Judgement

Table 5.1 Background Information of the Expert Panel

Expert	Job title	Work experience in their fields	Area of expertise
Practitioner 1	CFO	23	A financial investment company in China.
Practitioner 2	CEO	24	A capital management company in China.
Practitioner 3	CHO	9	China Everbright Bank.
Academic 1	Professor	20	Operations and management.
Academic 2	Assistant Professor	10	Management.
Academic 3	Assistant Professor	3	Supply chain risk management.

The chapter ‘Identification of Hypotheses for Investigation’ defines theoretical structure and develops problem items according to existing literature (namely the first and second stages of the scale development process) (see the chapter ‘Methodology’ in Figure 4.4). However, it may be limited to understand these concepts only from the

angle of the author. In addition, these items may be worded ambiguously to some extent. As a result, a group of experts composed of three scholars and three practitioners were invited to review the wording and theoretical areas of questions proposed in this study.

Three directors and three Chinese and English scholars of companies involved in M&A activities reviewed the questionnaire to ensure the effectiveness of the revised project, checked the readability of representative measurements based on structure definition and the wording of question items, and pointed out that no further changes were required. Table 5.1 provides the background information of the expert panel.

5.3 Translation of Question Items

Research objects are Chinese operational and senior managers, thereby requiring the precise translation of question items and definitions into Chinese. Prince and Mombour (1967), and Brislin (1970) proposed to take the back-translation approach to ensure the equivalence of concepts. Two scholars were employed to do translation work to make sure that the English version is accurately reflected by measurement items. Translator A translated the questionnaire into the Chinese version, while translator B was asked to translate the questionnaire back into the English version based on the previous translation work of translator A. After the careful review of two sets of questionnaires, it was found that practices were pretty standard, and no significant changes took place.

5.4 Establishment of the Content Validity of Instrument

This section aims to check content validity carefully. Flores et al. (2012) and

Schriesheim et al. (1993) held that measurement item is the extent to which an appropriate sample of the theoretical content domain is constructed. This section mainly examines the degree of correlation between measurement items and corresponding structural definitions. Since senior managers in Chinese companies are research targets, the Chinese version of initial questions raised in Section 5.3 was utilised to build a public project library (Cao and Zhang, 2011). Flores et al. (2012) proposed two methods to evaluate content validity, including the content validity ratio of Lawshe (1975) and the Q-sort method of Schriesheim et al. (1993).

5.4.1 Judge Panel Method

Table 5.2 Examples of Judge Panel Method

Measurement Item	Definition	Item adequacy in capturing the definition				
		1	2	3	4	5
Transformational leadership	A type of leadership changing or transforming the needs of followers and redirecting their thinking (Bass and Avolio, 1994).				√	
TMT heterogeneity	Degree of difference in demographics, functions and background dimensions (Alexiev et al., 2010).					√
Degree of integration	Degree of changes in the configuration of organisational technology, administration and culture after acquisitions (Pablo, 1994).					√
Speed of integration	Post-merger time period required to integrate systems, structures, activities as well as processes (Homburg and Bucerius, 2006).					√
Staff satisfaction	Combination of physical, psychological and environmental conditions contributing to the honest expression of people with work (Hoppock, 1935).				√	
Staff engagement	Involvement, satisfaction and enthusiasm of individuals for work (Harter et al., 2002).				√	
TMT turnover	Departure of executive team members after an M&A					√
M&A success	Objective and subjective outcomes of M&A success			√		

Judge panel method was adopted to determine the consistency between questions raised and the theoretical content domain of three-factor SCQR structure (Lawshe, 1975; Flores et al., 2012). Notably, members of the review team in this study are another group of practitioners without participating in the preliminary expert judgement. The judge panel consists of 20 senior directors of Chinese companies recognised by GCC-BJ to perform content validity test.

Table 5.2 contains the definition of each item and items sorted according to the corresponding structure of constructs. The judge panel was invited to use the definitions provided to evaluate item adequacy in capturing the theoretical domain. The range of answers is 1 to 5. The higher the value of answer rate is, the more fully the definition of ranking will be reflected by question items. Below is the calculation method of content effective rate (CVR) (Lawshe, 1975):

$$CVR_e = \frac{n_e - \frac{N}{2}}{\frac{N}{2}}$$

N represents the total number of judges (namely 20), while n is the number of judges indicating that item e is ‘good’ or ‘essential’. In particular, only items whose value is higher than 4 are judged as ‘good indicators’ (Flores et al., 2012). Table 5.3 lists the CVR of each question. According to Lawshe (1975), the CVR of a project must be 0.37 to meet the critical criterion for content validity ($p < 0.05$) for a group consisting of 25 members. In sum, 53 out of 54 items in the public resource library have obvious content validity. Two items with a short content validity period (CVR < 0.37) were

excluded from the construct pool, namely SAT10.

Table 5.3 Results of Judge Panel Method

Construct	Proposed indicator	The 1st Round-Judge Panel Method		Inter-sorting method
		CVR	Significant(Y/N)	Percentage of judges assigning items to desired dimensions
Transformational leadership (TL)	TL1	90%	Y	100%
	TL2	80%	Y	100%
	TL3	70%	Y	100%
	TL4	80%	Y	100%
	TL5	70%	Y	100%
	TL6	70%	Y	100%
	TL7	90%	Y	100%
	TL8	90%	Y	100%
	TL9	90%	Y	100%
TMT Heterogeneity (TMTH)	TMTH1	90%	Y	100%
	TMTH2	90%	Y	100%
	TMTH3	80%	Y	100%
	TMTH4	90%	Y	100%
Degree of Integration Employee integration (EI)	HRI1	90%	Y	100%
	HRI2	70%	Y	100%
	HRI3	70%	Y	100%
	HRI4	70%	Y	100%
Marketing integration (MI)	MAI1	80%	Y	100%
	MAI2	80%	Y	100%
	MAI3	70%	Y	100%
	MAI4	60%	Y	80%
Systems integration (SI)	SYI1	90%	Y	100%
	SYI2	80%	Y	100%
	SYI3	70%	Y	100%
	SYI4	70%	Y	100%
Speed of integration (SOI)	SPEEDI	100%	Y	100%
Staff Satisfaction (SS)	SAT1	100%	Y	100%
	SAT2	90%	Y	100%
	SAT3	80%	Y	100%
	SAT4	90%	Y	100%
	SAT5	70%	Y	100%
	SAT6	90%	Y	100%
	SAT7	80%	Y	100%
	SAT8	70%	Y	100%
	SAT9	30%	N	40%
	SAT10	40%	N	Removed in first round
Staff Engagement (SE)	ENG1	70%	Y	100%
	ENG2	60%	Y	60%
	ENG3	60%	Y	80%
	ENG4	70%	Y	100%
	ENG5	80%	Y	100%
TMT turnover (TMTT)	TURNOVER	100%	Y	100%
M&A success Objective success (OS)	FP1	80%	Y	100%
	FP2	80%	Y	100%
	FP3	70%	Y	100%
	FP4	70%	Y	100%
Subjective success (SS)	OP1	80%	Y	100%
	OP2	90%	Y	100%
	OP3	80%	Y	100%
	OP4	80%	Y	100%

5.4.2 Q-Sort Method

In spite of being widely used, the CVR method is mainly limited in the shortage of data reduction components (Flores et al., 2012). In response to Peter et al. (2008), academic business literature pays little attention to the Q-sort method which is used by this research as a supplementary method to further evaluate the effectiveness of content through following Schriesheim et al. (1993). Flores et al. (2012) suggested that various respondents with different backgrounds can further guarantee the effectiveness of content. Four Chinese scholars were invited to participate in the Q-sort test.

Table 5.3 shows that all items meet the minimum correct classification standard, namely 60%, except for SAT9 only accounting for 40% of accurate judgements, which thus deleted SAT9. Kappa value is 97.14%, which is an excellent agreement between judges (Landis and Koch, 1977). The remaining 52 items are classified as expected factors, indicating that the structure of these factors is magnificent.

5.5 Sample Size

SEM is an advanced technology for multivariate data analysis, requiring a large number of samples (Kine, 2015). A larger size of samples is required by more complex models than simple ones. Despite the lack of an absolute threshold for sample size in literature, the item-to-respondent ratio is extensively used as an indicator to determine the sufficiency of sample size in explaining models (Jackson, 2003). He proposed to calculate the minimum sample size of the estimation model by the ratio of case (N) to

perimeter (namely the index) requiring statistical estimation (q). The threshold of the item-to-response ratio is 1:4 (Rummel, 1970; Schwab, 1980). The minimum size of samples is 208 for this research model with 52 indicators. Therefore, the model in this study should be fully estimated for 295 samples.

5.6 Chapter Conclusion

This chapter introduces the strict process of establishing measurement scales. A variety of tests were performed to evaluate unidimensionality and empirically verify reliability and validity. Finally, 52 question items are reserved for measurement.

Chapter 6. Data Analysis

6.1 Introduction

This chapter tests the theoretical model by means of the questionnaire sample which consists of 295 target Chinese companies involved in M&A activities. However, unidimensionality and construct, discriminant and convergent validity are confirmed by examining the scale construction and purification of all the constructs proposed before the empirical testing of the conceptual model.

The first part describes measurements and checks the reliability of indicators for measuring the adoption intention and situation factors of quality management practices. In the second part, EFA and CFA for all latent variables are examined. In the third part, a structural model is tested through SEM.

6.2 Pearson Correlation Coefficient of Question Items

Prior to factor analysis, the first step of scale purification is to assess the correlation coefficient of items in corresponding constructs. Tables 6.1 to 6.7 show that seven tests on Pearson correlation coefficients were carried out. Indicators of constructs including objective success (OS), staff engagement (SE), subjective success (SS) transformational leadership (TL) and M&A integration (MAI) are preserved for the following factor analysis because of their highly significant item correlation coefficients. Among items in staff satisfaction (SAT), SAT6 has a negative Person correlation coefficient with other items and should be problematic (DeVellis, 2003). For items within the factors of TMT Heterogeneity (TMTH), TMTH3 has a weak

Pearson correlation coefficient with other items and thus should be removed before CFA. In the next sections, both EFA and CFA were carried out to further purify the structure of items.

Table 6.1 Pearson Correlation Coefficient–OS

	FP1	FP2	FP3	FP4
FP1	1			
FP2	0.348**	1		
FP3	0.396**	0.396**	1	
FP4	0.390**	0.314**	0.368**	1

** Correlation is significant at the 1% level (two-tailed)
 * Correlation is significant at the 5% level (two-tailed)
 n.s. indicates insignificant correlation

Table 6.2 Pearson Correlation Coefficient–SAT

	SAT1	SAT2	SAT3	SAT4	SAT5	SAT6	SAT7	SAT8
SAT1	1							
SAT2	0.279**	1						
SAT3	0.279**	0.526**	1					
SAT4	0.278**	0.486**	0.466**	1				
SAT5	0.328**	0.463**	0.499**	0.508**	1			
SAT6	-0.094	-0.005	-0.089	-0.044	-0.069	1		
SAT7	0.285**	0.360**	0.326**	0.379**	0.336**	0.012	1	
SAT8	0.208**	0.321**	0.448**	0.373**	0.273**	0.052	0.412**	1

** Correlation is significant at the 1% level (two-tailed)
 * Correlation is significant at the % level (two-tailed)
 n.s. indicates insignificant correlation

Table 6.3 Pearson Correlation Coefficient–SE

	ENG1	ENG2	ENG3	ENG4	ENG5
ENG1	1				
ENG2	0.503**	1			
ENG3	0.426**	0.534**	1		
ENG4	0.244**	0.335**	0.253**	1	
ENG5	0.284**	0.392**	0.224**	0.425**	1

** Correlation is significant at the 1% level (2-tailed)
 * Correlation is significant at the 5% level (2 tailed)
 n.s. indicates insignificant correlation

Table 6.4 Pearson Correlation Coefficient–SS

	OP1	OP2	OP3	OP4
OP1	1			
OP2	0.497**	1		
OP3	0.511**	0.516**	1	
OP4	0.468**	0.560**	0.529**	1

** Correlation is significant at the 1% level (two-tailed)
* Correlation is significant at the 5% level (two-tailed)
n.s. indicates insignificant correlation

Table 6.5 Person Correlation Coefficient–TL

	TL1	TL2	TL3	TL4	TL5	TL6	TL7	TL8	TL9
TL1	1								
TL2	0.374**	1							
TL3	0.419**	0.383**	1						
TL4	0.399**	0.362**	0.423**	1					
TL5	0.329**	0.356**	0.297**	0.298**	1				
TL6	0.268**	0.283**	0.258**	0.215**	0.446**	1			
TL7	0.428**	0.335**	0.463**	0.389**	0.266**	0.279**	1		
TL8	0.366**	0.390**	0.367**	0.383**	0.285**	0.163**	0.241**	1	
TL9	0.202**	0.187**	0.235**	0.258**	0.176**	0.161**	0.194**	0.239**	1

** Correlation is significant at the 1% level (two-tailed)
* Correlation is significant at the 5% level (two-tailed)
n.s. indicates insignificant correlation

Table 6.6 Person Correlation Coefficient–TMTH

	TMTH1	TMTH2	TMTH3	TMTH4
TMTH1	1			
TMTH2	0.295**	1		
TMTH3	0.134*	0.211**	1	
TMTH4	0.201**	0.388**	0.238**	1

** Correlation is significant at the 1% level (two-tailed)
* Correlation is significant at the 5% level (two-tailed)
n.s. indicates insignificant correlation

Table 6.7 Person Correlation Coefficient–MAI

	MAI1	MAI2	MAI3
MAI1	1		
MAI2	0.562**	1	
MAI3	0.527*	0.570**	1
** Correlation is significant at the 1% level (two-tailed) * Correlation is significant at the 5% level (two-tailed) n.s. indicates insignificant correlation			

6.3 EFA

According to Zhang et al., (2018), conducting an EFA prior to the testing of the measurement model better helps to get a general structure of proposed indicators. At the stage of scale purification, EFA has a two-step process. Following Zhao et al. (2008), this study assessed seven individual EFA for each multi-item construct. In particular, EFA, PCA and varimax rotation were used, as suggested by a great deal of empirical research. Table 6.8 shows that all the factor loadings of indicators for seven theoretical constructs exceeded the threshold value of 0.5 (Netemeyer et al., 2003). As expected in Correlation Analysis (Section 6.1), SAT6 was removed due to its low factor loading (namely 0.062), which failed to meet the criterion ≥ 0.50 (Netemeyer et al., 2003).

Regarding TL, TL6 and TL9 were removed in this stage because of having a factor loading of less than 0.5 which is recommended value. Through the removal of all unqualified indicators, the satisfactory results of all seven proposed factors were obtained. The remaining indicators all had a factor loading of more than the threshold value. Deleting the four indicators resulted in a pool of 34 items for step two of EFA.

In step two of EFA, PCA was rerun with the varimax rotation method for all 34

items without constraining the number of factors. A value of 0.861 in Kaiser-Meyer-Olkin (KMO) was obtained, which is above the recommended value of 0.60 (Worthington and Whittaker, 2006). Therefore, it can be concluded that it is adequate to use the collected data to run all-indicator EFA. At this stage of EFA, several problematic indicators were identified. Specifically, ENG4, TL5, TL7, TL8 and TMTH3 were eliminated due to the problem of low factor loadings. ENG5, SAT1, SAT7 and SAT8 were removed because of the significant cross-loading problem. Table 6.9 shows that the eight-factor solution with an all factor loading of >0.50 was retained.

Table 6.8 Individual EFA for Eight Proposed Constructs

OS		SE		SS	
Item	Factor Loading	Item	Factor Loading	Item	Factor Loading
FP1	0.822	ENG1	0.712	OP1	0.769
FP2	0.627	ENG2	0.819	OP2	0.809
FP3	0.803	ENG3	0.716	OP3	0.803
FP4	0.773	ENG4	0.621	OP4	0.802
TL		ENG5	0.643	SAT	
Item	Factor Loading	TMTH		Item	Factor Loading
TL1	0.764	Item	Factor Loading	SAT1	0.622
TL2	0.734	TMTH1	0.940	SAT2	0.514
TL3	0.754	TMTH2	0.933	SAT3	0.735
TL4	0.715	TMTH3	0.932	SAT4	0.761
TL5	0.546	TMTH4	0.922	SAT5	0.762
TL6	0.477	MAI		SAT6	0.748
TL7	0.643	Item	Factor Loading	SAT7	0.062
TL8	0.570	MAI1	0.688	SAT8	0.633
TL9	0.392	MAI2	0.724		
		MAI3	0.694		

Table 6.9 EFA for All Items

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
TL3	0.779							
TL1	0.777							
TL2	0.771							
TL4	0.702							
SAT4		0.739						
SAT5		0.735						
SAT3		0.730						
SAT2		0.718						
OP3			0.760					
OP4			0.708					
OP1			0.669					
OP2			0.663					
FP1					0.801			
FP3					0.736			
FP4					0.681			
FP2					0.548			
MAI3						0.784		
MAI2						0.741		
MAI1						0.698		
ENG1							0.753	
ENG3							0.727	
ENG2							0.713	
TMTH2								0.854
TMTH1								0.853
TMTH4								0.574

6.4 CFA

Initially, the CFA factor loadings of indicators with corresponding latent variables were between 0.668 and 0.880, and above 0.50, whose t-values ranged between 9.741 and 11.354 and thus exceeded the threshold value of 2.0. In addition, composite reliability and AVE were both above 0.802 and 0.505 respectively. Moreover, Table 6.11 demonstrates that the model fit indices of the measurement model suggested good

model fit: Root mean square error of approximation (RMSEA)=0.037, non-normed fit index (NNFI)=0.953, comparative fit index (CFI)=0.962 and normed $\chi^2=1.306$. Thus, the convergent validity of indicators for measuring proposed factors was acceptable (O’Leary-Kelly and Vokuraka, 1998, Flynn et al., 2010).

Table 6.10 Discriminant Validity Test

	OverallPER	Satisfaction	Leadership	Integration	Financial	Engage	Heterogeneity
OverallPER	0.715						
Satisfaction	0.619***	0.722					
Leadership	0.428***	0.235**	0.718				
Integration	0.575***	0.607***	0.379***	0.744			
Financial	0.573***	0.326***	0.486***	0.418***	0.725		
Engage	0.590***	0.589***	0.424***	0.637***	0.400***	0.711	
Heterogeneity	0.287***	0.145†	0.218**	0.177*	0.232**	0.182*	0.680

The analysis supported discriminant validity as well because all of inter-correlation values were smaller than 0.70 (Mackenzie et al., 2005). The square root of AVE was compared with inter-correlation to assess discriminant validity (Hair et al., 2009; Lawson et al., 2008; Swink and Nair, 2007; Tse et al., 2016; Chin, 1998) whose values (boldfaced diagonal figures) all exceeded other inter-correlation values, as shown in Table 6.10. This result provided good evidence of meeting the criteria for discriminant validity.

Table 6.11 Summary of Model Fit for CFA and SEM Models

Model	χ^2 (df)	RMSEA	NNFI	NFI	CFI	IFI	Normed χ^2
CFA Model	273.041 (209)	0.037	0.953	0.858	0.962	0.963	1.306
SEM Model	438.181 (242)	0.060	0.857	0.762	0.875	0.878	1.811

Table 6.12 Assessment of Convergent Validity

	Standardised Factor Loading (Error)	t-value	SE	Composite Reliability	AVE	Mean
Subjective Success				0.807	0.511	5.614
OP1	0.671	-	-			
OP2	0.757	10.704	0.110			
OP3	0.705	10.138	0.106			
OP4	0.725	10.371	0.104			
Staff Satisfaction				0.765	0.521	5.381
SAT3	0.682	10.122	0.092			
SAT4	0.729	10.610	0.102			
SAT5	0.753	-	-			
Objective Success				0.768	0.525	5.680
FP1	0.766	-	-			
FP3	0.721	10.332	0.109			
FP4	0.685	9.998	0.096			
Transformational Leadership				0.809	0.515	5.896
TL1	0.738	-	-			
TL2	0.704	10.634	0.096			
TL3	0.739	11.059	0.091			
TL4	0.689	10.444	0.089			
Staff Engagement				0.752	0.506	5.372
ENG1	0.629	-	-			
ENG2	0.814	9.741	0.153			
ENG3	0.677	8.975	0.127			
TMT Heterogeneity				0.700	0.462	5.504
TMTH1	0.691	-	-			
TMTH2	0.880	6.574	0.201			
TMTH4	0.368	5.565	0.086			
Integration				0.788	0.554	5.454
DINH1	0.736	-	-			
DINM2	0.775	11.354	0.086			
DINS3	0.721	10.813	0.079			

6.5 Assessment of Common Method Bias

Podsakoff et al. (2003) held that common method bias (CMB) is probably a potential problem of this research due to the use of seven-point Likert scale and single informants of organisations, which has two characteristics:

'1. Only a factor emerges from factor analysis and 2. One general factor explains most of the covariance among measures' (Podsakoff et al., 2003, p.889).

Two statistical tests were performed to check this problem. Firstly, Harman's single-factor test revealed that the first factor of all eight extracted factors with an eigenvalue of more than one explained only 25.436% of the total variance. As this was not most of the total explained variance of 62.557%, it can be claimed that CMB is not a concern in this study. An additional CFA was applied to further perform Harman's single-factor test. The model fit indices of the single-factor model ($X^2/df = 4.855$, NNFI = 0.577, CFI = 0.615, and RMSEA = 0.115) were below recommended values and unacceptable, indicating that CMB does not threaten this research.

6.6 Structural Model

The theoretical model was tested by adopting the technique of moderated SEM (MSEM) which is more suitable than moderated regression analysis because of all latent variables in this study and beneficial to addressing its limitations like the loss of statistical power with the decrease of reliability (Aiken and West, 1991) and estimated coefficient bias (Ping, 1995). Based on the findings of Cortina et al. (2001) and Conway et al. (2016), the moderated structural model can be composed through a three-step

procedure. At first, all the question items of M&A integration (S_{xn} , $n = [1, 3]$), transformational leadership and TMT heterogeneity were standardised (S_{zm} , $m = [1, 4]$), followed by the following calculation of the interaction:

Next, it was necessary to fix path coefficient (λ_{xz}), random measurement error (θ_{xz}) for interaction term xz and other measurement properties in the structural model as below:

$$\lambda_{xz} = \sum_1^3 \lambda_{xn} * \sum_1^4 \lambda_{zm}$$

where λ_{xn} and λ_{zm} represent the path coefficient from the construct (namely social control) to its items S_{xn} , $n = [1,3]$ and from latent construct formal control to its indicators S_{zm} , $n = [1,4]$ respectively.

Then, the random measurement error of interaction term xz was calculated as follows:

$$\theta_{xz} = (\sum_1^3 \lambda_{xn})^2 * Var(x) * \sum_1^4 \theta_{zm} + (\sum_1^4 \lambda_{zm})^2 * Var(z) * \sum_1^3 \theta_{xn} + \sum_1^3 \lambda_{xn} * \sum_1^4 \lambda_{zm}$$

where θ_{xn} and θ_{zm} refer to the random measurement errors of indicators S_{xn} and S_{zm} respectively.

Goodness-of-fit statistics demonstrate a good model fit for the structural model. To be specific, model fit indices, including NNFI, IFI and CFI which are 0.857, 0.878 and 0.875 respectively, exceed the threshold of a rational fit of 0.80 (Cao and Zhang, 2011). RMSEA is smaller than the acceptable maximum level of 0.08 (namely 0.06), while standardised root mean square residual (SRMR) that is 0.062 is also less than the

acceptable level of 0.10 (Browne and Cudeck, 2003). In spite of being slightly above the rule of thumb of both (Kline, 2011), the normed χ^2 of 1.811 is smaller than the acceptable level of 5 (Schumacker and Lomax, 2004). To sum up, the model fit of the structural model is good for the data.

6.7 Structure Model Results

Table 6.13 presents hypothesis testing results. H1a that transformational leadership is significantly positively associated with the degree of M&A integration ($\beta=0.326$; $t=3.786$; $p<0.001$) is supported. In H1b, it is predicted that transformational leadership positively influences the speed of M&A integration, which is in line with the result ($\beta=0.130$; $t=1.703$; $p=0.089<0.01$). Therefore, H1b is supported as well. H2a is that TMT heterogeneity has a positive impact on the degree of integration. The impact is significant ($\beta=0.155$; $t=1.928$; $p=0.054<0.1$), thereby supporting H2a. Given the insignificantly positive impact of TMT heterogeneity on the speed of integration ($\beta=0.016$; $t=0.209$; $p=0.835>0.05$), H2b is not supported. Then, H3a to H3d consider whether the degree of integration is positively associated with staff satisfaction and engagement, TMT turnover and M&A success. The results are all significant, with the empirical results supporting H3a ($\beta=0.713$; $t=7.513$; $p<0.001$), H3b ($\beta=0.689$; $t=6.193$; $p<0.001$), H3c ($\beta=-0.259$; $t=-3.712$; $p<0.001$) and H3d ($\beta=0.641$; $t=6.377$; $p<0.001$). Interestingly, H4a to H4d are all rejected, with the empirical results failing to support H4a ($\beta=-0.078$; $t=-1.222$; $p=0.222>0.05$), H4b ($\beta=0.012$; $t=0.179$; $p=0.858>0.05$), H4c ($\beta=-0.101$; $t=-1.628$; $p=0.103>0.05$) and H4d ($\beta=0.090$; $t=1.451$; $p=0.147>0.05$) that

the speed of integration is positively associated with staff satisfaction and engagement as well as M&A success but negatively associated with TMT turnover.

The effect of interaction terms H5b ($\beta=-0.159$; $t=-2.392$; $p=0.017<0.05$) and H5d ($\beta=-0.198$; $t=-3.077$; $p=0.002<0.05$) in the moderated structural model is positive, thereby supporting H5b and H5d. With a higher level of transformational leadership, the degree of integration has a stronger impact on staff engagement and M&A success. In other words, transformational leadership strengthens the effect of high degree of integration on staff engagement and M&A success. However, H5a and H5c about the moderating effect of transformational leadership on the degree of integration, staff satisfaction and TMT turnover are not supported, namely H5a ($\beta=-0.073$; $t=-1.154$; $p=0.248>0.05$) and H5c ($\beta=-0.091$; $t=-1.461$; $p=0.144>0.05$). Transformational leadership weakens the impact of degree of integration on staff satisfaction and TMT turnover. Interestingly, H5e and H5f proposes that the transformational leadership negatively moderates the effect of speed of integration on staff satisfaction ($\beta=-0.020$; $t=-0.322$; $p=0.747>0.05$) and engagement ($\beta=0.029$; $t=0.324$; $p=0.746>0.05$). Transformational leadership weakens the impact of speed of integration on staff satisfaction and engagement. This research confirms H5g ($\beta=-0.229$; $t=-3.675$; $p<0.001$) and H5h ($\beta=0.216$; $t=3.331$; $p<0.001$) proposing that transformational leadership strengthens the effect of speed of integration on TMT turnover and M&A success. It's worth noting that both of them are significant.

TMT heterogeneity serves as a moderator factor for the effect of degree of

integration on staff satisfaction (H6a) and engagement (H6b), TMT turnover (H6c) and M&A success (H6d). As expected, H6a and H6d are both supported. That is to say, the impact of degree of integration on staff satisfaction ($\beta = 0.151$; $t=2.361$; $p=0.018<0.05$) and M&A success ($\beta=0.156$; $t=2.457$; $p=0.013<0.05$) is enhanced under the moderation of TMT heterogeneity. However, TMT heterogeneity negatively moderates the impact of degree of integration on staff engagement and TMT turnover, thereby rejecting H6b ($\beta=0.031$; $t=0.480$; $p=0.631>0.05$) and H6c ($\beta=-0.066$; $t=1.064$; $p=0.287>0.05$). At last, the empirical results reject H6e ($\beta=0.019$; $t=0.296$; $p=0.767>0.05$), H6f ($\beta =0.029$; $t=0.458$; $p=0.647>0.05$) and H6h ($\beta=0.084$; $t=1.352$; $p=0.176>0.05$). That is, TMT heterogeneity negatively moderates the impact of speed of integration on staff satisfaction (H6e) and engagement (H6f) as well as M&A success (H6h). The only significant moderating effect of TMT heterogeneity on the speed of integration is TMT turnover, namely H6g ($\beta=0.102$; $t=1.644$; $p=0.100$). That is to say, TMT heterogeneity positively moderates the impact of speed of integration on TMT turnover.

Table 6.13 Structural Model Results of Local Enterprises

Hypothesised Relationship	Standardised Path Coefficient (p -value)	t-value	Supported or unsupported
H1a: Transformational Leadership-> Degree of Integration (+)	0.326 ($p<0.001$)	3.786	Supported
H1b: Transformational Leadership -> Speed of Integration (+)	0.130 ($p=0.089<0.1$)	1.703	Supported
H2a: TMT heterogeneity -> Degree of Integration (+)	0.155 ($p=0.054<0.1$)	1.928	Supported
H2b: TMT heterogeneity -> Speed of Integration (-)	0.016 ($p=0.835>0.05$)	0.209	Unsupported
H3a: Degree of Integration -> Staff Satisfaction (+)	0.713 ($p<0.001$)	7.513	Supported
H3b: Degree of Integration -> Staff Engagement (+)	0.689 ($p<0.001$)	6.193	Supported

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Hypothesised Relationship	Standardised Path Coefficient (<i>p</i> -value)	t-value	Supported or unsupported
H3c: Degree of Integration -> TMT Turnover (+)	-0.259 (<i>p</i> <0.001)	-3.712	Supported
H3d: Degree of Integration -> M&A Success (+)	0.641 (<i>p</i> <0.001)	6.377	Supported
H4a: Speed of Integration -> Staff Satisfaction (+)	-0.078 (<i>p</i> =0.222>0.05)	-1.222	Unsupported
H4b: Speed of Integration -> Staff Engagement (+)	0.012 (<i>p</i> =0.858>0.05)	0.179	Unsupported
H4c: Speed of Integration -> TMT Turnover (-)	-0.101 (<i>p</i> =0.103>0.05)	-1.628	Unsupported
H4d: Speed of Integration -> M&A Success (+)	0.090 (<i>p</i> =0.147>0.05)	1.451	Unsupported
H5a: Transformational Leadership x Degree of Integration -> Staff Satisfaction (+)	-0.073 (<i>p</i> =0.248>0.05)	-1.154	Unsupported
H5b: Transformational Leadership x Degree of Integration -> Staff Engagement (+)	-0.159 (<i>p</i> =0.017<0.05)	-2.392	Supported
H5c: Transformational Leadership x Degree of Integration -> TMT Turnover (+)	-0.091 (<i>p</i> =0.144>0.05)	-1.461	Unsupported
H5d: Transformational Leadership x Degree of Integration -> M&A Success (+)	-0.198 (<i>p</i> =0.002<0.05)	-3.077	Supported
H5e: Transformational Leadership x Speed of Integration -> Staff Satisfaction (+)	-0.020 (<i>p</i> =0.747>0.05)	-0.322	Unsupported
H5f: Transformational Leadership x Speed of Integration -> Staff Engagement (+)	0.029 (<i>p</i> =0.746>0.05)	0.324	Unsupported
H5g: Transformational Leadership x Speed of Integration -> TMT Turnover (-)	-0.229 (<i>p</i> <0.001)	-3.675	Supported
H5h: Transformational Leadership x Speed of integration-> M&A Success (+)	0.216 (<i>p</i> <0.001)	3.331	Supported
H6a: TMT heterogeneity x Degree of Integration -> Staff Satisfaction (+)	0.151 (<i>p</i> =0.018<0.05)	2.361	Supported
H6b: TMT heterogeneity x Degree of Integration -> Staff Engagement (+)	0.031 (<i>p</i> =0.631>0.05)	0.480	Unsupported
H6c: TMT heterogeneity x Degree of Integration -> TMT Turnover (+)	-0.066 (<i>p</i> =0.287>0.05)	-1.064	Unsupported
H6d: TMT heterogeneity x Degree of Integration -> M&A Success (+)	0.156 (<i>p</i> =0.013<0.05)	2.475	Supported
H6e: TMT heterogeneity x Speed of Integration -> Staff Satisfaction (+)	0.019 (<i>p</i> =0.767>0.05)	0.296	Unsupported
H6f: TMT heterogeneity x Speed of Integration -> Staff Engagement (+)	0.029 (<i>p</i> =0.647>0.05)	0.458	Unsupported
H6g: TMT heterogeneity x Speed of Integration -> TMT turnover (+)	0.102 (<i>p</i> =0.100)	1.644	Supported
H6h: TMT Heterogeneity x Speed of Integration -> M&A Success (+)	0.084 (<i>p</i> =0.176>0.05)	1.352	Unsupported

6.8 Chapter Conclusion

This section can come to several conclusions. To be specific, different sections test and report measurement validation processes and measurement models in EFA and CFA. Among 37 initial scale items, SAT6 indicated the negative correlations between items and was removed in early analysis from all further analyses. In the second step of EFA, ENG4, TL5, TL6, TL7, TL8, TL9 and TMTH3 were eliminated due to the problem of low factor loadings. ENG5, SAT1, SAT7 and SAT8 were removed because of the significant cross-loading problem. CFA went through a stepwise process in which items contributing most to the lack of fit were eliminated (Finn and Kayande, 2004). At last, tests were performed on measurement models for all constructs and the overall measurement model to achieve a satisfactory level of fit to models. Further, SEM was applied to test the reports about the results of the modified proposed model with various path relationships. After the testing of all hypotheses, it was found that 14 out of 28 hypotheses in the proposed model were significant. The findings are then discussed in chapter 7.

Chapter 7. Discussion

7.1 Introduction

In this research, a theoretical model was proposed in Chapter 3 Hypothesis Development based on the literature on leadership and M&As (Bauer and Matzler, 2014; Vasilaki, 2011a). Results of the structural model support most relationships which are hypothesised in the chapter Theoretical Framework. This section discusses the results of each hypothesised relationship. Half of hypotheses are supported by the results obtained from Chapter 5 Data Analysis. In this section, existing research is compared to discuss the significant results of the overall theoretical model, namely the direct relationship H1-H4 and moderate relationship H5-H6.

7.2 Transformational Leadership as the Antecedent of M&A Integration (Hypothesis 1)

Due to the characteristics of idealised influence, inspirational motivation, intellectual stimulation as well as individualised consideration (Ghadi et al., 2013), transformational leadership is treated as an important factor for the smooth process of M&A integration (Elenkov et al., 2005). First, transformational leadership is empirically proven as a significant antecedent of the degree of M&A integration (H1a). By provoking the citizenship of employees, enterprise culture and vision (Thomson et al., 2016), it is hypothesised that transformational leadership has a positive relationship with M&A integration, which is supported in this research by obtaining a statistically significant result. The empirical findings support the argument of Waldman and Javidan

(2009) that an appropriate leadership style will be a critical factor determining the performance of M&A integration. According to Nemanich and Keller (2007) and Hodges (2008), transformational leaders with individualised consideration will make employees feel valuable and respect their understanding and resolution of uncertain personal demands in the context of M&As. This is especially for targeted firms in a relatively weak position before M&As where transformational leaders can calm employees in the uncertain environment, thereby prompting the high degree of integration. Meanwhile, effective integration management requires leader behaviour. That is, leaders should pay attention to the needs of followers, act as mentors and draw their attention (Bass et al., 2003) to guide these knowledge assets so as to achieve desired integration results (Nemanich and Keller, 2007). Such characteristics are what transformational leaders possess. Higher degree of integration will lead to more interruptions in the resources and routine affairs of target companies. In this case, transformational leaders clarify visions, develop clear goals and guidelines as well as authorise employees to achieve desired benefits (Thomson et al., 2016). Besides, the results highlighted the need for leaders who can effectively manage the process of integration and minimise conflicts which are potential or may occur during integration (Morosini et al., 1998).

As transformational leadership also has a significant impact on the speed of M&A integration, the hypothesis (H1b) that transformational leader can be helpful in speeding up the process of M&A integration is supported by the structural model. The results

reported here support the research of Schweizer and Patzelt (2012) who found that the effective leadership of acquired companies can accelerate the process of post-acquisition integration by solving at least some of these issues. Furthermore, intellectual stimulation has a greater possibility of occurring when a company is in a crisis or operates in a turbulent and unstable environment (Shamir and Howell, 1999). Intellectual stimulation in the process of integration can improve the knowledge, intelligence and learning ability of employees, enabling them to adapt to changes in the process of M&As and find innovative solutions (Nemanich and Keller, 2007). Transformational leadership is needed when performance has an unclear relationship with goal achievement (Jacobsen and House, 2001). For example, leader behaviour is critical to figuring out the direction of the required changes to be implemented in the M&A environment (Nemanich and Keller, 2007). A clear trend of change helps employees to work more efficiently, thereby increasing the speed of integration. Moreover, charismatic leaders are capable of conveying a clear and joint mission, creating a sense of belonging to organisations, and instilling goals into organisation members (Avolio and Bass, 2004), thereby reducing ambiguity in the process of integration and speeding up M&A integration.

7.3 TMT Heterogeneity as the Antecedent of M&A Integration (Hypothesis 2)

According to UET, the characteristics of TMTs will affect the attitudes and behaviours associated with the teamwork of executives (Hambrick and Mason, 1984).

Due to the strategic roles of TMTs in directing companies, TMT heterogeneity reflecting the diversity in the demographics, function and background of TMTs (Murray, 1989; Simons et al., 1999; Alexiev and Jansen, 2010) was proposed as a key driving factor of the M&A process regarding the degree of integration. Compared with a TMT characterised as homogeneous background, a heterogeneous TMT group is believed to show better performance in processing complex, uncertain and unconventional tasks (Watson et al., 1993) and making strategic responses quickly (Hambrick et al., 1996). Most importantly, TMT heterogeneity is traditionally regarded as an indispensable factor affecting the success of M&As (Nadolska and Barkema, 2014).

Consistent with expectation equilibrium, the results related to TMT heterogeneity support H2a. The empirical findings reveal that TMT heterogeneity is significantly associated with the degree of M&A integration. The results validate the finding from Bergh (2001) that target TMT members provide incredible resources for acquired companies and play a critical role in the phase of integration because of being able to increase value creation (Graebner, 2004). For instance, M&A integration revolves around countless main decision-making milestones which must be achieved and executed from the start to the end of integration (Gomes et al., 2013). Such decision-making milestones related to M&A integration include transferring capabilities, eliminating redundant resources and exploiting synergies (Birkinshaw et al., 2000; Weber et al., 2009, 2011). It is necessary for these decisions to concentrate cognition, experience, capabilities and knowledge resources into a functional department. Making

a decision requires cognition, experience, different TMT and processing capabilities. As suggested by Alexieve and Jansen (2010), TMT heterogeneity will affect the cognitive and information processing capabilities of TMTs. In other words, TMT capabilities built upon the diverse knowledge bases of executives will help to make quality and comprehensive decisions (Acquah, 2019), leading to the high degree of M&A integration.

Besides, diverse TMTs are unlikely to draw wrong conclusions from past M&A experiences if TMT members have involved in M&As before (Haleblian and Finkelstein, 1999). Therefore, TMT heterogeneity provides organisational routines and expertise, enabling TMT members to make faster decisions and reach consensus. In this case, the more successful the TMT heterogeneity is (Nadolska and Barkema, 2014), the higher the degree of M&A integration will be.

In the case of hypothesis 2b, the result fails to support the hypothesis that TMT heterogeneity can speed up the integration of M&As.

7.4 Role of M&A Integration in Post-M&A HR Performance (Hypotheses 3 & 4)

An investigation is conducted on four different outcomes of M&A performance receiving less attention from literature. The financial outcome has been widely regarded as a dominant proxy for M&A success. To address the research gap in other neglected performance outcomes, a survey was made on staff satisfaction (Vroom, 1964) and engagement (Arrowsmith and Parker, 2013) associated with the overall wellbeing of

employees directly linked to the efficiency in dealing with organisational routines. In addition, it was observed that TMT turnover characterised by the stability of organisational governance determines the quality and efficiency of critical corporate decision-making. M&A success defines the overall financial reward of a company obtained from the process of an M&A.

H3a which proposes that degree of integration is positively associated with staff satisfaction is supported. The empirical result is in line with the finding of Haspeslagh and Jemison (1991) that lower degree of integration will lead to staff's lack of clear purposes, which will cause staff to decrease satisfaction with job and opportunities for learning and development. Post-M&A is an uncertain and confusing stage. The highest degree of integration is the widespread sharing of all types of resources (Pablo, 1994). Many staff working in the acquired firm has no idea of what to do and how to deal with work correctly. Therefore, this kind of maximum resource sharing allows employees to have clear goals and feel trusted and recognised. The sense of identity contributes to staff satisfaction (Armstrong, 2006).

Concerning H3b, the result shows that the degree of staff engagement will be higher when the degree of M&A integration is higher. The high degree of M&A integration suggests that a low level of cultural conflicts will occur in the post-M&A stage (Pablo, 1994). Fewer cultural conflicts mean that acquired staffs feel more involved in the new organisation. Under this kind of joint participation, employees will influence each other to establish organisational-level identity and involvement (Bakker

et al., 2016; Barrick et al., 2015). Therefore, individual staff engagement is reflected by shared organisational staff engagement. Besides, successful integration signals the performance of a strong and healthy company that can create the perception of confidence for its staff. A pleasant and harmonious working atmosphere after M&As can help employees to work closely (Jedin and Saad, 2016), thereby promoting staff engagement. Additionally, Junni et al. (2015) considered that new staff is provided with training to confront culture clashes in newly combined firms in the process of M&A integration, which thus promotes staff engagement.

The result acquired from the structural model supports the hypothesis that the inability to raise degree of integration increases high TMT turnover (H3c). High degree of integration will bring more changes and coordination costs (Pablo, 1994; Slangen, 2006; Teerikangas and Very, 2006). TMT members decide to leave the new company because of losing their power more or less in the target company and feeling unimportant or having no sense of accomplishment. In addition, high M&A degree of integration requires the reorganisation of a new TMT. The rate of turnover will be high if the TMT functional background of the target company overlaps with the TMT of the acquiring one, which is consistent with the argument of Krug et al. (2014) that a merged TMT will create synergy by eliminating redundant administrative positions when possessing a similar operating background.

H3d which proposes that degree of integration is positively correlated with M&A success is supported by the main findings. This result is empirically proven with strong

data basis by the research of Bauer and Matzler (2014) which proposed that degree of integration is positively related to M&A success, and argued that a higher degree of M&A integration is beneficial to the resource optimisation and operation enhancement of a company, adding more value to newly merged companies and thus facilitating M&A success. Furthermore, a higher degree of M&A integration reduces the relevant costs in the merger of two organisations with respect to objective M&A success, which leads to a more successful financial outcome.

However, the result fails to fully support proposed associations. With regard to hypothesis 4, it is interesting to see that the speed of integration is not statistically related to all dependent variables.

7.5 Moderating Role of Transformational Leadership (Hypothesis 5)

Transformational leadership can not only be considered as the antecedent of M&A integration but also act as the moderator factor for the impact of M&A integration on M&A performance. Transformational leaders have produced different thinking ways, sought new problem solutions and adopted a productive exploratory thinking process (Sosik et al., 1998). The results indicate that transformational leadership significantly enhances the impact of degree of integration on staff engagement (H5b) and M&A success (H5d), and greatly moderates the impact of speed of integration on TMT turnover (H5g) and M&A (H5h).

The findings of H5b testing indicate that transformational leadership strengthens the impact of degree of integration on staff engagement, which is consistent with the

proposition of Vasilaki (2016) that transformational leaders can moderate HRM practices in appropriate M&As, thereby leading to positive staff behaviour and identity in newly formed organisations. It is more possible that transformational leadership will emerge in a turbulent situation focusing on shared values (Nemanich and Vera, 2009; Waldman and Javidan, 2009). Based on a high degree of M&A integration positively affecting employee engagement, the emergence of transformational leadership establishes trust and openness among employees. Post-acquisition integration is simplified through the positive impact of employee performance and creative thinking on the acceptance of acquisitions (Nemanich and Keller, 2007), enhancing employee participation. Proposed argument points are threefold. Transformational leadership can be a catalyst for improving staff motivation although high integration offers a good foundation to motivate staff to engage in the activities assigned by new organisations (Densten, 2008). Moreover, transformational leaders also find it easier to facilitate the coordination process, like organising training workshops (Buono, 2003), '*introspection and extensive dialogues*' (Schweiger and Goulet, 2005) and '*deep learning interventions*' (Marks and Mirvis, 2011) thanks to the highly integrated process. Leader plays a key role in the creation of order and continuity (Densten, 2008). If not trained to adapt to a newly built entity, employees will be negligent in expressing their views, suggestions and feelings about the challenges which may be brought by post-acquisition integration, and probably have no higher willingness to participate more. Transformational leaders face the current reality using learning, imagination, expertise,

intellectual capital and thinking skills, encourage a good network of communication and the spirit of trust, enable employees to share and spread knowledge, and inspire them to strive towards specific goals and visions (Vasilaki, 2016). These leadership attributes are critical to strengthening staff engagement when departments, employees, processes and practices are highly integrated.

H5h hypothesises that transformational leadership and degree of integration are positively correlated with M&A success. The results reveal that the effect of interaction is significant. The positive impact of transformational leadership has been widely discussed in literature. High degree of integration may result in relatively high coordination cost (Slangen, 2006), while transformational leadership reduces the cost associated with the coordination activities of companies, which thus further enhances M&A success. It might pose a big challenge to the implementation of a higher degree of integration, which may more or less trigger the resistant feelings of employees. Appelbaum et al. (2017) suggested that resistant feelings are negative for M&A success. One trait of transformational leaders is to focus on the emotions of their followers (Teymournejad and Elghaei, 2017), which can reduce the resistance feelings of employees and thus promote M&A success. In addition, the workload of employees will increase during the period of M&A integration. The satisfaction of employees affects their ability to handle work successfully (McCune, 1999). Therefore, the satisfaction of employees determines their positive performance under the high degree of M&A integration. Li and Yuan (2017) pointed out that transformational leadership

improves staff career satisfaction. Employees get idealised influence, inspirational motivation, intellectual stimulation and individualised consideration (Avolio and Bass, 2004) from transformational leaders. Proactive employees are motivated to innovate, express their opinions boldly and receive enough guidance to adapt to the work environment and management work after M&A integration, which will better improve career satisfaction and therefore induce more M&A success.

H5g hypothesises that transformational leadership can weaken the relationship between speed of integration and TMT turnover, while H5h proposes that transformational leadership can strengthen the association between speed of integration and M&A success. Hypothesised relationships are both significant and consistent with the propositions of this research.

Firstly, H5g is supported because transformational leadership is found to significantly negatively moderate the impact of speed of integration on TMT turnover, which reflects that transformational leaders can further reduce TMT turnover in the process of high integration and shows consistency with the previous research finding that functional-level leadership can resolve (some of) the problems related to fast post-acquisition integration through supporting the employees of M&A integration (Waldman, 2004).

A possible explanation is that rapid integration can reduce uncertainty and increase the desire of employees to stay in newly established companies in some contexts, thereby reducing their turnover intentions (Schweizer and Patzelt, 2012). For example,

Cisco tried to ensure that the TMT members of the target firm are provided with key positions in the new company to retain them as early as possible (Goldblatt, 1999). However, According to Pravichai and Ariyabuddhiphongs (2018), transformational leadership has a directly negative impact on turnover intention, whose potential moderating role can be highlighted due to the addition of these two same direction effects.

Furthermore, Ranft and Lord (2002) claimed that it is often challenging to build trust in the new organisation and TMT when the speed of integration is high. However, transformational leadership reduces the turnover intentions of employees through their trust in leaders (Tremblay 2010; Pravichai and Ariyabuddhiphongs, 2018). Transformational leaders motivate TMTs to think and act conventionally (Bass, 1985) instead of directly bringing benefits to their exploitative and exploratory units. That is to say, transformational leadership may weaken the effect of speed of integration on TMT turnover through facilitating the development of trust in new organisations.

Secondly, H5h hypothesises that transformational leadership positively moderates the relationship between integration and M&A success. The results reveal that the effect of interaction is significant.

By addressing at least some of these issues, leading acquired companies effectively can accelerate the process of post-acquisition integration (Schweizer and Patzelt, 2012). Waldman (2004) proposed that leadership provides support for the ultimate success of M&As because value is created after mergers (Haspeslagh and

Jemison, 1991). Additionally, other authors assert that leadership plays an essential role in determining whether acquisitions can succeed or fail (Sitkin and Pablo, 2004; Stahl, 2004), which is proven by the empirical results of this study.

Thirdly, transformational leadership increases employee retention, which is a benefit for speed of integration and M&A success. Zhang et al. (2014) claimed that transformational leadership has a directly positive impact on employee retention based on a study on Chinese M&As. Because of improving employee retention, transformation leadership decreases the time spent in handling new recruitments and resignation disputes, thereby speeding up the process of integration. The quick completion of the integration process is helpful for M&A success. Schweizer and Patzelt (2012) argued that the high speed of integration improves employee retention, which is strengthened by an effective leadership style. Extending the finding of Schweizer and Patzelt (2012), it was found that transformational leadership is an effective leadership style, which strengthens rather than weakens the effect of speed of integration.

Furthermore, it is difficult for employees to adapt to new organisational culture in the process of fast integration (Bragado, 1992; Ranft and Lord, 2002). When spending inadequate time in determining and adjusting to new cultural norms, employees will find the prevalence of belief systems and assumptions differing from their own ones in their environment (Nahavandi and Malekzadeh, 1988; Stahl and Voigt, 2008), question their beliefs and assumptions, and are not sure whether these beliefs and assumptions

are correct and appropriate. The idealised influence construct of transformational leaders includes showing and demonstrating role models to employees to increase their attention to daily work and surpass their own interests (Bass and Riggio, 2006). In addition, transformational leaders express complicated and contradictory challenges as achievable goals and rewards through inspiring motivations (Jansen et al., 2009), promoting M&A success.

In this research, it is expected that transformational leaders more positively moderate the impact of M&A integration on M&A outcome. Interestingly, however, this study shows that the rest moderating effect of transformational leadership is not supported and significant.

7.6 Moderating Role of TMT Heterogeneity (Hypothesis 6)

Regarding the second mediating factor-TMT heterogeneity-it is arguable that TMT heterogeneity also shapes the impact of M&A integration factors on M&A performance. TMT heterogeneity improves the capabilities of solving problems and making judgements and decisions through the team-level processing of special information related to work, team reflexivity as well as health conflicts associated with tasks (Hinsz et al., 1997; Van Knippenberg and Schippers, 2007; Van Knippenberg et al., 2004). The results provide strong support for the hypothesis that TMT heterogeneity significantly enhances the impact of degree of integration on staff satisfaction (H6a) and M&A success (H6d), and greatly moderates the impact of speed of integration on TMT turnover (H6g).

It was found that TMT heterogeneity significantly positively moderates the influence of degree of integration on staff satisfaction, which supports H6a. This analysis provides support for the view that more TMT diversity is likely to create a more open and participatory organisational atmosphere, improve communication, produce symbolic consequences and attract employees at a lower level (Cho and Ringquist, 2011; Naranjo-Gil et al., 2008; Raes et al., 2013), suggesting that the mediating effect of TMT heterogeneity significantly strengthens the relationship between high integration and staff satisfaction. According to Naranjo-Gil et al. (2008), most of organisational participants may approve of TMT heterogeneity and accept the strategies and action plans of TMTs. *'When perceiving that their well-being is concerned by an organisation through emphasising ethics, fairness, diversity, trust, etc., workers are more amenable to the efforts of the management to concentrate on strategic the outcomes of value to the organisation'*. TMT heterogeneity communication and symbolic consequences may cause employees to better assess TMT credibility (Kim et al., 2009; Mayer and Gavin, 2005), promoting the energy production environment of organisations (Raes et al., 2013). In the process of high integration, lower-level employees have seen an increase in their awareness of trust, fairness and diversity, which eventually leads to more excellent responsiveness and participation (Schneider et al., 2013), followed by the enhancement of staff satisfaction.

Concerning H6d, it hypothesises that TMT heterogeneity positively moderates the impact of degree of integration on M&A success, which is supported by the results of

data analysis, and can be explained by several reasons.

First, TMT heterogeneity increases the information exchange within organisations, which is a benefit for the degree of integration and M&A success. Vegt van der and Bunderson (2003) deemed that the heterogeneity of TMTs can enhance the interaction between employees and others in a highly integrated process, promote learning through exposure to new paradigms and perspectives, and achieve cross application of ideas, which may contribute to detecting errors (Davis, 1969), facilitating information processing (Phillips et al., 2004), stimulating groups to solve problems (Tjosvold and Poon, 1998) and improving their efficiency (Gruenfeld et al., 1996). TMT members can promote work coordination and improve the use of professional information by virtue of their role and professional field because of knowing where such information is within the group (Liang et al., 1995; Wittenbaum and Stasser, 1996). Different viewpoints in a working group promote team-based learning (van Knippenberg et al., 2004). TMT heterogeneity enables team members to learn and interact with information, and encourages them to combine knowledge with experience (Crossan et al., 1999), thereby improving the success of M&As.

Besides, TMT educational heterogeneity means that the skills, perspectives and methods of investing and evaluating investments are different as well (Barkema and Shvyrkov, 2007; Hambrick et al., 1996; Wiersema and Bantel, 1992). That is, TMT members from diverse educational backgrounds will have different evaluations of a potential investment due to the impact of education on personal cognition (Hambrick

et al., 1996; Wiersema and Bantel, 1992). For example, engineers may pay attention to the manufacturing issues of an M&A, people with a legal background may concentrate more on its legal issues, and managers with a Master of Business Administration (MBA) may focus more on its financial and organisational aspects (Barkema and Shvyrkov, 2007; Finkelstein and Hambrick, 1996). The heterogeneity of TMT education will lead to a diversity of ideas and opinions, which will help teams to conduct more fruitful discussions on M&A integration and make M&As more successful on the basis of high integration.

In addition, an investigation is conducted on the moderating effect of TMT heterogeneity on the relationship between the speed of integration and TMT turnover. The positive relationship is hypothesised, namely H6g. The results of the structural model suggest that TMT heterogeneity significantly positively moderates the impact of speed of integration on TMT turnover, which can be explained from two different points of view.

The implementation of fast integration can establish a social structure, help to build cohesion and increase the degree of employee attraction to each other, thereby reducing the motivation of employees to leave newly created entities (Inkpen et al., 2000; Schweizer and Patzelt, 2012). However, the diversity within TMTs leads to more discussions and more divergent perspectives on the process of M&As. Hence, it will take longer for heterogeneous teams to determine acquisitions and develop the M&A process (Hambrick and Mason, 1984; Michel and Hambrick, 1992; Wiersema and

Bantel, 1992). The longer time will improve TMT turnover rate. That is to say, TMT heterogeneity can strengthen the impact of speed of integration on TMT turnover.

However, a heterogeneous TMT with diverse education backgrounds is more likely to intensely exchange ideas throughout an acquisition (Finkelstein et al., 2009; Geletkanycz and Hambrick, 1997; Wiersema and Bantel, 1992). Team members with diverse backgrounds bring different skill and observations to the table and offer different interpretations to debate (Eisenhardt and Schoonhoven, 1990; Jehn et al., 1999). On the one hand, a TMT will better use its rich experience when being able to evoke diverse memories and experiences and tend to discuss differences (Phillips et al., 2004; Wiersema and Bantel, 1992). On the other hand, this kind of intense debate brought about by heterogeneity may lead to conflicts, which will trigger the turnover intentions of TMT members and increase turnover rate.

7.7 Chapter Conclusion

This chapter mainly discusses the validity and reliability of a conceptual model about transformational leadership, TMT heterogeneity as well as M&A integration and outcome. Based on the statistical analysis results, several implications are presented about the relationships of proposed factors in the conceptual model. First, transformational leadership is found to positively influence degree of integration and speed. However, TMT heterogeneity is only positively associated with degree of integration, and insignificantly related to speed of integration. Regarding degree of integration, it has a positive relationship with staff satisfaction and engagement, TMT

turnover and M&A success. However, the speed of integration is not statistically related to all dependent variables. Second, this research discovers that transformational leadership and degree of integration positively affect staff engagement and M&A success, and transformational leadership and speed of integration negatively influence TMT turnover but positively affect M&A success when it comes to the moderating effect of transformation leadership. Third, this research discovers that TMT heterogeneity positively moderates the impact of degree of integration on staff satisfaction and M&A success when it comes to the moderating effect of TMT heterogeneity which greatly enhances the impact of speed of integration on M&A success.

The structural model offers additional perspectives during M&As, demonstrating the relationships among transformational leadership, TMT heterogeneity and M&A integration and outcome. The theoretical model validated forms a basis for both managers and academics to understand the process of M&A integration and provides managers with the direction of identifying the divers of transformational leadership and TMT heterogeneity in M&A integration. Hence, this research can warn managers of formulating an overall management strategy to enhance M&A performance.

Chapter 8. Conclusion

8.1 Introduction

It is worth noting that successful post-merger integration is a critical indicator of success because of playing an essential role in improving the overall performance of M&As (Almor et al., 2009; Zhang et al., 2009; Sarala, 2010; Weber et al., 2009, 2011; Sarala and Vaara, 2010; Ahammad and Glaister, 2011; Lakshman, 2011; Weber et al., 2011).

This research aims to explore the organisational influence derived from transformational leadership and TMT heterogeneity peculiarities and their impact on M&A integration and post-M&A outcome in the Chinese context.

This chapter summarises and concludes research results. Firstly, research questions and purposes are re-examined. Then, the methods and research results of each chapter are summarised, followed by a discussion on the theoretical significance and management contribution of this research. Finally, the limitations of this research are admitted and recommendations are made for future studies.

8.2 Revisiting of Research Questions and Aims

A comprehensive review is made of the literature on transformational leadership, TMT Heterogeneity and M&A integration to identify three significant research gaps. Firstly, transformational leadership and TMT heterogeneity are widely believed to be of critical importance, whose mutual influence and contribution to successful M&A performance through effective M&A integration however remain to be fully

investigated. Some studies on transformational leadership and TMT heterogeneity have empirically examined the positive effect (Chipunza et al., 2011; Hinduan et al., 2009; Nemanich and Keller, 2007; Schweizer and Patzelt, 2012). However, it is still a missing piece in the literature on M&As. To fill in this research gap, the first research question is proposed, namely RQ1 - *'What is the impact of transformational leadership and TMT heterogeneity on M&A integration in China?'* The associated research aims of this research question are RA(b): *'Conducting extensive research on transformation leadership and TMT heterogeneity in the broad area of M&As'*, RA(c): *'Conducting a process of scale development process for the validation of instruments'*, RA (d) - *'Developing a theoretical framework to illustrate the causal relationship between proposed factors'* and RA (e) - *'Performing empirical tests on the relationships hypothesised in the theoretical model'*.

Secondly, empirical studies on M&As have already begun to investigate and examine the relationship between M&A integration on performance (Birkinshaw et al., 2000; Weber et al., 2009, 2011; Angwin, 2004; Bauer et al., 2018). Nevertheless, the findings of degree of integration are inconsistent and sometimes contradictory, and little research has been conducted on the association between speed of integration and M&A performance although existing literature has clarified the relationship. To narrow this research gap, the second research question is raised, namely RQ2 - *'What is the relationship between M&A integration and performance in China?'* To gain an understanding of this research question, two specific research aims are set: RA (d) -

'Developing a theoretical framework to illustrate the causal relationship between proposed factors' and RA(e) - 'Performing empirical tests on the relationships hypothesised in the theoretical model'.

Thirdly, literature covers the direct relationship between M&A integration and performance, but little is still known about potential moderating relations in the context of transformational leadership and TMT heterogeneity. In order to address this research gap, the third research question is proposed, namely RQ3 - *'How do transformational leadership and TMT heterogeneity moderate the relationship between M&A integration and performance?'* To answer this research question, two research aims need to be achieved: RA(d) - *'Illustrating the causal relationship between proposed factors through the development of a theoretical framework and RA(e) - already mentioned above'.*

8.3 Solutions to Research Questions

8.3.1 What is the impact of transformational leadership and TMT heterogeneity on M&A integration in China?

The research shows that transformational leadership may directly and positively influence on degree of integration and speed in the Chinese post-merger phase, expanding the literature on the integration of M&As in multiple ways.

First, the majority of M&As reshape organisations and profoundly affect the employees of combined organisations. Therefore, effective leadership in the process of integration plays a particularly essential role in a smooth merger environment (Junni

and Sarala, 2014). The degree and speed of integration are the core structure of the post-merger phase. Employees are in need of a leader who can effectively manage the process of integration and minimise conflicts which are potential or may occur during integration (Morosini et al., 1998). Therefore, an effective leadership style is essential for M&A integration.

Existing studies (Vasilaki, 2011a, 2011b; DeGroot et al., 2000; Jacobsen and House, 2001; Lowe et al., 1996) have confirmed that transformational leadership is significantly positively related to organisational performance under the influence of cross-border M&As. However, the research results show that transformation reduces the uncertainty and pressure of employees often appearing in the phase of post-acquisition integration (Chipunza et al., 2011; Hinduan et al., 2009; Nemanich and Keller, 2007), and promotes the high degree of M&A integration as a way of successful M&As (Schweizer and Patzelt, 2012; Hambrick, 1993; Ranft and Lord, 2000). Besides, this research highlights that transformation leadership positively affects the speed of integration. The efficiency of rapid integration will multiply when employees feel that their supervisors show a high degree of relational, background, encouraging, supportive and managerial leadership abilities (Schweizer and Patzelt, 2012).

Second, the results suggest that TMT heterogeneity is significantly positively associated with the degree of integration, but has no impact on the speed of integration. Literature highlights that TMT heterogeneity may cause negative consequences (Carmeli et al., 2009; Homberg and Bui, 2013; Milliken and Martins, 1996), but the

analysis results show that such negative influence is not confirmed in Chinese companies involved in M&As. It can be seen from the results that the cognition, symbolism and communication consequences of TMT heterogeneity positively affect the degree of M&A integration according to the theory of Milliken and Martins (1996).

8.3.2 What is the relationship between M&A integration and performance in China?

This research question aims to determine and examine how the integration of M&As affects their performance in the Chinese post-merger phase. Through the adoption of the SEM method, mixed results are obtained in this study where the hypothesis proposed is supported or rejected. The results show that degree of integration is significantly positively associated with M&A performance from the aspect of four factors (i.e., employee satisfaction and engagement, TMT turnover rate and M&A success). It is interesting to note that speed of integration is not statistically related to all four elements.

First, the empirical results about the degree of integration and staff satisfaction support those of Haspeslagh and Jemison (1991), indicating that lower degree of integration will lead to staff's lack of clear purposes and thus lower staff satisfaction, which is consistent with the finding from the empirical evidence-the higher the degree of integration is, the higher the staff satisfaction will be. Second, the empirical results support the positive impact of degree of integration on staff engagement is consistent with the research of Larsson and Finkelstein (1999) who found that high degree of

integration leads to the need for the collaboration of high-level staff. In other words, higher degree of integration results in more senior staff engagement. Third, the results provide support for the proposition of Lubatkin et al. (1999) higher degree of integration (in the process of decision-making) increases the turnover rate of acquired TMTs. Fourth, the result is empirically proved with strong data basis by the research of Bauer and Matzler (2014) which proposed that the degree of integration is positively associated with M&A success. Higher M&A degree of integration is beneficial to the resource optimisation and operation enhancement of a company, which adds more value to newly merged companies and thus facilitates M&A success. However, the speed of integration is not statistically related to all the factors of M&A performance. Speed is not a critical factor determining M&A performance but how well M&A integration is. Although literature traditionally views the speed of M&A integration as a critical factor determining M&A performance for the reason of overall process efficiency, it might not be the case when M&A performance is considered from HR perspective.

8.3.3 How do transformational leadership and TMT heterogeneity moderate the relationship between M&A integration and performance in China?

This research proposes and tests the potential role of transformational leadership and TMT heterogeneity as a moderator in the influence of M&A integration on M&A performance. To date, research on M&A has failed to integrate and theorise their possibly moderating effect on post-acquisition performance. Therefore, this research responds to the appeal to more extensive use of moderation in research on M&As (Hitt

et al., 1990; Hoskisson and Hitt, 1990; King et al., 2004). The results partly indicate and support the proposed moderating effecting of transformational leadership and TMT heterogeneity.

Firstly, the positive effect of degree of integration on staff engagement is especially enhanced when employees perceive their leaders to display the style of transformational leadership. Besides, transformational leadership significantly weakens the impact of speed of integration on TMT turnover, which can alleviate some of the problems related to quick integration (such as the lack of cultural acclimatisation, trust building and shared understanding) and reduce TMT turnover rate. Furthermore, this style of leadership can positively moderate the impact of both degree of integration and speed on M&A success, indicating that transformational leadership is important (Vasilaki et al., 2016) as a critical variable enhancing the impact of M&A integration on M&A success.

Secondly, the present research ignited by some non-significant studies is aimed at unravelling the moderating relation between M&A integration and performance through TMT heterogeneity variables. The results show the significant impact of degree of integration on staff satisfaction moderated by TMT heterogeneity variables and make useful progress in the marked consequences of TMT heterogeneity to degree of integration and M&A success. In other words, the higher the power is exerted by TMT heterogeneity, the greater impact it will have on degree of integration, resulting in staff satisfaction and M&A success. Another finding of this research is that TMT

heterogeneity will strengthen the impact of integration on TMT turnover. In the process of M&A integration, a diversity of opinions may negatively affect group cohesion (Hambrick et al., 1996) as TMTs challenge views put forth by other team members. In general, the results of this study are encouraging because of providing support for UET.

8.4 Implications

8.4.1 Summary of Theoretical Implications

With the growth of M&As in China, studies have explored the role of leadership and organisational HR factors in the integration and performance of these deals. In this study, the organisational influence derived from transformational leadership and TMT heterogeneity peculiarities and their impact on the integration of M&As and performance after M&As are explored in the Chinese context. The theoretical model was tested by using the sample data from 295 Chinese companies. Empirical tests were performed on the impact of transformational leadership and TMT heterogeneity on two M&A integration factors and the relationships between these two sets of factors and four M&A performance factors. Besides, the moderating effect of transformational leadership and TMT heterogeneity was examined on the basis of exploring this three-layer theoretical model.

This research significantly contributes to the literature on M&As, leadership and TMTs.

First of all, the findings emphasise the relevance of a comprehensive view of M&As. Clear empirical evidence shows that M&A performance is the interdependence

of a few structures determining M&A success rather than a single factor of success. In this research, four elements were captured from staff layer, management and M&A objective and subjective success layers to comprehensively evaluate the performance of M&As, which thus is consistent with other comprehensive studies (Larsson and Finkelstein, 1999). Even if this research failed to find empirical evidence on the impact of speed of integration on M&A performance, it is still believed that conceptual work on construction speed and the interdependence with other developments at different stages is necessary.

Second, leadership is placed in a post-acquisition environment, which is one of the few studies that investigate the attributes of M&A leaders and link them to the subsequent performance of M&As. As a result, this study is built on existing research through the addition of transformational leadership to the list of factors which may affect the process of M&A integration. Besides, this research makes contributions to evolving research by pointing out the importance of transformational leaders in the process of integration, and explores the impact of M&A integration on M&A performance in a dynamic environment, emphasising the necessity of including behavioural variables in the investigation of this effect. This inspires the academic debate on how important the charm of CEOs is and how relevant it is to performance. The research results are contradictory to current studies like the research of Agle et al. (2006) and Waldman et al. (2001), failing to find significant results in an unsure environment. So far, most of studies have explored organisational and static phenomena

without considering behaviours, thereby implying the necessity of conducting further relevant research. Furthermore, the findings of this research about the role played by transformational leadership in the integration of acquisitions are consistent with the approach of ‘full range of leadership’, positioning the superiority of this style to other leadership styles (Bass and Avolio, 1993). In addition, this research meets the demands of scholars who have recently called for more studies on management practices (Cummings, 2007; Van de Ven and Johnson, 2006).

Regarding the literature on TMTs, this research first provided support for UET and enriched the literature on TMT heterogeneity and M&As in emerging markets. The findings of this study help people to form a better understanding of how the heterogeneity of TMT members affects the M&A integration and performance of Chinese companies. Besides, this research is aimed at more deeply understanding the impact of TMT heterogeneity on performance and factors moderating this connection (Raes et al., 2011), which is one of the few studies focusing on TMTs as a participant in major strategic decisions (namely M&As) to explore the impact of TMT heterogeneity in M&As (Nadolska and Barkema, H., 2004; Rao-Nicholson et al., 2019). This research reveals: (1) TMT heterogeneity has no impact on the degree of M&A integration; (2) With the increase of TMT heterogeneity, the increase in employee engagement and M&A success in the case of high integration is more prominent. Meanwhile, TMT heterogeneity increases the turnover rate of TMTs in terms of rapid M&A integration, as implied by the theory of this study. It will be necessary for future

studies to explain why TMT composition may have an indirect impact on performance outcomes, which is suggested by Carpenter et al. (2004) and verified by the findings reported here. In addition, the literature on TMTs has added findings and evidence about the role of top managers (including CEOs) in M&As. This study looked at the entire TMT rather than only those CEOs simply partially responsible for M&As (Haspeslagh and Jemison, 1991; Hayward and Hambrick, 1997).

8.4.2 Summary of Managerial Implications

In addition to its academic implication, this research also introduces interesting findings to managers in practice. It is a complicated challenge to coordinate the target company and manage the newly established company during the process of M&A integration. Actually, it is especially challenging to encourage employees to share knowledge, engage in mutual learning and implement continuous improvement ideas and innovations in the context of change, fear and uncertainty characterised by M&As. However, the managers of newly established companies are faced with great pressure to determine the synergies which can obtain financial returns from deals. The research results indicate that this work offer practical insights to the management who is responsible for leadership duties in the process of M&A integration.

The first managerial implication comes from the holistic perspective of this research. Companies are advised to use the tools for the assessment of leadership styles (like the Global Transformation Leadership Scale) to determine a leadership style that is more or less transformational than the norms of each leader. Companies should assign

positions guiding M&A integration to leaders with the most substantial transformational leadership behaviours as the results of this research reveal that transformational leaders will promote M&A integration. In addition, transformational leadership behaviour eases the implementation of HRM practices in M&As, thereby achieving positive staff behaviour and identity in newly formed organisations (Vasilaki et al., 2016; Zhang et al., 2014) and enhancing staff engagement and M&A success.

Regarding the learning of transformational leadership style or its application to varying degrees, a part of people is more capable of learning and using diverse leadership styles than others due to different personality traits and characteristics of managers (Judge et al., 2002). However, a company also considers organising education and training to help managers to learn the skills of transformational leaders if they are lacking in this characteristic according to the notion of experiential learning (Huber, 1991). Managers will be able to use the characteristics of transformative leadership style in their business life to establish, strengthen and constantly improve their expertise and capacity (Day, 2000), and therefore can make adjustments to their original style of leadership based on the situation to maximise their effect (at least to some extent). These leaders who have absorbed transformative characteristics not only promote M&A integration but also provide practical guidelines to attract, select and retain relevant TMT members to achieve better firm performance.

Moreover, emphasis is placed on the importance of evaluating the TMT heterogeneity of top leaders in M&As. Specifically, the research findings show that

decision-makers or HR professionals need to pay attention to the diverse functions and education backgrounds of TMT members in the case of forming the TMT of a post-merger company. This research dedicates that the heterogeneity of TMT members can be beneficial to making a more objective assessment of an executed M&A plan to promote the high degree of M&A integration. In particular, TMTs also prepare for future work after M&A integration by embracing diversified organisations while improving the high degree of integration, which will involve more types of employees. In the meantime, they can use members with a great diversity of education levels, experience, beliefs and thoughts, necessarily have more knowledge of serving as team members and enhance the culture and creativity of new ones, thereby ‘owning it all’.

As mentioned earlier, TMT heterogeneity faces a number of obstacles, one of which is the integration of people with diverse backgrounds into a cohesive unit. The increase in diversity is associated with higher absenteeism and turnover (Milliken and Martins, 1996) and the social, cohesion and communication issues of team members (Jackson et al., 1992). Another finding of this study also confirms that TMT heterogeneity will increase TMT turnover rate after fast integration to some extent, which requires the correct implementation of the beneficial diversity of TMTs. One method which may be proven to be conducive to successfully implementing more diverse TMTs is to provide team members with diversity and sensitivity awareness training. Sensitivity training increasingly produces different results (Flynn, 1998), but the practice may educate team members and remind them of differences and the way

of using these differences to build more productive TMTs. Besides, establishing mentoring relationships between TMT members will help to promote the socialisation of members of minority groups and provide much-needed political skills that may be acquired (Ferris et al., 1993). Robust techniques and procedures for resolving conflicts will help to spread potentially harmful differences as well.

In spite of being considered as two sharp swords (Milliken and Martins, 1996), TMT heterogeneity can even be said to be mixed (Williams and O'Reilly, 1998). However, companies without attempting to increase TMT diversity are hazardous, who may lose current performance gains, but also need to prepare for the upcoming wave of more labour diversification after M&A integration.

8.4.3 Summary of Implications in the Context of China

Ample evidence indicates the existence of many unique business practices in China (Tsui et al., 2006; Barney and Zhang, 2009; Child, 2009), thereby turning the Chinese context into a relevant research field.

First, multinational investors have more opportunities in the vast market of the Chinese mainland where M&A business has gained increasing popularity. In the last decade, the number of announced M&A transactions involving companies in Greater China increased from 4,445 in 2009 to 9,483 in 2019, among which the number of M&A transactions reached the highest value of 11,407 in 2016 (Statista, 2020).

Second, multinational companies looking for business opportunities in the mainland of China may know less about the market than those in Taiwan, Hong Kong

and Macaw. Management systems in western countries have been widely recognised and operated for years. Considering the background of China's economic transformation, the unique path of HRM development in China is different from that in western countries (Child, 1994; Cooke, 2005, 2011; Lamond and Zheng, 2010; Warner, 2010).

Besides, the surge of M&A transactions requires empirical research in China to provide practical guidance for joint ventures, and multinational and local companies to conduct successful M&A transactions in China. Despite its appearance (Cooke, 2006; Iles et al., 2010), the research in the Asia Pacific region is slow in progress.

In the Western context, extensive research on leadership style has been conducted, which however rarely involves issues in emerging markets (Rao-Nicholson, 2016a, 2016b) and Chinese companies (Zhang et al., 2015; Wang et al., 2015). In particular, relatively few studies focus on the transformational leadership of Chinese companies, and more research is required to solve problems related to Chinese companies (Liu, 2018; Liu and Deng, 2014).

TMTs are almost studied in mature market economies, whose application to China and other transition economies remains unclear. It is certain that some studies have explored TMTs in China. For instance, Wei and Lau (2012) believed that how TMT members view and interpret company changes is affected by organisational culture and institutional forces, leading to the adoption of different strategies by Chinese managers. In the same way, Fu et al. (2002) studied the processes and characteristics of TMTs in

China's high-tech companies without analysing demographic variables. According to Li et al. (1999), team heterogeneity is of crucial importance for the success of joint ventures in China. Finally, Rao-Nicholson et al. (2019) explored how Chinese banking and financial institutions (BFIs) configure leader-TMT dynamics to achieve higher international performance. However, no research has investigated the impact of TMT heterogeneity in China on the integration and performance of M&As.

For this purpose, this research explores the impact of transactional leadership and TMT heterogeneity on the integration and performance of M&As happening in China, and contributes to the literature on M&A, leadership and TMTs in the Chinese context while filling in the critical gap in management literature.

8.5 Limitations and Recommendations for Future Research

This research is the first step to probe into the influence of transformational leadership and TMT heterogeneity on M&As in the Chinese context, which however has some limitations needing to be resolved in future studies. As regards leadership style, only transformational leadership is explored in this study. More styles of leadership can be considered to improve the current research model. Existing literature provides some evidence that other leadership styles will have an impact on M&As as well. For example, Waldman and Javidan (2009) proposed that alternative charismatic leadership forms will affect post-acquisition performance to varying degrees. Rao-Nicholson et al., (2016a) suggested that the style of charismatic leadership is of importance for organisational flexibility and earnings per share in the post-integration

stage. Another leadership research by (Rao-Nicholson et al., 2016b) revealed that distributed leadership results in organisational ambiguity in transnational M&As. Therefore, one possible direction for future research is to pay attention to alternative forms of charismatic leadership and its impact on M&As taking place in China. Shared and distributed leadership styles can also be included in this model to examine their impact on M&A integration and performance.

Another limitation of this research lies in viewing the model from the angle of only one country, namely China. This research has enriched management literature in the context of China, whose results however may not be generalised. Therefore, future research is advised to extend the current model to a variety of countries. Testing whether the research results are applicable to other countries will be interesting. Besides, future studies can make a comparison of leadership between developing and developed countries, examine the impact of TMT heterogeneity on M&As or be aimed at emerging markets.

In addition, empirical data is faced with the problem of the reduced ability to collect like all survey-based data. This problem exists in all survey-based M&A research (Bauer and Matzler, 2014) since the success of an M&A needs to be measured in three to five years (Ellis et al., 2009; Homburg and Bucerius, 2005; Zollo and Meier, 2008). The delay in measurement is mainly due to the duration of integration (Ellis et al., 2009). Thus, achieving longitudinal design is very challenging. Future research can consider adopting a longitudinal model to comprehensively analyse the dynamic

relationship between the concepts in this research. Moreover, the data reliability of companies other than publicly listed companies is an issue as China is experiencing rapid reformation.

Like other empirical M&A studies, this research has a relatively small size of samples. The previous power analysis showed that a sample of 295 has adequate statistical power to make an explanation for the structural model, but this study indicates that a larger size of samples can be used for re-examining the theoretical model in future research.

Using a single respondent is limited because of possibly leading to biases in general methods, but some accepted statistical tests show that this underlying deviation is only a small threat. Regarding the factor of TMT heterogeneity, only TMT functional and education heterogeneity were examined in this study. Further research can consider age, gender and tenure heterogeneity with more detailed research designs, taking major institutional factors into consideration systematically.

Moreover, this research explored the direct relationship between TMT heterogeneity and M&A integration, and its moderating effect on M&A integration and performance. Future research can consider the direct impact of TMT heterogeneity on M&A performance and explore its moderating effect on M&A performance. Carpenter (2002) believed that the complexity of company operations may mitigate the impact of TMT diversity on M&A performance. Therefore, TMT heterogeneity is more likely to bring good results in highly complex situations. It may also be applicable in the Chinese

context, which may explain the lack of consistent results. In China, TMT diversity may be of greater value in companies operating in more complicated environments. Future research may hope to test the influence of environmental complexity as a moderator on the relationship between the diversity of TMTs and the performance of M&As.

Finally, Nee (1992) pointed out that the system reform of China mixes progress in a nonlinear way. Some elements of the management theory developed in mature market economy can assist China in moving towards economic modernisation, but other aspects may be irrelevant or require extensive revision for cultural reasons. Through trials and errors, elements needing to be kept and discarded can be discovered so that management scholars can contribute to the awakening of China.

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Appendix A – Questionnaire (English)

Thank you for your participation of this survey. This survey is based on the needs of project research. The aim of this research is to identify the key factors that may affect the success of Chinese companies' mergers and acquisitions. All answers are confidential and all identifying information will kept anonymous, please be assured complete. The responses you provide will be used in the researcher's dissertation; direct quotes may be taken from the material but will remain completely anonymous. There are no right or wrong answers, please fill in according to your actual situation. Your support is of great help to our research. Really appreciate you taking the time.

- Have you read, or has someone read to you, the Information Sheet about the project? Yes No
- Do you understand what the project is about and what taking part involves? Yes No
- Do you understand that the project is strictly private? Yes No
- Do you understand that the information you provide may be used in future research? Yes No
- Do you know that, if you decide to take part and later change your mind, you can leave the project any time without giving a reason before publication? Yes No
- Would you like to take part in this project? Yes No
- If yes – is it OK to take the online questionnaire? Yes No

Once you answer the above questions, you can start to answer our questionnaire in next page.

Part 1 Basic Information

Q1. Your Position in your firm : _____

Q2. What's name of your firm : _____

Q3. What is your company's ownership?

1. Local Enterprises
2. Sino-Foreign Joint Venture
3. Foreign-Owned Enterprise

Q4. How many full-time employees work for your company?

1. ≤50
2. 51-300
3. 301-2000
4. >2000

Q5. What is the annual sales of your company (CNY ¥)?

1. ≤10 Million
2. 10 Million – 30 Million
3. 30 Million – 50 Million
4. 50 Million – 200 Million
5. >200 Million

Q6. When did the most recent M&A deals happened in?

1. One month
2. One month – Half year
3. Half year – Three years
4. Over three years

Appendix A – Questionnaire (English)

Part 2: Please indicate how you would agree to the following statements <u>after the acquisition</u> (1. "I completely disagree"; 4. "neutral"; 7. "I completely agree")								
		1	2	3	4	5	6	7
SAT1	Our employees do not worry that they will be fired, because of the replacement of company director after the M&A dealing							
SAT2	Our employees feel more satisfactory of working under the current supervisor							
SAT3	Our employees feel to get more chance to do something that makes use of their abilities after the M&A dealing							
SAT4	Our employees feel happier with their pay and the amount of work they do							
SAT5	Employees' job provided they with a more stable employment after the M&A dealing							
SAT6	Employees feels more or less discriminated by acquired staff after the M&A dealing							
SAT7	Employees feels happier with their fringe benefits							
SAT8	Employees feels happier with their promotion opportunities							
ENG1	Employees within my organization communicate with each other more effectively							
ENG2	Employees within my organization have more positive communication between the subordinate and supervisors							
ENG3	Employee within my organization have more feeling of personal accomplishment							
ENG4	Employee within my organization feels more engaged in their tasks							
ENG5	Employees within my organization							

Appendix A – Questionnaire (English)

	feels their work has more meaning in their role							
Please indicate the degree to which the following items or areas were integrated or combined as a result of the acquisition (1. “not at all”; 7. “completely”)								
HRI1	The average of organizational structure							
HRI2	The average of organizational culture							
HRI3	The average of personnel (HR) management practices							
HRI4	The average of new employee training activities							
MAI1	The average of distribution channels							
MAI2	The average of sales service							
MAI3	The average of marketing programs							
MAI4	The average of after-sales service							
SYI1	The average of strategic planning systems (e.g., Data warehousing, Enterprise Resource Planning (ERP) systems, Enterprise Application Integration re-architected systems)							
SYI2	The average of financial and budget systems							
SYI3	The average of operations management systems.							
SYI4	The average of purchasing information system							
SOI	Approximately how long did the integration process take? (1=more than 24 months; 2=19–24 months; 3=13–18 months; 4=7– 12 months; 5= 6 months or less)							
TMTT	Of the initial post-acquisition executive team, how many of the top five executives have since left the firm? (0–5)							
M&A success								
Please indicate how the following issues have changes <u>after the acquisition</u> (1. "strong negative development"; 4. "no changes"; 7. "strong positive development")								
FP1	Return on Investment							
FP2	Return on Equity							

Appendix A – Questionnaire (English)

FP3	Return on Sales								
FP4	Relative firm value								
Please indicate how you would agree to the following statements <u>after the acquisition</u> (1. "I completely disagree"; 4. "neutral"; 7. "I completely agree")									
OP1	Set goals were reached								
OP2	The acquisition was the right entrepreneurial decision								
OP3	The firm is better than before								
OP4	Overall the acquisition was successful								
TMTH1	The members of our TMT vary widely in their areas of expertise								
TMTH2	The members of our TMT have a variety of different educational backgrounds								
TMTH3	The members of our TMT have skills and abilities that complement each other								
TMTH4	The members of our TMT have a variety of different experience								
Please indicate how frequently your current organization's senior leader exhibits the following characteristics. (1. "Never"; 4. "Occasionally"; 7. "Always")									
TL1	Communicates a clear and positive vision of the future								
TL2	Treat staff as individuals, supports and encourages their development								
TL3	Gives encouragement and recognition to staff								
TL4	Fosters trust, involvement and cooperation among team members								
TL5	Encourages thinking about problems in new ways and questions assumptions								
TL6	Is clear about his/her values								
TL7	Practices what he/she preaches								
TL8	Instils pride and respects in others								

Appendix A – Questionnaire (English)

TL9	Motivate he/she through my own expertise							
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Appendix B – Questionnaire (Chinese)

您好，此次问卷调查是基于博士论文研究的需要，旨在了解可能影响中国公司并购成功的关键因素。此次问卷调查将以您选取的指标及其指标之间的重要性比较为依据。此次问卷调查是采用匿名方式进行，您所提供的信息仅用于学术研究，请放心填写。答案没有正确与错误之分，请您按照自己的实际情况填写。您的支持对我们的研究有极大帮助，非常感谢您的参与！

您是否阅读（或者他人告知您）关于本次研究的信息表？ 是 否

您是否明白本次研究的意义以及本次研究的相关内容？ 是 否

您是否明白本次研究将会严格保密？ 是 否

您是否明白您所提供的信息将有可能用在将来的研究上？ 是 否

您是否知晓在本研究被发表前，您可以不用提供任何理由退出这个项目？ 是 否

最后您是否愿意参与到这个项目中？ 是 否

如果您愿意参与，我们是否可以开始本次在线问卷调研？ 是 否

当您回答完以上所有问题，您将在本问卷的下一页中开始作答我们的问题。

PART 1 基本信息

Q1. 您在贵公司的职位是: _____

Q2. 贵公司的名字是: _____

Q3. 贵公司的所有权?

1. 本地企业
2. 中外合营企业
3. 外资企业

Q4. 贵公司有多少全职员工?

1. ≤ 50
2. 51-300
3. 301-2000
4. >2000

Q5. 贵公司的年销售额 (CNY ¥)?

1. ≤ 10 Million 少于一千万
2. 10 Million – 30 Million 一千万至三千万
3. 30 Million – 50 Million 三千万至五千万
4. 50 Million – 200 Million 五千万至两亿
5. >200 Million 多于两千万

Q6. 贵公司最近一次发生的兼并与收购交易发生在:

1. 并没有发生兼并与收购交易
2. 近一个月内
3. 半年内一个月前
4. 一年内半年前
5. 三年内一年前
6. 三年前

Appendix B – Questionnaire (Chinese)

Part 2: 根据贵公司 <u>并购交易</u> 后的情况, 请指出您对以下句子的同意程度 (1.“我完全不同意”; 4.“中立”; 7.“我完全同意”)								
		1	2	3	4	5	6	7
SS1	并购交易后, 我管辖内员工并不担心他们因为并购交易后换了新老板而被解雇							
SS2	员工在现在的领导下工作让他们更有满足感							
SS3	相较并购交易之前, 我管辖内的员工觉得他们现在有更多的机会去做一些能体现他们能力的事							
SS4	相较并购交易之前, 我管辖内的员工更满意他们现在的工资和工作量							
SS5	相较并购交易之前, 我管辖内的员工的职责给他们提供了一个更稳定的雇佣关系							
SS6	我管辖内的员工或多或少地受到因为并购交易而新增的员工的歧视							
SS7	相较并购交易之前, 我管辖内的员工更满意现在的福利							
SS8	相较并购交易之前, 我管辖内员工更满意现在的晋升机会							
SE1	相较并购交易之前, 我管辖内的员工之间更能有效的沟通							
SE2	相较并购交易之前, 我管辖内的员工和领导之间有更积极的沟通							
SE3	相较并购交易之前, 我管辖内的员工更有个人成就感							
SE4	相较并购交易之前, 我管辖内的员工更能全面参与他们的任务							
SE5	相较并购交易之前, 我管辖内的员工觉得他们现在的工作对他们的职责更有意义							
请指明贵公司以下项目因并购而集成或合并到何种程度 (1.“完全没有整合”; 7.“全面整合”)								
EI1	公司结构整合的平均水平 注: 公司结构的整合体现在兼并双方公司是否因并购交易产生统一的公司管理结构。							
EI2	公司文化整合的平均水平 注: 公司文化的整合体现在兼并双方公司是否因并购产生统一的公司文化。							

Appendix B – Questionnaire (Chinese)

EI3	<p>公司的人事（HR）管理规范整合的平均水平</p> <p>注：公司的人事管理规范整合体现在兼并双方公司是否因并购产生统一的人事管理规范（例如规范本企业职工的行动、办事方法，规定工作流程等一切活动的规章制度）。</p>							
EI4	<p>新员工培训活动整合的平均水平</p> <p>注：公司的人事管理规范整合体现在兼并双方公司是否因并购产生统一的新员工培训活动（例如培养新员工对公司企业文化、发展历程和规章制度的理解和认识）。</p>							
PI1	<p>生产整合的平均水平</p> <p>注：公司的生产整合体现在兼并双方公司是否因并购产生统一的生产线或生产流程。</p>							
PI2	<p>The average of supply sources 供应来源整合的平均水平</p> <p>注：公司的供应来源整合体现在兼并双方公司是否因并购产生统一供应的生产原材料（如兼并双方公司共享对方原有供应商）。</p>							
PI3	<p>仓库整合的平均水平</p> <p>注：公司的仓库整合体现在兼并双方公司是否因并购产生统一的仓库设施和仓库管理制度（如物料收货，验收及办理入库的规范）。</p>							
PI4	<p>产品设计整合的平均水平</p> <p>注：公司的产品设计体现在兼并双方公司是否因并购产生统一的产品设计规范（如成立统一的产品研发部门）。</p>							
MI1	<p>分销渠道整合的平均水平</p> <p>注：公司的分销渠道整合体现在兼并双方公司是否因并购产生统一的分销渠道（如兼并双方公司共享各自原有的销售渠道）</p>							
MI2	<p>销售服务整合的平均水平</p>							

Appendix B – Questionnaire (Chinese)

	注：公司的销售服务整合体现在兼并双方公司是否因并购产生统一的销售服务规范								
MI3	市场营销项目整合的平均水平 注：公司的市场项目整合体现在兼并双方公司是否因并购产生统一的市场营销项目								
MI4	售后服务整合的平均水平								
SI1	战略规划系统整合的平均水平（如数据仓库，企业资源规划（ERP）系统，企业应用集成重新架构系统）								
SI2	财务和预算系统（如 SAP 系统）整合的平均水平								
SI3	运营管理系统（如仓库管理系统）整合的平均水平								
SI4	采购信息系统整合的平均水平								
SOI	整合过程大概需要多长时间？（1 = 超过 24 个月；2 = 19-24 个月；3 = 13-18 个月；4 = 7-12 个月；5 = 6 个月或更少）								
TMTT	在收购后的首届执行团队中，贵公司最高级的五名高管中有多少人已经离开该公司？（0-5）								
根据贵公司 <u>并购交易后</u> 的情况，请说明收购后以下指标如何变化（1.“显著的消极发展”；4.“没有变化”；7.“显著的积极发展”）									
OS1	投资回报								
OS2	股本回报								
OS3	销售回报								
OS4	对比公司估值								
根据贵公司 <u>并购交易后</u> 的情况，请指出您对以下句子的同意程度（1.“我完全不同意”；4.“中立”；7.“我完全同意”）									
SS1	我们公司原来设定的目标都已达成								
SS2	此次收购是正确的企业家决策								
SS3	公司的状况优于并购前								
SS4	总体来说收购是成功								
请说明您所在的高级管理层识别和阐述愿景的能力对下列句子的同意程度（1.“我完全不同意”；4.“中立”；7.“我完全同意”）									
TL1	关于公司未来的规划，我会和我管辖内的员工有一个清晰且正面的交流								

Appendix B – Questionnaire (Chinese)

TL2	我会公平对待每一位我管辖内员工，支持并鼓励他们的职业发展							
TL3	我会鼓励并重视每一位我管辖内员工的工作							
TL4	在公司的团队协作中，我会倡导建立我管辖内员工之间的信任并提升他们的参与度与协作度							
TL5	我会鼓励我管辖内的员工用别具一格的角度去思考日常工作当中出现的问题							
TL6	我会清楚我每一位我管辖内员工的个人价值							
TL7	我会听取我管辖内员工的建议去修正自身的错误							
TL8	我会尊重我管辖内员工并树立他们的集体荣誉感							
TL9	我会通过我自身的才能激励我管辖内的员工							
TM1	我司的高级管理团队成员在他们的专业领域差异很大							
TM2	我司高级管理团队成员有各种不同的教育背景（如学历程度）							
TM3	我司高级管理团队成员拥有相互补充的技能和能力							
TM4	我司高级管理团队成员有各种不同的经验							

Appendix C – Endorsement Letter

Dear Ms. Mao,

Re: The Impact of Leadership on M&As Success in Chinese Company that Merged

It was my pleasure to have the chance to discuss the captioned project during your visit to our association. As you are aware that the Gansu Chamber of Commerce (GCC-BJ) has shown a good interest of your proposed project particularly to study the critical factors that might impact on Chinese Company's Merge & Acquisition (M&A) success. Traditionally, even with a significant amount of Chinese companies that merged, it does not indicate that all the operations of M&A lead to a good ending. Many factors affect the M&A outcome after the M&A dealing, it is of our chamber good interest to understand what these factors are.

I appreciate greatly the concerned project will capture the significant drivers and information of the post-performance of M&As. I believe the concerned research knowledge will support our members, who will deal with or just experienced the M&A transaction, to manage their employees more efficiently in the stage of post-M&A. More importantly, your proposed research could guide other Chinese companies for future successful M&A execution through leveraging the effective leadership style. Our chamber will provide you with our member companies' contacts for your data collection. To support your project, we will also share as much as our M&A experiences we have with you.

Looking forward to good support from our members they are interested in your project.

Yours Sincerely,



Jianmin Liu
President
Gansu Chamber of Commerce (Beijing Office)