

# THE INFLUENCE OF ORGANIZATIONAL CULTURE AND ORGANIZATIONAL JUSTICE ON GROUP COHESION AS PERCEIVED BY MERGER AND ACQUISITION EMPLOYEES

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**Abstract:** *One of the knowledge gaps in relation to merger and acquisition (M&A) research is an analysis from the perspective of human resources, specifically the extent to which organizational culture and organization justice play a role in group cohesion of the employees. This research investigates the influence of organizational culture and organizational justice factors on group cohesion in selected M&A organizations in Malaysia. This study is driven by the Person-Environment (P-E) Fit Theory. A total of 219 respondents from the M&A organizations in the areas of Klang Valley were involved in this study in which they were identified through the cluster random sampling method. Data were analyzed using Structural Equation Modeling (SEM). This study provides insights to the theory and practice of human resource management in organizations experiencing M&A.*

**Key words:** *merger and acquisition, group cohesion, organizational culture, organizational justice, P-E Fit Theory.*

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## 1. Introduction

Merger and acquisition (M&A) are worldwide phenomena that dynamically involve organizations in Asia (Pucik, Bjorkman, Evans & Stahl, 2011) and other continents. The World Economic Forum (cited in Chang & Teo, 2011) reported that Malaysia, as

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an emerging economy, shared 1.7% from the total number of M&A deals worldwide from 2009 to 2011. The increased number of M&A in the country is due to the government's initiatives that encourage economic growth to ensure organizations can withstand global economic crisis in certain sectors through the Economic Transformation Program (ETP) such as in the National Key Economic Areas (NKEAs) and the Regional Economic Corridors.

In the context of this study, it is interesting that Malaysia, with a population of 31.2 million in 2015, which is expected to rise to 33.0 million by 2020 (Department of Statistics Malaysia, 2016), underwent tremendous developments at the turn of the century. An investigation on the influence of such organizational factors as culture and justice on group cohesion can have important human resource implications for organizations to function effectively in the M&A environment.

Statistics in 2010 show that 641 organizations were involved in M&A including multinational corporations (MNCs) and Small and Medium Enterprises (SMEs), and the number is expected to grow in the years to come. The M&A deals become more prominent due to the ASEAN-6 diplomatic programs that encourage cooperation between the six countries of ASEAN including Malaysia, Indonesia, Singapore, Thailand, the Philippines and Vietnam and other countries outside ASEAN.

The competition among organizations around the world has made M&A almost essential for organizations to survive and to prosper. The reasons for M&A are to: (i) reduce cost through overlapping operations; (ii) share technology, skills and talent; (iii) enter new markets; and (iv) remain competitive by securing a greater market share (Stahl & Javidan, 2009). However, despite the high number of M&A deals, only around 30% of the performance contributes to increase in market values of the organization (King, Dalton, Daily & Covin, 2004), while the remaining 70% is recorded as failure (Papadakis, 2005). Seo and Hill (2005) believe that the chance of being successful will be lower if management neglects human resource issues.

Many organizations have emphasized the importance of group cohesion as a way towards organizations' survival in the new economic environments that are gradually facing uncertainties and challenges (DeOrtentiis et al., 2013; Greer, 2012). Group cohesion has been considered as one of the major determinants of success after any organizational restructuring such as M&A. During M&A, not just practices, but rather the organization culture, which may include underlying assumptions, espoused values and artifacts (Schein, 1994), can be a basis of conflict. Researchers believe the same practices are able to bind every member to remain in the group by sharing the same belief. Group cohesion has been identified to correlate with a wide range of work-related attitudes and behaviors. Individuals that show high group cohesion will show more organizational citizenship behaviors towards other organizational members (Cho, 2007). However, the problems of group cohesion in the M&As are often attributed to issues encountered during the integration process between two different cultural practices. Problems in organizational culture integration have been explained through many

terms such as ‘cultural distance’, ‘culture incompatibility’, ‘cultural misfit’, and ‘cultural clash’ (Pucik et al., 2011). It has been found that cultural clash was the main reason for a deal’s failure because one organization’s way of working might be different with another in the integration (Stafford & Miles, 2013). However, it is still not clear how organizational factors influence group cohesion as perceived by the employees.

Besides organizational culture, organizational justice is another factor influencing group cohesion. Past literature defined organizational justice as perceived justice in three types of distributive justice, procedural justice and interactional justice (Colquitt, Conlon, Wesson, Porter & Ng, 2001; McDowall & Fletcher, 2004; Fuchs & Edwards, 2012). However, the present study combined all the three constructs as one factor of organizational justice. Several M&A studies have acknowledged the importance of perception on justice during the integration process (Lind & van den Bos, 2002; Melkonian, Monin & Noorderhaven, 2011; Bebenroth, Ismail & Sekiguchi, 2016). Past studies have also used organizational factors of culture or justice, but related them to organizational identification instead of group cohesion (Ismail, Umar Baki, Omar, & Bebenroth, 2016; Bebenroth et al., 2016). A recent study in Pakistan (Bari, Fanchen & Balochused, 2016) found that procedural justice is one of the key management practices which has direct and indirect effect on M&A performance but the study did not specifically touch on group cohesion. Hence, systematic empirical analyses of organizational culture together with justice in an M&A organization have been limited, and especially justice has been always viewed at different angles due to uncertainty and different focus in management after M&A integration (Ellis, Reus, & Lamont, 2009). The changes are noted to influence organizational performance, one of which is group cohesion. Hence, the research question is how employees perceive the influence of organizational culture and justice on group cohesion in the M&A organizations.

Based on the above explanation, this study aims to examine the influence of organizational factors, namely, organizational culture which encompasses development culture, group culture, rational culture and hierarchical culture, and organizational justice on group cohesion. The following section describes the P-E fit theory that underpins this study, then follows a literature review on M&A that includes group cohesion in the M&A organizations, the conceptual framework of the study and hypotheses development. The next sections are descriptions on the method undertaken, findings and discussions. This article ends with a conclusion of the study and recommendations.

## **2. Theorizing group cohesion: person-environment fit theory**

This study adopts the framework of person-environment (P-E) Fit Theory, originally introduced by French, Rodgers and Cobb (1974), which later underwent through several developments and refinement (Caplan 1987; Caplan & Harrison, 1993). Kristof-Brown, Zimmerman and Johnson (2005) introduced five domains of P-E Fit in the workplace, which are person-vocation (P-V fit), person-job (P-J fit), person-organiza-

tion (P-O fit), person-group (P-G fit), and person-supervisor fit (P-S fit). However, only four domains of P-E Fit are relevant to this study since organizational culture consists of four dimensions. Hence, this study believed that good P-J fit, P-O fit, P-G fit and P-S fit would influence and form a stronger psychological bonding among members in the group, which is then argued to influence group cohesion. Based on the above explanation, therefore, this study defined P-E fit as: (i) 'person' as members (employees) in the M&A organization and (ii) 'environment' which refers to the four dimensions of organizational culture and organization justice, which are expected to associate with group cohesion.

Earlier research used the P-E Fit to study individuals' stress (Caplan, 1987), and later this theory was adopted in the workplace context to measure the interaction between an individual and environment in the organization (Yu & Davis, 2015; Jiang & Gu, 2015). This theory seems to be "relevant for predicting job characteristic and in increased job involvement" (Blau, 1987, p. 241). Job characteristic could consist of organizational culture in the organization, and behavioral outcome based on this study could be referred to as group cohesion because through shared meaning and action in any system it holds the group together even though they differ between one another before the integration (Sanchez & Yurrebaso, 2009; Jiang & Gu, 2015). Previous studies using the P-E Fit Theory have clearly indicated that the theory is suitable to link outcomes of work culture with behavioral outcome such as group cohesion (Kristof-Brown et al., 2005; Yu & Davis, 2015).

### **3. Literature review**

#### **3.1 M&A in Malaysia**

The waves of M&A worldwide were driven by many reasons, one of which is for organization's survival and growth. Yet, the terms 'mergers' and 'acquisitions' (M&As) are often interchangeably used by scholars even though the differences are significant. A merger refers to the two separate organizations that combine their assets to form or establish a new single organization (Buckley & Ghauri, 2002). The decision to combine the companies is due to motives such as financial benefit, business growth, integration and efficiency, research and development expansion (Makhlouk & Shevchuk, 2008; Hultman & Sandstrom, 2011). An acquisition on the other hand refers to an event where one organization (acquirer) takes over or buys another company (target). All the assets are transferred to the main company that bought all the assets of the other organization (Grankvist, Kollberg & Persson, 2005). In the case of acquisition, the acquirer is superior in deciding new rules and culture in the organization that they took over means that. However, the decision to proceed with the M&A deals the acquirer must find a form of alliance and a partner that offers strategic synergy for business perspective. Such alliance offers the combined organization access to new markets, and a solid platform for globalization (Carleton & Lineberry, 2004). The difficulties in de-

ciding M&A depend on the type of M&A itself. For instance, the degree of difficulty in implementation of a merger varies according to the type of the merger. There are four types of mergers that could happen, namely; 1) horizontal, which refers to a merger between companies that have the same production of the product (or service) and in the same branch; (2) vertical, that is a merger between companies of different types of production and work but in the same branch; (3) concentric, which refers to a merger between companies with similar technology and production; and (4) conglomerate - a merger between companies that do not have any specific relationship and usually have different lines of business focus or production. The types of mergers will give different results on management strategies (Kavanagh & Ashkanasy, 2006), which inevitably affects cultures and justice dimensions.

Based on the above, a horizontal merger is difficult compared to the rest because the two similar organizations in terms of the product and service undergo integration. This merger is not suggested by many researchers as this restructuring would create redundancy in the workplace and become less cost-effective (Nahavandi & Malekzadeh, 1993). Then, it may create conflict because both organizations share the same expertise but different cultures, management and leadership styles (Pikula, 1999). Acquisition on the other hand describes a stable and established organization that will acquire and buy another organization, which normally faces critical or financial issues or does not survive in the market place. The organizations that acquire the other organization may easily implement their cultures and practices in the organization that they acquired because they have full power to rule unlike merger organizations (Teerikangs & Very, 2006). However, the present study did not concern on the type of M&A that the organizations undergo as long as they are merged and acquired with different organizations in past five years.

The sectors that show an increasing number of M&A deals for the past few years in Malaysia are plantation, construction, banking and insurance ([www.theborneopost.com/2011/08/28](http://www.theborneopost.com/2011/08/28)). This is due to higher profit margins, which provides a reason to expand the organization network in order to compete with markets abroad. Azmi and Associates (2008) further add that the increased number of M&A deals in Malaysia is owing to the government's policy and incentives on the Financial Sector Master Plan, which was introduced right after the economic crisis to ensure that the financial system will be able to withstand another crisis and at the same time compete globally.

### ***3.2 Group Cohesion in an M&A Organization***

Earlier research by Festinger (1950 cited in Friedkin, 2004, p. 411) defines cohesion as "the total field forces which act on members to remain in the group". However, an earlier study defines cohesion as "the causal system that determines individual's membership attitudes and behaviors" (Friedkin, 2004, p. 411). A study by Sanchez and Yurrebaso (2009, p. 97) defines cohesion as the "attraction to the group that is evaluated by asking the members how much alike they are or how long they wish to remain in the group." Since the definition of group cohesion is too broad, some researchers suggest

that group cohesion is narrowed into a three-factor model, namely task cohesion, social cohesion and individual attraction to the group (Carless & De Paola, 2000 cited in Sanchez & Yurrebaso, 2009). However, this study takes the meaning of group cohesion as the extent to which group members trust, are loyal, interact and participate in the group regardless of any changes that happened, especially during M&A integration. M&As typically make an impact on the organization through changes in ideology and ownership and eventually, in practice (Rhodes, 2004).

Personal connection among employees, leaders and co-workers needs to be heightened during the M&A because autonomy and job satisfaction may all be threatened from the new management decisions (Hewitt, 2013; Bebenroth & Ismail, 2014). Finding the ways to build up group cohesion and the sense of ‘pulling together’ are also important for an individual to stay engaged during a change process of M&As. Frensch (2007) argues that the performance of group cohesion at the group level is an important success factor at the organizational level. Group cohesion among the employees has often been examined for its influences on positive organizational outcomes such as organizational citizenship behavior, performance and affective commitment (Andrews, Kacmar, Blakely & Bucklew, 2008). Hence, how the organizational factors of culture and justice affect group cohesion still remain to be explored.

### ***3.3 Conceptual Framework and Research Hypotheses***

#### *Influence of Organizational Culture on Group Cohesion*

Quinn and Cameron (2006) assert that an organization creates and recreates “collective identity” so that individuals know how to do the work and how to get the work done. Schein (1992, p. 12) refers to organizational culture as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems”. Although there are various definitions and dimensions of organizational culture that exist, this study adopts the conceptualization of organizational culture based on competing values framework, which was originally developed by Quinn and Rohrbaugh (1983), later enhanced by Quinn and Cameron (2006), and further advanced by O’Donnell and Boyle (2008). Quinn and Cameron (2006) introduced four types of organizational culture namely development/adhocracy culture, rational/market culture, hierarchical culture and group/clan culture (Figure 1). Development culture is also known as culture practices that focus on adaptability and flexibility to achieve growth and organization’s innovation. These organizations are known as having risk-taker and entrepreneurial leader individuals. The second dimension is rational culture that refers to the organization that maximizes organization output or production oriented as their goals and objectives. These organizations define success when tasks and goals are accomplished.

The third dimension is hierarchical culture that stresses more on ‘standard operation procedure’ with clear standard rules and guidelines, clear instructions and strict controls. Leaders in this organization are expected to be good organizers and coordinators. The last dimension of organizational culture is group culture, which is more like an ‘extended family’ (Lincoln, 2010). Leaders act as mentors and are responsible for facilitating employees’ participation in the organization, empowering them and producing well-managed work teams. An organization, however, possibly practices more than one culture at the same time (Quinn, 1988), and “one culture is not necessarily better than the others” (Lincoln, 2010, p. 5). However, this study is expected to find out which organizational culture significantly contributes to group cohesion.

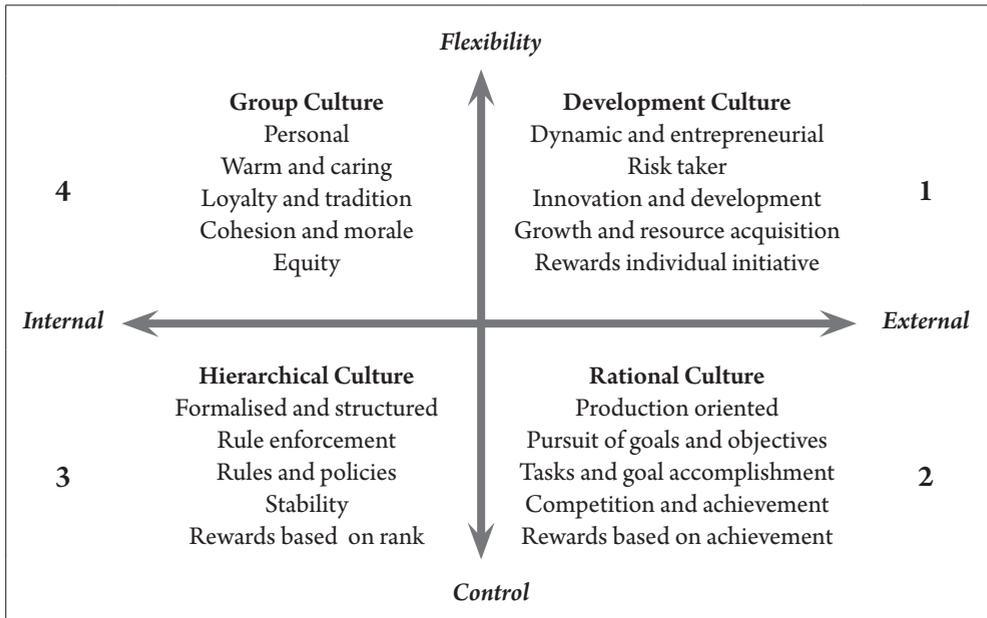


FIGURE 1: The framework of Organizational Culture

Source: O'Donnell and Boyle (2008, p.7)

O'Donnell and Boyle (2008) further advanced this framework by adding two axes: (i) vertical – flexibility versus control, and (ii) horizontal - internal versus external environment. The vertical axis refers to how the system in the organization holds their employees either through straight procedure or more flexibility. The horizontal axis, on the other hand, refers to the internal environment within the organization versus external environment outside of the organization such as a competitor and an investor.

During an M&A, organization tends to define their employees by placing them into certain social groups such as cultural practice which later creates a gap, such as individuals display favouritism to their own group and display negative attitude to other groups

(Rhodes, 2004). This issue comes when two different organizations that probably have different types of organization practices start to have a group of employees who are loyal with their existing culture before M&A integration. As a result, this can act as a barrier in interaction among group members in one organization thus undermining group cohesion.

Trice and Beyer (1993) found that strong and same unique culture practices in both M&A organizations will reduce uncertainties, create social order, continuity, a collective identity and commitment, and elucidate a vision of the future. Therefore, organizations need to identify which types of organizational culture they are currently practicing, so that individuals are able to diagnose, adopt and adapt culture to enhance organizational performance (Quinn & Cameron, 2006). Kirke (2009) proposes that employees' shared practice (i.e. organizational culture) forms a social bond and helps them to stick together. Employees who perceive the desired culture will be held to stay in the group and led to high group cohesion. It is thus hypothesized that:

H<sub>1</sub>: The organizational culture, namely development culture (H<sub>1a</sub>), rational culture (H<sub>1b</sub>), hierarchical culture (H<sub>1c</sub>) and group culture (H<sub>1d</sub>) each contributes significantly to group cohesion.

### *Influence of Organizational Justice on Group Cohesion*

Organizational justice can be defined as employees' concerns and perceptions on perceived fairness in workplaces (Fujimoto, Hartel, & Azmat, 2013). Over the last few decades, organizational justice has become one of the most popular concepts used to understand organizational attitudes and behavior (Fortin, 2008). Justice perceptions have been shown to have effects on individuals' attitudes, behavior, motivation, performance and other behavioural outcomes that are relevant for organizations to survive (Lind & van den Bos, 2002; Fortin, 2008). Organizational justice consists of three sub-dimensions: (i) distributive justice is the perceived fairness of outcome allocation including salary, promotion, and rewards, (ii) procedural justice refers to the fairness of the process that leads to outcomes, and (iii) interactional justice refers to the amount of quality of personal treatment and information provided concerning outcomes and procedures (Colquitt, 2001; Fuchs & Edwards, 2012; Gelens, Dries, Hofmans & Pepermans, 2013).

Nevertheless, this study refers to these three constructs of justice as one because there is no intention to find the specific influence of the justice dimensions. Furthermore, we believed that during M&A deals, employees tend to react to whatever injustice they have perceived in the organization without differentiating them according to these specific dimensions. Essentially, it was found that individuals were satisfied as long as they had perceived general fairness in their organizations (Kim, Moon & Tikoo, 2004). In the case of M&A, management is suggested to be visible and engage in a two-way communication to listen and understand employees' concern as well as to convey

factual information (interactional justice) on what is changing, and explain the rational (procedural justice) of organizational change including M&A issues (Hewitt, 2013).

Employees' reactions will be heavily driven by fairness perceptions when they faced uncertain and changing environment in the workplace (Fuchs & Edwards, 2012). So, in times of uncertainty, employees actively seek out information and compare justice that they have perceived before and after integration. An individual remains loyal to the group in the organization if he/she has perceived equal or better justice after M&A integration. Given this argument, we believed that the presence of organizational justice perception positively influences group cohesion. Hence, we hypothesize that:

H<sub>2</sub>: Organizational justice contributes significantly to group cohesion.

Figure 2 shows the conceptual framework of this study.

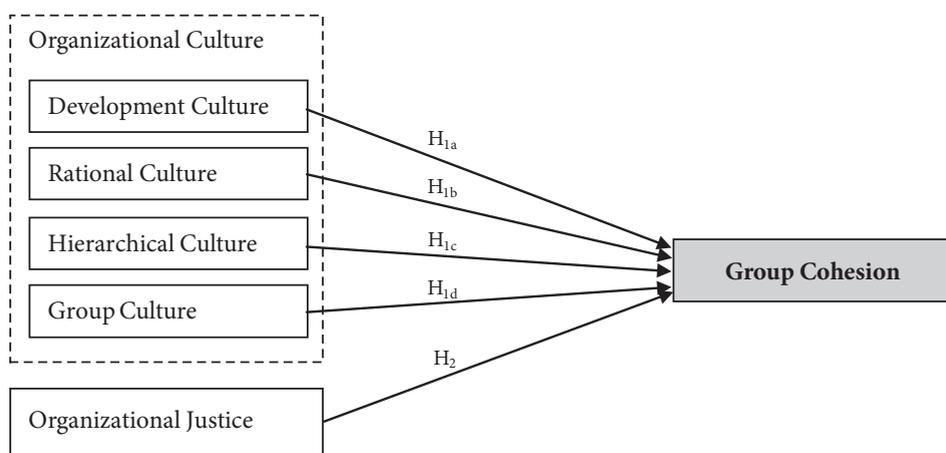


FIGURE 2: Organizational Culture and Organizational Justice as Predictors of Group Cohesion

#### 4. Methodology

The study data were analyzed and interpreted using Structural Equation Modeling (SEM). According to the G\*Power calculations and *Raosoft*, the minimum sample size calculated was 138 and 376, respectively. As this study analysis intended to use SEM, thus, the sample size of more than 200 respondents was justified (Hoe, 2008). Hair et al. (2010) suggested a sample size within the range of 100 to 400 to be considered for ideal results (Hair et al., 2010). It should be noted that as the sample size becomes larger (greater than 400), the method becomes sensitive and almost no difference is detected, and this may weaken the model fit (Hair et al., 2010).

We therefore computed the middle point of G\*Power and *Raosoft* [(138+376)/2 = 257] for the required sample size considering five independent variables involved

in the study. Therefore, a total of 257 questionnaires were delivered to the respondents selected from both private and public organizations within the Klang Valley area (comprising Kuala Lumpur, Putrajaya, and Petaling Jaya) that experienced M&A deals within past five years (2010 – 2015). The organizations participating in this study are divided into five categories under the National Key Economic Areas (NKEA) such as oil and gas, financial services (banking and insurance), education, agriculture and business services. Since this study is not a business-driven study but more a 'human-side' study of M&A (Seo & Hill, 2005), we decided to consider at least one organization from the public sector to participate. We used information of M&A integration through online newspapers (such as The Star, Borneo Post and Business Insider), official websites of the relevant organizations, and Bursa Malaysia online announcement.

We contacted the HR managers/representatives of the respective organizations for confirmation of the M&A information. Consequently, we sent a letter of invitation for the organization to participate in the study. To adhere to the ethical issues as the focus of the study covers organizational justice and culture as well as group cohesion, which are quite private and confidential in nature, the HR managers agreed to handle the distribution of the questionnaire by themselves. Employees were then given the options to either respond through a booklet of questionnaire or through online procedures. A duration of two to three weeks was given before we collected the completed questionnaires from the human resource representatives. Prior to the data collection, we discussed with the managers/representatives the purpose of the study and guidelines in the data collection process. They agreed then to distribute the questionnaire to all departments randomly as long as respondents met the criteria of working in the organization before and after the M&A integration. We strongly believed that the respondents participated voluntarily and they understood the purpose of this research.

A total of 219 responses were used for further analysis (85.2% response rate), which is reasonably excellent (Sivo et al., 2006). This study adopted the positivism school of thought (Saunders, Lewis & Thornhill, 2009; Kindy, Shah & Jusoh, 2016), where the study framework and hypotheses were deduced from a chosen theory (the P-E fits theory). A SEM analysis was then used to test the hypotheses.

### *Data Preparation*

The tests for missing values, normality and outliers are needed before continuing to structural model analysis. In order to run SEM, it is required to meet the assumption of multivariate normality. Data are considered normal if the kurtosis value is between -7 to +7 and skewness is between -2 to +2 (Schumacker & Lomax, 2004). The results of normality for endogenous and exogenous variables in this study are within the recommended range; hence, the assumption of normality was met. With regard to outliers, the extreme value exists in this study, thus we decided to eliminate them due to their undue influence on the results. Therefore, further analysis of the structural model was undertaken using AMOS software.

### *Profile of the Respondents*

The results show that female respondents comprised slightly more than half (56.2%), while the male respondents accounted for 43.8%. The average age of employees ( $m = 35.25$  years,  $SD = 8.49$ ) implies the respondents are concentrated in the stage of career establishment (Super, 1990 cited in Ismail & Mohd Rasdi, 2006) and they are in the group of Millennials or Gen-Y. According to the employment sector, 50.2% belong to the public sector and 49.8% come from the private sector (or close to 1:1 ratio), in which the latter consists of five M&A business companies. The level of education indicates that almost half of employees (47.9%) hold a Bachelor's degree, 18.3% have a secondary school education certificate, and 14.6% obtained a Master's degree. This implies that M&A work environment have employees with a large range of educational attainment, mostly in the tertiary level, and in various types of work organizations.

## **5. Findings**

### *Structural Model Results*

A Confirmatory Factor Analysis (CFA) and Measurement Model analysis were conducted for all study variables before proceeding to the Structural Model analysis of SEM. We tested all the items used in the study before starting to remove several items to improve the fit. However, the deletion must be done carefully because adjusting a model after initial testing would probably increase the chance of making the error (Teo, Tsai & Yang, 2013). There are also scholars who are against the idea of deleting items to increase the model fit (Boomsma, 2000; McDonald & Ho, 2002). Therefore, the authors only deleted the item after it had been supported by theory and based on the guidelines modification indices. Nevertheless, it should also be noted that the value of fit indices is not the only indicator of the requirement; hence, we also tested convergent validity, discriminant validity, and construct reliability. According to Hair et al., (2010) goodness-of-fit (GOF) indices to measure the model fit are classed into three categories: (i) absolute fit indices; (ii) incremental fit indices; and (ii) parsimony fit indices. Hair et al. (2010, p. 672) further explain that "using three to four indices provides adequate evidence of the model fit". The five indices chosen are  $\chi^2(137) = 311.663$ , Relative  $\chi^2 (<5.0) = 2.275$ , CFI = 0.942, NFI = 0.901, TLI = 0.927, and RMSEA ( $\leq .08$ ) = 0.076. McDonald and Ho (2002) further reported a model is "acceptable" fit if the RMSEA value is less than .08. Considering all the above suggestions, Table 1 provides the standardized cut-off point for the GOF test as recommended by previous scholars. Figure 3 indicates the final model based on the results of this study.

The first objective is to determine the influence of organizational culture (including developmental, rational, hierarchical and group culture) and organizational justice on group cohesion. The results of the structural model (Figure 3) indicate that only development culture ( $b = -.549$ ,  $p = .013$ ) negatively and significantly contributes to group

TABLE 1: The Fit of the Model

Fit Index	Model in Figure 3	Recommended cut-off point	Reference
Absolute fit indices	$\chi^2$	311.663, significant	Insignificant, $p \geq .05$
	Relative $\chi^2$ ( $\chi^2/df$ )	2.275	$\leq 3.0$ $\leq 5.0$
	GFI	0.878	$\geq .90$
	AGFI	0.831	$\geq .80$
	RMSEA	0.076	$\leq .08$
Incremental fit indices	CFI	0.942	$\geq .90$
	NFI	0.901	$\geq .90$
	TLI	0.927	$\geq .90$

Note: GFI= Goodness-of Fit Index; AGFI= Adjusted of Goodness-of-Fit Index; RMSEA= Root Mean Square Error of Approximation; CFI= Comparative Fit Index; NFI= Normed Fit Index; TLI= Tucker-Lewis Index

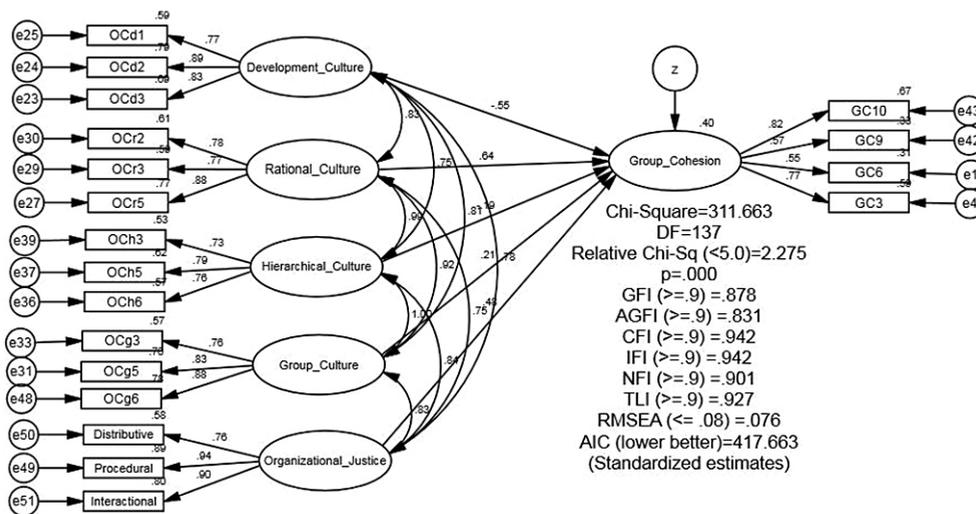


FIGURE 3: Results of the Influence of Organizational Culture and Organizational Justice on Group Cohesion

cohesion. The result reveals that each standardized beta unit change in the development culture is associated with decreasing 0.549 units of group cohesion. The rest of the three constructs of organizational culture, namely rational culture ( $b = 0.637, p = .125$ ), hierarchical culture ( $b = -.191, p = .705$ ) and group culture ( $b = .208, p = .644$ ) were not significant to contribute to group cohesion. Therefore, only  $H_{1a}$  was supported.

TABLE 2: Summary of Unstandardized and Standardized Regression Weights in the Hypothesized Structural Model

Hypothesized path	Unstandardized Regression Weights	S.E	Standardized Regression Weights ( $b$ )	C.R.	p
Development → GC	-.503	.203	-.549	-2.47	.013
Rational → GC	.596	.388	.637	1.536	.125
Hierarchical → GC	-.188	.498	-.191	-.378	.705
Group → GC	.190	.410	.208	.463	.644
OJ → GC	.506	.197	.483	2.566	.010

Note: \*\*  $p \leq 0.05, R^2 = .48$  Adjusted  $R^2 = .40$

GC = Group Cohesion; OJ= Organizational Justice; S.E. = Standard Error; C.R. = Critical Ratio

The results, however, supported the second hypothesis on organizational justice ( $b = .483, p = .010$ ), which positively and significantly contributes to group cohesion. The result indicates that each standardized beta unit change in the organizational justice is associated with increasing 0.483 units of group cohesion. Hence,  $H_2$  was fully supported. The model in Figure 3 as well as the adjusted  $R^2 = .40$  indicates that as much as 40% of the variance of the group cohesion is explained by the five independent variables.

## 6. Discussion

The results of the study indicate mixed support for the hypothesized model. There is one main finding that out of the four organizational culture factors and organizational justice used in the model predicting group cohesion, only development and organizational justice appeared to be significant in the structural model.

The findings also indicate that although organizational culture is an important driver of group cohesion, specifically not all types of culture appear to be significant in this study context. Our results show that development culture, also known as 'ad hoc' culture that is closely related to temporary culture, is significant. This implies the employees are adapting quickly with the changing organizational environment of M&A (Quinn & Cameron, 2006). The negative result, however, implies that a strong development culture would cause individuals of a group to show less group cohesion. One of the explanations is related to the distribution of the respondents in which slightly more

than a half were from M&A organizations in the educational sector, which has a strong government influence. As the mission of the sector is not to 'generate money' due to strict employment contract, thus, the norm of being enterprising, innovative, risk taking and reward seeking by an individual (O'Donnell & Boyle, 2008) seems to be less felt in such organizations. This is quite justifiable as the M&A status of the organizations is still new, below 5 years duration.

Another finding reveals that organizational justice positively and significantly influences group cohesion. Andrews et al. (2008) argued that individuals were mainly concerned about the perceived fairness, and it substantially affects employees' attitude and behavior at work in the context of organizational change (Tyler & Blader, 2005; Melkonian et al., 2011). Employees are more likely to accept and engage well with colleagues and supervisors when they feel they have been treated fairly. For instance, treatment includes rules and guidelines in work setting given by management in a new organizational change such as M&A (Tyler & Blader, 2005).

In addition, Melkonian et al. (2011) proposed that the level of perceptions in justice depends on the level of M&A at pre- and post-stages. M&A constitute an ongoing process and they are uncertain, hence, the issue of justice on organization treats, salary, information, and job scope before and after M&A really matters to group cohesion. This study thus supports the contention by Fuchs & Edwards (2012) who assert that employee reactions will be heavily driven by fairness perceptions when they are faced with uncertainty and environmental changes at the workplace. More importantly, this study is in line with the suggestion by Hewitt (2013) that knowing the influence of organizational culture and justice is one of the ways in managing employee engagement during the times of organizational change such as that of M&A.

The practical implication of this study is that organizational managers should utilize the knowledge on the significance of developmental culture and organizational justice in fostering group cohesion as an important aspect of change after an M&A. In terms of human resource development it is suggested that employees should undergo training, which should emphasize the roles of employees and managers in strengthening organizational culture and justice and their significant influence on group cohesion after an M&A.

## **7. Conclusion**

Based on the empirical evidence we have reasons to conclude that development culture and organizational justice contribute to group cohesion, as perceived by employees in the sampled Malaysian organizations experiencing M&A. A total of 40% explaining the variance of group cohesion was accounted for by the independent variables of development culture and organizational justice.

This evidence is possible with the use of P-E fit theory that shows the engagement and relationship between a person and the environment in influencing one of the aspects of organizational behavior, specifically group cohesion.

## 8. Future research

Further research is recommended on cross-border M&A involving multinational corporations and domestic firms as this would involve areas of cross-culture between two and more countries in one integration deal. Future research should also be conducted using a qualitative method (i.e. interview and focus group discussion) involving key personnel in M&A instead of employees as alternative research subjects to understand other possible factors affecting group cohesion. A qualitative approach would also elicit meanings of the processes involved in M&A as experienced by employees and managers. A longitudinal study approach specifically focusing on diachronic analysis would be useful to see changes on group cohesion among employees over a specified duration before and after M&A. This is owing to the fact that the perceptions on justice depends on the duration of M&A at its pre- and post-stages (Melkonian et al., 2011). Hence, this proposed research may involve several phases of data collection and analysis.

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