Stakeholder Loyalty in Mergers: An Application of Theory of Planned Behavior

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ABSTRACT

This research employs the Theory of Planned Behavior as a theoretical foundation to test the loyalty of employees and customers to remain with a company during a merger behavioral intention. The hypothesized model proposed that communication, perceived control, and subjective norm are associated with attitude, and perceived behavioral control and attitude are associated with intended behavior. The data and hypotheses were examined using structural equation modeling (SEM). Results showed that communication, subjective norm, were positively related to attitude and attitude is positively related to behavioral intention. Perceived control was negatively related to attitude and behavioral intention. Findings of this study demonstrate that the proposed modification of the Theory of Planned Behavior is applicable in measuring stakeholders’ loyalty to remain with an organization during a merger.

INTRODUCTION

This study applies and extends the Theory of Planned Behavior (TPB; Ajzen, 1991; Fishbein & Ajzen, 1975) to identify an additional factor and how the factors interact to influence employee and customer loyalty to leave an organization during a merger. The TPB (Ajzen, 1991; Fishbein & Ajzen, 1975) theorizes that an individual’s intention to engage in a behavior is shaped by his or her attitudes toward the behavior, subjective norms, and perceived behavioral control.

This paper seeks to answer the research question “What are the factors influencing employees and customers to remain loyal and not leave an organization during a merger?” There are three objectives of the paper: (1) to examine the mediating effect of attitude on organizational loyalty, (2) test the role of communication in the relationship between TPB components, and (3) investigate the effects of communication, norms, and perceived behavioral control on attitudes toward organizational loyalty during a merger. The study tests whether a modified model of the TPB can be applied to the context of organizational loyalty during a merger. This model revision adds communication to the original model and identifies how components interact in the model. The addition of communication shows a difference on how the components interact but still predicts behavioral intention.

LITERATURE REVIEW

The Theory of Planned Behavior Model

The Theory of Reasoned Action (TRA) suggests that the conception of behavioral intention refers to the relationship between attitude and behavior and set forth the
concept of as a subsequent predictor of intention. In the theory, attitude refers to the person’s overall assessment of carrying out the behavior, subjective norm refers to perceived social pressure from significant others to perform, or not perform a behavior. “The Theory of Planned Behavior (TPB) added the concept of perceived behavioral control to the TRA as a third predictor of intention” (Rise, Sheeran & Huhhelberg, 2010). The perceived effortless-ness or complexity of performing a behavior is recognized as perceived behavioral control. Therefore, according to the Theory of Planned Behavior, the more positive your attitude, the stronger your subjective norms are, and the more the perceived control are over the behavior, the more likely that a person will perform the proposed behavior. Basically, if a person has the will or possess the control over how they carry out an action, the stronger the intention to perform a behavior, the more likely it is that a person will perform a proposed behavior.

The Theory of Planned Behavior model is an influence on both direct and indirect behaviors by way of influencing behavioral intentions. This has been supported by numerous reviews and meta-analyses conclude that the TPB is an effective theory (Truong, 2009, Armitage & Connor, 2001). There have also been many studies done that used technological adaptation to predict behavioral intentions through self-reported form organizational and individual evaluations (Brown & Venkatesh 2005, Chau & Hu 2002, Chau & Hu 2001, Gentry & Calantone 2002, Venkatesh & Brown 2001, Pedersen 2005, Venkatesh et al. 2003).

According to the TPB, (Ajzen, 1991; Fishbein & Ajzen, 1985), an individual’s attitude toward a particular behavior is one of the most significant predictors of both his/her intention to engage in that behavior and the actual behavior. The attitude toward the behavior is defined as the degree to which the individual has a positive evaluation of the behavior. Numerous studies have shown Theory Planned Behavior to offer sufficient assumption to predict performance of a behavior from intentions and from perceived behavioral control. The TPB does permit prediction of intentions and behaviors. Fundamentally, it is ultimately a human social behavior driven by implicit attitudes (Greenwald & Banaji, 1995).

Even though TPB emphasizes the controlled aspects of human information processing and decision-making, it is primarily concerned with behaviors that are goal driven and steered by deliberate self-regulatory processes (Ajzen, 2011). According to Geraert, even if inaccurate, partial or illogical, this theory produces attitudes, intentions and behaviors that are consistent with these beliefs (2008). Several studies have determined that the attitudes towards perceived behaviors and controlled beliefs provide the cognitive foundation for attitude predictors, subjective norms and perceived control mechanisms, respectively.

CONCEPTUAL FRAMEWORK

This model theorizes that norms, communication, and control influence attitude and attitude influences intended behavior of loyalty to an organization during a merger. In this case the intended behavior is to either stay or leave the organization. A new variation on the TPB model is used to examine the mediating effect of attitude on organizational loyalty, test the role of communication in the relationship between TPB components, and investigate the effects of communication, norms, and perceived behavioral control on employee and customers’ attitudes toward organizational loyalty during a merger. The analysis measures behavioral intention predicting actual behavior.

The literature review did not identify any previous research using the TPB model to predict merger behavior. The model tested in this paper adds communication as a variable and shows the TPB components as influencing attitude and intended behavior directly. The model reflects the TPA basis that attitude produces behavior. There are five hypotheses tested in the model.

Communication in organizations is situated in time and space in the context of communicative events. Communicative events are collections of oral and written statements and speech acts (Cooren, 2001; Cooren & Taylor, 1997; Searle, 1969) that in turn produces an overall speech act (Van Dijk, 1997). For example, a trading transaction coordinating buying and selling, an employee review congratulating an accomplishment, and a speech inviting new types of action are all communicative events. The question is how multiple communication processes, which are communicative events, effect attitudes toward organizational loyalty in mergers.

This proposed model shows communication as a factor influencing attitude. If organizational communication is perceived as informative and interactive, it has a positive effect on the attitude to remain loyal to the organization. This is the basis for hypothesis 1 and the modification to the TPB model. Based on the ideas above, we propose that:

H1: Communication is positively related to attitude to remain loyal during a merger.

Norms are how the perceived opinions of others influence the way a person views a situation. Significant others are important to an individual, including parents, siblings, close friends, relatives, subordinates, superiors, and business partners (Hee, 2000). Subjective norms measure
social influence on behaviors (Fishbein & Ajzen, 1975) and perceived social pressure. The more frequent and intense the communication is between an individual and important other; the more likely an individual will be to adopt their ideas and beliefs (Leenders, 2002). Subjective norm is determined by the extent to which an individual wants to comply with what others think (Ajzen & Fishbin, 1980). If loyalty to an organization after a merger is a positive behavior to the person’s significant others, and an individual’s motivation to comply with what significant (Cheng et al., 2005) others is high, an individual has a stronger intention to remain loyal. Other studies have demonstrated that behaviors are highly influenced by referents (Bearden & Etzel, 1991; Conner & Sparks, 1996). If the behavior is socially accepted, stakeholders may have the intention to remain loyal. On the contrary, if remaining loyal is negative behavior to the important others, an individual may try to avoid the behavior because it is not well accepted.

This proposed model shows norms as a factor influencing attitude. If organizational norms are perceived as acceptable, it has a positive effect on the attitude to remain loyal to the organization. This is the basis for hypothesis 2 below and the modification to the TPB model.

H2: Subjective norms are positively related to attitude to remain loyal during a merger.

H3: Perceived behavioral control is positively related to attitude to not remain loyal during a merger.

H4: Perceived behavioral control is positively related to intended behavior to not remain loyal during a merger.

Behavioral control measures how well a person can execute the actions required to deal with specific situations (Ajzen, 1991). It reflects the perception of factors that may facilitate or impede the performance of an act, such as the availability of time and money or the possession of required skills and the person’s self-confidence in the ability to perform the act (Taylor & Todd, 1995). Conner and Abraham (2001) shared the same view that a person’s behavior is strongly influenced by confidence in the ability to perform the intended behavior.

When people believe that they have little control over performing a behavior, their intentions to perform the behavior will be lower. Researchers of consumer complaining behavior found that an individual’s perceived difficulties, the costs of complaint, and consumer’s alienation to the complaining procedures, has an impact on his or her complaining behavior (see also Singh & Wilkes, 1996; Su & Bowen, 2001). In this case, stakeholders surveyed indicated that their feelings were strongly related to both attitude and intended behavior. The influence on both attitude and intended behavior indicate how strongly control plays a role in this situation. In this instance, control follows both the original TPB model that relates control directly to intended behavior and the new model where it influences attitude which in turn predicts intended behavior. The new proposed model retains the TPB link from control to intended behavior and adds a link from control to attitude. Consistent with the ideas above, we propose two hypotheses below to demonstrate the effect of control on loyalty to stay with an organization during a merger:

Fishbein’s and Ajzen (1980) Theory of Reasoned Action is an excellent model of the psychological processes that explain observed links between attitudes and behaviors.
The Theory of Reasoned Action suggests that the cause of behavior is a person’s intention to engage in the behavior. The issue of how an attitude is transformed into action is resolved by adding another psychological event, the formation of an intention. Intention is explained to be the person’s motivation to exert effort to carry out a behavior. High correlations between attitudes and overt behaviors can be produced by aggregating several behaviors to create a measure that corresponds to the attitude measure. Accordingly, we propose that:

H5: Attitude is positively related to the intended behavior in organizational loyalty during a merger.

An important characteristic of Fishbein and Ajzen’s approach to attitudes is they stress the need for specificity between attitude and behavior when trying to predict a behavior. For example, most people say they have a positive attitude toward “protecting the environment,” but such an attitude will have a small statistical or substantive relationship with the behavior “recycling aluminum cans at my office.” To understand and predict the specific behavior, one needs to measure attitude towards “recycling aluminum cans at my office.”

METHODOLOGY

SAMPLE

The data analyzed in this study was collected from two colleges of business of two regional campuses in the same state university system before and after their institutional merger. We surveyed different stakeholders including students, faculty, administrators and staff members.

We applied a quota sampling (Carroll & Teo, 1996) rationale to gain an adequate number of respondents for both students and faculty members across the two campuses. The main advantages of this sampling technique lay in the speed of sampling implementation, relatively low cost and high effectiveness to reach eligible respondents. The study uses surveys designed to measure issues specific to each stakeholder group. The faculty group is defined as full time faculty including tenured, tenure track, and full-time lecturers. For the purposes of this study adjunct faculty were excluded. The majority of the faculty are Ph.D. qualified. The student group included all registered students, both undergraduate and graduate, coded as College of Business majors. These are primarily commuter students at both institutions.

We used a two-wave cross-sectional survey as the instrument for data collection. The surveys were administered via Qualtrics. Each stakeholder group was sent a link to access their surveys pre- and post- the merger of the two campuses. The responses were completely anonymous and kept confidential.

MEASURES

We created multi-item indicators and dummy variables to measure the key constructs in the proposed research model—norm, perceive control, attitude toward institutional merger, communication and intended loyalty behavior. We developed the format and wording for each of the items based on the rationale applied by Ajzen (1991) and Cordano and Frieze (2000), and adapt them to the current research settings. Thus five-point scales instead of seven-point ones were applied. We coded the items for the scale items (e.g. -2, strongly disapprove, to 2, strongly approve) and dummy variables (e.g. -1, no, 1, yes).

Norms for merger. Questions were asked about how the stakeholders felt about university norms regarding the merger, their effects on the composition of employee and customer, the variety of cultures and traditions, and if it would add value to the university culture. The content of our norm-items focused on not only the existing regulations in the procedure of an institutional merger, but also the subjective routines perceived by stakeholders.

Attitude toward merger. We asked questions regarding the stakeholders’ thoughts about the merger and merger processes. A five-point scale was applied to ask stakeholders whether they approve or disapprove the merger between the two academic institutions, and to what extent they agreed with the process of merger.

Perceived control. Questions were asked about specific possible changing aspects of the stakeholders’ position and if they thought they had influence on these possible changes. In measuring this construct, we also looked at the degree of spontaneous actions a person would like to conduct during the merger process. A sample question was, “would you like to be more involved in helping with the transition?”

Communication. To measure this construct, we asked about communication processes regarding the merger and the stakeholders’ opinions about the communication during the merger. A sample question was, “Has information about the merger been clearly communicated to you?”

Intended loyalty behavior. Two questions were asked specifically about the stakeholders’ intent to leave the organization and feeling regarding loyalty to the new organization. Accordingly, we adopted two dummy variables for this construct. Given the nature of the questions, we
reverse-scored the two items for each of the two behavior variables.

To accommodate the specific setting of this study, we also created two dummy control variables to measure the identity of respondents (student vs. non-student), and timing of response (pre-merger vs. post-merger).

**ANALYSIS AND RESULTS**

The pre-merger survey was sent to respondents at both campuses that included 50 non-student members (faculty/staff/administrators), and 1959 students. Response rates for each stakeholder group were 40%, and 11.6% respectively. The post-merger survey was received by 47 non-student members, and 1668 students. Response rates for each stakeholder group were 51%, and 8% respectively. To fully meet the statistical analysis requirement, we pooled the pre- and post-merger data, and eventually create a dataset that included 434 observations (362 students, 72 non-student’s respondents) after the removal of incomplete and missing data.

**MEASUREMENT MODEL DESCRIPTIVE**

Given the latent-indicator nature of this study, we applied structural equation modeling (SEM) as the primary tool for data analysis. The most significant advantage of SEM is that the confirmatory factor analysis leading to a measurement model that is incorporate into the structural analysis (Cordano & Frieze, 2000). We used 18 observed variables and five factors to perform a structural model analysis with STATA 14 software.

The initial measurement model included all the 18 indicator items for the five concerned latent variables. The results for the confirmatory factor analysis indicated poor data fitness. The chi-square statistic was significant ($\chi^2 = 647.94$, df = 125), and no other fit indexes appeared to be closed to the preferred threshold values. We hence examined the modification indexes and indicator reliabilities to select changes for the initial measurement model, which was suggested by previous studies (e.g. Denison et al., 1996). Based on the results of the modification index, we dropped off three indicators but did not change any covariance paths. The measurement model fit data marginally well after revision. Table 1 lists several key model fit indexes including Chi-square value, comparative fit index (CFI), root mean squared error of approximation (RMSEA), standardized root mean squared residual (SRMR) and the coefficient of determination (CD). Unfortunately, except SRMR and CD indicate marginally goodness-of-fit, the other indexes do not support an excellent model fit.

Table 2 provides the descriptive results of the variables in the structural model. To further validate the measurement instruments, we conducted convergent validity and discriminant validity tests respectively. In discriminant validity tests, we found no confidence interval for any factor correlation included 1.0, suggesting that all factors discriminable differed from one another (Hom & Kinicki, 2001). We tested the convergent validity by observing factor loadings and the squared multiple correlations of the items, which fell in the range between 36%-81%, confirming convergent validity (Lin & Hsieh, 2011).

### Table 1

**GOODNESS-OF-FIT RESULTS FOR MEASUREMENT AND STRUCTURAL MODELS**  

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$</th>
<th>df</th>
<th>p</th>
<th>CFI</th>
<th>RMSEA</th>
<th>SRMR</th>
<th>CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurement model</td>
<td>347.65</td>
<td>80</td>
<td>0.001</td>
<td>0.831</td>
<td>0.088</td>
<td>0.072</td>
<td>0.993</td>
</tr>
<tr>
<td>Structural model</td>
<td>348.96</td>
<td>82</td>
<td>0.001</td>
<td>0.832</td>
<td>0.087</td>
<td>0.072</td>
<td>0.989</td>
</tr>
</tbody>
</table>

### Table 2

**MEANS, STANDARD DEVIATIONS, CORRELATIONS AND RELIABILITY ESTIMATES**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>s.d.</th>
<th>Reliability</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Norm</td>
<td>1.40e-09</td>
<td>0.787</td>
<td>0.70</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Control</td>
<td>-9.39e-11</td>
<td>0.215</td>
<td>0.69</td>
<td>-0.4662***</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Communication</td>
<td>6.00e-10</td>
<td>0.658</td>
<td>0.74</td>
<td>0.3822***</td>
<td>-0.0884</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Attitude</td>
<td>-8.48e-10</td>
<td>0.716</td>
<td>0.72</td>
<td>0.7930***</td>
<td>-0.6762***</td>
<td>0.6169***</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>5 Behavior</td>
<td>1.29e-09</td>
<td>0.464</td>
<td>0.71</td>
<td>0.6647***</td>
<td>-0.8790***</td>
<td>0.3831***</td>
<td>0.8956***</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

*** : $p < 0.001$
The results of this study generally support the extended model we developed. Hypothesis 1 predicts a positive relationship between communication and attitude to loyalty during a merger. The communication variable produced a standardized path coefficient of .406 (p < .001), which supported Hypothesis 1. Hypothesis 2 predicts a positive relationship between subjective norms and stakeholders’ loyalty attitude. Again, the results supported this hypothesis. A significant and positive relationship (coefficient = .402, p < .001) does exist between norms and attitude to loyalty during a merger.

Hypothesis 3 and hypothesis 4 predict that perceived behavioral control is positively related to disloyalty attitude and intended disloyal behavior during a merger. Both of the hypotheses were supported. As shown in Figure 4, the path coefficient for the relationship between control and attitude is negative and significant (-.18, p < .001), and the relationship between control and intended behavior yielded a path coefficient of -.055 (p < .001). Because we measure attitude and intended behavior as attitude and intention to loyalty during a merger, negative coefficients indicate that H3 and H4 are supported.

Finally, Hypothesis 5 predicts a positive relationship between attitude and intended behavior in loyalty during a merger. We found support for this hypothesis, with a significant and positive path coefficient of 0.362 (p < .001). This is consistent with the findings of previous studies (e.g. Ajzen, 1991; Cordano & Frieze, 2000).

**DISCUSSION AND IMPLICATIONS**

This study applies and extends the original model of the Theory of Planned Behavior (Ajzen, 1991; Fishbein & Ajzen, 1975) to investigate the factors that influence stakeholders’ attitude and intended behavior to remain loyal to an organization during a merger process. Our findings suggest three key exogenous factors that have important effects on shaping the stakeholders’ loyalty attitude and intended behavior. These three factors are communication, subjective norms and perceived control.

While subjective norms and perceived control have been well studied in previous research (Ajzen, 1991; Greenslade & White, 2005; Carpenter & Reimers, 2005) on planned behavior, few of the existing studies have tested the effects of norms and control on forming attitude. The results of this study suggest that subjective norms and perceived control play remarkable roles in shaping key stakeholders’ attitude toward remaining loyal when a significant change takes place in an organization, for example, merging with another organization.

Instead of treating attitude as an ordinary exogenous variable, in our model we test the mediating effects of attitude on influencing the intended behavior of being loyal during a merger process. Our findings suggest that attitude mediate between key exogenous factors (norms, control and communication) and the formation of intention to remaining loyalty during a merger. This study revealed the core roles of attitude in determining the intended and actual behavior to loyalty during an organizational change.

In this study we added in a new factor—communication to our research framework. Our findings suggest that the effectiveness of communication between different levels in an organization directly influenced the stakeholders’ attitude toward remaining loyal during a merger process. This is consistent with the results of previous studies on the roles of corporate communication during the process of organizational changes (Nelissen & van Selm, 2008; Maheshwari & Vohra, 2015). Consequently, the removal of communication barriers and creation of effective communication channels and mechanisms become the keys to improve stakeholders’ loyalty to the new organization during a merger.

Finally, the findings of this study suggest the existence of a direct and an indirect relationship between perceived control and intended behavior to remaining loyal during a merger. We gained empirical evidence that perceived control negatively predict the magnitude of loyalty attitude and intended loyal behavior during a merger process. One of the potential explanation could be related to the frustration experienced by the stakeholders, particularly when they attempt to enhance performance during a merger. In such instances, limited authority or self-controllability would stimulate greater desire for increased intention to remaining loyal. This rationale has been suggested by previous studies, such as the one contributed by Cordano and Frieze (2000).

The theoretical implications of this study are twofold. First, this study extended the original TPB model by accommodating it to a new research context, the consolidation of Higher Education. The unique features of our findings to a large extent are related to this special research setting, which has not been well investigated by previous studies. Our findings suggest that due to the special features of higher educational institutions, the TPB model might need to be modified to adapt to the information-transparency requirement and knowledge-intensive nature of this industry. This means different avenues for future research. Second, in this study we particularly examined the role of communication and mediating effects of attitude in determining the intended loyalty behavior during a merger process. Alternative hypotheses can be developed to investigate the potential moderating
effects of those factors, which create more opportunities to further enhance and enrich the application of the TPB model.

REFERENCES


