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RESEARCH NOTES AND COMMENTARIES

PREDICTING WHO STAYS AND LEAVES AFTER AN ACQUISITION: A STUDY OF TOP MANAGERS IN MULTINATIONAL FIRMS

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This study adds to current explanations of executive fate following a merger or acquisition by examining how executives' perceptions of merger events determine whether they stay or leave. Results indicate that executives' perceptions of the merger announcement, interactions with the acquiring firm's top managers following the merger, and long-term effects of the merger significantly influenced their decision to stay or leave. These perceptions could be used to correctly distinguish between stayers and leavers in almost 80 percent of the cases. In addition, perceptions created when the target company was acquired by a foreign multinational made it more likely that the executive would leave. This finding demonstrates that foreignness continues to be an important determinant of executive perceptions in cross-national mergers and acquisitions. Copyright © 2001 John Wiley & Sons, Ltd.

U.S. target companies can expect to lose about two-thirds of their executives within 5 years of acquisition—over twice the normal rate (Walsh, 1988). Departures are higher when the acquirer is a foreign multinational (Krug and Hegarty, 1997). Research has attempted to explain these high departure rates primarily as an outcome of merger, firm, industry, and top management characteristics (Cannella and Hambrick, 1993; Hambrick and Cannella, 1993; Krishnan, Miller, and Judge, 1997; Walsh, 1989; Walsh and Ellwood, 1991). Little research, however, has measured the association between executives' perceptions of merger events and their decision to stay or depart. This research addresses this gap in the literature by examining the perceptions of executives involved in a broad sample of foreign and domestic acquisitions. In doing so, it also addresses the growing number and importance of foreign acquisitions in the U.S. market.

THEORY AND HYPOTHESES

Why do such large numbers of target company top managers depart shortly after an acquisition? Most studies have focused on identifying situational determinants (i.e., merger, firm, industry, and top management team characteristics) that are associated with higher levels of management departures following the acquisition. Little

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research has addressed the role that dispositional characteristics such as individual traits, characteristics, and values play in motivating some executives to stay and others to leave, even though they are exposed to the same merger events (Hambrick and Mason, 1984). Dispositional characteristics often cause executives to interpret problems, options, and outcomes differently. Consequently, executives' perceptions are an important determinant of their response to a strategic event (Finkelstein and Hambrick, 1996). Thus, a better understanding of executive departures may be gained by directly examining executives' perceptions of merger events (Hambrick and Cannella, 1993). Three events appear to be important in creating these perceptions: the merger announcement itself, interactions with acquiring company managers following the merger, and postmerger changes that determine the long-term effects of the merger.

Our understanding of individual reactions to a merger announcement comes primarily from anecdotal evidence and numerous case studies. These report that mergers and acquisitions lead to a variety of dysfunctional outcomes such as uncertainty, stress, and job dissatisfaction (Buono, Bowditch, and Lewis, 1985; Marks and Mirvis, 1985; Mirvis and Marks, 1986; Sales and Mirvis, 1984; Schweiger and Walsh, 1990). In the only study to empirically measure such perceptions, Schweiger and DeNisi (1991) found that the merger announcement led to greater stress, uncertainty, absenteeism, job dissatisfaction, and intent to turnover among manufacturing employees. The short time frame of their study, however, prevented them from drawing a link between these outcomes and the actual decision to depart.

Executive perceptions of the merger announcement are heavily influenced by preacquisition events that send signals about the willingness of the acquiring firm to retain target company managers and create impressions about the executive's future role in the newly merged firm (Schweiger and DeNisi, 1991). Target company executives are more likely to leave when their firm is financially distressed, operates under bankruptcy protection, or underperforms the market (Warner, Watts, and Wruck, 1988; Walsh and Ellwood, 1991; Walsh and Kosnik, 1993; Weisbach, 1988). These are conditions that often lead to proxy contests or acquisitions by outside firms. Executives are also more likely to depart following a period of hostile negotiations or as a result of cultural differences between the merging firms (Walsh, 1989; Hambrick and Cannella, 1993; Krug and Nigh, 1998a; Lubatkin, Schweiger, and Weber, 1999). The prospect of having to work with managers from the parent company following hostile negotiations may cause managers to leave. The uncertainty of working with managers from different national cultures may induce acquiring firms to operate the target company using their own managers or induce target company executives to seek employment elsewhere. Therefore,

Hypothesis 1: A target company top manager's decision to stay rather than leave following acquisition is positively associated with his or her positive perceptions of the merger announcement.

Perceptions of the merger may also be influenced by executives' interactions with top managers from the acquiring firm following the merger. Job dissatisfaction and intent to turnover among target company employees decline when acquiring companies inform them of planned changes before they are implemented (Schweiger and DeNisi, 1991). Realistic job previews are an effective means of helping employees develop realistic job expectations (Wanous, 1977). They help them make informed choices about staying or leaving (Lee and Mowday, 1987). Communications between merging top management teams should have similar effects by sending strong signals to executives about their status as insiders or outsiders. The nature of communication flows is also important in that executives are affected by the perceptions of other top management team members (Chattopadhyay *et al.*, 1999). Further, poor social integration among top managers increases conflict, decreases the frequency of communications, and increases turnover (Ancona and Caldwell, 1992; Michel and Hambrick, 1992; O'Reilly, Caldwell, and Barnett, 1989; Wagner, Pfeffer, and O'Reilly, 1984; Zenger and Lawrence, 1989). Therefore,

Hypothesis 2: A target company top manager's decision to stay rather than leave following acquisition is positively associated with his or her positive interactions with acquiring company top managers following the merger.

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Executives' decisions about staying or leaving are ultimately influenced by their perceptions of the long-term effects of the merger. Past studies focused on the nature of the executive's post-merger job and subsequent treatment. Using quantitative measurements of titular job status and job autonomy, Hambrick and Cannella (1993) found that managers departed at lower rates in the first year following the merger when they were granted status and autonomy. These effects, however, were later reversed. Managers initially granted status and autonomy departed at significantly higher rates by the fourth year after the merger. Hambrick and Cannella suggested that parent companies may withdraw status and increase control once the merger has stabilized, leading to a deterioration in the relationship between executives from the two companies. Thus, managerial perceptions and behaviors are dynamic and change in unexpected ways as events surrounding the merger unfold. Therefore,

Hypothesis 3: A target company top manager's decision to stay rather than leave following acquisition is positively associated with his or her positive perceptions of the long-term effects of the merger.

METHODS

Top management perceptions of merger events

We developed an initial list of survey items to measure executives' perceptions through four steps: (1) an extensive review of the merger and acquisition (M&A) literature, (2) interviews with researchers in the field and with executives recently involved in a merger, (3) interviews with executives in a *Fortune* 500 company implementing a recent acquisition, and (4) an examination of a *Fortune* 500 company's documents on the recent sale of an operating division. An e-mail was then sent to 300 executives who had completed their Executive MBA. Twenty-five executives responded that they had been involved in an acquisition within the last 3 years and agreed to participate in the pretest. All but three pairs of executives came from different companies involved in 22 acquisitions. After the executives examined the initial survey, interviews were conducted to identify those items that most accurately measured the perceptions examined in the study. When inconsistencies were found, items were either deleted or reworded. In these cases, second interviews were conducted to determine whether the reworded item was appropriate. The final survey included 20 questions in Likert-scale format (5 = strongly agree, 1 = strongly disagree). Executives who departed were also asked to list their reasons for leaving. Based on these comments and subsequent telephone conversations, each executive was labeled as a voluntary or involuntary leaver.

Sample and data

The research sample was developed by randomly selecting from *Mergers & Acquisitions* 130 U.S. firms acquired by a foreign multinational and 70 U.S. firms acquired by U.S. firm during the 1986–89 period. The names of managers in each of the 200 firms just prior to the acquisition were identified in *Standard & Poor's Register of Corporations, Directors and Executives* (*Register*). The employment status of each manager was then followed in the *Register* for 6 years following the acquisition. Managers still employed 6 years later were coded as 'stayers' and managers no longer employed were coded as 'leavers.' This time frame is generally viewed as adequate for capturing the full effects of the acquisition; it is also thought to be sufficient for acquiring companies to meet the objectives of the acquisition or to make a decision about retaining or divesting the acquired company (Bergh, 1997; Datta and Grant, 1990; Krug and Hegarty, 1997; Krug and Nigh, 1998b; Ravenscraft and Scherer, 1987; Walsh, 1988, 1989).

The questionnaire was mailed to 660 managers (352 stayers and 308 leavers) in the 200 acquired firms. An individualized letter that stated the objectives of the research and assured managers of the confidentiality of their responses accompanied the questionnaire; of these, 538 reached the desired executive. A second questionnaire was mailed to managers who did not respond within 30 days. Responses were received from 317 managers, a response rate of 58.9 percent. Thirty-six managers responded that they could not participate in the study because they had signed a confidentiality agreement, they were involved in merger negotiations and could not discuss the merger, it was company policy not

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to participate in surveys, or they were employed by a private firm that did not release information. Usable surveys were received from 273 managers (182 stayers and 91 leavers), a usable response rate of 50.7 percent. These managers were involved in 144 acquisitions (90 foreign and 54 domestic).

A principal components factor analysis with varimax rotation was performed to identify the underlying perceptions of executives who stayed or left following the acquisition (see Table 1). The analysis resulted in a five-factor solution. All items except one loaded on a single factor at greater than 0.50. Three factors included three or more items and were consistent with the character of the research hypotheses. The seven items loading on the first factor describe executives' perceptions of the merger announcement. The second factor describes executives' interactions with acquiring company top managers following the merger. The six items loading on the third factor describe executives' perceptions of the long-term effects of the merger.

Control variables

Six variables were included in the analysis to control for merger, firm, and top management characteristics. Krug and Hegarty (1997) found that managers departed at higher rates when their firm was acquired by a foreign firm; therefore, *foreign acquisitions* were coded as foreign and included 166 firms in the sample (60.8%). Walsh (1989) and Hambrick and Cannella (1993) found that *hostile acquisitions* were associated with greater departures; therefore, acquisitions were coded as hostile or friendly based on data acquired from *Mergers & Acquisitions*. The sample included five hostile acquisitions (1.8%). The random sample of firms included privately held and subsidiary targets as well as publicly traded targets; therefore, *publicly traded targets* were coded as public and included 114 acquisitions (41.8%). O'Shaughnessy and Flanagan (1998) found that preacquisition target company growth in revenues per employee was negatively related to the probability of employee layoffs. Two variables were used to control for the effects of growth in the target company. The *preacquisition growth rate* measured the average growth rate in employees during the 3 years leading up to the acquisition and the *postacquisition growth rate* measured the 5-year postacquisition employee growth rate. We believe these measures were consistent with the research focus on executive departures and that they provided a realistic basis for drawing conclusions about the availability and need for target company managers to operate the firm after the acquisition. Finally, Walsh (1988) found that senior-level executives departed at higher rates than less-senior executives; therefore, executives were coded as *senior-level executives* when they held the position of chairman, chief executive officer, chief operating officer, or president prior to the acquisition. There were 47 senior-level executives in the sample (17.2%).

Data analysis

The hypotheses were tested using logistic regression analysis. This procedure is appropriate for predicting an outcome when the dependent variable is dichotomous and the independent variables are continuous (Press and Wilson, 1978). A significant model chi-square indicates that at least one beta in the model is nonzero (Demaris, 1992). When an independent variable's beta is positive and significant, the probability that the executive stayed is increased; when the beta is negative and significant, the probability that the executive stayed is decreased (Bergh, 1997; Bilimoria and Piderit, 1994; Dickson and Weaver, 1997).

RESULTS

The results of the logistical regression analysis are presented in Table 2. The first model tested the significance of the control variables. Executives were more likely to depart when their firm was acquired by a foreign multinational and when they held a senior-level position. These findings were consistent with previous studies (Krug and Hegarty, 1997; Walsh, 1988). The second model tested the significance of the hypothesized variables; these variables were calculated by taking the average of all significant items loading on the factors identified in the factor analysis. Hypothesis 1, that executives' positive perceptions of the merger announcement were related to the decision to stay, was supported. When executives viewed the merger as friendly, had favorable impressions of the acquiring company's

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Table 1. Results of factor analysis of top management perceptions

	Items[b]	Factors[a]				
		Merger announcement	TMT interactions	Long-term effects	Family issues	System changes
1.	Overall, I would characterize the merger as hostile.[c]	0.53	0.12	0.44	0.28	−0.07
2.	Employee morale deteriorated when we learned we were going to merge.[c]	0.67	0.13	0.25	−0.00	0.09
3.	Some people felt fearful about their job security after the merger took place.[c]	0.61	−0.15	0.37	−0.03	0.04
4.	It was very stressful from the time we knew a merger would occur until it actually happened.[c]	0.64	0.13	−0.15	0.24	0.08
5.	I considered looking for another job after I learned we were going to merge with another company.[c]	0.55	0.23	0.34	−0.00	0.04
6.	Management in the acquiring company did not understand our company's culture.[c]	0.60	0.07	0.15	0.08	−0.31
7.	When the merger took place, there were too many changes taking place too quickly.[c]	0.56	0.09	0.10	0.27	0.29
8.	When the merger took place, the mission of the merged company was explained to me.	0.22	0.69	0.18	0.08	−0.19
9.	We were kept well informed about what was happening during the merger process.	0.23	0.66	0.09	−0.32	0.30
10.	I was familiar with the company we merged with when I first learned about the possible merger.	0.01	0.68	−0.11	0.17	−0.14
11.	My job in the new merged company is (stayed)/was (left) more interesting than prior to the merger.	0.14	−0.04	0.84	0.06	−0.04
12.	My job in the new merged company is (stayed)/was (left) more enjoyable than prior to the merger.	0.40	−0.13	0.70	0.06	−0.21
13.	Following the merger, my status was equal to or greater than in my former company.	0.15	0.05	0.73	0.07	0.15
14.	After the merger I felt as committed to the merged company as I was to my former company.	0.45	0.06	0.65	−0.04	−0.06
15.	The long-term effects of the merger for me personally, I believe, have been positive.	0.18	0.07	0.72	0.19	0.08

(Continued)

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Table 1. Continued

	Items[b]	Factors[a]: Merger announcement	TMT interactions	Long-term effects	Family issues	System changes
16.	The merger resulted in better promotion opportunities for me (stayed)/ My career opportunities have been greater since I left my old company (left).	−0.23	0.33	0.59	0.23	0.08
17.	As a result of the merger we now have new systems.[c]	0.15	−0.09	0.07	0.09	0.78
18.	We were given ample resources ($$, computer support, people) to facilitate changes after the merger.	0.35	0.22	0.35	0.21	−0.46
19.	The benefits plan of the new merged company is (stayed)/was (left) better than prior to the merger.	0.11	0.07	0.09	0.69	−0.10
20.	As a result of the merger I had to physically move to a new location.[c]	0.16	−0.01	0.21	0.55	0.17
	Cronbach alpha	0.78	0.51	0.84	0.17	–
	Eigenvalue	5.82	1.77	1.49	1.21	1.05
	Percent of variance explained	29.10	8.80	7.50	6.00	5.30
	Cumulative percentage of variance of explained	29.10	37.90	45.40	51.40	56.70

[a]Loadings with a value of 0.50 were considered significant.
[b]Likert-type scale was used for all items (5 = strongly agree, 1 = strongly disagree). $N = 273$ (leavers = 91, stayers = 182).
[c]Coding reversed.

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Table 2. Results of logistic regression analysis of top management perceptions: Probability that executive stayed[a]

Variables	Coeff.[b]	Std est.	Wald Chi-sq	Coeff.	Std est.	Wald Chi-sq.	Coeff.	Std est.	Wald Chi-sq.
Control variables:									
Foreign acquisition	−0.365	0.275	1.759*				−0.576	0.323	3.179**
Hostile acquisition	−1.152	0.952	1.466				−0.800	1.110	0.520
Publicly traded target	−0.238	0.270	0.782				0.294	0.333	0.781
Preacquisition growth rate	−0.002	0.002	0.437				−0.001	0.001	0.778
Postacquisition growth rate	0.002	0.002	0.537				−0.000	0.003	0.000
Senior-level executive	−0.667	0.335	3.969**				−0.146	0.422	0.120
Top management perceptions:									
Merger announcement				0.536	0.271	3.927**	0.472	0.279	2.865**
TMT interactions				−0.764	0.188	16.521****	−0.794	0.196	16.340****
Long-term effects				1.110	0.223	24.787****	1.173	0.239	24.008****
Family issues				0.165	0.194	0.727	0.179	0.198	0.821
System changes				0.031	0.140	0.049	0.007	0.145	0.002
Model chi-square	10.172			76.877			83.089		
Sig.	0.118			0.000			0.000		

[a]Dependent variable (0 = Left, 1 = Stayed)
[b]Coefficients are unstandardized. Hypotheses one-tailed
$^{*}p < 0.10$; $^{**}p < 0.05$; $^{***}p < 0.01$; $^{****}p < 0.001$

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understanding of their culture, and felt secure in their job, they were less likely to leave. Hypothesis 2 predicted that executives' decisions to stay were related to their positive interactions with acquiring company managers following the merger. The negative coefficient, however, indicated that executives were actually more likely to depart. This result stands in contrast to Schweiger and DeNisi's (1991) finding that good communications between merging firms are an effective strategy for minimizing the departure of manufacturing employees. Such interactions appear to be less important in determining whether top managers stay. Hypothesis 3, that executives' decisions to stay were related to their perceptions of the long-term effects of the merger, was also supported. Executives were more likely to stay when they had challenging positions with greater status and viewed the long-term effects of the merger to be positive. The significance of the three hypothesized constructs was unaffected when the control variables were included in Model 3.

Several exploratory ANOVAs provided additional insight into executives' perceptual differences. First, stayers and leavers were split into four groups based on whether they had positive or negative perceptions of their interactions with acquiring firm managers after the merger: (1) informed stayers, (2) uninformed stayers, (3) informed leavers, and (4) uninformed leavers. Informed stayers had more favorable perceptions of the merger announcement ($F = 20.98$, $p < 0.000$) and long-term effects of the merger ($F = 26.34$, $p < 0.000$) than executives in the other categories. This finding was consistent with the reasoning of Hypothesis 2. Nevertheless, a large number of executives with favorable perceptions also left. Informed leavers had more negative perceptions of the long-term effects of the merger than both informed and uninformed stayers. Thus, the negative perceptions of informed leavers more than offset the positive perceptions of informed stayers and resulted in the negative coefficient found in the logistic regression analysis. Despite being 'insiders' in the integration process, many executives believed that outside opportunities were favorable alternatives to staying in the merged company.

Stayers and leavers were then separated into groups based on their status as a senior or less-senior executive prior to the acquisition. An ANOVA indicated that all stayers, regardless of their status, had more favorable perceptions of the merger announcement ($F = 9.54$, $p < 0.000$) and long-term effects of the merger ($F = 21.71$, $p < 0.000$) than executives who left. However, senior executives had more favorable impressions of their interactions with acquiring company managers after the merger, whether they stayed or left. This finding suggests that executives' perceptions of the merger may be determined early and favorable interactions with acquiring company managers after the merger may be insufficient to alter the initial negative impressions of informed leavers.

The data and later telephone conversations with executives indicated that executives departed for four reasons: (1) to pursue outside opportunities or retire on schedule (35%), (2) lower job status (33%), (3) a condition of the merger agreement (6%), or (4) termination (26%). Analysis revealed two noteworthy findings. First, executives in the first category had more positive perceptions of the long-term effects (e.g., job status) of the merger than executives in either the second or fourth category ($F = 11.490$, $p < 0.000$). This suggests that executives who left voluntarily because of lower job status had similar reactions to the merger as those who were terminated. Second, executives who were terminated came from companies that were significantly downsized after the merger relative to firms in the other categories ($F = 3.656$, $p < 0.016$). This finding suggests that executives who were terminated may have been terminated because of poor firm performance or the effects of downsizing.

Inter-rater reliabilities were calculated to determine whether the analysis of individual executive perceptions extended to the top management team (TMT). Three or more surveys were received from executives in 25 firms. The average inter-rater reliability for executives in these firms, based on their perceptions of the long-term effects of the merger, was 0.82. This finding suggests that individual perceptions do extend to the top management team over the long-run. Ten of the 25 TMTs, however, had inter-rater reliabilities below 0.50 on the study's other two constructs. When these firms were excluded, the average inter-rater reliabilities on executives' perceptions of the merger announcement and TMT interactions were 0.73 and 0.64. An investigation of executive perceptions in the other 10 firms

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revealed that many executives stayed in their job for personal or family reasons (e.g., a desire not to move, length of service, or commitment to the firm or its employees), even though they had negative perceptions of the merger announcement. Thus, personal and family considerations may cause executives to stay, even though their perceptions would suggest that they prefer to leave. In addition, many executives may stay because of inertia. *Ceteris paribus*, it is easier to stay than to leave.

We conducted a final analysis to better understand the relationship between the individual executive's perceptions of merger events and firm-level departures. Sixty-five percent of the executives in the 200 target firms departed within 5 years of the acquisition. Executives' negative perceptions of the merger announcement were positively associated with higher firm-level departure rates ($r = 0.24$, $p < 0.000$). This finding suggests that individual perceptions may be good predictors of future firm-level departures.

DISCUSSION AND RESEARCH DIRECTIONS

This research offers new insights into the fate of executives following a merger or acquisition. We focused on the perceptions of target company top managers in order to better understand why some managers stayed and others left. Executives' perceptions of the merger announcement, interactions with managers in the acquiring company after the merger, and long-term effects of the merger each had a significant effect on determining whether executives stayed or left. In addition, executives had less favorable perceptions and were more likely to leave when their company was acquired by a foreign multinational. This result suggests that foreignness has a negative effect on how individuals view the outcomes of an acquisition by a firm whose headquarters is located in a different country.

Two findings are worthy of note as they relate to the work of Schweiger and DeNisi (1991). As previously discussed, they found that the merger announcement led to a variety of dysfunctional outcomes such as increased job dissatisfaction and intent to turnover among a target company's manufacturing employees. The short time frame of their study, however, prevented them from determining whether these dysfunctional outcomes actually led to greater departures. Our findings indicate that the merger announcement leads to similar outcomes among target company top managers. Moreover, executives' perceptions of the merger announcement extend to the long-term and are associated with the executive's decision to stay or depart. Schweiger and DeNisi also found that acquiring companies are able to decrease dysfunctional outcomes created by the merger announcement through communication programs that keep employees informed of changes before they occur. We predicted that good communications between merging top managers would have similar effects. This may have been a simplistic assumption. Our results showed that managers with favorable perceptions of post-merger communications ('informed' managers) were actually more likely to leave.

When we broke 'informed' managers into groups based on whether they stayed or left, we found that informed stayers had positive perceptions of the long-term effects of the merger but informed leavers had negative perceptions. This fact suggested that good communications between top managers may be insufficient to overcome some executives' initial negative impressions of the merger. Upper echelons theory may provide the best explanation for differences between these two groups (Hambrick and Mason, 1984). Executives are motivated by a complex set of criteria. They often develop widely divergent interpretations of the same event that make it difficult for researchers to make accurate predictions about their behavior. Hambrick and Cannella (1993) and Lubatkin *et al.* (1999) found that autonomy removal is related to subsequent departures. It is possible that some executives have stronger needs for autonomy than others. These stronger needs may lead to negative perceptions of the merger over the long term and executives' departure.

The positive association between executives' negative perceptions of the merger announcement and subsequent firm-level top management departures supports Walsh's reasoning that the preacquisition negotiation process may affect the willingness and ability of top management teams to work together after the merger. He attempted to explain high top management departures by associating them with merger and firm character-

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istics. However, he found few significant relationships, especially shortly after the acquisition when the greatest number of managers departed. This absence of findings led him to conclude that 'merger and acquisition negotiations fall short of explaining a good deal of subsequent target company top management turnover' (Walsh, 1989: 320).

Our findings suggest, however, that Walsh's arguments about the negotiation process were accurate. Preacquisition negotiations do appear to have a significant effect on executives' perceptions and they play a large part in determining the level of future firm-level top management departures. We found no association between firm-level departures and the study's two other measures (executives' interactions with acquiring company managers following the merger or perceptions of the long-term effects of the merger). We included several control variables that measured merger and firm characteristics in the analysis but few of them were associated with executive departures. It was the analysis of executives' actual perceptions of merger events that provided the best insight into the executive's decision to stay or leave. Hambrick and Cannella commented that nonperceptual measures 'have the disadvantage of not directly gauging the interactions and attitudes of the executives involved … they tap conditions that create executives' perceptions … but they do not gauge the perceptions themselves' (Hambrick and Cannella, 1993: 737). Our results indicate that these nonperceptual variables may be inadequate for capturing the many complexities surrounding the individual executive's decision to stay or depart after the acquisition.

Previous studies could only speculate whether target company executives departed voluntarily or involuntarily following acquisition. Our results revealed that one-third were terminated within 3 years of the acquisition. These executives came predominately from firms that were downsized following the merger. This suggests that poor firm performance and a declining need for managers to operate the target company play an important role in these terminations. Although two-thirds of the executives left for voluntary reasons, about one-half of these executives left because of lower job status or alienation. They had negative perceptions of the long-term effects of the acquisition similar to executives who were terminated, suggesting that these executives also left involuntarily even though they were not formally terminated. Thus, our results suggest that some two-thirds of an acquired company's executives leave for involuntary reasons. These numbers may be underestimated, since executives who were terminated may have been less likely to respond to the research questionnaire.

This research provides several directions for future research on postacquisition top management departures. First, a growing body of knowledge has contributed to our understanding of the many variables that contribute to higher postacquisition top management departures. Cannella and Hambrick (1993) took the next step by examining the relationship between departures and postacquisition performance. Our research, however, suggests that the processes that determine the departure–performance relationship in purely domestic acquisitions may be different in cross-border acquisitions. Future research needs to explore this relationship in cross-border acquisitions. Second, existing studies limited our understanding of the effect of acquisitions. They focused on departures among the acquired target company top management team at the time of the acquisition. Departures of executives who joined the firm after the acquisition were ignored. An examination of annual turnover rates of all managers, not just those employed at the time of the acquisition, would add significantly to our understanding of postacquisition top management changes. This examination may be particularly important in cross-border acquisitions, which often rely on management transfers among subsidiaries as a means of training and knowledge transfer. Third, existing research in this area can generally be categorized into in-depth case studies of individual mergers and larger empirical analyses of the determinants of postacquisition departures. Future research that blends these two methods may improve our understanding of this phenomenon. Last, future research on merger communications and their effect on subsequent top management departures and implementation effectiveness needs to move beyond simplistic assessments of merger communications between top management teams. Our results indicate that it is necessary to delve more deeply into exactly what is being discussed. This approach should lead to a better understanding of the effect of top management communications in mergers and acquisitions on merger outcomes.

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