INTER-UNIT CONFLICT, CONFLICT RESOLUTION METHODS, AND
POST-MERGER ORGANIZATIONAL INTEGRATION IN
HEALTHCARE ORGANIZATIONS

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ABSTRACT

This study examines the effect of individual organizational members' resolution of inter-unit conflict on post-merger organizational integration. I propose that "problem solving" and "avoiding" methods of conflict resolution have positive and negative effects on post-merger organizational integration, respectively, and the relationships are moderated by the frequency of conflict and trust.

Hypotheses were tested using annual surveys of employees in 51 clinics of a large American healthcare system. The clinics were acquired and had been merged in 1994-1996 by the system. The annual survey was administrated three times in 1997, 1998, and 1999. The results showed the expected negative effect of "avoiding" on organizational integration, but suggested an unexpected negative relationship between "problem solving" and integration. Furthermore, I found that the frequency of conflict had a significant moderating effect on the negative relationship between "avoiding" and integration. Consistent with my prediction, when the frequency of conflict was high, the negative effects of "avoiding" became weaker, suggesting that "avoiding" may be beneficial in situations in which organizational members were engaged in many conflicts. The data did not show any significant moderating effects of trust on the relationships between conflict resolution and integration. Post hoc analyses suggested that trust does play an important role, but its role is a mediating rather than a moderating factor.

This study empirically shows the importance of conflict and conflict resolution in managing post-merger organizational integration. This research intends to contribute to both the research on organizational mergers and the literature of conflict resolution.

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CHAPTER I: RESEARCH PROBLEM AND RESEARCH QUESTION

"When attempting synergies, conflict is inevitable, but the key to success is how conflict is resolved or managed in the M&A."

-- *Senior Executive of Human Resources Development, Samsung Co.*

Organizational mergers have been widely used for the improvement of organizational effectiveness and competitiveness. A large portion of mergers, however, have failed to meet their goals (Porter, 1987; Ravenscraft & Scherer, 1987; Schoenberg, 2006). To account for this fact, many organizational scholars have proposed post-merger organizational integration as an important factor in determining the success of a merger (e.g., Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Larsson & Finkelstein, 1999). It has been suggested that achieving desired post-merger organizational integration produces greater synergy realization and value creation, and therefore leads to better merger performance (Larsson & Finkelstein, 1999). It is therefore important to study the factors and mechanisms that may facilitate or impede post-merger organizational integration. My dissertation intends to build on and extend our understanding of this issue.

Organizational integration in general has been defined as "… the quality of the state of collaboration that exists among departments that are required to achieve unity of effort by the demands of the environment" (Lawrence & Lorsch, 1967: 11). Consistent with this definition, studies on organizational mergers have seen post-merger integration

as the degree of collaboration among organizational units and members involved in a merger (e.g., Birkinshaw et al., 2000).

Researchers have shown that it is the behaviors and interactions of organizational members that help or hinder the new organization from achieving its desired organizational integration (e.g., Buono & Bowditch, 1989; Cartwright & Cooper, 1992). In particular, scholars have suggested that a merger, in combining previously separate units and their members, is often accompanied by conflicts between them, which may be due to the fragmented interests and different sub-goals of specialized departments and units, stemming from processes such as social categorization and identification (Shrivastava, 1986; Terry & Amiot, 2008). Inter-unit conflicts may result in organizational members' decreased commitment (Mottola, Bachman, Gaertner, & Dovidio, 1997) and resistance to change (Shin & Denisi, 2004) and, in turn, may impede post-merger organizational integration. It is therefore important to consider inter-unit conflict and how to resolve it as an important factor in managing post-merger organizational integration (Shrivastava, 1986). My dissertation is designed to study this issue with the purpose of making contributions to both the literature of post-merger organizational integration and the research on conflict resolution. Specifically, my dissertation asks the question: *what are the effects of inter-unit conflict and individual members' different conflict resolution methods on individual perceptions of post-merger organizational integration?*

Prior research has found that a major factor distinguishing the conflict resolution effectiveness of high-performing organizations from that of others are differences in the

mode of behaviors used to deal with conflict (e.g., De Dreu & Weingart, 2003; Jehn, Northcraft, & Neale, 1999). When faced with conflicts, organizational members can and do respond in different ways and use different behavioral methods to resolve the conflict. Van de Ven and Ferry (1980) define the methods of conflict resolution as "methods by which disagreements and disputes are handled in the organization unit" (p. 171). Scholars (Sternberg & Soriano, 1984; van de Vliert & Euwema, 1994) have proposed and have empirically shown activeness-passiveness as a distinctive dimension for classifying various methods of resolving conflict. Activeness refers to "the extent to which conflict behaviors make a responsive and direct rather than inert and indirect impression" (van de Vliert & Euwema, 1994). Active conflict resolution methods (forms of activeness) refer to behaviors of "discussion," "confrontation," and "force," whereas passive conflict resolution methods (forms of passiveness) are represented by behaviors of "avoiding," "wait and see," and "giving in." To address my research question, I adopt this dichotomy of active-passive and examine propositions regarding two general methods of conflict resolution: an active "problem solving" method and a passive "avoiding" method.

Specifically, I will examine effects of the two conflict resolution methods on post-merger organization integration. I argue that "problem solving" and "avoiding" methods of conflict resolution have positive and negative effects on post-merger organizational integration respectively, and the relationships are moderated by the frequency of conflict and trust.

The context of my research is a large integrated healthcare organization called *MHS* (a pseudonym). MHS is located in the Midwest of the US, and was created by a

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merger of 51 clinics, 18 hospitals and a health plan in 1994. It has 20,000 employees and $2 billion in annual revenues.

The following sections of this chapter begin with a review of the research on post-merger organizational integration and the existing literature of conflict management, with the purpose of describing the status quo of my research question and identifying the gaps in the literature that my research might be able to fill. Following the literature review is a summary and outline of my dissertation.

Literature Review

In this section, I first review the research on post-merger organizational integration, and then the literature of conflict and conflict management, with the purpose of describing the status quo of my research question and identifying the gaps in the literature that my research might be able to fill.

Research on Post-Merger Organizational Integration

As an important business phenomenon and corporate strategy, organizational mergers[1] have been studied in several disciplines and from various theoretical perspectives (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999; Birkinshaw, Bresman, & Hakanson, 2000). These perspectives include finance, industrial economics, strategy, human resources, and process-oriented organization research. First, scholars in *finance* have examined whether there are positive gains accruing to acquiring and acquired firm shareholders as a result of a merger announcement, focusing on issues

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[1]   In this section, the term *organizational mergers* is used to represent the term *mergers and acquisitions* (M&As), which has been widely used in the literature.

related to the market for corporate control, such as the mode of payment, the type of transaction, and the number of bidders (e.g., Jensen, 1987; Jensen & Ruback, 1983). Second, *Industrial organization* (IO) economists and *strategic management* researchers have studied mergers as a method of diversification, and have been primarily concerned with the motives of different types of mergers (e.g., Goldberg, 1983) and their performance effects (Lubatkin, 1987; Seth, 1990; Singh & Montgomery, 1987). Third, scholars with a *human-resource-oriented* perspective have focused on the psychological and behavioral effects of mergers on employees, as well as impacts on organizational members' careers (see Seo & Hill, 2005 for a review). Finally, as traditional finance, economics and strategy studies have provided inconsistent findings and have not been able to explain the disappointing subsequent outcomes following mergers, an increasing number of scholars have begun to examine mergers from a *process* perspective since the mid of 80s' (e.g., Jemison & Sitkin, 1986; Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999). These scholars suggest that while strategic and organizational fit provide the potential for value creation, the merger process itself is also a critical factor in determining the ultimate success or failure of a merger. More specifically, this literature emphasizes that value creation takes place after mergers (Haspeslagh & Jemison, 1991), and the achievement of the desired degree of organizational integration is the most important determinant of the success of a merger (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999).

Studies on mergers have seen post-merger integration as the degree of the harmony between different departments and members of the merging organization working together, and the coordination of their activities (e.g., Birkinshaw et al., 2000;

Larsson & Finkelstein, 1999). More specifically, Shrivastava (1986) suggested that post-merger integration might occur at three levels (i.e., procedural, physical, and managerial/socio-cultural), and the integration tasks include: (1) coordinating activities to achieve the overall goal of the merger; (2) controlling individual and departmental activities to ensure that they are complementary and are being performed at adequate levels of quality and output; and (3) resolving conflicts between the fragmented interests of specialized departments, individuals, and their inconsistent subgoals (Shrivastava, 1986: 67).

Post-M&A integrations are not all alike (Bower, 2001; Shrivastava, 1986). Indeed, there are different approaches for post-M&A integration, depending upon the desired degree of integration. In particular, Bastien and Van de Ven (1986) identified four different approaches: (1) *additive acquisition* (no imposed change from the acquirer to the acquiree*); (2) *conformative acquisition* (some changes in task, systems, processes, and personnel imposed on the acquiree by the acquirer); (3) *absorptive acquisition* (changes in all systems, structures, and processes of the acquiree imposed by the acquirer); and (4) *merger* (a single hierarchy and set of practices formed for both the acquirer and acquiree)[2]. It has been argued that choosing the right approach and the appropriate degree of post-M&A integration is important for the success of mergers and acquisitions (Larsson & Finkelstein, 1999; Pablo, 1994). Merging organizations have to

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[2] Haspeslagh and Jemison (1991) proposed three different approaches to a merger or acquisition: *absorption* (fully consolidate the operations, structures, and cultures); *preservation* (integrate the acquiree to a moderate degree and preserve its way of doing business); and *symbiosis* (integrate in a way to achieve both high interdependence and high autonomy). In addition, studies from the acculturation perspective (e.g., Nahavandi & Malekzadeh, 1988) identified four approaches for post-M&A integration in culture: *integration* (some degree of change in both organizations); *assimilation* (adaptation of one organization's culture by the other); *separation* (no change in either organization's cultures); and *deculturation* (old culture replaced by a new one).

balance the need for integration and autonomy; both under- and over-integration can result in the failure of a merger or acquisition in achieving the proposed goal (Pablo, 1994). Furthermore, which approach should be chosen and to what degree organizations need to be integrated will depend upon the motives of the M&As (e.g., related or unrelated M&As (Nahavandi & Malekzadeh, 1988), the need for strategic interdependence and organizational autonomy to realize synergistic benefits (Haspeslagh & Jemison, 1991), and the characteristics of the involved firms, such as organizational tolerance for cultural diversity (Nahavandi & Malekzadeh, 1988), as well as the perceived need to use power to achieve preferred organizational actions and outcomes (Bastien & Van de Ven, 1986; Shanley, 1987).

My dissertation largely focuses on cases of *"mergers"* (Bastien & Van de Ven, 1986). In other words, an assumption of my dissertation is that merging organizations intend to achieve a high degree of integration in order to develop a single hierarchy and set of practices for all combined organizations. An example of such a case is the healthcare organization (MHS) used for the empirical test of my dissertation. At the time of MHS' formation by a merger of clinics, hospitals and health plan, the top executives of MHS stated that the objective of the merger was to form a highly integrated system, and their vision for the healthcare system was to offer seamless and comprehensive healthcare services from "cradle to grave" for patients in the communities it serves.

Barriers to organizational integration in general have been studied in the organizational literature. Barki and Pinsonneault (2005) grouped various barriers to

organizational integration into two categories: *specialization* and *politics*. Specialization

leads members and departments to focus on their local goals and develop different

cognitive and emotional orientations, which hinder integration; politics, on the other

hand, hinders integration mainly because organizational integration poses threats to

functional territoriality and control of resources, which triggers power struggles and

political actions, resulting in conflicts between members and departments.

When it comes to the post-merger context, however, the problem facing

organizational integration becomes more complicated and difficult. This is because an

organizational merger combines two or more historically separate organizations. Each of

these organizations has developed its own distinctive systems, practices, cultures and so

on. As Lawrence and Lorsch (1967) suggested, the higher the differentiation among

merging units, the more difficult it will be to have successful organizational integration.

Moreover, the post-merger integration process triggers organizational changes in the

merging organizations, which very often produces anxiety and stress in employees, and

creates changes in employees' roles and identities (e.g., Buono & Bowditch, 1989). All

of these changes tend to make organizational integration more complicated than it is in a

single existing organization.

Although post-merger organizational integration has been identified as the most

important factor in determining the success of an organizational merger, the factors and

mechanisms that might facilitate or impede integration have not been well studied. The

existing studies on this issue (e.g., Shrivastava, 1986; Jemison & Sitkin, 1986;

Haspeslagh & Jemison, 1991) are largely conceptual in nature or anecdotally based. For

example, Jemison and Sitkin (1986) proposed a conceptual framework of impediments to the post-merger integration process, which consists of four impeding factors: (a) activity segmentation; (b) escalating momentum; (c) expectational ambiguity; and (d) management system misapplication. Only recently have scholars started to study the stages or difficulties associated with post-M&A integration processes. In a longitudinal case study of acquisitions of three Swedish companies by a Finnish furniture manufacturer, Vaara (2003) showed that in the process of integration, the ambiguity surrounding integration issues and the confusion among organization members, which were due to different social identities and cultures, led to organizational hypocrisy and overt politicization of integration issues, thereby impeding post-acquisition integration. Yu, Engleman, and Van de Ven (2005) took an attention-based view and examined the post-merger organizational integration process in a healthcare organization in the US. They showed that in the process of integration, many kinds of issues occupied managers' attention, leading to a lack of effort on central integration tasks.

Although these studies have advanced our understanding of the difficulties of post-merger organizational integration, the factors and mechanisms that facilitate or impede integration are far from being fully understood. Our knowledge about how to achieve desired post-merger organizational integration is still limited. Many important factors are unexplored. In particular, while scholars taking a human-resource-oriented perspective have identified various sources ("human problems") of conflicts arising in the process of post-merger organizational change, conflict (inter-unit conflict in particular) and its resolution have not been explicitly examined with regard to their effects on organizational integration. As a result, we do not know how inter-unit conflict and its

resolution would affect post-merger organizational integration. My research intends to fill these gaps, and therefore would make contributions to the research on organizational mergers.

Research on Conflict in Organizations and its Management

Conflict can be defined as a phenomenon that exists "when there are real or perceived differences that arise in specific organizational circumstances" (Kolb & Putnam, 1992: 132) or "whenever incompatible activities occur" (Deutsch, 1993: 10). Conflict is one of the central phenomena in organizations (Pfeffer, 1997). As Katz and Kahn (1978) observed, "Every aspect of organizational life that creates order and coordination of effort must overcome tendencies to action, and in that fact lies the potentiality for conflict" (p. 617).

Conflict in organizations may be caused by different reasons, depending upon the level of analysis. At the individual and interpersonal levels, conflict may be due to job characteristics (e.g., role ambiguity), incompatibility of interests, different ideological values, or divergent understandings of the facts and opinions of organizational issues (De Dreu & Gelfand, 2008). At the group level, conflict may be caused by power differences or the heterogeneity in group composition (e.g., De Dreu & Van Kleef, 2004; Jehn, Northcraft, & Neale, 1999). At the inter-group level, conflict may be triggered by the competition for scarce resources or comparison of different identities (e.g., Bornstein, 2003; Lau & Murnighan, 1998). At the organizational level, conflict may occur as a result of organizational change due to events such as organizational mergers and acquisitions (e.g. Terry & Amiot, 2008).

Studies on conflict in organizations and its management have largely taken two

directions (Rahim, 2002). Some scholars have focused on conflict itself, and have

attempted to answer the question of whether and when conflict is good or bad for

organizational functioning. These scholars (e.g., Jehn, 1995; 1997a) have distinguished

two major types of conflict: task and relationship conflict. Task conflict is defined as

disagreements among members within a group regarding the content of the tasks, while

relationship conflict involves interpersonal incompatibilities, which typically include

tension, animosity, and annoyance among group members (Jehn, 1995). Empirical

evidence shows that (1) relationship conflict generally decreases satisfaction, interferes

with group performance, and decreases the likelihood that the group will work effectively

in the future; (2) there is an inverted U-shaped relationship between task conflict and

organizational effectiveness (e.g., De Dreu & Weingart, 2003; Jehn, 1995). To these

scholars, managing conflict functionally in organizations involves identifying the source

and type of conflict, measuring the amount and intensity of the conflict, and attaining

moderate amounts of task conflict, along with minimizing the degree of relationship

conflict.

Many other researchers have focused on the approaches or methods of managing

conflict in organizations. They have studied the effects of different approaches on

individual and organizational outcomes. At the interpersonal level, these scholars have

examined the various styles of behaviors[3] by which conflict may be handled via

individual organizational members (e.g., Blake & Mouton, 1964; Thomas, 1976; Pruitt,

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[3]   As Thomas (1992) (among others) observed, the styles of interpersonal conflict resolution
behaviors have variously been interpreted as modes, methods, orientations, behaviors, strategies, habitual
ways, and intentions of handling conflict.

1983; Rahim & Bonoma, 1979; Deutsch, 1973). To these scholars, conflict in organizations is unavoidable; the key to managing organizational conflicts functionally is to identify and develop the style or method that may be more appropriate and effective than others in a given situation. My proposed dissertation research is built upon and intended to extend this stream of research by examining individual organizational members' different methods of resolving inter-unit conflict in the context of post-merger organizational integration.

A number of typologies have been proposed to categorize the various styles or methods of resolving conflict at the interpersonal level. Some scholars propose a dichotomy typology of cooperation and competition, which is based on Morton Deutsch's Theory of Cooperation and Competition (Deutsch, 1949; 1973). The theory argues that how people believe their goals are related (i.e., goal interdependence) impacts how they interact, which in turn, affects the consequences of interaction (see Tjosvold, 1998 for a review). According to this theory, the key to examining people's various ways of dealing with conflict and their effects on outcomes is understanding goal interdependency (Tjosvold, 1998). Some other scholars have drawn upon the Dual Concern Theory and have proposed a five-style typology of conflict resolution (Blake & Mouton, 1964; Thomas, 1976; Pruitt, 1983; Rahim & Bonoma, 1979). The Dual Concern theory argues that the style of handling conflict is a function of two basic dimensions: concern for self and concern for others. The first dimension refers to the degree (high or low) to which an individual during a conflict attempts to satisfy his or her own concern, while the second represents the degree (high or low) to which an individual during a conflict attempts to satisfy the concern of others (Rahim, 2002). Based on these two dimensions, Blake and

Mouton (1964) first presented a typology of five basic modes (styles) of conflict

resolution: forcing, withdrawing, smoothing, compromising, and confrontation (problem

solving). Other typologies proposed by later scholars (e.g., Thomas, 1976; Burke, 1970;

Pruitt, 1983; Rahim & Bonoma, 1979; Van de Ven & Ferry, 1980) are largely consistent

with Blake and Mouton's (1964) typology[4].

Some other scholars (Sternberg & Soriano, 1984; van de Vliert & Euwema,

1994), however, have suggested that the two-dimension typologies could be simplified

using a dichotomy framework. Specifically, they proposed and empirically showed

activeness-passiveness as a distinctive dimension for classifying various methods of

resolving conflict. Activeness refers to "the extent to which conflict behaviors make a

responsive and direct rather than inert and indirect impression" (van de Vliert &

Euwema, 1994). Active conflict resolution methods (forms of activeness) refer to

behaviors of "discussion," "confrontation," and "force," whereas passive conflict

resolution methods (forms of passiveness) are represented by behaviors of "avoiding,"

"wait and see," and "giving in." My dissertation adopts this dichotomy typology of

active-passive methods and examines two general methods of conflict resolution: an

active "problem solving" method and a passive "avoiding" method.

Adopting various typologies of conflict resolution methods, many studies have

examined the effects of different conflict resolution methods on various individual and

organizational outcomes. Early studies (e.g., Blake & Mouton, 1964; Lawrence &

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[4]   Rahim and Bonoma (1979): dominating, avoiding, obliging, compromising, and integrating;
Thomas (1976): competition, avoiding, accommodation, compromise, and collaboration; Pruitt (1983):
yielding, inaction, contending, and problem solving; Van de Ven & Ferry (1980): avoiding or ignoring,
smoothing, confronting, and resorting to hierarchy.

Lorsch, 1967; Burke, 1970; Likert & Likert, 1976) have taken a one-best-way perspective and have suggested that problem solving is the most effective method in achieving desired outcomes. For example, Lawrence and Lorsch (1967) showed that problem solving led to a greater probability of reaching an integrative solution that is optimal for the whole organization and the individual subunits.

Later studies (e.g., Hocker & Wilmot, 1991; Rahim, 1992), however, have suggested a contingency perspective and have contended that the effectiveness of different conflict resolution methods differ based on a number of contingency factors. Specifically, three major contingencies have been identified in the existing literature: (1) the organizational outcome that is of interest or desired; (2) the type of conflict experienced in the organization; and (3) the national cultural environment in which the organization is situated (see Jehn & Bendersky, 2003 for a review).

To sum up, the above literature review on conflict and its resolution has important implications for my dissertation research. First, it suggests that conflict is unavoidable in the process of post-merger organizational integration, but it is the method of conflict resolution that determines organizational integration outcomes. Second, there are some gaps in the literature of conflict resolution that my dissertation research may be able to fill: (a) post-merger organizational integration has not been studied in this literature as an important organizational outcome; and (b) many other important contingency factors of the effectiveness of conflict resolution methods have not been examined. In particular, contingency factors pertaining to the features of organizations are largely lacking in the literature (De Dreu & Gelfand, 2008; Gelfand, Leslie, & Keller,

2008). My dissertation research is aimed at contributing to the research on conflict resolution by filling these gaps.

Summary and Outline of the Dissertation

The purpose of my dissertation research is to advance our understanding of the factors and mechanisms that may facilitate or impede post-merger organizational integration. Specifically, my dissertation examines the effects of different methods of resolving inter-unit conflicts on post-merger organizational integration.

My review of the research on post-merger organizational integration shows that my dissertation research has the potential to make contributions to the literature of organizational mergers. Such organizational mergers have been studied in several disciplines and from various theoretical perspectives, including finance, industrial economics, strategy, HR-oriented research, and process-oriented organization research (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999). Scholars (e.g., Haspeslagh & Jemison, 1991) taking a process-oriented organization theory perspective have emphasized the important role of post-merger organizational integration in determining the ultimate success or failure of a merger. While their studies show that organizational integration is the single most important factor in explaining value creation after a merger (Larsson & Finkelstein, 1999), few studies in this literature have examined the factors and mechanisms facilitating or impeding post-merger organizational integration. As a result, we have a lack of knowledge about how to achieve the desired post-merger organizational integration. Moreover, I have not found any study on how inter-unit

conflict and methods of resolving it influence the achievement of post-merger organizational integration.

Moreover, the proposed dissertation research may make contributions to the literature of conflict resolution.   Organizational integration is one of the central issues of organizing, and organizational norms have been suggested by various organizational studies (e.g., McGrath, 1984) as an important organizational feature influencing individual behaviors and interactions. By examining post-merger organizational integration as an outcome of interest, my research will demonstrate the relevance of interpersonal conflict resolution to the central tasks of organizing. Furthermore, my dissertation identifies important contingency factors for the effect of conflict resolution methods, which have not been studied.

In this thesis, I proposed that "problem solving" and "avoiding" methods of conflict resolution have positive and negative effects on post-merger organizational integration, respectively, and the relationships are moderated by the frequency of conflict and trust. Hypotheses were tested using annual surveys of employees in 51 clinics of a large American healthcare system. The results supported the proposed negative effect of "avoiding" on organizational integration, but found an unexpected negative relationship between "problem solving" and integration. Furthermore, I found that the frequency of conflict had a significant moderating effect on the negative relationship between "avoiding" and integration, but not on the relationship between "problem solving" and integration. The data didn't show any significant moderating effects of trust on the relationships between conflict resolution and integration.

The remainder of my dissertation will be organized as follows. In the next

chapter, I develop the theory and specific hypotheses to address the research question.

The third chapter discusses the sample, measure, and methods that are used to test the

hypotheses. Chapter four presents the results. Finally, chapter five further discusses the

results, implications, and contributions of the study. It concludes with a discussion of the

possible limitations.

CHAPTER II: THEORY AND HYPOTHESES

The purpose of this chapter is to propose a theoretical model and develop hypotheses based on the model to answer the research question that I have posted in the previous chapter. As depicted in Figure 2-1, the model proposes that "problem solving" and "avoiding" methods of conflict resolution have positive and negative effects on post-merger organizational integration, respectively, and that two contingency factors moderate the relationships. This chapter develops and argues for this proposition, and derives a set of empirically testable hypotheses.

In the following section, I begin with defining post-merger organizational integration, inter-unit conflict, and methods of resolving conflict. I then propose the theoretical model and further develop specific hypotheses that will be used to empirically test the model. Following the model and hypotheses is a discussion on the boundary conditions.

---------- Insert Figure 2-1 about here ----------

The dependent variable in the model is post-merger organizational integration. Organizational integration in general has been defined as "… the quality of the state of collaboration that exists among departments that are required to achieve unity of effort by the demands of the environment" (Lawrence & Lorsch, 1967: 11). Consistent with this definition, studies on organizational mergers have defined post-merger integration as the degree of collaboration among organizational units and members involved in a merger (e.g., Larsson & Finkelstein, 1999; Birkinshaw et al., 2000). It reflects how

cooperatively different units and employees of a new organization work together, and how tightly coordinated their activities are (Barki & Pinsonneault, 2005).

In this dissertation research, I focus on individual organizational members' perceptions of post-merger organizational integration. They can be characterized by individual members' perceptions of (1) the extent to which the different units making up the new organization respect and consider one another as complementary components; and (2) the extent of efforts and incentives they coordinate with one another (Shrivastava, 1986; Larsson & Finkelstein, 1999; Barki & Pinsonneault, 2005).

Inter-unit conflict is defined as disagreements among people from different units regarding organizational issues such as resources, beliefs, values and practices (De Dreu & Gelfand, 2008). Inter-unit conflict is inherent in organizational mergers because the historically separate organizations must reconcile their distinct systems, practices, cultures and so on. Moreover, the different units to be merged may have different identities. Social identity theory (e.g., Tajfel & Turner, 1979) suggests that social comparison and identification processes following the announcement of a merger may produce inter-unit conflict (Terry & Amiot, 2008). In addition, the post-merger integration process triggers organizational changes in merging organizations, which pose threats to individual units' control of resources and functional territoriality, triggering power struggles and political actions and resulting in conflict between units (Barki & Pinsonneault, 2005). These organizational changes also oftentimes produce anxiety and stress for employees and create changes in employees' roles and identities (e.g., Buono &

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Bowditch, 1989). All of these complicate conflict and its resolution during organizational integration more so than when it occurs in a single existing organization.

When faced with conflict, organizational members can and do respond in different ways and use different behavioral methods to resolve the conflict. Moreover, in a series of experiments, Sternberg and his colleagues found strong consistencies in styles of conflict resolution within individuals across various situations of interpersonal conflicts (Sternberg & Soriano, 1984; Sternberg & Dobson, 1987).

Furthermore, scholars (Sternberg & Soriano, 1987; van de Vliert & Euwema, 1994) have proposed and have empirically shown activeness-passiveness as a generic dimension for classifying various methods of resolving conflict. Activeness refers to "the extent to which conflict behaviors make a responsive and direct rather than inert and indirect impression" (van de Vliert & Euwema, 1994). Active conflict resolution methods (forms of activeness) refer to behaviors of "discussion," "confrontation," and "force," whereas passive conflict resolution methods (forms of passiveness, opposite of activeness) are represented by behaviors of "avoiding," "wait and see," and "giving in."

To address my research question, I adopt the dichotomy of active-passive and examine propositions regarding two general methods of conflict resolution: an active "problem solving" method and a passive "avoiding" method ("problem solving" and "avoiding" are used as representatives for active and passive methods, respectively). There are two reasons to adopt active vs. passive methods instead of other typologies. First, activeness and passiveness are behavioral descriptions, and therefore are more observable features of individuals' conflict resolution reactions, which make them

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suitable for distinguishing among ways of conflict resolution (van de Vliert & Euwema,

1994). Second, other typologies, such as the cooperation-competition and five-style

taxonomies can be captured by the active-passive dichotomy framework. For example,

underlying the methods of confronting and compromising is actually a behavioral feature

of activeness. Studying active-passive methods can also help us understand the effects of

other conflict methods on the focal variable of my study.

Proposition and Hypotheses

The proposition is summarized as follows. This section describes the reasoning,

as well as the assumptions and boundary conditions of this proposition. Based on the

proposition, I will then develop the specific hypotheses that are used to test the

proposition empirically.

<u>**Proposition**</u>: *"Problem solving" and "avoiding" methods of conflict resolution have positive and negative effects on post-merger organizational integration, respectively, and the relationships are moderated by the frequency of conflict and trust.*

Inter-unit conflict is unavoidable in the process of post-merger organizational

integration, and it may have detrimental effects on the integration. Barki and

Pinsonneault (2005) showed that inter-unit conflict resulting from conflicts of interest

and political considerations may hinder the willingness and effort of organizational

members to collaborate with one another. In addition, Shin and Denisi (2004) suggested

in a study of Korean companies that inter-unit conflict is triggered by the perception of

"us vs. them." They found that such a belief promoted employee resistance to

organizational changes and created mutual hostility among units by making inaccurate attributions to other unit members' behavior.

Research in conflict, however, suggests that the effect of conflict depends on how individual organizational members resolve conflict (e.g., Jehn & Bendersky, 2003). It has been suggested that it is not conflict itself, but how conflict is resolved that influences organizational effectiveness and outcomes. Following this suggestion, I propose that the method of conflict resolution has effects on post-merger organizational integration.

Specifically, "problem solving" is defined as an open exchange of information among parties involved in a conflict and working through differences to reach a mutually agreeable solution (Van de Ven & Ferry, 1980). Lawrence and Lorsch (1967) showed that if managers involved in a conflict openly exchange information about the facts of a situation as they see them and their feelings about these facts, by working through their differences, it is most likely that they will be able to reach an integrative solution that is optimal for the whole organization and individual subunits. In addition, social psychological studies on inter-group contact (Allport, 1979; Pettigrew & Tropp, 2006) also suggest that "problem solving" could increase individuals' perceptions of post-merger organizational integration by producing a great deal of intensive contact and interaction between members from different units. Therefore, I propose that "problem solving" has positive effects on organizational integration.

In contrast, "avoiding" may have negative effects on integration. "Avoiding" refers to "wait and see" and refraining from working on differences to resolve conflicts (Van de Ven & Ferry, 1980). "Avoiding" prevents information exchange among

organizational members involved in a conflict and leaves them unclear about other parties' opinions and differences. As a result, disagreements and conflicts with regard to organizational integration are left unresolved and may foster further conflicts, precluding any integration efforts. Moreover, unresolved conflicts may exacerbate relationship conflicts and lead to further emotional tension, which can trigger hostility between organizational members, and in turn, may prevent the organization from integration.

Scholars (e.g., Hocker & Wilmot, 1991; Rahim, 1992; Jehn & Bendersky, 2003) further suggest that the effectiveness of conflict resolution differs, depending on a variety of contingency factors. For example, Jehn and Bendersky's (2003) review of studies on intra-group conflicts suggests a number of important sets of contingencies, such as the nature of the conflict itself and the characteristics of the group structure (e.g., task interdependence and group diversity). I take this contingency perspective and propose that the effects of conflict resolution methods may be different based on some contingency factors.

People's interactions in general, and conflict resolution processes in particular are embedded in organizational contexts. Features of the focal organizational context, therefore, may moderate the effects of conflict resolution on organizational integration. While there are many dimensions of the context, two contextual factors are expected to be of importance.

The first one is the frequency of conflict. As one characteristic of the organizational context, it refers to how often there are disagreements and disputes among organizational members from different units (Van de Ven & Ferry, 1980). It moderates

the effectiveness of conflict resolution because the benefits and/or damage of different methods of conflict resolution may be different, depending on the level of the frequency of conflict. For example, when the frequency of conflict is low, the benefits of "problem solving" may not be significant and, therefore its positive effects on organizational integration may not be salient.

The second important factor is trust between different units, which pertains to the relational environment in which people from different units are embedded. Resolving conflicts on work issues may generate emotional or relational tensions that hurt integration efforts. When the level of trust between people from different units is high, the risk of negative effects of conflict resolution will be much lower. Therefore, the level of trust may moderate the effects of conflict resolution on organizational integration.

In sum, I propose that two different methods of conflict resolution have different effects on organizational integration, and their effects are contingent on the frequency of conflict and trust between people from different units.

The boundary conditions of the theoretical model (proposition) of my study are as follows. First, as discussed in the last chapter, I only examine the case of "mergers" (Bastien & Van de Ven, 1986). That is, an assumption of my dissertation is that merging organizations intend to achieve a high degree of integration in order to develop a single hierarchy and a set of practices for all combined organizations. My argument may not be applicable to other cases identified by Bastien and Van de Ven (1986). For example, if the case of study is an "additive acquisition" (no imposed change from the acquirer to the

acquiree), the meaning of integration, and the relationships between conflict and conflict resolution with integration would be different.

A second assumption of this study is that the conflicts of my examination are task related. Two major types of conflict have been identified by the literature: task conflict and relationship conflict (Amason & Sapienza, 1997; Jehn, 1995; 1997). Task conflict concerns disagreements on work issues, and relationship conflict regards interpersonal incompatibilities, which typically include tension, animosity, and annoyance among individual members (Jehn, 1995). Studies on conflicts in teams have shown that the effectiveness of different conflict resolution methods will be different, depending on the types of conflict experienced in organizations (Jehn & Bendersky, 2003). My study focuses on task conflicts. The theory developed here may not be true if the focal conflicts are relationship related.

Finally, the theory is developed largely based on research conducted in Western industrial countries, and the empirical context of this study is an organization in the US. An important boundary of my study is the national culture. The theory and findings of this study may not be applicable to organizations in countries with different cultures. For example, the theory of my study may not be true in a collectivist society such as China (Hofstede, 1993). In particular, "avoiding" may be more beneficial than "problem solving" for Chinese people, who are collectivists, and who put a high value on interpersonal relationships and face saving (Kirkbride et al., 1991; Tse et al., 1994; Weldon et al., 1998; Triandis et al., 1990).

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In the following sections, I develop specific hypotheses by examining the main effects of conflict resolution methods on post-merger organizational integration and the contingencies of the main effects.

Effects of Conflict Resolution Methods on Post-merger Organizational Integration

To study the main effects, I focus on two general methods of conflict resolution: an active "problem solving" method and a passive "avoiding" method ("problem solving" and "avoiding" are used as representatives for active and passive methods, respectively).

"Problem solving" is defined as an open exchange of information among parties involved in a conflict and working through differences to reach a mutually agreeable solution (Van de Ven & Ferry, 1980). Lawrence and Lorsch (1967) showed that if managers involved in a conflict openly exchange information about the facts of the situation as they see them and their feelings about these facts, working through their differences, it is most likely that they will reach an integrative solution that is optimal for the whole organization and the individual subunits. Likewise, Watson (1987) found that supervisors who used a "problem-solving" style were more effective in dealing with subordinates in a conflict situation than were supervisors who responded in a supportive or facilitating style. These supervisors were able to be effective while maintaining employee satisfaction and motivation. Finally, in a study of organizational conflict reported by middle managers, Philips and Cheston (1979) found that when supervisors competed to resolve a conflict, subordinates viewed about half of the solutions as "bad," whereas all problem-solving responses appeared to be "good." In sum, these studies on

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"problem solving" suggest that "problem solving" may have a positive effect on post-merger organizational integration.

In contrast, "avoiding" may have negative effects on integration. "Avoiding" refers to "wait and see" and refraining from working on differences to resolve conflicts (Van de Ven & Ferry, 1980). "Avoiding" prevents information exchange among organizational members involved in a conflict and leaves them unclear about other parties' opinions and differences. As a result, disagreements and conflicts with regard to organizational integration are left unresolved, precluding any integration efforts. Moreover, unresolved conflicts may exacerbate relationship conflicts and can lead to emotional tension, which trigger hostility between organizational members, and in turn, may prevent the organization from integration.

Social psychological studies on inter-group relations also suggest that, compared to the "avoiding" method of conflict resolution, the "problem solving" method could increase individuals' perceptions of post-merger organizational integration. Specifically, studies have found that individuals from different groups tend to have out-group stereotyping and prejudice due to social categorizing processes, which lead to discriminatory attitudes and negative behaviors toward out-group members (e.g., Brewer & Kramer, 1985). The inter-group contact theory (Allport, 1979; Pettigrew & Tropp, 2006) shows that contact between individuals from different groups reduces prejudice and discriminatory attitudes, which in turn, results in favorable perceptions of members from other groups and more cooperative behaviors (Pettigrew & Tropp, 2006). Furthermore, studies show that the effects of inter-group contact generalize beyond individual parties in the immediate contact situations; as a result of contact, not only do

attitudes toward the immediate parties become more favorable, but so do attitudes toward the entire out-group, out-group members in other situations, and even out-groups not involved in the contact situation (Pettigrew & Tropp, 2006).

"Problem solving" of inter-unit conflicts, compared to the "avoiding" method, produces a greater level of intensive contact and interaction between members from different units. According to the inter-group contact theory, it will lead to favorable attitudes and more cooperative behaviors toward members from other units, and even toward other entire units. In particular, "problem solving" triggers an open exchange of information and debating of ideas between individuals from different units, and thus helps members learn more about other units and their members' actual characteristics and behaviors. In turn, preexisting stereotypes are reduced, leading to favorable attitudes and behaviors toward members from other units (Pettigrew, 1998).

Based on previous studies on the effectiveness of conflict resolution methods and the inter-group contact theory, we have the following hypothesis:

> **Hypothesis 1**: *"Problem solving" is positively associated with post-merger organizational integration; "avoiding" is negatively associated with post-merger organizational integration.*

Contingency Effects

The first contingency factor is the frequency of inter-unit conflict. The active conflict resolution method of "problem solving" involves an open exchange of information about the problem, an expression of individual concerns to others, discussion and debate over the issue, and an effort to reach a mutually agreeable solution. It

therefore is a time- and energy- consuming process. When the frequency of conflict is very high, actively resolving conflicts may keep organizational members continually discussing and debating issues and problems, which may exhaust them, both physically and emotionally, and may reduce the amount of time and energy spent on the work tasks to which they are assigned (De Dreu & Van Vianen, 2001). In addition, if organizational members try to actively resolve too many issues and problems during the integration process, the likelihood of negative personal interaction experiences arising will be highly likely, which in turn, may prevent organizational members from collaborating with others. Therefore, when the frequency of inter-unit conflict is very high, the positive effect of the active method of "problem solving" may be weaker, and the passive method of "avoiding" may be more effective in achieving the desired degree of organizational integration. I therefore propose the following hypothesis:

> **Hypothesis 2**: *The positive association between "problem solving" and organizational integration is stronger when the frequency of inter-unit conflict is low or moderate, and weaker when the frequency is high; the negative association between "avoiding" is stronger when the frequency of inter-unit conflict is low or moderate, and weaker when the frequency is high.*

Second, the effectiveness of conflict resolution methods is also contingent upon the level of trust among organizational members from different units. Trust can be defined as a psychological state comprising the intention to accept vulnerability, based on positive expectations of the intentions or behavior of another (Rousseau, Sitkin, Burt, & Camerer, 1998: 395). It embodies the accumulated experiences with, and knowledge

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about another party in situations involving vulnerability (Dirks & Ferrin, 2001: 456). When there is a high level of trust between members from different units, members tend to make positive attributions to the conflicts and behaviors of conflict resolution, and are more willing to accept conflict resolution arrangements. Therefore, when the level of trust is high, the benefits of "problem solving" will be higher, and its potential negative effects will be limited. When the level of trust is low, however, actively resolving conflicts may trigger more negative effects (emotional/relational tensions). In contrast, when the level of trust is low, the passive method of "avoiding" allows organizational members to avoid directly confronting others in conflicts, thereby reducing the chance of negative interactions due to conflict resolution. As a result, such a passive approach may produce positive effects on organizational integration.

This effect of trust on the effectiveness of conflict resolution methods is also implied by studies on conflict in teams (e.g., Peterson et al., 2006; Amason & Sapienza, 1997). Amason and Sapienza (1997), for example, suggested that trust is one of the keys to effective conflict resolution. Team members who trust one another are more likely to accept stated disagreements at face value, and are less likely to interpret conflict behavior negatively and to misattribute task conflict as relationship conflict. Therefore, I have the following hypothesis:

> **Hypothesis 3**: *The positive association between "problem solving" and organizational integration is stronger when the level of trust between units is high and weaker when the level of trust is low; the negative association between "avoiding" is stronger when the level of trust is high and weaker when the level of trust is low.*

Summary

This chapter presented the theoretical model, proposition, and specific hypotheses derived from and used to test the proposition empirically. The key argument is that the method of conflict resolution affects the achievement of post-merger organizational integration, and the effects may be different, depending on a number of moderating factors pertaining to the characteristics of the context in which individuals are embedded.

In the next chapter, I will introduce the empirical context for my study, and I will describe the sample, measurement, and analytical approaches that will be used to test the hypotheses.

CHAPTER III: METHODOLOGY

This chapter presents the sample and organizational context, data and data collection procedures, measures, and analytical method that will be used to test the hypotheses proposed in the previous chapter. The last section is a discussion on potential threats to validity due to research design of this study.

Sample and Organizational Context[5]

Hypotheses will be tested using a sample of employees from 51 primary care clinics owned by a large healthcare system, Midwest Health System (MHS). MHS, located in the Midwest of the US, is a not-for-profit, integrated healthcare system created by a merger in 1994-1995 of 51 clinics, 18 hospitals and 1 health plan company. It has 20,000 employees and $2 billion in annual revenues (see Figure 3-1 for the organizational structure of MHS).

---------- Insert Figure 3-1 about here ----------

The vision of the merger (i.e., the creation of MHS) was to create "an integrated health- care system to affordably enhance the health status of people living and working in the communities we serve." MHS offered a broad range of healthcare services including hospitals, nursing homes, transportation services, home care, primary care, and a variety of health plan products. The objective of MHS, as top executives stated, was to form a highly integrated system to offer seamless and comprehensive healthcare services from "cradle to grave" for patients in the communities it serves.

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[5] This section is largely based on three cases involving the healthcare organization of my study: Bunderson, Lofstrom, & Van de Ven (1996); Lofstrom, Engleman, Rogers, & Schultz (2001); and Engleman, Yu, & Van de Ven (2005).

Midwest Medical Group (MMG), as an MHS division, was an important part of MHS' integrated healthcare vision. MMG is a large primary care group practice organization. It was created by a series of mergers and acquisitions of 51 primary care clinics in 1994-1995, and managed 432 providers spread over a 10,000 square mile are in two Midwest states. All of these clinics were previously separate and independent entities. Before the merger, most of the clinics were independently owned and operated by one or a few principal or founding physicians practicing in their clinics. After being acquired by the healthcare system, all physician clinic owners were bought out and became employees of the system.

The major relationships between MMG and other divisions of MHS were the following: (1) MMG clinic physicians referred some of their patients to MHS hospitals; and (2) some MMG patients were MHS health plan company enrollees. As in 1995, MMG referrals accounted for between 15% and 60% of inpatient business at MHS' major hospitals. It had been estimated that each MMG physician directed an average of $1.3 million of care annually to other parts of MHS. In terms of MMG's contribution to MHS' health plan company, approximately 20% of MMG's patients were the company's enrollees, and contracts with MMG providers made up close to 17% of the company's business.

In 1995, MMG operations were divided into three regions: East, North, and West, with regional dividing lines roughly following hospital referral patterns. The East Region was made up of 18 clinics, the North consisted of 15 clinics, and the West had 17 sites. The three MMG regions were further divided into geographically organized districts.

Each district was assigned a district director (typically a professional manager) who was responsible for supervising clinic administration for the district's sites.

At the clinic level, MMG adopted a dual physician-management leadership structure. Each clinic was managed by both a clinic manager (typically a professional manager) and a lead physician who worked directly with the clinic manager on all activities with regard to the operational and business functions of the practice. A typical composition of a clinic included physicians, professional managers (executive and non-executive), professional providers, other clinician staff, and other administrative staff.

MMG's acquisitions of clinics occurred in 1994-1995. From the end of 1995 and early 1996, the strategy and management focus of MMG changed from acquiring clinics to integrating previously independent physician clinics into a single group practice. Inherent in this integration management focus were two levels of integration: one was the integration of small, private, previously independent clinics into a cohesive large group practice, and the other was the integration of MMG activities with other parts of MHS (hospitals and health plans) in order to contribute to MHS' goal of providing seamless delivery of care across the system.

Since early1996, many integration activities in MMG were initiated and conducted, at both the individual occupation (e.g., manager, physician and nurse) and clinic levels. Some examples of integration activities were jointly developing and implementing clinical guidelines used by all clinics, standardizing service procedures, educating and implementing standardized service procedures, and numerous meetings and retreats to integrate managers, physicians and other occupational staff in MMG.

Given the distinct histories, cultures, and goals of the acquired clinics, conflicts between members from different units of the MMG group were inherent in the integration process. Many of the conflict issues came from turf guarding, politicking, and power struggles. As one member commented, "[An] enormous amount of turf wars [were] going on. … 1996 will be 'bloody!'" Some others were due to identification issues. For example, one member complained, "Let's become MHS! Tired of people laboring over … 'us vs. them.'"

Facing conflicts, individual members responded differently. When asked in annual employee surveys to make suggestions for improving MHS organizational integration and effectiveness, many members promoted active methods of conflict resolution. For example, some members suggested "more open conflict and less smoothing to begin to delineate areas of agreement and disagreement," and "open discussion that acknowledges differences of opinion and allows individuals to agree to disagree and explain the pros and cons of going in a particular direction." Others, however, proposed more passive methods of conflict resolution. As one member said, "Shut down conversations if different or confrontative."

Data and Collection Procedures

The data used to test the hypotheses were collected through an annual survey of employees (physicians, managers, and staff) in MHS' 51 clinics. The annual survey was collected in 1997, 1998, and 1999. It was designed and collected by Professor Andrew Van de Ven's organizational integration research team at the University of Minnesota's Carlson School of Management.

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The annual surveys were conducted from October to December in each of 1997, 1998, and 1999. The survey included Likert-type questions that were designed to measure a variety of constructs, including (but not limited to) the focal constructs of this study, namely, respondents' perceptions about organizational integration and relationships with other units in the MHS group (i.e., frequency of conflict, task interdependence, and trust), and their conflict resolution methods. In assessing organizational integration, participants were asked to assume the role of "informant" to measure this global characteristic of the whole MHS system, whereas in answering questions about inter-unit relationships and their methods of conflict resolution, participants were asked to take the role of "respondent" to report their personal behavior and perceptions of relationships with other units. In addition to the Likert-type questions, the survey also included an open-ended question to ask respondents to provide their opinions about the organization and suggestions for improvements.

Paper-and-pencil surveys were mailed to the home addresses of all clinical, managerial and administrative employees of the MMG clinics. Each survey was accompanied by a cover letter from top managers encouraging participation and a letter from the research team explaining the study. Participants were instructed to mail completed surveys directly to the Carlson School researchers and were promised that all responses would be held in strict confidentiality. Following the initial mailing, four thank you/reminder letters were sent to encourage voluntary responses to the survey.

The response rates are presented in Table 3-1. The overall response rate was 36% for the survey in 1997 (1,143 responses from 3,152 employees), 37% in 1998 (1,003

responses from 2,691 employees), and 31% in 1999 (958 responses from 3,114

employees). In the three-year matched dataset, there were 401 responses/observations.

---------- Insert Table 3-1 about here ----------

The last survey question of each annual survey was an open-ended question which

asks "Please make suggestions for improving the MHS organization." The Carlson

school research team categorized responses into major topics. In 1997, among a total of

869 suggestions, 155 were directly related to organizational integration, of which 34

explicitly involved conflict; in 1998, 167 (out of 1,117) suggestions were directly related

to organizational integration, of which 36 explicitly involved conflict; in 1999, 112 (out

of 789) suggestions were directly related to organizational integration, of which 24 were

explicitly about conflict.

In addition to the employee survey, the research team also conducted repeated

interviews with selected managers and clinicians, and observed and recorded the

proceedings of bi-weekly MMG top management meetings over the three years. To

better understand the empirical findings and to complement the survey data, I also

analyzed these interview data and meeting notes recorded by the research team.

Measures

**Post-merger organizational integration** is defined as the degree of collaboration

among organizational units and members involved in a merger (Larsson & Finkelstein,

1999). Post-merger organizational integration can be characterized by (1) the extent to

which the different units making up the new organization respect and consider one

another as complementary components; and (2) the extent of efforts and incentives they coordinate with one another (Shrivastava, 1986; Larsson & Finkelstein, 1999; Barki & Pinsonneault, 2005). Consistent with this conceptual description of post-merger organizational integration, an 11-item scale was developed to measure perceived post-merger organizational integration (each item was based on a 5-point Likert scale from 1 = not at all to 5 = to a great extent). An example item is "To what extent do the different groups that make up the system (MHS) complement each other in providing healthcare?" (see Table 3-2 for all the 11 items). The internal consistency reliability of this index, computed as a coefficient alpha, is .91.

---------- Insert Table 3-2 about here ----------

__Problem solving__ of inter-unit conflict "Problem solving" is the active method of conflict resolution by which disagreements between members from different units are handled by the focal members. Specifically, "problem solving" refers to openly exchanging information about the conflict and working through differences to reach a mutually agreeable solution (Van de Ven & Ferry, 1980). It was measured with one survey question: "*When you have disagreements or conflicts with people in this group [MMG], how often are they resolved by confronting or negotiating issues openly?*" Responses to this question were based on a 5-point Likert scale from 1 = nothing to 5 = very much.

__Avoiding__ of inter-unit conflict "Avoiding" is the passive method of conflict resolution by which disagreements between members from different units are handled by the focal members. Specifically, "avoiding" refers to ignoring the issues and/or

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smoothing over the issues (Van de Ven & Ferry, 1980). It was measured with one survey

question: "*When you have disagreements or conflicts with people in this group [MMG],*

how often are they resolved by ignoring or avoiding the issues?" Responses to this

question were based on a 5-point Likert scale from 1 = nothing to 5 = very much.

Frequency of inter-unit conflict refers to how often there are disagreements and

disputes between the focal individual employees from a clinic with people from other

units of the MMG group. It was measured with the survey question: "*On average, how*

often do you have disagreements with people in this group [MMG] about work issues?"

Responses to this question were based on a 5-point Likert scale from 1 = never to 5 =

always.

Trust between units refers to the beliefs that employees from one clinic have

about the intentions and behaviors of employees from other units of the MMG group. It

was measured using a 4-item scale (each item was based on a 5-point Likert scale from 1

= not at all to 5 = very much) An example item is "During the past six months, how

much did people in other units of the MMG group behave fairly?" (see Table 3-2 for all

the 4 items). The internal consistency reliability of this index, computed as a coefficient

alpha, is .84.

All scale items of the survey were initially developed and evaluated by Van de

Ven and his colleagues (Van de Ven & Ferry, 1980; Van de Ven & Chu, 1989). To

evaluate the convergent and discriminate validity of the measures, I did exploratory

factor analysis using the 1997 survey data. Specifically, I ran a principle component

analysis (with Promax as the rotation method) for each of the variables measured with

multiple items to verify that the items used to measure the variable all load on a single

factor. Table 3-3 presents the factor loading for the post-merger organizational

integration and moderator measures. It shows that all items designed to measure the two

constructs loaded heavily together on the factor factors. These results provide strong

evidence of the convergent and discriminant validity of these measures.

---------- Insert Table 3-3 about here ----------

Analytical Method

The level of analysis for testing the hypotheses is the individual, and the unit of

analysis/observation is the individual employee of the clinics. The hypotheses were

examined using OLS regression models. To test the hypotheses, I take a three-step

approach. As step 1 (Model 1), I conducted a regression with two conflict resolution

methods predicting organizational integration. The regression equation is shown as

follows:

Organizational Integration =b0 + b1Avoiding+ b2ProblemSolving + e (where, e =

error term)

In step 2 (Model 2), I conducted a regression with two conflict resolution methods

and two moderators predicting Organizational Integration. The regression equation is

shown as follows:

Organizational Integration =b0 + b1Avoiding+ b2ProblemSolving +

b3Frequencey of Conflict + b4Trust + e (where, e = error term)

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Step 3 (Model 3) is the fully specified model which is a regression with two conflict resolution methods, two moderators, and four associated interaction terms predicting Organizational Integration. The regression equation is shown as follows:

Organizational Integration = b0 + b1Avoiding + b2Problem Solving + + b3Frequencey of Conflict + b4Trust +b5(Avoiding*Frequency of Conflict) + b6(Problem Solving*Frequency of Conflict) + b7(Avoiding*Trust) + b8(Problem Solving*Trust) + e (where, e = error term)

The coefficients in the fully specified model (Model 3) will be used to test the hypotheses. Specifically, for Hypothesis 1 to be supported, b1 and b2 have to be significant negative and significant positive, respectively; for Hypothesis 2 to be supported, b5 has to be significant positive and b6 significant negative; for Hypothesis 3 to be supported, b7 has to be significant negative and b8 significant positive.

Following the methods outlined by Aiken and West (1991) for testing moderating effects, I centered the measures of the predictor variables prior to multiplying them for the interaction terms to reduce potential problems with multicollinearity.

I will repeatedly examine each of the regression equations (Models 1-3) three times, each time using one- year cross-sectional survey data. A major reason for doing the regression analysis cross-sectionally is that it did not take a year for individual members' conflict and conflict resolution to have effects on their perceptions of organizational integration. Cross-sectional analysis can better reflect the actual relationships. Another reason of doing this is to determine whether the findings are robust

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over time across the three years (1997, 1998 and 1999). To better reveal the moderating effects, I also drew slopes associated with interactions based on the regression model results, following Cohen et al.'s (2003) procedures. As I will show in the next chapter, the regression results (and therefore, the interaction plots) across all three years are similar. For the sake of convenience, I will only present the interaction slopes that are based on the regression results using the 1997 survey data.

Threats to Validity

As with many other studies, this research is subject to a number of threats to validity. Specifically, this study may face various threats to statistical conclusion, internal, construct, and external validities (Shadish, Cook, & Campbell, 2002). Several steps were taken to address these issues.

Statistical Conclusion Validity. One threat to this validity may come from potential unreliability of the measures due to the use of a single item in measuring some of the constructs (e.g., "avoiding"). As I will show in the next chapter, each variable and proposed relationship were repeatedly examined three times each time using one year survey data, and the results were very consistent across three years. The stability of results across three surveys provides evidence for the reliability of the measures.

Internal Validity. A major threat to internal validity may be due to the fact that there were a great number of missing data with regard to some of the variables. Missing data could threaten detection of the true relationships between these variables.

Construct Validity. An important threat to this validity is the mono-method bias (common method bias), which is caused by the fact that all variables were measured

using the same method (self-report survey). For example, measures of the variables in this study were all from the same respondents, which could produce artifactual covariance between these variables (Podsakoff et al., 2003). One way to investigate if there is serious common method bias is to aggregate the individual-level measures to a higher level and see if the higher-level aggregated measures show a similar relationship pattern as the one at the individual-level. As I will show in Chapter V, the correlations between measures at the higher level (clinic-level) are highly consistent with the correlations between measures at the individual-level, which suggests common method bias may not be a serious issue in this study.

External Validity. A major threat to this validity comes from the fact that I examine the proposed question and relationships in only one organization and one type of setting (i.e., only the mergers that require a high level of integration). The findings of this study might not hold for other organizations or settings.

Summary

This chapter presents the methodology that will be used to test the hypotheses developed in the previous chapter. The sample and organizational context, data and data collection procedures, measures, and analytical approaches were discussed. In the next chapter, I will present the results and findings of the analyses described above.

CHAPTER IV: RESULTS

This chapter reports some findings from the open-ended responses and meeting notes, and the results of the data analyses used to test the hypotheses proposed in this study. I first present the findings from the qualitative data, and then report the descriptive analysis results of all the variables. Following the descriptive statistics, I present the results of the multiple regression models used to test the hypotheses.

Findings from the Open-ended Responses and Meeting Notes

The open-ended responses and the meeting notes recorded by the Carlson School research team helped me identify some important themes with regard to inter-unit conflict, conflict resolution and organizational integration, which provide evidence for the practical significance of this study.

First, inter-unit conflicts were indeed very salient during the process of post-merger organizational integration, and they were created due to various reasons. Some conflicts resulted from organizational members' divergent mental models on organizing a professional healthcare organization. A previous study on the organization of my study (Bunderson, Lofstrom, & Van de Ven, 2000) shows that there were four basic mental models in the merged healthcare organization: (a) a system-driven perspective that focuses organizing decisions on achieving system goals efficiently through standardization, accountability, and centralized controls; (b) a market-driven model, suggesting that profit maximization and market position should be the principal criteria driving decisions about integrating healthcare systems; (c) a professional model where physician self-control and autonomy are viewed as central, and physicians are seen as the

key organizational decision-makers; and (d) a community model wherein the health of the community and the welfare of society are the principal criteria for integrating healthcare systems. These different mental models of organizing created disagreements and conflicts among the employees, affecting organizational integration efforts.

For example, one major source of conflict between the MMG group headquarters with the subsidiary clinics was the different emphases on financial profit versus the care of patients and the welfare of the communities. As one financial manager of MMG argued with a clinic's head physician in reaction to the clinic's unsatisfactory financial performance, physicians should "… crank the patients through. In fact, may be it's time you [the head physician] don't see so many sick patients. Maybe you should see more well patients and say, see only five or ten sick patients and then ten well patients." The head physician, however, stated, "You've got to be kidding! That's not the type of doctor I am. I take care of chronically ill patients."

Some other conflicts were due to the contradictory part-whole relationships between micro (clinics) and macro (the MMG group and the MHS system) organizational integration. The integration goals of clinics might be in conflict with the macro-organizational integration objectives of the whole merging organization. For example, the MHS system executives viewed organizational integration as a process of acquiring control over the clinics by changing the organizational divisional structure and the regionalization of clinics around hospital customer segments (Van de Ven, Bechara, & Sun, 2008), whereas the clinics focused inwardly and construed organizational integration as referring to its internal constituents (the clinics). These different goals of integration often produced conflicts between employees from different units of the

organization. For example, the clinics' management attempted to overcome their financial losses by hiring specialists, which directly competed with their sister hospitals for customers and revenue, leading to repeated high-profile conflicts between the clinics and hospitals.

A second important finding from the qualitative data is that many respondents emphasized the importance of openly and actively resolving conflicts in improving integration in the organization. As one member suggested, "[We need to] encourage and resolve conflict openly, i.e., tell the truth." Some other exemplary suggestions from the employees are as follows: "Constructively and openly address conflict"; "More dialogue of leadership meetings versus following agenda items"; and "More open conflict and less smoothing to begin to delineate areas of agreement and disagreement."

The above discussion shows the salience of conflict and the importance of resolving conflicts in achieving desired organizational integration. In the following sections, I present the results of the data analyses, based on the annual employee surveys.

Descriptive Statistics

The descriptive statistics for all the variables of this study are presented in Table 4-1 (1997 data), Table 4-2 (1998 data), and Table 4-3 (1999 data). They include the means, standard deviations, and Pearson inter-correlations.

---------- Insert Tables 4-1, 4-2, & 4-3 about here ----------

As Table 4-1 shows, "avoiding" was significantly and negatively correlated with organizational integration (r= -.35, p<.01), and "problem solving" was significantly and

positively correlated with integration ($r=.10$, $p<.05$). This result provides supporting

evidence for Hypothesis 1. More importantly, the negative relationship between

"avoiding" and integration was very consistent across the three years with $r=-.30$ ($p<.01$)

for 1998 and $r=-.33$ ($p<.01$) for 1999; the positive relationship between "problem

solving" and integration was also consistent across the three years ($r=.06$ in 1998; $r=.05$

in 1999), although the correlation was not significant in 1998 or 1999. These consistent

results clearly indicate that "avoiding" is negatively associated with organizational

integration, and "problem solving" is positively associated with integration.

The following sections present the results of multiple regression models used to

test the three hypotheses (H1, H2, & H3). Table 4-4 presents the results of regressions

based on the 1997 survey data; Table 4-5 shows the results from 1998; and Table 4-6

contains results from 1999. In each of the three tables, the dependent variable was

"organizational integration." The independent variables were added in three steps: in the

first step (Model 1), the two main effects variables ("avoiding" and "problem solving")

were entered; in the second step (Model 2), the two moderator variables were added;

finally, in the third step (Model 3), a fully specified model was run by entering all

independent variables and their associated interaction terms. The standardized

coefficients for the analyses are reported in the tables. For each table, I comment on the

results from the fully specified model (Model 3) to test the hypotheses.

---------- Insert Tables 4-4, 4-5, & 4-6 about here ----------

In addition, I drew two-way interaction slopes for the moderating effects I

proposed, using the results from the 1997 data (Figures 4-1, 4-2, 4-3, & 4-4). Although

it has been suggested that only significant interactions should be probed using slope

plots (Cohen et al., 2003), I plot interaction slopes for all moderating relationships, no

matter whether they were significant or not. These slope plots, presented in the

following sections, are used to probe the patterns of interaction relationships.

Main Effect: Hypothesis 1

Hypothesis 1 predicts a positive association between "problem solving" of inter-

unit conflict and organizational integration, and a negative relationship between

"avoiding" and integration. The results of a fully specified model (Model 3) in Tables 4-

4, 4-5, and 4-6 show that "avoiding" did have a significantly negative relationship with

organizational integration, and this significantly negative association held the same in all

of the three-year data (b=-.28, p<.01 in 1997; b=-.17, p<.01 in 1998; and b=-.28, p<.01 in

1999). The result of Model 3 in Table 4-4 and 4-6 show that "problem solving" had a

significant, but surprisingly negative association with organizational integration (b=-.09,

p<.10 in 1997; b=-.10, p<.10 in 1999), which is not consistent with the prediction.

Tables 4-5 also shows a negative (although not significant) relationship between

"problem solving" and integration in 1998. This three-year consistent result suggests that

"problem solving" may actually be harmful to organizational integration outcomes.

In sum, Hypothesis 1 is partially supported: "avoiding" had a negative effect on

organizational integration, but we found a negative association between "problem

solving" and integration.

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Moderating Effect of the Frequency of Conflict: Hypothesis 2

Hypothesis 2 predicts a moderating effect of the frequency of conflict on the

relationships between two conflict resolution methods and organizational integration. It

proposes that the positive effect of "problem solving" will be stronger when the

frequency of conflict is low and weaker when it is high. On the other hand, the negative

effect of "avoiding" will be stronger when the frequency of conflict is low and weaker

when the frequency is high. For this hypothesis to be supported, the coefficient of the

interaction term "problem solving*frequency of conflict" in the full specified model

(Model 3) has to be significant and negative, and the coefficient of the

"avoiding*frequency of conflict" term has to be significant and positive.

As Table 4-4, 4-5, and 4-6 show, the frequency of conflict did have a significant

moderating effect on the relationship between "avoiding" and integration with a

significant, positive coefficient for all three years ($b=.09$, $p<.10$ in 1997; $b=.10$, $p<.10$ in

1998; and $b=.15$, $p<.05$ in 1999), which is consistent with my prediction.

Figure 4-1 plots the slopes of the interaction effect of "avoiding" (x-axis) and

"frequency of conflict" on organizational integration (y-axis). This figure shows that

"avoiding" has a negative relationship with integration, and that the slope of the

relationship is smaller when the frequency of conflict is high, which supports my

prediction.

Figure 4-2 plots the slopes of the interaction effect of "problem solving" (x-axis)

and "frequency of conflict" on organizational integration (y-axis). This figure shows that

"problem solving" has a negative relationship with integration, and that the slopes are not

significantly different when the frequency of conflict is high or low, suggesting no moderating effect of the frequency of conflict on the relationship between "problem solving" and integration.

---------- Insert Figures 4-1 & 4-2 about here ----------

In sum, Hypothesis 2 was partially supported: I found a significant moderating effect of the frequency of conflict on the relationship between "avoiding" and organizational integration, but not on the relationship between "problem solving" and integration.

Moderating Effect of Trust between Units: Hypothesis 3

Hypothesis 3 predicts that trust between units moderates the positive relationship between "problem solving" and organizational integration, and the negative relationship between "avoiding" and integration: the positive relationship will be stronger when trust is high and weaker when it is low; on the other hand, the negative relationship will be stronger when trust is high and weaker when it is low. For this hypothesis to be supported, the coefficient of the interaction term "problem solving*trust" in the fully specified model (Model 3) has to be significant and positive, and the coefficient of the "avoiding*trust" term has to be significant and negative.

Table 4-4 presents the results of 1997. It shows that the interaction effect of "problem solving" and trust on organizational integration was negative (interaction term $b=-.03$, *n.s.*); the interaction effect of "avoiding" and trust was negative ($b=-.05$, *n.s.*).

Table 4-5 shows the results of 1998. It shows that the interaction effect of "problem solving" and trust on organizational integration was negative (interaction term b=-.04, *n.s.*); the interaction effect of "avoiding" and trust was positive (b=.04, *n.s.*).

Table 4-6 contains the results of 1999. It shows that the interaction effect of "problem solving" and trust on organizational integration was negative (interaction term b=-.05, *n.s.*); the interaction effect of "avoiding" and trust was positive (b=.03, *n.s.*).

The results from all three years were not significant, and the coefficients' signs were mixed, which does not provide sufficient evidence to make a judgment as to whether or not Hypothesis 3 holds. To better understand these results, I plot the interaction effect slopes, as shown in Figures 4-3 and 4-4.

---------- Insert Figures 4-3 & 4-4 about here ----------

Figure 4-3 plots the slopes of the interaction effect of "avoiding" (x-axis) and "trust" on organizational integration (y-axis). This figure shows that "avoiding" has a negative relationship with integration, and the slope of the relationship is slightly greater when trust is high than when it is low. In other words, when trust is high, the negative effect of "avoiding" on integration was greater, which is consistent with what I had proposed in Hypothesis 3.

Figure 4-4 plots the slopes of the interaction effect of "problem solving" (x-axis) and "trust" on organizational integration (y-axis). This figure shows that "problem solving" actually has a negative relationship with integration when the level of trust is high and a positive relationship with integration when the level of trust is low, suggesting

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that "problem solving" may be beneficial to integration when trust is low but harmful when trust is high, which is not consistent with my prediction.

To summarize, the regression results from the three years were not significant, and the directions of the coefficients of the interaction terms were mixed, which suggest that Hypothesis 3 is not supported. However, the interaction slope plots reveal that trust may have moderating effects on the relationships between the two methods of conflict resolution and organizational integration.

To conclude this chapter, Table 4-7 summarizes all the hypotheses, results, and conclusions with regard to the test of hypotheses.

---------- Insert Table 4-7 about here ----------

In sum, the results showed an expected negative relationship between "avoiding" and organizational integration, but an unexpected negative relationship between "problem solving" and integration; the frequency of conflict was found to have a moderating effect on the negative relationship between "avoiding" and integration; the data did not reveal any significant moderating effects of trust on the relationship between conflict resolution and integration.

CHAPTER V: DISCUSSION AND CONCLUSIONS

This final chapter interprets the results presented in the previous chapter, and discusses the implications of this research for theory and practice. This chapter begins with an interpretation of the results as it relates to the research question. It is followed by a discussion of the implications regarding this study for theory and practice. The final section is a discussion of the possible limitations of this study and future research.

The major purpose of this study is to advance our understanding of how conflict resolution facilitates or impedes post-merger organizational integration. Specifically, I developed a contingency model of the effect of conflict resolution methods on post-merger organizational integration. I proposed that there is a positive relationship between "problem solving" and post-merger organizational integration, and a negative relationship between "avoiding" and organizational integration; these relationships are moderated by the frequency of conflict and trust. In the next sections, I discuss and interpret the results pertaining to the three relationships (hypotheses) proposed in this study.

Main Effects of Two Methods of Conflict Resolution (Hypothesis 1)

I found that the two conflict resolution methods have significant effects on post-merger organizational integration. As expected, when individual organizational members use "avoiding" as their method of resolving conflicts with members from other units, they tend to perceive a low degree of organizational integration. One reason for this negative effect is that "avoiding" prevents information exchange among organizational members involved in a conflict and leaves them unsure about other parties' opinions and differences. This negative relationship between "avoiding" and organizational

integration is consistent with many previous studies on the effects of "avoiding" on various organizational outcomes (as summarized in the literature review section).

I found a significant effect of "problem solving" on organizational integration using the 1997 and 1999 survey data (Table 4-4 & 4-6)). However, contrary to my prediction, the effect is negative, suggesting that "problem solving" may actually be harmful to the achievement of organizational integration. This result is not consistent with previous studies on "problem solving" either, which suggests that this method is beneficial to organizational outcomes and effectiveness (e.g., Lawrence & Lorsch, 1967). What could be the reasons underlying this unexpected, negative relationship? The answers to this question may come from the theory, method, and organizational context of this study.

In the theory, I argue that "problem solving" promotes an open exchange of information and debating of ideas, which helps members learn more about one another and reduces preexisting stereotypes. However, this may be only one side of the whole story. In addition to these beneficial effects, "problem solving" may also cause direct confrontation toward other parties, triggering emotional and relational tensions, which may result in a low perceived degree of integration.

The possibility of "problem solving" causing emotional and relational tensions can also be inferred from some studies on interrelationships between different types of intra-team conflicts. In particular, Greer, Peterson and colleagues (Greer, Jehn, & Mannix, 2007; Simons & Peterson, 2000; Peterson & Behfar, 2003) show that task and affective conflicts are highly correlated with each other, and suggest that ineffective

conflict resolution may trigger transformation from task conflict into affective conflict. These studies imply that actively solving (i.e., "problem solving") work-related conflict issues may very likely transform task conflicts into emotional and relational ones, which will lead to a lower degree of organizational integration.

The organizational context of my study may be another reason for the unexpected negative effect of "problem solving." The focal context is a healthcare organization. A major characteristic of this type organization is the significant occupation-based status asymmetry among physicians, medical supporting staff (e.g., nurses), executive managers, and administrative staff (Tucker & Edmondson, 2003; Nembhard & Edmondson, 2006). In particular, physicians have a higher status and feel more powerful than supporting staff in healthcare organizations. Studies show that physicians often ignore important information communicated by supporting members (Schimitt, 1990). Therefore, when supporting members actively resolve disagreements with physicians, it is very likely that they feel ignored, and as a result, their perceptions of integration decrease. This effect is possibly salient for my study, considering the composition of responses in my sample. For example, in the sample from the 1997 survey, among all 1,143 responses, 763 (67%) were from supporting staff in the clinics.

In addition, in the organization (MHS) I studied, many clinic physicians were previously owners of their clinics. After acquired by the MHS, they became corporation employees, had to work together with professional managers to deal issues within the clinics, and were managed by the MMG headquarters' management. During the processes of integration, many physicians felt less empowered and ignored when expressing their opinions. As one physician commented, "Get, pay attention to, and

utilize physician feedback about policies such as the 24 hour maternity stay, compensation issues, marketing programs." When physicians try to actively resolve disagreements, their voices may be ignored. As a consequence, they may get frustrated and their perceptions of integration decrease.

Finally, the unexpected result may be due to biases from my methodology. In particular, I measured the focal variables using self-report items included in the same survey. This common method bias may prevent me from revealing the true relationship between "problem solving" and integration.

Moderating Effect of the Frequency of Conflict (Hypothesis 2)

I found the expected significant moderating effect of the frequency of conflict on the relationship between "avoiding" and integration. Consistent with my prediction, the results (Tables 4-4, 4-5, & 4-6) and the interaction slope plot (Figure 4-1) reveal that the negative effect of "avoiding" on integration is smaller when the frequency of conflict is high and greater when it is low. This suggests that, when the frequency of conflict is high, "avoiding" may also have some benefits to integration. For example, "avoiding" some conflicts could save organizational members from too much debating on issues and can allow them to get their work done, which in turn, may positively affect their perceptions of integration.

With regard to the moderating effect on the relationship between "problem solving" and organizational integration, the results were not significant and were mixed across three years (Tables 4-4, 4-5, & 4-6). In addition, the interaction slope plot (Figure 4-2) reveals that "problem solving" has a negative relationship with integration, and the

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effect is not different when the frequency of conflict is high or low. All of these findings suggest no moderating effect involving the frequency of conflict on the relationship between "problem solving" and integration. Considering what I found with respect to the negative main effects of problem solving on integration, this finding may not be surprising. As discussed in the last section, in addition to beneficial effects, "problem solving" may also cause negative effects by triggering emotional and relational tensions. When the frequency of conflict is high, the negative effects may cancel out the beneficial effects. As a consequence, we may not be able to find significant effects.

Moderating Effect of Trust (Hypothesis 3)

The interaction slope plots (Figures 4-3 & 4-4) help us uncover some patterns with respect to hypothesis 3. As Figure 4-3 shows, "avoiding" has a negative relationship with integration; when trust is high, the negative effect is slightly smaller (slopes of the line is smaller), which is consistent with my prediction. However, the interaction slope plot of "problem solving" and trust (Figure 4-4) suggests an unexpected relationship: "problem solving" has a positive effect on integration when the level of trust is low, but a negative effect on integration when trust is high. What are the possible reasons for this contradictory result? A major reason may be due to the fact that the regression results were not significant and therefore the interaction slope plot does not reveal the actual relationship. Further study is needed to investigate whether it is the case as Figure 4-4 shows.

Although the slope plots are informative, the regression results were not significant. This is surprising, given the expected important moderating role of trust in

the relationship between conflict resolution and organizational integration. As I argued

in the theory section and as studies on intra-group conflict (e.g., Simons & Peterson,

2000) suggest, a high level of trust helps mitigate the potential negative side effects of

conflict resolution, and therefore enforces beneficial relationships between conflict

resolution and integration. Why, then, did the data not show this to be the case?

The regression results (Tables 4-4, 4-5, & 4-6) show a significant, strong

relationship between trust and organizational integration. This fact led me to wonder

whether trust actually plays a mediating (instead of moderating) role in the relationship

between conflict resolution and integration. That is, does trust mediate the effects of

conflict resolution methods on organizational integration? To investigate this possibility,

I followed Baron and Kenny's (1986) four-step approach and did a mediation test, using

the raw survey data in 1997. Specifically, I ran four regressions: (1) regression of

Integration (dependent variable) on "Avoiding" and "Problem Solving" (independent

variables), (2) regression of Trust (mediator) on "Avoiding" and "Problem Solving"

(independent variables), (3) regression of Integration (dependent variable) on Trust

(mediator), and (4) regression of Integration (dependent variable) on Trust (mediator)

and the two conflict methods (independent variables). As Baron and Kenny (1986)

suggest, to have a mediation effect, the following two conditions must hold: First,

relationships in regressions (1), (2) and (3) are significant; second, the effect of Trust

(mediator) on Integration (dependent variable) in the regression (4) remains significant

after controlling for the two conflict resolution methods (independent variables). Perfect

mediation effect holds if the two conflict resolution methods (independent variables)

have no effect on Integration when the mediator (Trust) is controlled; partial mediation

holds if the effects of two conflict resolution methods are still significant when Trust is controlled.

As shown in Table 5-1, the results show that the two conditions for mediation effect were supported; when regressing the dependent variable (Integration) on both the independent variables (two conflict resolution methods) and the mediator (Trust), both the independent variables and mediator remained significant effects. These results indicate a partial mediation effect of trust on the relationship between conflict resolution methods and integration, which supports this post hoc hypothesis. In other words, trust does play an important role, but its role is a mediating rather than a contingency factor.

---------- Insert Table 5-1 about here ----------

This finding suggests an important mechanism underlying the effects of conflict resolution methods on organizational integration. As the results in Table 5-1 show, "Problem Solving" and "Avoiding" had positive and negative effects on Trust, respectively, and Trust had a positive effect on organizational integration. This means the reason that the conflict resolution methods influence the organizational integration outcomes may be because different methods facilitate or impede the building of trust between organizational members from different units and a high or low level of trust, in turn, leads to a high or low degree of organizational integration.

Implications of this Study for Theory

This study makes contributions to the literature on post-merger integration. Although the literature has suggested that organizational integration is the single most important factor in determining the ultimate success or failure of a merger (Larsson &

Finkelstein, 1999), few studies have examined the factors and mechanisms that facilitate or impede post-merger organizational integration. As a result, we have a dearth of knowledge as to how to achieve desired post-merger organizational integration. This study advances our understanding of this issue by calling attention to the potential effects of conflict resolution methods on organizational integration. This study also advances our knowledge of this issue by empirically showing that the two different methods of conflict resolution have significant effects on organizational integration, and these effects are contingent on the frequency of conflict and task interdependence.

In addition, this study contributes to the literature on conflict management. Specifically, by examining post-merger organizational integration as an outcome of interest and by studying the moderating effect of factors such as task interdependence, this research demonstrates the relevance of conflict management to the central task of organizing and identifies important organizational contingency factors for the effects of conflict resolution methods. This echoes calls from scholars (e.g., De Dreu & Gelfand, 2008; Gelfand, Leslie, & Keller, 2008) for more "Big-O" (Health & Sitkin, 2001) research on conflict resolution. As Gelfand, Leslie, and Keller (2008: p. 139) state, "Although conflict has long been conceived of as a fundamental part of all organizational systems, the literature on conflict management has been largely intellectually divorced from its organizational roots … [T]o provide unique insight into conflict management in organizations, understanding the ways in which features of organizations constrain or enable how conflict is managed should be an important conceptual territory in the conflict scholarship landscape."

Implications of this Study for Practice

For managers who are in charge of implementing post-merger organizational integration, this study emphasizes the importance of developing skills in conflict resolution. Most importantly, this study suggests that the two different methods of conflict resolution (i.e., avoiding and problem solving) potentially have both positive and negative consequences on organizational integration. "Avoiding" is not always bad, and "problem solving" is not always beneficial. For example, when the frequency of conflict is high, encouraging employees to use more passive conflict resolution methods (e.g., "avoiding") may actually have benefits to organizational effectiveness because passive methods could save organizational members from too much debating on issues and can allow them to get their work done. This idea suggests that managers need to take a contingency view in managing conflicts and integration processes.

Limitations and Future Research

This study has several limitations. One limitation is that the employees and units (i.e., clinics) in this study all belonged to the same parent organization in the same region. While this provided a basis for comparison in a relatively homogeneous setting, it may also have limited the generalizability of the findings. The generalizability may also be limited because of the facts that (1) the context of this study is a health care organization; (2) this study focuses on task-related conflicts (and not other types of conflicts, such as relationship conflict); and (3) this study is more relevant for those mergers that require a high level of integration to achieve tightly collaborated organization. To advance our

understanding of the question and relationships proposed in this study, we need more studies conducted in different kinds of organizations and contexts.

A second important limitation comes from the common method bias resulting from using self-report measures collected in the same survey, as discussed in the Method chapter. A major concern is that measures were all from the same respondents, which could produce artifactual covariance between these measures. To investigate whether this is a real issue in this study, I did a post hoc analysis using the clinic-level data. Specifically, I used the 1997 survey data and aggregated all individual-level measures to the clinic-level. I then conducted the bi-variate correlation analysis of the clinic-level measures. As Table 5-2 shows, the correlation results are highly consistent with the correlation results of the individual-level measures (as shown in Table 4-1). This shows that the common method bias may not be an issue in this study.

---------- Insert Table 5-2 about here ----------

Finally, this study only examined the effects of conflict resolution on organizational integration. The evidence from the case of my study, however, indicates that there might have been a reverse effect of organizational integration efforts on conflict and conflict resolution. To have a complete understanding of the focal question, future research is needed to study the possible reciprocal relationships between conflict resolution and organizational integration.

Conclusion

In conclusion, this dissertation examined the effects of conflict resolution on post-merger organizational integration. It was proposed that two methods of conflict

resolution, "avoiding" and "problem solving," have negative and positive effects on integration, respectively, and the effects are contingent on the frequency of conflict and trust. Hypotheses were developed from this proposition and were tested using a sample of employees from 51 primary care clinics owned by a large health care system in the Midwest of the U.S. The data were from the annual employee surveys conducted in 1997, 1998, and 1999.

The results provide supports for some of the hypotheses. In particular, I found a significant negative effect of "avoiding" on integration and a significant moderating effect of the frequency of conflict on this negative relationship, both of which are consistent with my prediction.

This dissertation suggests and empirically shows the importance of conflict and conflict resolution in managing post-merger organizational integration processes, which contributes to both the literature and management practice.

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Table 3-1 MMG Clinic Employee Survey Response Rates

	1997	1998	1999
Managers in the clinics	83/129 (64%)	75/119 (63%)	65/93 (70%)
Physicians in the clinics	297/669 (44%)	302/624 (49%)	275/684 (40%)
Staff in the clinics	763/2354 (32%)	626/1948 (32%)	618/2337 (27%)
Overall Response Rate	1143/3152 (36%)	1003/2691 (37%)	958/3114 (31%)
3-Year Matched Sample	401	401	401

Table 3-2 Survey Items for Measuring Post-merger Organizational Integration and Trust between Units

Construct	Survey questions for measuring the construct
Post-Merger Organizational Integration	Average response to the following items: To what extent do the different groups that make up the system (**MHS**) … 1. complement each other in providing healthcare? 2. consider each other in their actions? 3. share the primary focus of patient care? 4. respect each other's views and values? 5. go out of their way to help each other? 6. get in each other's way? 7. believe that their future is tied to one another? 8. feel that they have a better chance of succeeding together rather than alone? 9. share information that is helpful in better caring for patients? 10. have incentives that are aligned? 11. It makes sense to have hospitals, plans, & clinics joined together in this healthcare system. (answer scale: 1=Not at all, 2=To a limited extent, 3=To some extent, 4=To a considerable extent, 5=To a great extent)
Trust between Units	Average response to the following items: During the past six months, how much did … 1. You share common incentives with people in other units of the MMG group? 2. People in other units of the MMG group behave fairly? 3. You trust the people in other units of the MMG group? 4. How much do you get in return for your efforts with other units of the MMG group? (answer scale: 1=Not at all, 2=a little, 3=some, 4=quite a bit, 5=very much)

Table 3-3 Factor Analysis of Two Focal Variables Measured in 1997

Variable	Items	Factor1	Factor2
Organizational Integration	1	.684	.277
	2	.772	.263
	3	.775	.382
	4	.846	.364
	5	.804	.310
	6	-.515	-.071
	7	.675	.307
	8	.734	.353
	9	.782	.252
	10	.684	.277
	11	.420	.346
Trust	1	.262	.716
	2	.360	.900
	3	.390	.896
	4	.250	.780

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.

Table 4-1: Descriptive and Correlation Table (variables were measured in 1997)

Variables	N	Mean	SD	1	2	3	4
1. Organizational Integration	1268	3.05	0.68				
2. Avoiding	627	2.10	1.17	-.35**			
3. Problem Solving	601	2.64	1.20	.10*	-.18**		
4. Frequency of Conflict	857	1.86	0.91	-.32**	.48**	.10*	
5. Trust	961	2.92	1.08	.36**	-.24**	.54**	-.10**

** Correlation is significant at the 0.01 level; * at the 0.05 level; † at the 0.10 level

Table 4-2: Descriptive and Correlation Table (variables were measured in 1998)

Variables	N	Mean	SD	1	2	3	4
1. Organizational Integration	1127	3.03	0.73				
2. Avoiding	606	2.17	1.22	-.30**			
3. Problem Solving	593	2.58	1.24	.06	-.21**		
4. Frequency of Conflict	812	1.95	0.98	-.39**	.54**	.02	
5. Trust	889	2.87	1.1	.30**	-.26**	.53**	-.13**

** Correlation is significant at the 0.01 level; * at the 0.05 level; † at the 0.10 level

Table 4-3: Descriptive and Correlation Table (variables were measured in 1999)

Variables	N	Mean	SD	1	2	3	4
1. Organizational Integration	1031	3.1	0.72				
2. Avoiding	536	2.04	1.13	-.33**			
3. Problem Solving	526	2.63	1.26	.05	-.09*		
4. Frequency of Conflict	736	1.8	0.86	-.33**	.54**	.12**	
5. Trust	794	3.02	1.11	.34**	-.11*	.55**	-.07

** Correlation is significant at the 0.01 level; * at the 0.05 level; † at the 0.10 level

Table 4-4: Regression Results using 1997 Survey Data (Centered data; standardized coefficients)

	Variables were measured in **1997**		
	Model 1 Organizational Integration	**Model 2** Organizational Integration	**Model 3** Organizational Integration
Avoiding	-.35**	-.24**	-.28**
Problem Solving	.04	-.11*	-.09†
Frequency of Conflict		-.13**	-.17**
Trust		.34**	.34**
Avoid*Frequency			.09†
ProblemSolve*Frequency			-.001
Avoid*Trust			-.05
ProblemSolve*Trust			-.03
Prob > F	.000	.000	.000
Adjusted R-sqr	.128	.233	.236
R-sqr Change	.131	.107	.010
† p < 0.10, * p < 0.05, ** p < 0.01			

Table 4-5: Regression Results using 1998 Survey Data (Centered data; standardized coefficients)

	Variables were measured in **1998**		
	Model 1 Organizational Integration	**Model 2** Organizational Integration	**Model 3** Organizational Integration
Avoiding	-.31**	-.13**	-.17**
Problem Solving	-.002	-.13**	-.08
Frequency of Conflict		-.23**	-.26**
Trust		.31**	.30**
Avoid*Frequency			.10†
ProblemSolve*Frequency			-.05
Avoid*Trust			.04
ProblemSolve*Trust			-.04
Prob > F	.000	.000	.000
Adjusted R-sqr	.092	.217	.219
R-sqr Change	.095	.127	.008
† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$			

Table 4-6: Regression Results using 1999 Survey Data (Centered data; standardized coefficients)

	Variables were measured in **1999**		
	Model 1 Organizational Integration	**Model 2** Organizational Integration	**Model 3** Organizational Integration
Avoiding	-.33**	-.22**	-.28**
Problem Solving	.003	-.13*	-.10†
Frequency of Conflict		-.17**	-.20**
Trust		.30**	.32**
Avoid*Frequency			.15*
ProblemSolve*Frequency			.01
Avoid*Trust			.03
ProblemSolve*Trust			-.05
Prob > F	.000	.000	.000
Adjusted R-sqr	.107	.200	.205
R-sqr Change	.110	.096	.011
† p < 0.10, * p < 0.05, ** p < 0.01			

Table 4-7: Summary of Hypotheses, Regression Results, and Conclusions

		Expected Results of Corresponding Coefficients	Results from 1997 survey	Results from 1998 survey	Results from 1999 survey	Conclusion
H1: Main Effects	Negative relationship between "Avoiding" and organizational integration	Negative	**Negative *** (*s.g.*)	**Negative *** (*s.g.*)	**Negative *** (*s.g.*)	Supported
	Positive relationship between "Problem Solving" and organizational integration	Positive	**Negative *** (*s.g.*)	Negative (*n.s.*)	**Negative*** (*s.g.*)	Rejected
H2: Moderating Effects of Frequency of Conflict	On the relationship between "Avoiding" and organizational integration	Positive	**Positive*** (*s.g.*)	**Positive *** (*s.g.*)	**Positive *** (*s.g.*)	Supported
	On the relationship between "Problem Solving" and organizational integration	Negative	Negative (*n.s.*)	negative (*n.s.*)	Positive (*n.s.*)	No conclusion
H3: Moderating Effects of Trust	On the relationship between "Avoiding" and organizational integration	Negative	negative (*n.s.*)	Positive (*n.s.*)	Positive (*n.s.*)	No conclusion
	On the relationship between "Problem Solving" and organizational integration	Positive	Negative (*n.s.*)	Negative (*n.s.*)	Negative (*n.s.*)	No conclusion

Note: *s.g.* refers to "significant" and *n.s.* refers to "non-significant"; Significant results are highlighted with *****.

Table 5-1: Steps and Regression Results for Post hoc Analysis on Mediation Effect of Trust on the Relationship between Conflict Resolution Methods and Organizational Integration (based on the survey data collected in 1997)

Mediation Test Steps	
Step 1 (Model 1)	Regression with conflict resolution methods predicting Integration: Integration=b0 + b1Avoiding+ b2ProblemSolving + e
Step 2 (Model 2)	Regression with conflict resolution methods predicting Trust: Trust=b0 + b1Avoiding+ b2ProblemSolving + e
Step 3 (Model 3)	Regression with Trust predicting Integration: Integration=b0 + b1Trust + e
Step 4 (Model 4)	Regression with conflict resolution methods and Trust predicting Integration: Integration=b0 + b1Avoiding+ b2ProblemSolving + b3Trust + e

Regression Results				
	Model 1 D.V.: Integration	Model 2 D.V.: Trust	Model 3 D.V.: Integration	Model 4 D.V.: Integration
Avoiding	-.34**	-.14**		-.29**
Problem Solving	.04	.51**		-.15**
Trust			.36**	.37**
Prob > F	.000	.000	.000	.000
Adjusted R-sqr	.122	.311	.129	.213
R-sqr Change	.125	.314	.130	.091

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$ **Note**: As Baron and Kenny (1986) suggest, (1) relationships in Steps 1-3 have to be significant to have mediation effect; (2) in the step 4 model (Model 4), mediation is supported if the effect of Trust on Integration remains significant after controlling the two conflict resolution methods (if "Avoiding" and "Problem Solving" are still significant, it is partial mediation).

Table 5-2: Descriptive and Correlation Results of the Clinic-level Measures (1997 survey data)

Variables	Mean	SD	1	2	3	4
1. Organizational Integration	3.10	0.32				
2. Avoiding	2.00	0.60	-.26			
3. Problem Solving	2.54	0.67	.30*	-.36*		
4. Frequency of Conflict	1.73	0.44	-.48**	.30*	.16	
5. Trust	2.96	0.62	.52**	-.13	.62**	-.04

Number of observation= 48; ** Correlation is significant at the 0.01 level; * at the 0.05 level; † at the 0.10 level
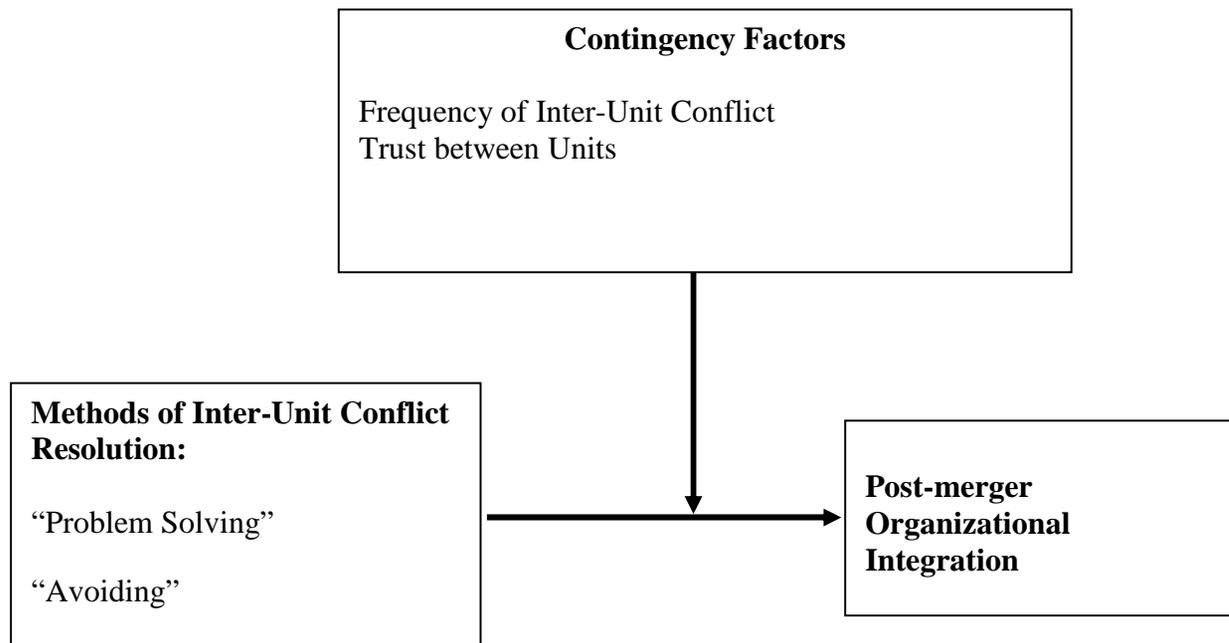
Figure 2-1 Theoretical Model

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                    ┌─────────────────────────────────────┐
                    │         Contingency Factors         │
                    │                                     │
                    │   Frequency of Inter-Unit Conflict  │
                    │   Trust between Units               │
                    │                                     │
                    │                                     │
                    └─────────────────────────────────────┘
                                      │
                                      │
                                      │
                                      ▼
┌──────────────────────────────┐         ┌──────────────────────┐
│ Methods of Inter-Unit Conflict│         │  Post-merger          │
│ Resolution:                   │────────▶│  Organizational       │
│                               │         │  Integration          │
│ "Problem Solving"             │         │                       │
│                               │         └──────────────────────┘
│ "Avoiding"                    │
│                               │
└──────────────────────────────┘
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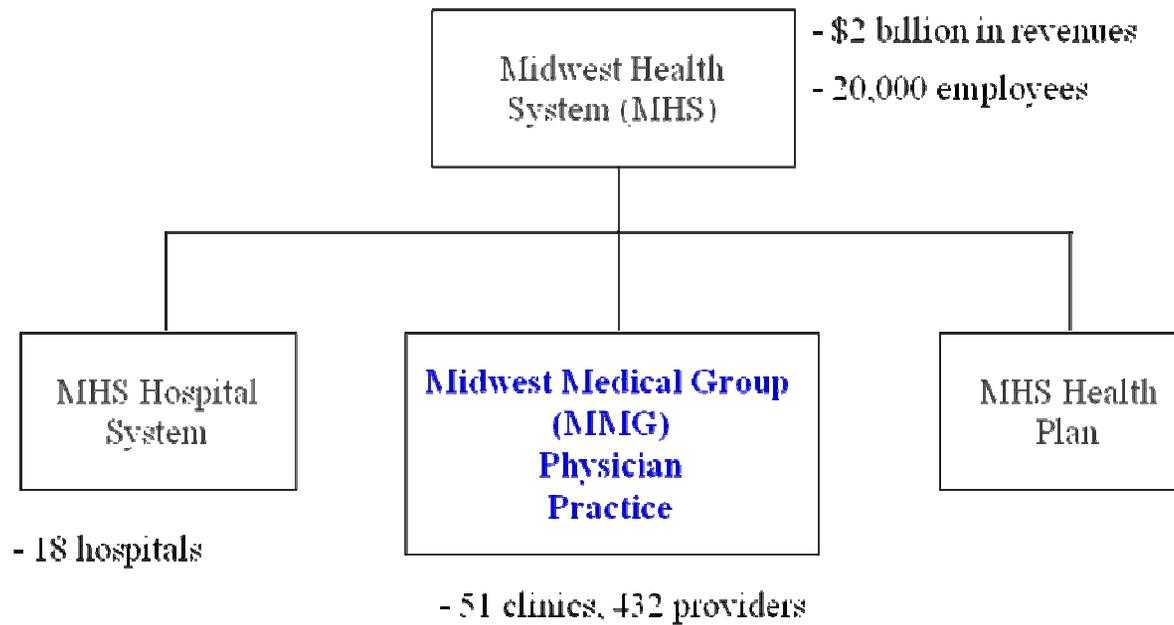**Figure 3-1 Organization Structure of MHS**

Figure 4-1:
Computed Slopes of the Interaction between "Avoiding" and Frequency of Inter-unit Conflict in Predicting Post-Merger Organizational Integration
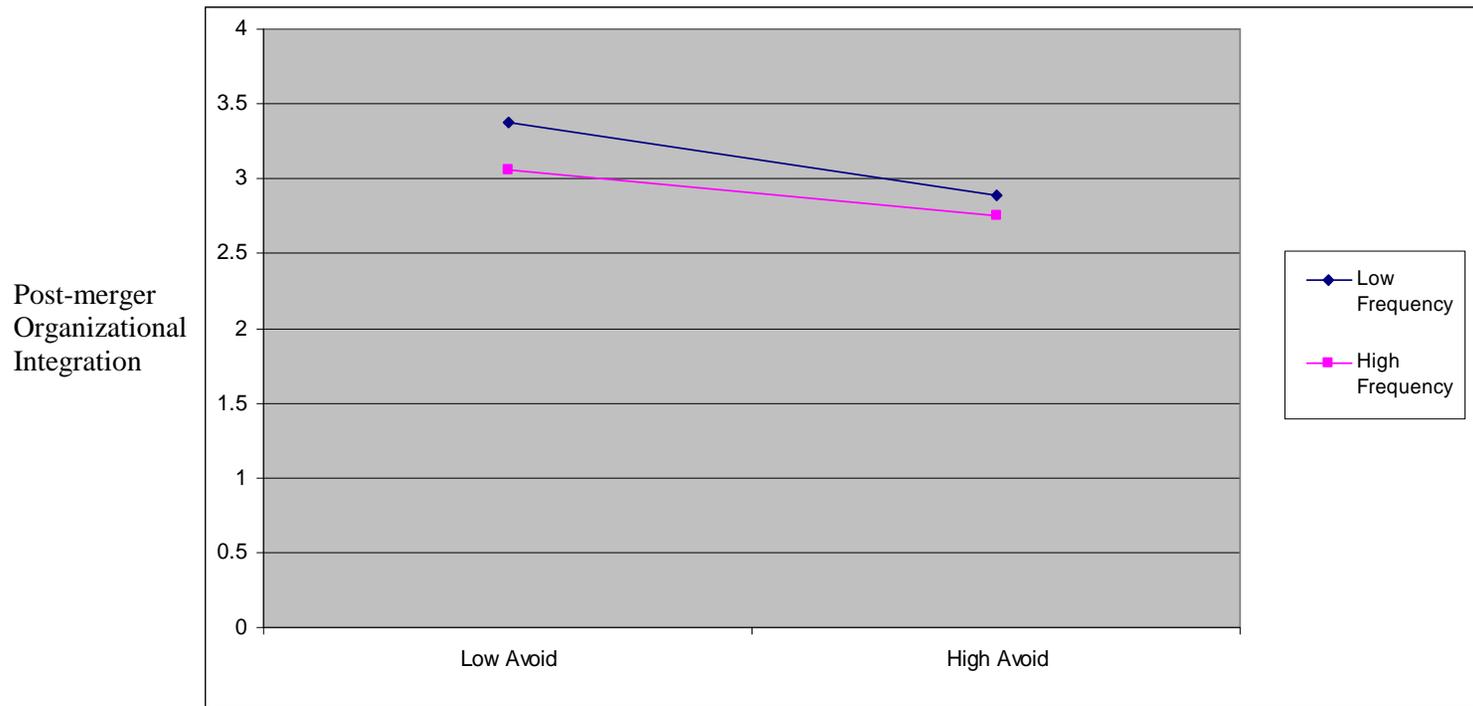
Figure 4-2:

Computed Slopes of the Interaction between "Problem Solving" and Frequency of Inter-unit Conflict in Predicting Post-Merger Organizational Integration
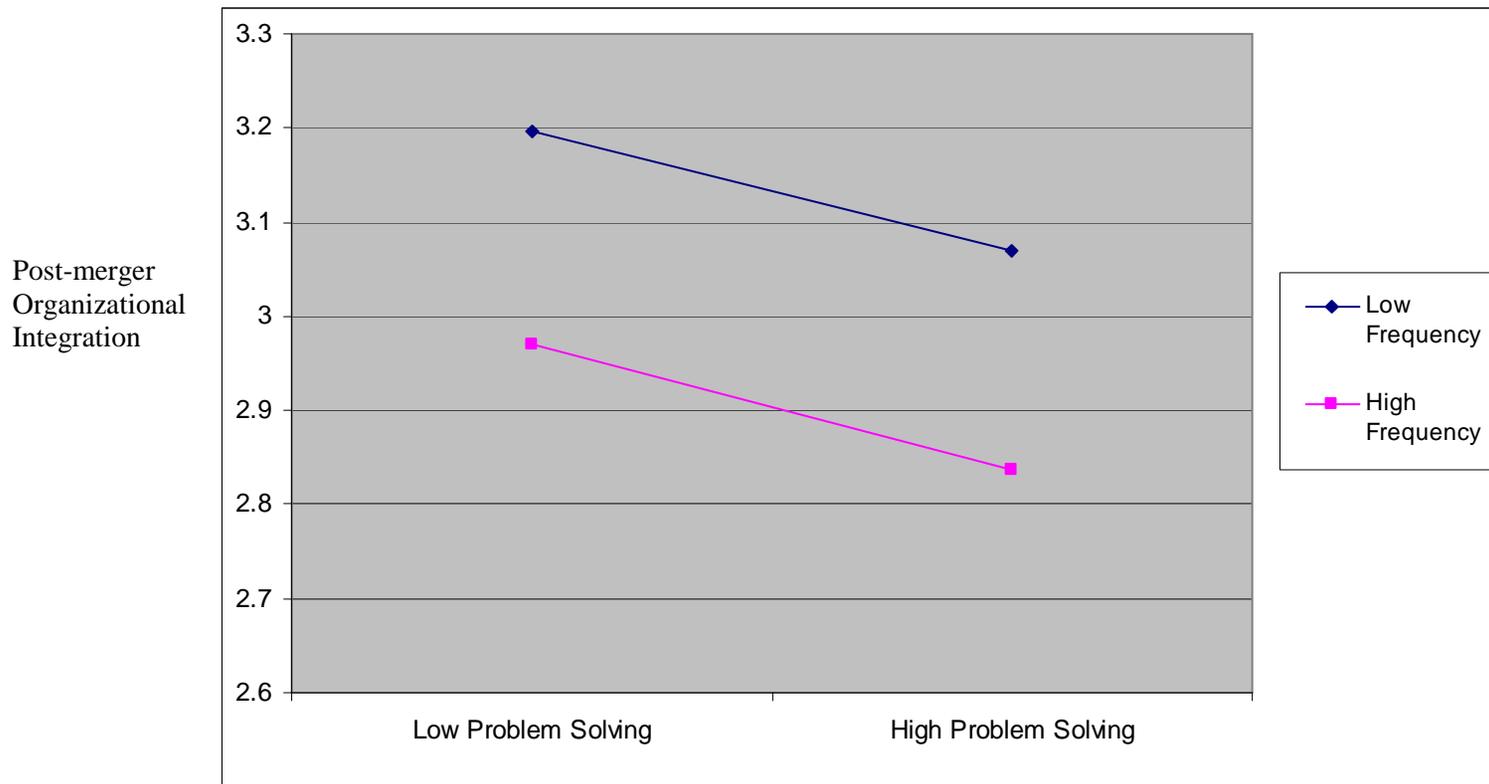
Figure 4-3:
Computed Slopes of the Interaction between "Avoiding" and Trust in Predicting Post-Merger Organizational Integration
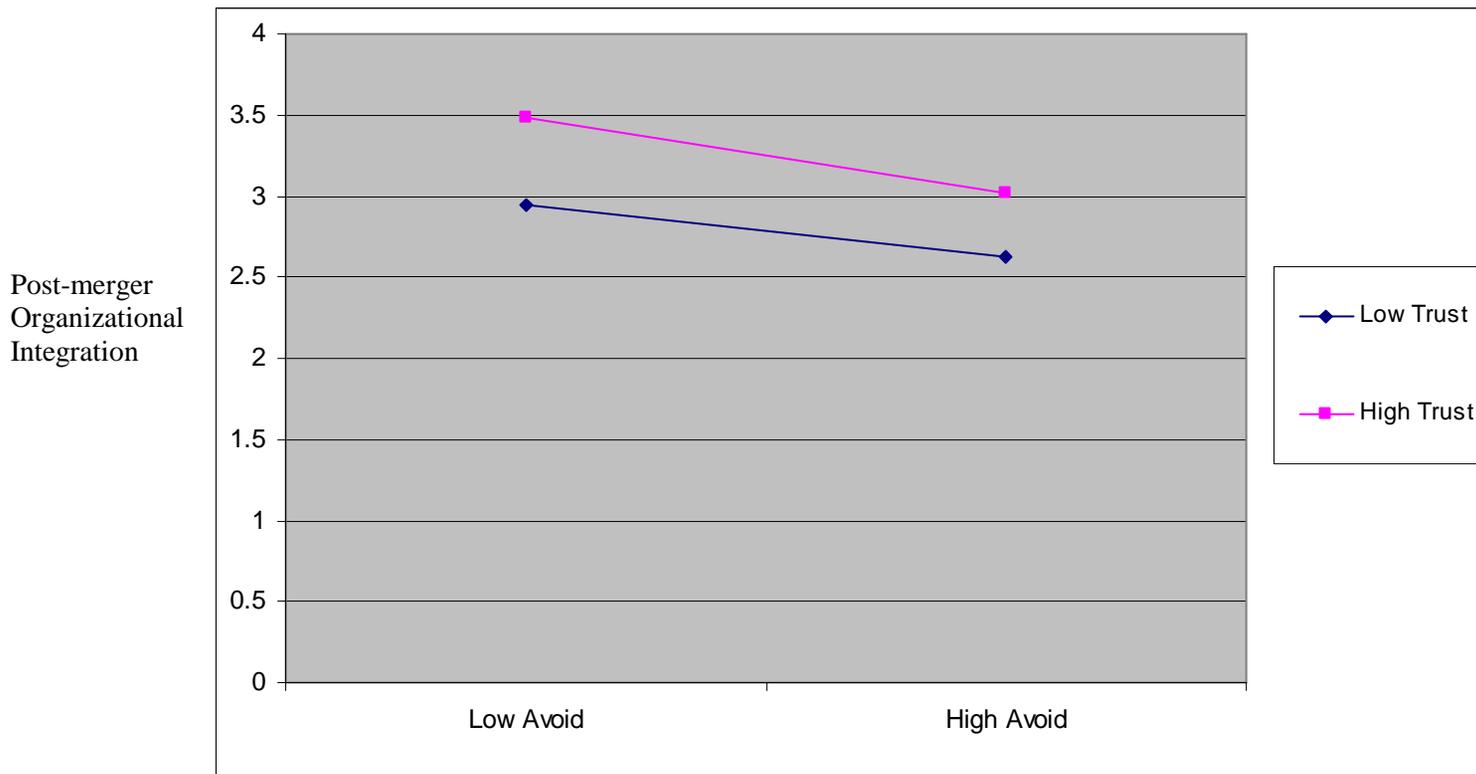
Figure 4-4:
Computed Slopes of the Interaction between "Problem Solving" and Trust in Predicting Post-Merger Organizational Integration