

Original scientific paper

UDC: 005.7

doi:10.5937/ekonhor1702095S

THE IMPACT OF THE DIMENSIONS OF TRANSFORMATIONAL LEADERSHIP ON THE POST-ACQUISITION PERFORMANCE OF THE ACQUIRED COMPANY

Sladjana Savovic*

Faculty of Economics, University of Kragujevac, Kragujevac, The Republic of Serbia

Mergers and acquisitions (M&A) are the important mechanisms through which companies can achieve growth, gain access to new markets and diversify their activities. Although companies engage themselves in M&As with optimism, empirical evidence shows that many M&A transactions are not successful. Therefore, research is often focused on the identification of the ways to improve post-acquisition performance. One of the key success factors of M&A is to provide adequate transformational leadership during the process of change, especially in the critical phase of the post-acquisition integration. A transformational leader should provide incentives and support to the employees in order for them to accept changes and focus on achieving challenging goals. This paper explores the impact of the different dimensions of transformational leadership on the post-acquisition performance based on the example of a company operating in the Republic of Serbia's retail sector, which was the subject of a cross-border acquisition. In order to ensure the adequate representativeness of the sample, a questionnaire was distributed in all parts of the company throughout the Republic of Serbia. The results of this study show that all the dimensions of transformational leadership positively impact post-acquisition performance. The "individual consideration" dimension of transformational leadership has the strongest impact on post-acquisition performance, whereas the "intellectual stimulation" dimension has the weakest.

Keywords: transformational leadership, dimensions of transformational leadership, post-acquisition performance, acquired company

JEL Classification: G34, M54, L25

INTRODUCTION

In the last few decades, mergers and acquisitions have been the primary strategic options that companies

use in order to ensure their position in an increasingly competitive environment (Faulkner, Teerikangas & Joseph, 2012). Mergers and acquisitions are very complex organizational events with a large number of the factors that can lead to either their success or failure. One of the reasons why an M&A fails lies in the negligence of the human-resources-related

* Correspondence to: S. Savovic, Faculty of Economics, University of Kragujevac, Dj. Pucara 3, 34000 Kragujevac, The Republic of Serbia; e-mail: ssladjana@kg.ac.rs

issues. The transactions of M&As are traumatic events for employees due to possible layoffs, the introduction of new management styles and new business rules. M&As increase employee uncertainty, which leads to less of a commitment to the company and the performing of organizational tasks. Hence, it is essential to ensure adequate transformational leadership, especially during the critical post-acquisition phase (Waldman & Mansour, 2009), in order to provide the necessary support and assistance to employees and help them to overcome problems. Transformational leadership implies "fundamentally changing the values, goals, and aspirations of followers, so that they perform their work because it is consistent with their values, as opposed to the expectation that they will be rewarded for their efforts" (MacKenzie, Podsakoff & Rich, 2001, 118). Transformational leaders "have capabilities and skills to motivate employees to form a new way of thinking, destroying the existing paradigms and creating new ones" (Savović, 2012, 200).

The four dimensions of transformational leadership are inspirational motivation, charisma or an idealized influence, individual consideration and an intellectual stimulation (Bass, 1999). inspirational motivation is the degree to which a leader articulates the vision that is appealing and inspirational to employees. The idealized influence is the ability of the leader to elicit pride, faith and respect (Covin, Kolenko, Sighler & Tudor, 1997). Individual consideration refers to paying attention to each employee, or dealing with his/her specific problems. The intellectual stimulation is the behaviour of the leaders who develop the employees' ability and inclination to think about problems in a new way (Rafferty & Griffin, 2004). Transformational leaders should provide employees with a clear picture or vision of the future, inspire them and provide them with the necessary support and help in their facing the challenges of change, thereby increasing employees' commitment to execute tasks more efficiently.

Research in the relationship between transformational leadership and performance has attracted the interest of many authors (Judge & Piccolo, 2004; Menges, Walter, Vogel & Bruch 2011; Carter, Armenakis, Field & Mossholder 2012; Braun, Peus, Weisweiler & Frey, 2013). However, only a few studies have researched

the impact of transformational leadership on post-acquisition performance (Nemanich & Keller, 2007; Nemanich & Vera, 2009). These studies are mostly focused on developed markets, while the research related to transitional economies is limited.

The subject of the research study carried out in this paper is transformational leadership and its effects on post-acquisition performance.

The purpose of this paper is to examine the impact of the different dimensions of transformational leadership on the post-acquisition performance of the acquired company.

In accordance with the defined subject and the purpose of the research, the basic scientific hypothesis of this paper is that the dimensions of transformation leadership have a positive influence on the post-acquisition performance of the acquired company.

Having in mind the defined subject and the purpose of the research, as well as the basic research hypothesis, qualitative and quantitative methodologies have been applied in the paper. The application of the qualitative methodology is reflected in consulting the relevant literature so as to create the theoretical basis for applying the quantitative methodology, through which the research hypotheses have been tested. The emphasis on the quantitative methodology is evident in the literature on M&As since it allows the consideration of the relationship between various independent and dependent variables (usually post-acquisition performance) (Schoenberg, 2006). The empirical research was conducted on the example of the company operating as a leader in the sector of the retail trade of consumer goods, which was the subject of a cross-border acquisition in 2011. The data collection was carried out through a structured questionnaire, distributed to employees. The data analysis was conducted by using various quantitative statistical methods and techniques. An analysis of the reliability and internal consistency of the variables was performed. The hypotheses were tested by the hierarchical regression.

The paper is structured into five sections. After the Introduction Section, the paper provides an

overview of the literature, which sets the basis for the formulation of the research hypotheses. The third section explains the methodology of the research. Thereafter, the fourth section presents the results of the empirical research. Finally, in the fifth section, conclusions are given, the contributions of the paper are emphasized and the directions for future research are set out.

LITERATURE REVIEW

The Concept of Transformational Leadership

Among the different perspectives of leadership, transformational leadership is often associated with managerial effectiveness during organizational changes (Carter *et al.*, 2012). Transformational leadership emerged in the 1980s, together with a great wave of the organizational changes that needed to be implemented in the short term and that could only be made by exceptionally capable leaders. In situations of complex changes, transformational leadership is more effective than transactional leadership, which is a more conventional leadership style. Transactional leaders influence employees by rewarding their accomplishments and undertaking corrective actions if necessary. Transformational leadership is most often used to describe the leaders who face challenges and motivate employees to think differently about their processes, procedures, knowledge and decision-making. These leaders' task is to communicate a well-articulated vision, create a sense of belonging and encourage their employees to adapt to change. B. Bass (1999) points out that transformational and transactional leadership are two separate concepts, but it is best for leaders to have the characteristics of both transformational and transactional leaders.

Transformational leaders communicate a vision that creates enthusiasm for employees (inspirational motivation), provide support to their subordinates through their charisma (the idealized influence), pay attention to employees' individual needs and respond to their problems (individual consideration),

encourage different thinking and innovation within the organization (the intellectual stimulation). The purpose of inspiring leadership is to build a desire for excellence and also accept change with enthusiasm and trust (Sitkin & Pablo, 2005). Transformational leaders convey a vision with a strong emotional charge, which represents the necessary driving force and is important for ensuring high employee engagement and commitment (Stojanović Aleksić, 2006). Additionally, in the acquired company, inspirational leadership increases the employees' commitment because it enables them to more easily understand the new organizational environment (Schweizer & Patzelt, 2012). By developing the feeling that challenging goals are achievable and that the company has the capability of achieving them, leaders are able to motivate and inspire employees to approach all possible obstacles with enthusiasm so that such obstacles can be easily overcome.

Charisma (the idealized influence) can be defined as the ability to create the great symbolic power which employees want to identify themselves with (Covin *et al.*, 1997). Employees feel strong admiration, respect and trust towards the charismatic leader. D. Nadler and M. Tushman (1990) describe a "charismatic leader" as someone who possesses specific qualities and the ability to mobilize and sustain activity in the organization through concrete activities and personal characteristics. Charismatic leaders inspire employees and demonstrate determination in making changes; they are trusting and represent a model of identification. Such characteristics enable them to influence the employees' an increasing commitment to their organization and their greater motivation towards achieving better performances (Waldman & Mansour, 2009).

Individual consideration is the degree to which a leader pays attention to the employees' needs, acts as a mentor and responds to the employees' problems and their needs (Judge & Piccolo, 2004). L. M. Marks and H. P. Mirvis (1986) point out that the employees of acquired companies go through great psychological shocks during acquisitions and therefore they need support. By providing each employee individually with the resources and training, encouragement

and necessary information, the leader works so as to develop their sense of acceptance, security and personal effectiveness.

Intellectual stimulation is the degree to which a leader faces assumptions, takes risks and offers employees ideas. Leaders with this feature stimulate and encourage creativity among employees. Creative thinking is of particular importance since there is a need to reject the routines and norms of the behaviour that existed in the previous organization and adopt new habits. By providing intellectual stimulation, transformational leaders encourage employees to adopt the research process of thinking and to also think about old problems in a new way. By expressing high expectations and showing confidence in the ability of their employees, transformational leaders influence the development of the employees' commitment to achieving long-term goals. In this way, the focus is shifted from short-term goals and immediate solutions to long-term goals and fundamental solutions (Jung, Chow & Wu, 2003).

The Measurement of Post-Acquisition Performance

In the last twenty years, a large number of studies have been focused on research into post-acquisition performance (Ravensraft & Scherer, 1989; Morosini & Singh, 1994; Lu, 2004; Schoenberg, 2006; Martynova & Renneboog, 2008). These studies rely on the different measurement of post-acquisition performance, and the most common approaches are: the stock-market-based measurement (Sudarsanam & Mahate, 2003; Tuch & O'Sullivan, 2007), the accounting-based measures (Ravensraft & Scherer, 1989; Healy, Palepu & Ruback, 1992; Lu, 2004), as well as the measures based on the subjective assessments of managers (Datta, 1991; Homburg & Bucerius, 2006). The studies applying the stock-market-based measurement are the event studies that observe the evolution of a company's stock prices in days or months around the announcement of the acquisition (a short-term study), as well as the evolution of a company's stock prices over a long period of time, usually several months or years after the acquisition (a long-term

study). The methodology of the event studies "is based on the assumption that the capital market operates efficiently, which means that share prices react to new information in a timely and unbiased fashion, and that changes in the company share price reflect the value of the acquisition" (Cordin & Christman, 2002, as cited in Savović, 2016, 82). The model observing the evolution of a company's share prices is based on the determining of the abnormal return. A significant problem of these performance measures is that these measures do not apply to the companies that are not quoted on the stock exchange. Additionally, stock price changes may not only be the result of acquisitions, but they may be caused by other factors as well. In addition, the existence of the periods in which shares are not traded, as well as the overlapping of the multiple events of acquisitions, can impair the reliability of long-term studies (Tuch & O'Sullivan, 2007). In the event studies, the researchers have found that the acquired company's shareholders' returns are positive and significantly high because of the large premiums paid. The shareholders of acquired companies obtain large premiums, 20–40% on average, compared with the share price before the announcement of the offer (Goergen & Renneboog, 2004). A. Fatemi, I. Fooladi, and N. Garehkoolchian (2017) investigate the short-term effects of acquisitions in Japan and, on the basis of the results of the survey, conclude that the shareholders of the acquired companies obtain positive returns. The results of the studies regarding the impact on the acquiring companies' shareholders are inconclusive. Some studies show positive returns, whereas the other ones report negative returns. J. Li, P. Li and B. Wang (2016, 481) find that, in cross-border M&As, "involving listed Chinese firms as acquirers, on average, the acquirer's stock price rises 2-4%". On the other hand, S. Sudarsanam and A. Mahate (2003) point to the fact that the acquiring companies' shareholders obtain negative abnormal returns in the short term.

The stock-market-based measures of performance cannot evaluate the impact of acquisitions on costs, revenues, profits and cash flows, although the strategy of the acquisition is often aimed at improving these variables as a result of the expected strengthening of

the competitive position. Hence, the accounting-based measures have a special significance. Accounting-based studies analyse the accounting performance of a company by comparing certain indicators, most often the return-on-assets ratio, the return-on-equity ratio, the operating profit margin and the net profit margin, prior to and after acquisitions. I. Thanos and V. Papadakis (2012, 120) point out that “the major advantage of accounting-based measures is that they measure actual performance as reported in the annual financial statements and not investors’ expectations for the future”. The main disadvantages of the accounting-based measures are that they reflect performance in the past and that the application of different accounting measures can make the results of research studies difficult to compare (Savović, 2016). The results obtained in the accounting-based studies are different. R. Rao-Nicholson, J. Salaber, and T. Hiep Cao (2016, 373) examined the performance of companies in emerging markets and they found that “industry-adjusted operating performance tends to decline in the three years following an M&A”. D. S. Sharma and J. Ho (2002) analysed the effects of Australian acquisitions on accounting performance and showed that corporate acquisitions did not lead to improved post-acquisition performance. On the other hand, P. Guest, M. Bild and M. Runsten (2010) analysed acquisitions in the UK and pointed out that the companies improved their profitability in the post-acquisition period.

The third group of the studies uses the subjective assessments of the managers for measuring post-acquisition performance. This approach is applied when objective data are difficult to obtain. Managers fill in the questionnaires assessing financial and non-financial performance based on their personal understanding of the current situation in the company. Such performance evaluations can be a matter of managers’ personal biases when the performance of the company is assessed by one respondent. Therefore, it is necessary that a larger number of respondents should be used in a performance assessment and that it should be ensured that the managers assessing performance are well aware of the company’s situation and that they are

familiar with the complete history of the acquisitions. If these conditions are met, the subjective assessments made by managers have an advantage over other performance measurement approaches because they allow the multidimensional measurement of post-acquisition performance by including both financial and non-financial performance. Based on the literature review, in particular on the studies using subjective performance criteria, I. Thanos and V. Papadakis (2012) conclude that on average 45-60% of acquisitions do not improve post-acquisition performance.

Transformational Leadership and Post-Acquisition Performance

Transformational leadership leads to a reduction in uncertainties and the development of the feelings of acceptance among employees, thus increasing their commitment to the organization, which is an essential prerequisite for improving company performance. Some studies have investigated the impact of transformational leadership on company performance (Garcia-Morales, Llorens-Montes & Verdu-Jover, 2008; Wang, Tsui & Xin, 2011). V. J. Garcia-Morales, F. J. Llorens-Montes and A. J. Verdu-Jover (2008) emphasize the fact that transformational leadership improves organizational performance. The study carried out by T. Wang, A. Tsui and K. Xin (2011) showed that transformational leadership had a positive impact on the performance of a company.

Some studies have examined the relationship between the different dimensions of transformational leadership and performance (Podsakoff, MacKenzie, Moorman & Fetter, 1990; Howell & Avolio, 1993; Nemanich & Keller, 2007; Rafferty & Griffin, 2014; Babić, Savović & Domanović, 2014). L. Nemanich and R. Keller (2007) investigated the influence of transformational leadership on the acceptance of acquisitions, employees’ satisfaction and employees’ performance. The results of the study have shown that transformational leadership has a positive impact on all dependent variables. The one dimension of transformational leadership (the idealized impact) has the greatest influence on the acceptance of

acquisitions by employees, whereas the other dimension of transformational leadership (individual consideration) has the greatest impact on employees' performance. A study conducted by A. Rafferty and M. Griffin (2004) has shown that the two dimensions of transformational leadership (inspirational communication and the intellectual stimulation) have a positive impact on the employees' commitment to the organization. While the intellectual stimulation can increase the level of stress in the workplace (Podsakoff *et al*, 1990), employees still feel valuable when encouraged to contribute to the organization. Transferring positive and encouraging messages positively affects the employees' emotional connection with the company and strengthens their faith in their own ability to perform tasks. V. Babić, S, Savović and V. Domanović (2014) emphasize the fact that leaders' inspiration and encouragement of employees, as well as their reaction to the employee's problems (individual consideration), have a positive impact on post-acquisition performance. J. M. Howell and B. J. Avolio (1993) point out that the intellectual stimulation provided by leaders positively affects performance when there is an innovation-supportive climate. The intellectual stimulation enhances employees' ability to design, realize and analyse problems and improve the quality of solutions, which positively reflects on company performance.

In accordance with the review of the relevant literature, the formulated research hypotheses assume that the dimensions of transformational leadership have a positive impact on post-acquisition performance.

- H1: By inspiring and encouraging their employees, transformational leaders positively influence the post-acquisition performance of the acquired company.
- H2: Transformational leaders use their charisma to encourage employees to accept change, which positively influences the post-acquisition performance of the acquired company.
- H3: Through their individual consideration of each employee, transformational leaders positively influence the post-acquisition performance of the acquired company.

- H4: Through the intellectual stimulation of their employees, transformational leaders positively influence the post-acquisition performance of the acquired company.

METHODS

The research hypotheses will be tested on the case of a company acquired in 2011. The data were being collected during 2013 as a part of wider research efforts. Prior to conducting the research, the management of the acquired company had been contacted in order to be explained the research objectives to so that we could receive their approval for distributing the questionnaire to their employees. The management team approved the research provided that the researcher should submit the results of the survey to the company. The management of the company recognized the importance of carrying out such a research study for its own needs. Therefore, they tried to ensure the representativeness of the sample by distributing the questionnaires in all the parts of the Republic of Serbia which the company operates in. The total number of the employees in the company is 6357 and the survey was conducted on a sample of 344 employees, which accounts for 5.41%. As shown in Table 1, regarding the gender, there are predominantly more women than men, ranking from 56.4% for the women and 28.2% for the men, thereby stressing the lack of a response to this socio-demographical aspect (15.4%). Regarding the age, the majority of the respondents are between 26 and 35 years of age (33.1%), as well as between 36 and 45 years of age (30.8%). Observing work experience, there is a uniform representation of the respondents with less experience: up to 5 years (20.4%), between 6 and 10 years (20.9%) and between 11 and 15 years (19.8%), whereas the respondents with longer work experience participate to a slightly lesser extent: between 16 and 25 years (12.5%) and over 25 years (15.1%). Regarding the position, 64.2% of the respondents are in the operating positions, 12.5% are in the managerial positions and 23.3% did not respond at all.

Table 1 The characteristics of the sample

Variable	Frequency	% of Total
Gender		
Male	97	28.2
Female	194	56.4
No response	53	15.4
Age distribution		
18-25	20	5.8
26-35	114	33.1
36-45	106	30.8
46-55	54	15.7
>55	9	2.6
No response	1	11.9
Years of work experience		
<5	70	20.4
6-10	72	20.9
11-15	68	19.8
16-25	43	12.5
>25	52	15.1
No response	39	11.3
Position		
Managerial positions (top, middle and operative management)	43	12.5
Operating positions	221	64.2
No response	80	23.3

Source: Author

The data were analysed applying the Statistical Package for Social Sciences - SPSS, Version 20.0. The reliability and internal consistency of the variables was measured by using Cronbach's Alpha Coefficient. Descriptive statistics were used to measure the central tendency (the arithmetic mean) and variability (the standard deviation). The hypotheses were tested by using the linear regression.

The independent variables, i.e. the dimensions of transformational leadership, were measured on the basis of a modified Multifactor Leadership

Questionnaire (Bass & Avolio, 2000). These variables were evaluated by all the respondents ($n = 344$). The dependent variable, i.e. post-acquisition performance, was measured by the subjective perceptions of the managers who expressed the degree of their agreement with the nine statements related to financial and non-financial performance. This variable was not evaluated by all the respondents, but only by the respondents holding the managerial positions ($n = 43$). The five-step Likert scale was used, which shows the degree of the respondents' agreement with the statements. The respondents had a choice of answers from 1 - I do not agree at all - to 5 - I fully agree. Table 2 shows the model variables and the statements, on the basis of which the variables were measured.

RESULTS

Table 3 shows the means, the standard deviations and the coefficients of Cronbach's Alpha for the analysed variables. The values of the means of the dimension of transformational leadership are greater than 3, meaning that the employees of the acquired companies are relatively satisfied with the support they have received from the leaders.

The employees had the most positive assessment of the two dimensions of transformational leadership - inspirational motivation (the mean = 3.38) and the idealized influence (the mean = 3.30); somewhat lower was their estimation of the intellectual stimulation (the mean = 3.16), whereas the lowest was that for the dimension of individual consideration (the mean = 3.06). This means that the employees were more satisfied with the support of the leaders in terms of their inspiration and encouragement to accept change, whereas they were less satisfied with their support regarding the overcoming of possible problems during the change process. The value of the arithmetic mean of the variable post-acquisition performance is below 3 (the mean=2.88), which means that a satisfactory performance improvement was not achieved in the period after the acquisition.

Table 2 The model variables and the statements

Variables	Statements
Independent variables	
Inspirational motivation	<p>S₁: The superior managers optimistically spoke about the future of the company.</p> <p>S₂: The superior managers explained to the employees what the common vision was and what the development directions of the company were.</p> <p>S₃: The superior managers helped the employees to understand why it was important for the company to be acquired by another company.</p> <p>S₄: Obtaining relevant information from the superior managers related to the future plans helped me to overcome problems during the process of changes.</p>
Idealized influence	<p>S₁: The superior managers served as positive examples and inspired the employees to implement changes.</p> <p>S₂: The superior managers stimulated the employees through their personal example.</p> <p>S₃: The superior managers encouraged the employees to accept changes.</p> <p>S₄: The superior managers highlighted the importance and necessity of making changes in the company.</p>
Individual consideration	<p>S₁: The direct support provided by the managers helped me to overcome the problems during the process of changes.</p> <p>S₂: Different training programs were organized as a support to the adaptation of the employees to the new circumstances in the company.</p> <p>S₃: The training course helped me to overcome the problems during the process of changes.</p>
Intellectual stimulation	<p>S₁: The superior managers stimulated the innovative thinking of the employees.</p> <p>S₂: The superior managers encouraged the employees to seek new ways of solving certain problems.</p>
Dependent variable	
Post-acquisition performance	<p>S₁: The growth of income is higher than before the acquisition.</p> <p>S₂: Cost reduction is greater than before the acquisition.</p> <p>S₃: Productivity is higher than before the acquisition.</p> <p>S₄: The market share of the company is greater after the acquisition.</p> <p>S₅: The competitive position of the company is better after the acquisition.</p> <p>S₆: Satisfaction at work is higher than before the acquisition.</p> <p>S₇: The customer base has been expanded after the acquisition.</p> <p>S₈: The quality of the product/service is better after the acquisition.</p> <p>S₉: The development of a new product/service is better after the acquisition.</p>

Source: Author

Table 3 The means, the standard deviations and the coefficients of Cronbach's Alpha for the analysed variables

Variables	Mean	S.D.	Cronbach's Alpha
Inspirational motivation	3.38	1.09	0.958
Idealized influence	3.30	1.19	0.943
Individual consideration	3.06	1.17	0.910
Intellectual stimulation	3.16	1.25	0.951
Post-acquisition performance	2.88	1.18	0.958

Source: Author

The results of the analysis of the reliability and internal consistency of the variables showed that all the variables had a high level of reliability and internal consistency since the acceptable value of Cronbach's Alpha Coefficient was greater than 0.7. The highest degree of reliability is characteristic for the post-acquisition performance variable ($\alpha = 0.958$), whereas all of the other variables had a high level of reliability (the intellectual stimulation: $\alpha = 0.951$, inspirational motivation: $\alpha = 0.943$, the idealized influence: $\alpha = 0.902$ and individual consideration: $\alpha = 0.910$).

Table 4 accounts for the results of the regression analyses that tested the influence of the different dimensions of transformational leadership on the

post-acquisition performance of the company. The first hypothesis tests the impact of inspirational motivation on post-acquisition performance. The model is statistically significant ($F = 33.801$; $p = 0.00$) and explains 45.7% of the variance of the dependent variable (adjusted $R^2 = 0.457$). The results of the regression analysis show that the first dimension of transformational leadership (inspirational motivation) has a positive impact on the post-acquisition performance of the company ($\beta = 0.686$; $p = 0.00$). Based on the results of the analysis, Hypothesis H1 can be accepted. The results show that employees' inspiration boosted by transformational leaders has a positive impact on the post-acquisition performance of the acquired company.

The second hypothesis tests the influence of the second dimension of transformational leadership (the idealized impact) on the post-acquisition performance of the company. The model is statistically significant ($F = 24.055$; $p = 0.00$) and explains 37.8% of the variance of the dependent variable (adjusted $R^2 = 0.378$). The results of the regression analysis show that the second dimension of transformational leadership (the idealized influence) has a positive impact on the post-acquisition performance of the company ($\beta = 0.628$; $p = 0.00$). Having in mind the results of the analysis, Hypothesis H2 can be accepted. By providing a positive personal example and by encouraging employees to accept changes, transformational leaders have a positive impact on the post-acquisition performance of the acquired company.

The third hypothesis tests the influence of the third dimension of transformational leadership (individual consideration) on the post-acquisition performance of the company. The model is statistically significant ($F = 40.842$; $p = 0.00$) and explains 51.2% of the variance of the dependent variable (adjusted $R^2 = 0.512$). The results of the regression analysis show that the third dimension of transformational leadership (individual consideration) has a positive impact on the post-acquisition performance of the company ($\beta = 0.724$; $p = 0.00$). In accordance with the results of the analysis, Hypothesis H3 can be accepted. By providing direct support to employees, transformational leaders have a positive impact on the post-acquisition performance of acquired companies.

The fourth hypothesis tests the impact of the fourth dimension of transformational leadership (the intellectual stimulation) on the post-acquisition performance of the company. The model is statistically significant ($F = 16.921$; $p = 0.00$) and explains 29.0% of the variance of the dependent variable (adjusted $R^2 = 0.290$). The results of the regression analysis show that the fourth dimension of transformational leadership (the intellectual stimulation) has a positive impact on the post-acquisition performance of the company ($\beta = 0.555$; $p = 0.00$). According to the results of the analysis, Hypothesis H4 can be accepted. Through the intellectual stimulation and encouragement of innovative thinking among employees, transformational leaders positively influence the post-acquisition performance of acquired companies.

Table 4 The impact of the dimension of transformational leadership on post-acquisition performance

	B	SE	β	R^2	adjusted R^2	F
Inspirational motivation	0.608	0.105	0.686**	0.471	0.457	33.801**
Idealized influence	0.526	0.107	0.628**	0.394	0.378	24.055**
Individual consideration	0.676	0.106	0.724**	0.525	0.512	40.842**
Intellectual stimulation	0.466	0.113	0.555**	0.308	0.290	16.921**

Note: ** The result is significant at the 0.01 level ($p < 0.01$)

Source: Author

CONCLUSION

In situations involving complex changes, such as the processes of company acquisitions, transformational leadership represents one of the key drivers of organizational performance. Transformational leaders communicate a vision that creates enthusiasm among employees; they provide their employees with support via their character (charisma), providing support to each individual employee through mentoring and teaching and encouraging different thinking and innovation within the organization. In this way, they act in the direction of reducing uncertainty for employees and developing the feelings of trust and interconnectedness.

The results of this research have shown that the dimensions of transformational leadership have a positive impact on post-acquisition performance. Having in mind the results of the conducted analyses, it can be concluded that, by inspiring their employees and spreading optimism, giving a positive example and individual support, as well as encouraging their employees to search for new ways to solve problems, transformational leaders contribute to employees' commitment to the company and to performed tasks, which positively affects the post-acquisition performance of the acquired company. Such results are consistent with the results of the other studies (Howell & Avolio, 1993; Rafferty & Griffin, 2004; Nemanich & Keller, 2007) that have confirmed the existence of a positive impact of the dimensions of transformational leadership on company performance. The only difference in the results of this study compared to the previous research is that in the extent of the impact of the different dimensions of transformational leadership on company performance.

According to the results of the research, it can be concluded that the employees positively assessed the support of transformational leaders. The employees show a higher degree of satisfaction with inspirational support from transformational leaders, whereas the degree of satisfaction with the individual influence (overcoming possible problems during the process of change) is lower. The research results show that post-acquisition performance in the observed company is

not at a satisfactory level. Such a result can partially be explained by the fact that individual consideration, as a dimension of transformational leadership, has the highest impact on post-acquisition performance and simultaneously is the dimension ranked the lowest by the employees.

The research results have significant theoretical and practical implications. They contribute to the better understanding of the complex effects of transformational leadership on the post-acquisition performance of the acquired company. Bearing in mind the fact that the previous studies in the field of transformational leadership were mostly focused on the impact of transformational leadership on performance, this study contributes in filling the research gap by focusing on the impact of transformational leadership on post-acquisition performance. In addition, as research in transitional economies is limited, the results of the study contribute to the expansion of knowledge in the field of transformational leadership and post-acquisition performance in the context of transitional economies. By connecting the results of the empirical research with the existing results of research in the world, it is possible to provide certain guidelines to the managers involved in the processes of company acquisitions. The companies that are going through the processes of complex changes should select and place the managers who have the characteristics of transformational leaders. If managers do not possess such characteristics, education and training should be organized in order to help them develop the skills of transformational leaders. In addition, as the results of the study have shown that individual consideration, i.e. the focus of the leader on providing support to each individual employee and reacting to their problems, has the highest impact on post-acquisition performance, and as this dimension is ranked lower than the other ones by the employees, it is necessary for management to intensify support to employees, particularly paying attention to a reaction to employees' problems, providing them with help and organizing the training that will enable them to perform the required tasks more efficiently. The study can make a significant contribution to formulating the business policy of companies by emphasizing

the fact that, in order to make a success in the periods of change, it is important to focus on human resources. The conclusions reached in this study can help managers to develop the necessary level of the commitment and trust among employees required to achieve challenging goals in the future.

The main limitation of this study is that the research was conducted in a single company. In order to draw general conclusions, an analysis should be carried out on a larger sample of companies. It would be useful to conduct a comparative analysis in several companies during the post-acquisition period in order to determine whether performance is better in the companies that have transformational leadership than in those that do not. The additional limitation of this research study is its reliance on only one data source, obtained by filling the questionnaire. Therefore, future research should ensure other sources of data, such as direct interviews with managers and financial statements, in order to enable a deeper analysis of the researched subject. Another limitation reflects in the fact that the research was conducted only two years after the acquisition, which is not a period of time long enough to estimate the overall effects of the acquisition. It is obvious that the period after the acquisition is the most critical and that in this period the support of leaders is the most important. Having in mind the previously stated limitation, future research should implement a research design that will enable us to study the effects of transformational leadership on post-acquisition performance successively, in different time periods, which would assume the implementation of longitudinal studies and would result in a deeper understanding of the of the researched subject.

ACKNOWLEDGMENTS

Babić, V., Savović, S., & Domanović, V. (2014). Transformational leadership and post-acquisition performance in transitional economies. *Journal of Organizational Change Management*, 27(6), 856- 876. doi.org/10.1108/JOCM-02-2014-0028

- Bass, B. (1999). Two decades of research and development in transformational leadership. *European Journal of Work and Organizational Psychology*, 8(1), 9-32. doi.org/10.1080/135943299398410
- Bass, B. M., & Avolio, B. J. (2000). *MLQ Multifactor Leadership Questionnaire*. Redwood City, CA: Mind Garden.
- Braun, S., Peus, C., Weisweiler, S., & Frey, D. (2013). Transformational leadership, job satisfaction, and team performance: A multilevel mediation model of trust. *The Leadership Quarterly*, 24(1), 270-283. doi.org/10.1016/j.leaqua.2012.11.006
- Carter, M., Armenakis, A., Field, H., & Mossholder, K. (2012). Transformational leadership, relationship quality, and employee performance during continuous incremental organizational change. *Journal of Organizational Behavior*, 34(7), 942-958. doi: 10.1002/job.1824
- Cordin, M., & Christman, P. (2002). A focus on resources in M&A success: A literature review and research agenda to resolve two paradoxes. University of Virginia, 1-40. Retrieved October 10, 2014 from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.7773&rep=rep1&type=pdf>
- Covin, T., Kolenko, T., Sightler, K., & Tudor, K. (1997). Leadership style and post-merger satisfaction. *Journal of Management Development*, 16(1), 22-33. doi.org/10.1108/02621719710155454
- Datta, K. D. (1991). Organizational fit and acquisition performance - Effects of post-acquisition integration. In A. Risberg (Ed.). (2006). *Mergers and Acquisitions A Critical Reader* (pp. 53-69). London and New York: Taylor & Francis Group. doi: 10.4324/9780203708071
- Fatemi, A., Fooladi, I., & Garehkoolchian, N. (2017). Gains from mergers and acquisitions in Japan. *Global Finance Journal*, 32, 166-178. doi.org/10.1016/j.gfj.2017.02.002
- Faulkner, D., Teerikangas, S., & Jospheh, R. (2012). *The handbook of mergers and acquisitions*. Oxford, Mississippi: Oxford University Press.
- Garcia-Morales, V. J., Llorens-Montes, F. J., & Verdu-Jover, A. J. (2008). The effects of transformational leadership on organizational performance through knowledge and innovation. *British Journal of Management*, 19(4), 299-319. doi: 10.1111/j.1467-8551.2007.00547.x

- Goergen, M., & Renneboog, L. (2004). Shareholder wealth effects of European domestic and cross-border takeover bids. *European Financial Management*, 10(1), 9-45. doi: 10.1111/j.1468-036X.2004.00239.x
- Guest, P., Bild, M., & Runsten, M. (2010). The effect of takeovers on the fundamental value of acquireres. *Accounting and Business Research*, 40(4), 333-352. doi: org/10.1080/00014788.2010.9663409
- Healy, P. M., Palepu, K. G., & Ruback, R. S. (1992). Does corporate performance improve after mergers? *Journal of Financial Economics*, 31(2), 135-175. doi.org/10.1016/0304-405X(92)90002-F
- Homburg, C., & Bucerius, M. (2006). Is speed of integration really a success factor of mergers and acquisitions? An analysis of role of internal and external relatedness. *Strategic Management Journal*, 27(4), 347-367. doi: 10.1002/smj.520.
- Howell, J. M., & Avolio, B. J. (1993). Transformational leadership, transactional leadership, locus of control, and support for innovation: Key predictors of consolidated business-unit performance. *Journal of Applied Psychology*, 78(6), 891-902. doi.org/10.1037/0021-9010.78.6.891
- Judge, T., & Piccolo, R. (2004). Transformational and transactional leadership: A meta-analytic test of their relative validity. *Journal of Applied Psychology*, 89(5), 755-768. doi: 10.1037/0021-9010.89.5.755
- Jung, D., Chow, C., & Wu, A. (2003). The role of transformational leadership in enhancing organizational innovation: Hypotheses and some preliminary findings. *The Leadership Quarterly*, 14(4-5), 525-544. doi.org/10.1016/S1048-9843(03)00050-X
- Li, J., Li, P., & Wang, B. (2016). Do cross-border acquisitions create value? Evidence from overseas acquisitions by Chinese firms. *International Business Review*, 25(2), 471-483. doi.org/10.1016/j.ibusrev.2015.08.003
- Lu, Q. (2004). Do mergers destroy value? Evidence from failed bids. *Working Paper*. Kellogg School of Management, Northwestern University.
- MacKenzie, S., Podsakoff, P., & Rich, G. (2001). Transformational and transactional leadership and salesperson performance. *Journal of the Academy of Marketing Science*, 29(2), 115-134. doi: 10.1177/03079459994506
- Marks, L. M., & Mirvis, H. P. (1986). The merger syndrome, psychology today. In A. Risberg (Ed.). (2006). *Mergers and Acquisition A Critical Reader* (pp. 149-154). London and New York: Taylor & Francis Group.
- Martynova, M., & Renneboog, L. (2008). A century of corporate takeovers: What have we learned and where do we stand? *Journal of Banking and Finance*, 32(10), 2148-2177. doi.org/10.1016/j.jbankfin.2007.12.038
- Menges, J., Walter, F., Vogel, B., & Bruch, H. (2011). Transformational leadership climate: Performance linkages, mechanisms, and boundary conditions at the organizational level. *The Leadership Quarterly*, 22(5), 893-909. doi: 10.1016/j.leaqua.2011.07.010
- Morosini, P., & Singh, H. (1994). Post-cross-border acquisitions: Implementing 'national culture-compatible' strategies to improve performance. *European Management Journal*, 12(4), 390-400. doi: 10.1016/0263-2373(94)90025-6
- Nadler, D., & Tushman, M. (1990). Beyond the charismatic leader: Leadership and organizational change. *California Management Review*, 32(2), 77-97. doi.org/10.2307/41166606
- Nemanich, L., & Keller, R. (2007). Transformational leadership in an acquisition: A field study of employees. *The Leadership Quarterly*, 18(1), 49-68. doi: 10.1016/j.leaqua.2006.11.003
- Nemanich, L., & Vera, D. (2009). Transformational leadership and ambidexterity in the context of an acquisition. *The Leadership Quarterly*, 20(1), 19-33. doi: 10.1016/j.leaqua.2008.11.002
- Podsakoff, P. M., MacKenzie, S. B., Moorman, R. H., & Fetter, R. (1990). Transformational leader behaviors and their effects on followers' trust in leader, satisfaction, organizational citizenship behaviours. *The Leadership Quarterly*, 1(2), 107-142. doi: 10.1016/1048-9843(90)90009-7
- Rafferty, A., & Griffin, M. (2004). Dimensions of transformational leadership: Conceptual and empirical extensions. *The Leadership Quarterly*, 15(3), 329-354. doi: 10.1016/j.leaqua.2004.02.009
- Rao-Nicholson, R., Salaber, J., & Hiep Cao, T. (2016). Long-term performance of mergers and acquisitions in ASEAN countries. *Research in International Business and Finance*, 36, 373-387. doi.org/10.1016/j.ribaf.2015.09.024

- Ravenscraft, D. J., & Scherer, F. J. (1989). The profitability of mergers. *International Journal of Industrial Organizations*, 7(1), 101-116. doi.org/10.1016/0167-7187(89)90048-9
- Savović, S. (2012). The importance of post-acquisition integration for value creation and success of mergers and acquisitions. *Economic Horizons*, 14(3), 195-207. doi: 10.5937/ekonhor1203193S
- Savović, S. (2016). Post-acquisition performance of acquired companies: Evidence from Republic of Serbia. *Economic Annals*, 61(209), 79-104. doi: 10.2298/EKA1609079S
- Schoenberg, R. (2006). Measuring the performance of corporate acquisitions: An empirical comparison of alternative metrics. *British Journal of Management*, 17(4), 361-370. doi: 10.1111/j.1467-8551.2006.00488.x
- Schweizer, L., & Patzelt, H. (2012). Employee commitment in the post-acquisition integration process: The effect of integration speed and leadership. *Scandinavian Journal of Management*, 28(4), 298-310. doi.org/10.1016/j.scaman.2012.02.003
- Sharma, D. S., & Ho, J. (2002). The impact of acquisitions on operating performance: Some Australian evidence. *Journal of Business Finance & Accounting*, 29(1-2), 155-200. doi.org/10.1111/1468-5957.00428
- Sitkin, S., & Pablo, A. (2005). The neglected importance of leadership in mergers and acquisitions. In G. K. Stahl, & M. E. Mendenhall (Eds.). *Mergers and Acquisitions. Managing Culture and Human Resource* (pp. 208-223). Stanford, Calif: Stanford University Press.
- Stojanović Aleksić, V. (2006). Liderstvo kao ključni faktor uspešnog sprovođenja organizacionih promena. *Ekonomski horizonti*, 8(1-2), 7-14.
- Sudarsanam, S., & Mahate, A. (2003). Glamour acquirers, method of payment and post-acquisition performance: the UK evidence. *Journal of Business Finance and Accounting*, 30(1-2), 299-341. doi: 10.1111/1468-5957.00494
- Thanos, I., & Papadakis, V. (2012). Unbundling acquisition performance: how do they perform and how can this be measured? In D. Faulkner, S. Teerikangas, & R. Jospeh, (Eds.). *The Handbook of Mergers and Acquisitions* (pp. 114-147). Oxford, Mississippi: Oxford University Press.
- Tuch, C., & O'Sullivan, N. (2007). The impact of acquisitions on firm performance: A review of the evidence. *International Journal of Management Reviews*, 9(2), 141-170. doi: 10.1111/j.1468-2370.2007.00206.x
- Waldman, D. A., & Mansour, J. (2009). Alternative forms of charismatic leadership in integration of mergers and acquisitions. *The Leadership Quarterly*, 20(2), 130-142. doi.org/10.1016/j.leaqua.2009.01.008
- Wang, H., Tsui, A., & Xin, K. (2011). CEO leadership behaviors, organizational performance, and employees' attitudes. *The Leadership Quarterly*, 22(1), 92-105. doi: 10.1016/j.leaqua.2010.12.009
- Wang, H., Tsui, A., & Xin, K. (2011). CEO leadership behaviors, organizational performance, and employees' attitudes. *The Leadership Quarterly*, 22(1), 92-105. doi:10.1016/j.leaqua.2010.12.009

Received on 16th June 2017,
after three revisions,
accepted for publication on 23rd August 2017.
Published online on 25th August 2017.

Sladjana Savovic is an Assistant Professor of Enterprise Economics at the Faculty of Economics, University of Kragujevac, the Republic of Serbia. She received her PhD degree from the Faculty of Economics of the University of Kragujevac. The main areas of her research interests are mergers and acquisitions, post-acquisition integration and post-acquisition performance.