

# Effect and impact of mergers on employee morale

[Experience](#), [Human Nature](#)



The vital industries of Pakistan banking sector plays immaculate role to proof his growth in different footings. From the beginning till now banks pursues innovations n more service indicators to sustain their existence in the field of banking. Apart from the local bank's side so many big foreign international banks also step in as Pakistan Banking sector was hot cake in those days even now. The total illustrated deposit collected by the foreign banks in from the period of 80s to 90s that was around 37000 million in rupees (Article from: Economic Review Article date: October 1, 1990 Author: Haque, Ansarul). The first foreign international bank registered in Pakistan was Doha Bank Ltd and then by Faisal Al-Islami of Bahrain. All the banks are still now completely regulated by State Bank of Pakistan from its complete formation in 1948. The procedure and policies are completely and compulsory followed by all commercial including foreign banks in Pakistan. Banking sector in Pakistan pass out from different phases such as privatization of banks was the big step taken to encourage the banking field to get more flexible and awe-inspiring results. The main reason to encourage these banks becoming privatize to introduce new and sound financial products for both individuals as well as business solutions and they did so as foreign banks such as Citi Bank covers a wide range of financial products to its customers in first. In Recent era now every big bank is offering a wide variation of flexible financial solutions to its customers with the customer needs and attention with the effect of providing good customer services by applying Quality Service Indicators in every branch of every bank. Banks in Pakistan nearly providing same financial solution to the nation but that bank will survive who

retains the customer by giving them personal interest through quality services.

From last few years back, banks in Pakistan are getting involved in merger and acquisition activities such as in 2006 Standard Chartered Bank acquired Union Bank and in 2007 NIB Bank Ltd acquired the PICIC Bank, and after that ABN Amro bank acquired Prime Commercial Bank which was later acquired by the RBS Bank. And now the RBS Bank is purchased by the Faysal Bank Ltd in October 2010. These merger and acquisition activities shown a rapid change of banking culture but the employees are those who suffer from these M/A stages even mostly lost their jobs due to commitment with new management.

The mainly purpose to conduct this study on merger and acquisition of banks and its effect on employee job satisfaction because there has been seen a big change in shape of merger activities after the big financial crises that effects the whole world business strategies in different mode so many employees getting jobless. Every segment of work or business and individuals of the nation is affected by the financial crisis due to the cycle of collecting deposits and lending money chain broken. Peoples do not have the power to save the money in the banks because of less profitability and more expenses that reduced the profitability of the banks too and let them to merge and acquisition themselves with another well-established bank that bear their costs and their existence too. During merger and acquisition activities lots of employees victimize in different terms. They suffer from the stiffed phase of their job. Most of the employee's job satisfaction level goes ultimate down as they think they will be getting fired or jobless as new

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management would be come up with new teams of professionals and new procedure of working conditions in this way their morale level affected.

Mainly, after merger and acquisition activities, there are two aspects come into headlines which are related to those employees who are coming from different organization with this attitude to adjust themselves in new environment with challenges. So there morale is high due to stress push them to survive in new environment. The other aspect of employees are those who are suffering from merger process that either the organization needs them more or they will be getting jobless due to next management rules (Leigh Richards, Demand Media 2010). This uncertainty let their motivation level down which effect their job satisfaction too.

Main objective to conduct this study on the effect of merger and acquisition to employee morale is to identify those factors which let the morale level high or down after merger and acquisition of two or more industries. Mostly it has been seen the negative relation that the merger and acquisition of two sectors impact positively to let the morale level down of employees which result job dissatisfaction too. But this also has been that the merger and acquisition activities will also boost the employee level to survive among the best and hold their position in the changing environment. Low morale employees can also hurt the organization structure too as Bohl (1989) stated that " poor morale is contagious. It may begin with one dis-satisfied employee and broaden into a general malaise, or spread from department to department and finally infect the entire organization. Insidious as it may be, poor morale is reversible" (p. 52).

My research addresses the questions that what relation exists between & after the event of merger and acquisition of banks and morale of an employee. Either this relation positively affected or negatively. The other question is to be asked that the significance of that relationship which reveals the facts that either the relation is strongly effect or slightly or normal. Even the research questions include the material which explains the level of effect of those factors effect on employee morale. The other question which needs the explanation most is that the results & outcomes occurs from the event of merger and effects on employee morale. Either employee morale goes down or they dissatisfied from their jobs and tend to leave the job to replace themselves in another bank or their morale is too high to put more efforts to achieve the success level from the merger activities. The last but not the least question needs the answer is that the morale level of the employees of RBS Bank after getting acquired by Faysal Bank is getting high to work better or getting low by losing their brand loyalty and organization commitment merge with another and about what extent of ratio resign or fired from the bank or join the bank after merger activity.

Business reason to conduct this study is to find out the tendency of those employee who left the job after this merger and acquisition activities that affects their work image, their brand loyalty, their organizational commitment and their change of culture dimensions or to find out that is this business strategy of merger and acquisition of banks is useful to motivate the employees to work in different environment to get the chance be a professional and succesful as they were neglected. From the perspective of management, merger activities are more useful and beneficial to get the

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cream of professional and other resources and let the others go and start a new and diversified culture but on the other perspective from employees it may be beneficial and may be not because of changing culture and uncertain information about the new rules and procedure for working. The personal reason for this study is to be as a student of management sciences and as an employee of a bank MCB Bank Ltd, seen the stage of merger activities. MCB Bank Ltd purchased the RBS Bank initially even the both bank system was getting merged but due to political issues this deal was cancelled. In that period the thing which was examine that the employees of RBS Bank are not happy to be acquired by another bank as they lost their identity and loyalty.

#### LITERATURE REVIEW:

There are number of series of literature review published on merger or acquisition and on employee morale which shows a considerable subject of research. The term merger in context of banking field is when two banks willingly operated as a single identity or operated by a single bank is known as merger as (Greenwood, 1994) define, " A merger involves a blend of two companies, rather than mere legal enjoinment or absorption of one firm into another". Merger and acquisition are now means to be more important to achieve the corporate diversity and growth (Cartwright & Cooper, 1992). Even merger of two is defines as a process in which the merged company loses his identity to be one firm by the acquirer (Kithinji & Waweru, 2007). It has been seen that if there is any change recognized in the organization that affects the individuals (Wilson, 2004). (Tehrani, 2007) changes from merger

have seen negative impact on well-being in context to accept that change and can also add the stress on workplace level. As (Vaananen, 2004) measured “ change solely through employees’ perceptions of whether or not their standing at work had changed during the period of a merger”.

The effect of merger and acquisition on employee moral can have significant impact if the reorganization of the merged firm is not handled successfully. Change from the result of merger can be difficult and leads to the stress that has a negative impact on employee morale (Richards, 2009), and the factor which lead to the stress is lack of communication passes from top level to lower level management during merger times (Pophal, 2009). (Cofer & Appley, 1964) Focus on stress by this term stress “. Has all but preempted a field previously shared by a number of other concepts....” (p. 441) which includes the level of anxiety, conflict, frustration, emotional disturbance, trauma and many other factor discussed under the reference of stress. Through this we easily identify that stress impact on employee morale level. Workplace environment changes make an effect on employee behavior which either downgrade their morale or either upgrades their morale to accept the change for working flexibility if provided by that reorganization firm. (Pract, 1998) explains the stress and morale getting poor in the context of general practitioners where this concern is positively seen. (Robertson, Haton, & Felce, 2005) also tested the results of stress from workplace change and the level employee morale. This field study also resulted in the context of change of environment. This would entail the fact as the workplace environment change then the stress on well-being affected in any terms.

(Deborah, Victor, Callan, & Sartori, 1999) in which they discuss the factor of stress on employee adjustment due to the organizational change.

As we know the merger activities includes the process of merging two or more organization then the culture clash is obvious thing which is hardly accepted by the employees and this would let their morale down (Pophal, The effects of Merger and Acquisition on Employee Morale, 2009). This have been seen that after merger activities, mostly new management comes up with new policies and the HR role starts to hire the new professional to complete the gap due to this merger activity happened leads to fear of jobless from the organization and this would let their morale down during the merger activities. According to (Sen, 1997) " Unemployment can be a major causal factor predisposing people to social exclusion. The exclusion applies not only to economic opportunities, such as job-related insurance, and to pension and medical entitlements, but also to social activities, such as participation in the life of the community, the lack of which may be quite problematic for jobless people".

(Difonzo & Bordia, 1999) A tale of two corporations: Managing uncertainty during organizational change in which they suggest the reason of ineffective strategies of communication during the organizational change which lead to flourish the rumors and let the employee morale either positive or either negatively. (Difonzo & Bordia, 1999)- Human Resource Management, 1998 also find out the in his field study that the employee morale were unanimously drooped down and the level of anxiety has been intense and



the comments from the management that “ you’re going to be rid of me, so why should I continue to work so hard?” shows the morale level so down.

## RESEARCH METHODOLOGY:

### The Type of Study:

The type of study is deductive in which the variables have been taken from empirical data and other journals and articles. And this study is descriptive in nature which describes the relationship between the variables and their effect on employee morale during the merger activities.

### Theoretical Framework:

Stress

Employee Morale

Managing Uncertainty

## MERGER & ACQUISITION

Competitiveness

Anxiety of Jobless

### Hypothesis Building:

Following are the hypothesis testing in this field study on effects of merger and acquisition on employee’s morale.

H1: Merger and Acquisition activities results into higher employee morale

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H2: Merger and Acquisition activities results into lower employee morale

H3: Merger activities results high stress level impact on employee morale level

H4: Managing uncertainty has a positive significant impact on handling employee morale level

H5: Merger activities increase the competition which results lower the employee morale level

H6: Merger activities increase the competition which results higher the employee morale level

H7: Merger activities increase the anxiety level of getting jobless which results lower employee morale level

Sample size that you have chosen and why you have chosen that sample:

The sample size of this field study is based on the survey through questionnaire filled by 150 employees from 6 different branches of RBS Bank acquired by the Faysal Bank Ltd. Large number of questionnaire filled by lower and medium level of employees working in different branches and also filled by the management professionals to see what they observed from this merger and acquisition activity and its effect on employee overall focusing on their morale level too.

Data collection tools to be used and why you are using that tool:

This field study is based on secondary data collection in which empirical research done on merger and acquisition activities and their effect or impact on an employee morale data includes to find out the significance of relation between merger and employee morale through the level of stress, managing uncertainty, anxiety of jobless, competitiveness and role conflict exists in the study of RBS Bank merger or acquisition by Faysal Bank Ltd while the primary data for this study is gathered by the survey through complete research questionnaire about merger and its effect or impact on employees morale filled by the employees of RBS Bank and even with Faysal Bank Ltd. The questionnaire is based on likert scale from 1 to 5 questions where 1 show's strongly disagree and 2 shows disagree and 3 shows neutral answer and 4 shows agreed and 5 scale shows strongly agreed with the said questions. The main purpose to use these tools to easily find out the relation and impact of merger on employee morale through empirical data and that data would be proved through the survey questionnaire from the employees of acquired firm which id RBS Bank.

What software would you use and why would you use it:

This field study is based on different variables relationship effects on employee morale. First the data has been taken from secondary sources including research articles, journals and also from primary sources through field survey questionnaire from RBS Bank employees then arrange the data and found the co relational analysis done. SPSS 14 (Statistical Package for Social Sciences) software used for analysis of the attained data. The SPSS software is most useful systematic programmer to find out accurate results

by calculating large amount of data easily and in short time. SPSS software gives the values of co relation of variables and regression values in a tabular format.

#### LIMITATIONS OF THE RESEARCH:

This field study on the variables effects on employee morale from merger and acquisition activities is limited by so many other factors due to time constraint to get the most accurate results either they influence on results. Even the size of the sample is also limited in number such as billed by 150 employees of RBS Bank in which mostly are lower level working in different branches and some are filled from middle level management professional to gain their opinion too. This sample size was enough to find out co relational values between the relation of merger and its effects and impact on employee morale. The results cannot be truly accurate due to biasness of filling such survey questionnaire but can be rarely happened. The variables have been taken are also limited because to find out most close relationship between their co relation existence.

#### FUTURE RESEARCH DIRECTION:

There are many areas still undiscovered with the relation of M/A activities and there effect on organization culture and boundaries. In which the effect was only seen with the relation of employees and human capital activities but not with the assets, records, liabilities due, customer feedback, customer acceptance and loyalties. These are still not closely look into with the relation of merger activities of organizations. Such in these activities the

questions should be asked from the customer of those banks which are going to be acquired by the other bank that are they happy with this activity of merger, do they see this thing positive in sense, do they get benefit after this merger activity or not, would they continue to work with the same bank or will shift to another well-established bank. These are the questions still needs answers from the perspective of merger and acquisition activities of banks. Another direction would be in the same context is to find out the after merger activities of banks and role of HR manager to manage the uncertainty level of the employees during merger process. We have seen that there is a lot of stress on employees while merger is in progress but no such communication transfer to the employees which result the employees are unaware from such activities and getting afraid that how the new management treat with them, are they getting jobless due to not fulfilling the set criteria by the new management, or they would be given more work and responsibilities. These rumors or thinking process of employees let their motivation level down due to their job satisfaction effected. For that purpose the role of managers is most required to communicate the employees and ensure them the safety of their job and their professional as well as social value in the organization by using useful tools such as re-screening of employees or through motivational activity tools. Some research may work on it but not deeply inside.

#### WHO WOULD BENEFIT FROM THIS STUDY?

This study is done for the purpose to find out the relationship of morale after the merger and acquisition process of RBS Bank and Faysal Bank Ltd which

would benefit to the management of Faysal bank in the context that now the employees of their organization are truly motivated with high morale or they are not motivated by low morale due to this merger activity. In this way the organization would easily make some managerial tools to utilize their human capital employees such as by motivating them a part of Faysal Bank Ltd which gives them new loyalties and more flexibility of their jobs and work and giving more attention and more rewards program from the previous one. The other would get the benefits mostly are the human resource department which understand the need of communicate the merger policies and terms to clarify the questions of employees. HR department tend to be more ethical and friendly to support their employees by communicating them about the M/A activities. Communication gap from management to lower level employees during merger and acquisition activities have been seen a big issue.