PERCEIVED EFFECTS OF MERGERS AND ACQUISITIONS ON EMPLOYEE PERFORMANCE IN COMMERCIAL BANKS IN KENYA

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A RESEARCH PROJECT SUBMITTED IN THE PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

2022

DECLARATION

I declare that this research project is my original work and has not been presented to any other institution or university for the award of any degree

Signed…………………………….. **Date …24/11/2022…….**

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This research project has been submitted for examination with my approval as the University Supervisor

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ACKNOWLEDGEMENTS

My heartfelt thanks go to my research supervisor, Dr. Margaret Muthoni Kariuki, for her unwavering prop-up, guidance, and discernment throughout the research period. The University of Nairobi lecturers who enabled the generation and development of this research through panel insights deserve the highest praise. My heartfelt gratitude goes to my family, especially my wife, my mother and father, as well as my friends, for their prayers and unwavering support. Furthermore, special thanks to the bank employees who helped make this study a success.

DEDICATION

This project is dedicated to my son Jace Thando Omari and the Omari's for being a pillar of my efforts and hope, a cheerleading squad and the motivation that I have always needed. I love you.

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ABSTRACT

The globalized economy has led to great transformation and envisioned diversification in the banking business and Kenya has not been left out. The transformations result from reasons like technology, market unpredictability, competition, stability, economic and political factors. M&A have been on the incremental trend in Kenya especially in the banking industry. Globally, mergers and acquisitions are frequently used to boost a company's competitiveness by acquiring market share, diversifying the portfolio to reduce business risk, expanding into new markets and regions, and leveraging economies of scale. The primary goal of this research was to determine Kenyan commercial banks' attitudes toward mergers and acquisitions. It is impossible to ignore the potential risks that mergers and acquisitions pose to commercial banks' operational, financial, and employee performance.

For the study's descriptive research design, a cross-sectional survey was used to collect data. With 179 respondents and a response rate of 74%, data was collected using an open-ended structured questionnaire. The data was analyzed using descriptive statistics, and inferences were drawn using linear regression. Mergers and acquisitions were perceived to have an effect on employee performance, as indicated by a mean score of 1.63 and a standard deviation of 0.43. This conclusion was supported by 63 percent of respondents who agreed and 37 percent who strongly agreed. According to the findings, a strong positive relationship exists between mergers and acquisitions (M&A) and employee performance, as well as the perceived effects on employee performance. Given mergers and acquisitions, it is believed that the work environment has the greatest impact on employee performance.

The study recommends significant improvement of work environment; working conditions, balance, rationalize and spread workloads equitably. Transfers and relocations be well handled and facilitated properly and that policies around this to be often updated. The study further recommends that banks should take employee engagement considerably necessary even in the light of mergers and acquisition just as much as they focus on training and development with specificity to tasks and roles of staff. Further research should be undertaken to analyze perceived effects of M&A on employee performance for Kenyan commercial banks that have ventured into the East and Central Africa region and compare with the M&A in Kenya covered in this study.

LIST OF ABBREVIATIONS AND ACRONYMS

M&A	Merger and Acquisition
CBK	Central Bank of Kenya
ILO	International Labor Organization
M	Mean
SD	Standard Deviation
U.S. A	United States of America
E. U	European Union
U. K	United Kingdom
UoN	University of Nairobi
HR	Human Resources
ROI	Return on Investment
ICT	Information Communication and Technology

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Consolidation of the financial sector and technology world is rapid and extensively expansive (Sanda, 2010). This is portrayed by the massive, global, intercontinental, international and regional trade agreements in the past two decades. This progressive consolidation and expansion in the finance industry has availed increased choices of investment geographically as well. Noticeably, banks have explored into new markets and sought expansion through M&As. This started with United States of America and Europe and has spread worldwide (Panetta & Salleo, 2002). M&A can be denoted as global phenomenon. The ILO estimates over 4000 deals yearly on M&As (ILO, 2019).

The most notable reason for Mergers and acquisitions is expansion. M&A for corporates operating same line of business, specified geographical location where a specific company has interest to expand to, deems easier to happen compared to individual internal expansion. Firms in M&As are meant to complement each other as a merit and synergy is achieved. Financial gains and stability primarily dominate some M&As and the aim is perceived profitability and liquidity (Misgah, 2013). Mergers and Acquisitions gained prominence in the early 2000. Globally, the 1990s characterized the fourth wave of M&As. In 2001, M&As were notably affected by the recession and financial distress experienced in the USA and other parts of the world. Due to this reason, many M&As sprouted globally including U.S and Europe where trends with high deal capacities in 2003 that later had a dip in the wake of 2008 and 2009. In the Asian regions including China, the deal capacities were rising steadily however, quite low compared to the U.S and Europe. They also declined in the wake of 2009 (Ndadza, 2014). Restrictions availed by the regulatory authorities in China significantly hinder the increase in M&A activity. China ensures there is geared control of specific firms even when the world is set to have free markets that are unconditional. The M&A volumes in Asian Countries had a steady rise from 2003 and had a dip in 2008 and 2009 recession. This also was observed in India and South Korea (Kiarie, 2014).

The banking industry in Kenya has had a great transformation and envisioned changes in the past few years. The dramatic changes are as a result of an amalgamation of several factors including competition, stability, economic factors and more. The dominant reasons for M&A are economies of scale, market share increase and profitability, increased taxation, synergetic capacity, geographical and diversification of business and operations (Sharma, 2009). Studies in the past have shown that there is mounted pressure on staff performance. On the onset there is anxiety and insecurity on the employees on the future of their jobs. Mergers and acquisitions come with staff head count adjustments, systems and technology changes, leadership and management changes and generally new organizational structures (Panetta & Salleo, 2002).

It is prudent to understand the significant perceived effects consistent with M&As on employee performance. This is of high benefit to the economic growth of the Kenyan Economy. It is also important to shareholders, analysts, regulatory bodies, NSE, academics, company managers and staff. Cap 504 of the Kenyan Laws known as the Restrictive Trade Practices, Monopolies and Price Control Act is the sole law managing M&As in the nation. The buoyant and ever-changing working environment for companies in Kenya leads to M&As for stability and growth's sake (Muia, 2011).

In East Africa, Kenya is a lead nation in finance and technology industry. Basing this study in Kenya thus makes it a better place to carry out the study. Kenya leads with a high volume and value of M&As in Finance and Tech. The leading banks in Kenya have acquired other banks in the neighboring nations in the region of East Africa either partially or fully (Kaol, 2017).

The study is anchored in the Synergy Gain Theory and the efficiency theory. The basis of the synergy gain theory and its relatedness to the study is that M&As are meant to produce synergistic advantages from the combined firms working together. The staff knowledge and skills combined can enhance learning and development and thereby improving employee performance. Operational and financial synergies too are thought to stabilize the companies and as a result the employees at ease to focus on their tasks to perform better (Kumar & Rajib, 2007). The efficiency theory and mergers and acquisitions are linked on the idea that it leads to greater efficiencies of firms. Efficiency is tethered on the target's skillful and experienced management, skillful staff, processes and technology (Wolfe et al., 2011). Restructuring for efficiency purposes may prove effective for processes and decisions leading to Turn Around Times improvements (Weston et al., 2010).

1.1.1 Mergers & Acquisitions

An amalgamation of two or more corporations by purchase acquisition is referred to as a merger, in which only one corporation retains its identity while the others are dissolved (Fatima & Shehzad, 2014). The term "acquisition" refers to the taking control of the share capital of another entity by a dominant entity in exchange for money, common shares, or loan stock (Halpern, 1983). The joining of two or more businesses results in acquisitions, but the target company does not become a subsidiary of the acquirer and retains its identity (Shim and Okamuro, 2011). Several corporations' resurgence and success have been attributed to M&A. M&A serves the practical purpose of expanding start-ups' size and market capitalization, enabling them to compete with established, large companies (Badreldin & Kalhoefer, 2009). Access to challenging new markets, growth to take control of sources of supply and distribution, and economies of scale are additional benefits and objectives of M&A. (Eccles, Kersten & Wilson, 2001).

In the continuously fashionable and globalized economy, M&A is primarily used to increase the competitiveness of businesses by giving them the power to gain a larger market share, expanding portfolios to reduce associated business risk, penetrating new markets and regions, as well as taking advantage of economies of scale (Kemal, 2011). According to the M&A adage, "two heads are better than one," two entities working together are better than one when it comes to boosting shareholder value compared to when they operate separately (Sharma, 2009).

M&A form crucial proponents for business strategies that target the growth and development of corporate businesses. Mergers and Acquisitions have increased over time in volume and value (Weber & Reichel, 2009). The reasons and strategies behind each M&A deal differ from one to the other. M&A translates into business agreement when two or more corporates combine gaining business advantage in terms of processes, market share and competitive edge over other corporates. In either case, there is pooling and transfer of resources, both financial and otherwise by the involved companies. M&A come with a lot of restructuring of the operations of the companies involved and more especially that of the acquired entity. In the case of an acquisition, the deal may consist of all or a significant portion of the voting shares of the target company or a division of the target company (Daga, 2007).

In global configuration, the influence of M&A in the financial and technology business have been increasing, thus, M&A among commercial banks has been increasing the shareholder's value, enhance superior performance, profitability and competitive advantage (Turkmen & Yigit, 2012). In the African continent, a number of studies such as that of Umoren and Olokoyo (2007) found that M&A improved overall performance in commercial banks in Nigeria. In another case, Temu and Andilile (2011) did a study in the republic of Tanzania which established that M&A strengthened the quality of assets of commercial banks. In Kenya, a study by Akoth (2016) documented failures of M&A and continued derails specifically in the banking industry. Another study by Misigah (2013) found out that commercial banks got into mergers due to projective increase in shareholders' value and profitability. Consequently, it is undoubtedly true that M&A notably contributes to rise in profitability and synergy. Other effects were shareholders' value and assets (Akenga & Olang, 2017). However, Krug & Hegarty (2001) propose that the M&A processes have to be professional, seamless and all-inclusive to cut back on human resource setbacks including that of performance.

1.1.2 Employees Performance

The definition of employee performance is the output by staff. It is how employees execute and fulfill their duties and required task. It is the output of employees characterized by effectiveness, quality and efficiency (Lindblom, 2002). Employee performance is dependent on the work environment, training and development, remuneration and reward policies, career development and corporate culture (Krug & Hegarty, 2001). The management delegation of duties, space for innovation and noninterference to tasks is a good niche for best employee performance (Empson, 2001).

Most companies have their highest cost being that of salaries and wages. Therefore, each and every employee is a critical investment and resource for the company which means the return on the investment must be significant. This means that performance assessment has to gauge how effective an employee is to the organization in terms of value addition (Empson, 2001). The performance measurement can be done by assessing the speed as combined with efficiency, checking the quality and depth, evaluating trust and consistency. Speed and efficiency checks on work done per stipulated time and if it is done optimally that there is no rework. Quality and depth look at the work done against that of colleagues, industry or set standards and whether the employee is uniquely innovative. Trust and consistency check the capacity of employees' decisions and growth. Whether an employee can manage himself or herself and capacity to grow in the hierarchy of work professionally (Kavanagh & Ashkanasy, 2006).

Training and development are a major contributor to employee performance. Training focuses on the short term or immediate need improvement for an employee like mastering a new computer system recently acquired by the company. Development focuses on the long term needs and objectives (Yener, 2004). Training and development make an employee comfortable at executing tasks and triggers innovation. It promotes employee retention and reduces turnover. Yener (2004) denotes that 68% of employees consider training and development as a key policy companies should embrace.

Fostering a pragmatic and conducive work environment is normative for employees to work and perform better. A clean and tidy space is motivating. Allowing employees to professionally de-clutter their working space can enhance productivity (Brannen & Peterson, 2009). Provision of the working tools including competitive technology improves the stability of employees at their tasks and ease to enjoy work. Engagements and teamwork as well as objective line management sets a good mood, morale and environment for work (Kavanagh & Ashkanasy, 2006).

Leading companies have anchored in themselves a strong driving culture. The Glassdoor survey, 2019 showed that above 77% of adults applying for jobs across the UK, USA, France and Germany considered the company culture as a priority during applications. Over 50% of them indicated that the company culture was more important than remuneration when job satisfaction was the consideration. Culture is a backbone for employees' performance to defy the odds and attain greater performance. It is achieved and cultivated over time (Glassdoor survey, 2019).

1.1.3 Commercial Banks in Kenya

The Kenyan commercial banks are governed by the Central Bank of Kenya (CBK) under strict guidelines denoted by the 'Companies Act and the Banking Act'. The CBK is responsible for formulating and enacting policies that form the prudential guidelines for the banking industry in Kenya. The CBK as well authorizes and regulates entry to mergers and acquisitions (Akenga & Olang, 2017). The government has a significant role in regulating Kenya's banks through the CBK. For instance, year 2008 saw the minimum core capital increased from Kenya shillings 250 million to Kenya Shillings 1 billion for commercial banks. This was initiated by Amos Kimunya, the Minister for Finance then. The requirement was scheduled to be done by year 2012 for the commercial banks. The banks aligned for consolidation to meet the set timelines (KIB, 2010).

The Kenyan Central Bank (CBK) objectively classifies Kenyan commercial banking institutions on the basis of their assets. The categories include tier 1 banks which are large banks with hundreds of billions worth of assets and whose going concern is almost certain with very low chances of collapsing financially. They consist of the top banks in Kenya and spreading their market base in the East and Central Africa region. There are Tier 2 and 3 classes of banks which consist of medium size and small banks respectively. As of January 2022, there exists up to 41 operational commercial banks in Kenya (Infotrade Report, 2022).

Globally, banks have been in the fore front of shaping the global economy. The Kenyan Banking industry has contributed to sustainable development through affordable finance and shaped the Kenyan GDP growth by aligning to the national development agenda. This is done through job creation, taxes, wealth creation and credit access. In a Mackenzie report, (2020) Kenyan banks spent over Sh. 40 billion on staff costs including wages. They employ over 30,000 staff. The Kenyan banks contribute up to over Sh150 billion to the Kenya Revenue Authority in tax remittances (Mackenzie report, 2020).

1.2 Research Problem

Mergers and Acquisitions pose risks that cannot be overlooked. The risks range from operational, financial to employee performance and setbacks in the intended outcome that cannot be ruled out. This therefore, calls for significant analysis for M&As to be certain of its perceived effects on employee performance. The analysis should feature both long term and short-term benefits. The benefits ought to outweigh the direct and indirect demerits. Globally, M&A in the banking business has been on the increasing trajectory, the shareholder's value is impacted positively, profitability and performance have been enhanced but the perceived effects on employee performance is however, overlooked (Turkmen & Yigit, 2012). In Africa, M&As have proved to give competitive advantage and improved performance of banks in Nigeria (Olokoyo &

Umoren, 2007). In Tanzania, the quality of banks' assets was found to be enhanced through M&As (Andilile, 2011). In Kenya, profitability, stability, shareholder value and performance superiority mostly constituted the reasons for M&As (Misgah, 2013). Olang (2017) attribute M&As as a feature of corporate advancement in the trending environment with international and local business economic dynamism. Most studies revolve around financial and operational gains including technology but not on employee performance.

Other than achieving profitability and stability, some researchers have documented proof of failures to hit the M&A target (DePamphilis, 2005). The existence of tier 1 and 2 financial banks creates a study gap on synergy, performance, creation of value and operations of such banks with diverse differences. Employee performance has to be factored in M&As thus there is no exhaustive proof that all staff get acquainted smoothly with the new environment or is it an imposition. Therefore, an assumption that M&As denote effective growth holistically is a misconception. Previous studies including that of Warter & Warter (2017) show evidence of M&A failures.

Goyal & Joshi (2012) confer that the failure tendencies of M&As have become significantly high. Puranam, Singh, & Chaudhuri (2009) found failure rates ranging between 60 % and 80%. Kovela & Skok (2012) deduce that M&A failures are averagely far above 50 % in the banking industry. Currently, the M&A success rate ranges 30 to 40 % with conflicting cultures cited as one of the contributors in a number of cases (Warter & Warter, 2017). In 2007, for example, the Royal Bank of Scotland Group (Scotland), Fortis (Belgium), and Banco Santander (Spain) formed RFS Holdings B.V. to acquire ABN AMRO Bank NV (Netherlands). As a result, the bank was divided into three parts, with each acquiring member owning a portion in order to avoid the critical integration processes. Regardless, the outcome was fatal. There was confirmed decline and fall of ABN Amro.

Kenya is one country in the scope of the developing and developed countries lacking significant research on M&As which have typical implications on the economy. Muia (2011) asserts that the period between 1999 and 2009, Kenyan corporates shied away from M&As thus a significant loss in the benefits that come with it. In particular, there has been little research into the alleged effects of mergers and acquisitions on employee performance in Kenyan commercial banks. This study embarks to bridge the gaps left by previous scholars and researchers. Adembesa (2014) studied the employee productivity in M&As but never showed conclusively how it led to employee performance enhancement. Rotich & Omwono (2014) studied select Kenyan banks that had undergone M&A and their performance but failed to address the perceived effects on employee performance. Similarly, Kaol (2017) investigated the perceived effects of commercial bank mergers and acquisitions in Kenya, and the study concluded that post-M&A asset returns had decreased for half of the ten banks studied. The mentioned studies have given focus on the financial aspects of the M&As and never a scope on employee performance as affected by M&A processes which in return is a high impactor of M&A success. In an attempt to settle the identified gaps and problem, the study addresses the primary question; What effect do mergers and acquisitions appear to have on employee performance in Kenyan commercial banks?

1.3 Research Objective

The study's primary goal was to determine how employee performance in Kenyan commercial banks was perceived to be impacted by mergers and acquisitions.

1.4 Value of the study

Good research is a base for knowledge building, prospecting and fundamental bridging of existing gaps. It enables conversance with the environment and how to adjust to the growing trends (Mugenda & Mugenda, 2003).

This study not only contributes to the theory under which it was anchored but also provides literature and findings in its support. Support and review of critiquing of theories is a continuous process and shall never end (Cooper & Schindler, 2003). The big support to the theory is in terms of literature, findings and conclusions drawn thereof. Scholars will continue to use the study to base and support their research and studies. Scholars can use this study to bridge gaps existing in their scholarly and developmental research and enriching their theories. It is a contribute to the academic library for reference and a basis for academic development.

This study is a contributor of critical value to the Human Resource Management practice spectrum. Its focus on key topical issues touching on human resource management deliverables is a major score for this study. Handling of staff before, during and after an M&A flawlessly as well as maintaining peak performance is a big task. Retaining the best talent after such a process is a key deliverable for human resource management. The management is a great beneficiary from the study. Managing a workforce before, during and after an M&A is a critical element. Through this study, they would learn about how mergers and acquisitions affect employee performance, and they would be better able to manage expectations, productivity, culture, and, most importantly, optimal performance. They would know when to downsize, upsize or remain with the exact workforce. The research findings will as well, be used for reference by future merger and acquisitions to ensure employee performance is considered during the extensive end to end processes of mergers and acquisitions.

Lead companies have well cut policies on performance management, compensation and reward. This study serves as a benchmark for progression of strategies and policy formulations through its conclusions and recommendations. The banking industry is a sensitive sector in the FinTech industry and needs great performing workforce to provide targeted results. The study serves as a guideline for such policies for special functions and roles during M&A, structure and restructuring of corporates, communication policies, role realignments and reporting lines for business units. Policies on shareholding and the prospective acquirement, surrender or withdrawal of the same for the purposes of going or ending concern of a company.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter provides an extensive literature review of previous studies that are relevant. The chapter serves as a foundation for what is already known about the research topic and advances the development of the study on the perceived effects of mergers and acquisitions on employee performance in Kenyan commercial banks.

2.2 Theoretical foundation

The theoretical foundation explains existing theories that supporting the study. It is the basis that resonates ideation of the study and anchors it on a knowledge-based perspective.

The Synergy Gain Theory suggests that M&As considerably garner synergistic advantages stemming from the combined firms working together. There are high probability chances for the worth of the combined entity to be better compared to two firms separately (Larsson & Lubatkin, 2001). The benefits stem from the amalgamated operational and financial synergies. Economies of scale of operations sees less fixed costs because they are distributed over a bigger scale of production. In the same way, there is also economies of scope where complementary resources especially human and technology combine to bring bigger gains. An example is; if the acquiring entity is great in marketing department and the acquired is great at research and innovation, consequent synergy and work on a product and marketing it is better together (Weston et al., 2011).

Mergers and acquisitions, according to the efficiency theory, can increase a firm's efficiency. Efficiency enhancement is anchored on the reliability of specialized skill set or target's management, doing away with idle resources, integration of expensive technology by sharing between the M&A promotion of complementary products and services and re-structuring already sustaining costs (Wolfe et al., 2011).

The efficiency theory proposes that, M&As happen due to different strengths, weaknesses and efficiency levels of two firms otherwise referred to as the differential efficiency theory. The theory denotes that, efficiency in management is transferred to the firm that has inefficient management. The outcome is improved performance of the firm that had inefficient management. The firm is also able to making savings on the resources of the economy (Ogada, Njuguna, & Achoki, 2016). This theory is also referred as the managerial synergy hypothesis. This is for the fact that the managerial capacity that is in excess or sufficient and efficient in one firm is transferrable and utilized in the firm that has less efficient managerial capacity. This in return improves employee performance in several aspects. This theory is the background for horizontal mergers. Firms in the same scope of business become potential acquirers. Firms with potential to pinpoint, segregate and differentiate business aspects that are above and below performing average, are able to enhance performance using such information because the firm has superior managers with confirmed particular experience in a given line of business activity and leverage on that experience (Kumar & Rajib 2007).

Inefficiency management theory is a subset of efficiency theory which proposes that M&A increases productivity of an entity by elimination of inefficient management. Kumar and Rajib (2007) underpin the inefficient management hypothesis. They confer M&A as presenting ways to eliminate the ineffective management of the acquired firm.

The foundation for unrelated mergers is the theory of ineffective management. Although the theory management has promise, that promise is not fully realized. As a result, in comparison to the current ineffective ones, management from another patented and effective firm can operate and manage the company's assets more effectively (Weston et al., 2010).

When there is a conflict of interest between shareholders and company managers, this happens. In this instance, shareholders are the firm's principals and managers are its agents. There may be eminent agency issues, such as when a manager devotes much less time to the company's wealth-creating activities because they own a smaller percentage of shares or none at all (Weston et al., 2010). The costs associated with agency issues include those related to contract structuring, the cost of supervising or monitoring agents, the cost of preparing bonds, and any residual costs resulting from the divergent interests of managers and shareholders. Separating ownership and control rights from agents is necessary for protecting the interests of the shareholders (managers). Therefore, significant choices like M&As need to be approved by the principals (shareholders). M&A may be a sign that managers are ineffective, which is why a given firm's performance isn't good. After such a merger, it results in the removal of such managers. Management is accountable to the principals for employee performance. Anything affecting them has an immediate impact on the workforce because their decisions are crucial to employee performance (Ombaka & Jagongo, 2018).

2.3. Factors that Affect Employee Performance

Generally, the absence of cultural compatibility has been used as the anchor of negative performance companies including banks. Lack of cultural fit is a precursor for non-commitment to work, lack of cooperation more so, stemming from the staff of the acquired company. ‘cross-cultural alienation’, anxiety stemming from the differences leads to low employee performance and increased turnover that generally weighs on performance of organizations (Schuler & Jackson, 2001). It also initiates organization conflicts that limits cooperation in the organization structure. There is antagonism and use of phrases of ‘we’ versus ‘them’ stemming in employee attitudes which may lead to employee hostilities (Brannen & Peterson, 2009). Some scholars refer to the process of creating a common culture as acculturation (Larsson & Lubatkin, 2001) or culture identity building (Vaara, Tienari, & Sa ntti, 2003). Acculturation is initiated and adopted through actions such as exemplary leadership, extensive and effective communication, and a transparent change process (Kavanagh & Ashkanasy, 2006) or through social engagement events such as team building, shared training programs and seminars, excursions, cross-cultural visits, shared retreats, or celebrations (Larsson & Lubatkin, 2001).

Most studies have documented consistent evidence of lack of connection between cultural differences and general performance of an M&A or very little impact out of it. Dorai & Patolahti, (2010) Zollo & REuer (2010) Teerikangas & Very (2006) accentuate the causes of the cultural differences that are present in relationships. Research by Veiga et al. (2000) on the adjustments of cultural compatibilities found out that greater performances resulted from situations where pre-merger culture sets turn up into cultural compatible following the M&A. The acquiring company has the upper hand of using both the informal and formal management approaches to bring about effective acculturations where diverse cultural variances exist (Larsson & Lubatkin, 2001).

Potential effects on performance capacity can be attributed to the employee's psychological, behavioral, health strains. This can be attributed to precipitate personal trauma and stress that is not well dealt with ranging from work to family ties. It is therefore, imperative that there are enough employee engagement forums and availing of information to make employees part of the company processes to avoid disengagement (Kavanagh & Ashkanasy, 2006). This helps handle the flux of reactions on employees posed by noninvolvement from decisions and structural processes. Critical questions that encompass the individual employees include the probability of having a job or job security, if or not that they will face transfers, likelihood of demotions and consequent effects of the reward of benefits (Mirc, 2014). The impacts and perceived effects are not homogenous in the organizations involved in the banking industry. They are specifically dependent on the elastic levels of the employees to perceive, comprehend and analyze the specific situation and put it to context. The human demographics like age, gender and marital status impacted the perception and comprehension (Wickramasinghe & Karunaratne, 2009). Stress and anxiety on employees can lead them resisting change, exiting the company, increased absenteeism and non-commitment to their work. Resistance to change and high employee turnover erodes capacity to build effective organizational structures that run smoothly and leads to loss of critical skill sets (Empson, 2001).

Training and development when well spread throughout the organization allows for balanced employee performance. Training focuses on immediate staff skill improvements while development lobbies for long term objectives. Employee performance is dependent on training to understand their roles better, understand systems and technology, practicality is achieved through training. Companies that invest in training get increase in profit margins of more than 24% because the employees are best at their jobs. There is improved employee retention rates and reduced turnover (Larsson & Lubatkin, 2001). Training and development strategies are important to close knowledge gaps in understanding jobs and performing of staff at par. This will eliminate the element of poor performance for a clutter of staff and another performing excellently. Failure for such strategies will lead to imbalance in employee performance. Internal trainings are a quick win as the more experienced staff are able to train their colleagues on the systems and job functions that they lack knowledge and experience (Schweizer, 2006).

Performing and lead banks have harmonized peak and conducive working environments for their staff. This means an enhanced set-up for the company with poor work environment and maintained work environment for the thriving company. Workplace environment ranges from the physical set-up to the professionalism emulated in the workplace (Kaol, 2017). Employees cannot thrive in an abusive environment. A filthy environment cannot make employees comfortable at the workplace. Employees perform better when they have ambient working space, professional work environment free from abuse and segregation. Companies accused of unprofessional conducts like racism, sexual abuse, nepotism and tribalism have high turnout and low employee retention rates. They leak the beast talent and that leads to poor performance (Sherman, 2011).

Having an ability and skill to perform better is different from the actual wanting to perform better. The push to perform and go an extra mile require motivation. Lack of motivation means there is no self-drive for the employee to do the best. Even when the company has the best talent, skills, and knowledge to do their job functions, they might be disengaged and lack the desire to do so (Ananda, 2017). Most employees require incentives for example, rewards and recognition to perform at their best. Employees must be compensated competitively to perform better and avoid losing them to competitors. Companies must always review and scan the industry to adjust its compensation and benefits policies and standards. Successful organizations always consider incentives in encouraging staff members to give their best efforts and positively contribute to the organization's objectives and goals. Incentives can include bonuses, recognition, paid time off, paid vacations, promotions or even profession development opportunities (DePamphilis, 2014). Organizations should have an incentive and motivation strategies to motivate the employees equally in order to foster consistent peak employee performance (Ullah, Ali, Azam, & Mahmood, 2016).

2.4 Mergers and Acquisitions

Mergers and Acquisitions are classified into several types and each type is unique in nature. Most bank M&As are horizontal ones (Schuler, Tarique & Jackson, 2004). Horizontal M&As occur when the two corporate entities are in the same line of business, and for this case-financial industry. Some conglomerate M&As could happen where a company acquires another that is not along the same scope of business, as an example a bank acquiring a sugar milling company. A vertical M&A occurs when a company acquires or merges with one of the companies in its supply chain cycle. This could be a supplier of raw materials, or even distributor of its products (King, Dalton, Daily & Covin, 2004).

The first bank M&A happened in U.S.A in the late 19th century thus, most studies on banks' M&As revolved around the U.S.A then (Hubbard, 2001). After a consolidation of European economies, a sequence of studies on bank M&A followed in the Europe after their currency unification (Yener, 2004). In Africa, bank M&A research and studies are not as expansive because the activities started merely two decades ago with the bulk in the last decade. Growth, sustainability, productivity and diversification are some of the reasons for bank M&As in Kenya. Therefore, M&As is a critical aspect of corporate entities in Kenya especially those in financial and technology industry. Reasons for M&As in the financial sector in Kenya may range from tax planning to expansion that results in the benefits of economies of scale, legal compliance, business environment where a given bank has more capital capacity than smaller financial entities, fights for market share, and partly to penetrate new markets. The bottom line is enhanced efficiency, staying afloat- generally, the going concerns of a financial institution (Njoroge, 2012).

Public sector interference, especially the government makes bank M&A a gamble. It is sometimes tasking to absolutely define the value to be acquired from a M&A. sometimes it may or may not work, in fact, some studies have documented failure of M&As and others take more than expected time to break even (Ombaka & Jagongo, 2018). M&A decisions are made specifically by the Board of Directors of the involved commercial banks. Hardly do they factor the diverse workforce cultures in play. Watson Wyatt global survey (2010) supports this based on their findings that only up to a mere 8% of such resolutions weighed upon Human resources as a critical factor. M&A in commercial banks are meant to benefit the shareholders more than employees. Therefore, the staff do not participate in any way in the decision-making process. At the end, they are as well expected to adapt to the changes themselves and play ball for the success of the company (Watson & Wyatt, 2010).

2.5 Empirical Review on M&A and Employee Performance

Mergers and Acquisitions have different effects on the performance of employees and this may be dependent on the positions held, division or department of work, psychological preparedness and training (Sharma, 2009). There is a higher chance of culture clash of the merging entities as well. The high-level management might and would be a struggle to show off prowess and leadership capacity and thus a clash in the top management. New sets of policies and strategic approaches may be enforceable for implementation under the new set up that some top-level managers may not approve of. This results in diverted attention, from performance the executives settling their differences and this may derail performance. An acquiring company most of the time has an upper hand compared to the acquired one. They might get remuneration hikes, higher positions and training as they may be assigned oversight roles for the acquired company. The perceived effects on employees of a big corporate entity are less compared to a small one. However, such effects can be further reduced through staff engagement forums generally, in the division and in the department, availing enough information on the M&A and strategy (Yaakov & Shlomo, 2011).

Kemal (2011) alluded to a plug of uncertainty mostly experienced by the lower and middle management employees mostly because they are never involved in the M&A process but only wait for trickle down of information from the top management level but does not show how it affects employee performance. The uncertainty is always encompassed around change; culture change, policy changes, top management changes, strategy change, reward and compensation changes, and above all there is the job security question. The M&A process should cascade enough information to avert such worries and tension. Engagement forums should come into play as often to avoid an alienated and disengaged or disoriented workforce (Kemal, 2011). In most cases this may lead to staff quitting their jobs, absenteeism or a passive approach to work. This has far more reaching effects on the output levels of staff and performance. Employees should be recognized and appreciated.

The Human Resource Division after an M&A is obliged to play ball according to the new strategy. It is not as powerful or any helpful in defending staff. It is given instructions to enforce according to the set strategy and policy. This could include reduction of head count of staff and relocation of services offices. The much the HR division can do is avail information on movements, expected staff head count reduction and assure the employees that it will be done according to the enforceable law and HR policies because it is unavoidable (Dorai & Patolahti, 2010).

The skill set of the two or more corporate entities participating in an M&A could differ greatly. This propagates the feeling of threat to job and completion hype for all employees. Those with higher skill sets and outright high-performance track have higher chances of growth and chances to be retained. Low skill set and poor performing employees are most likely to be demoted or laid off. M&A may see poor cooperation among staff of the companies involved due to staff ego of doing things how they are used to instead of adapting to change (Reus & Lamont, 2009). In cases where the acquired company is not dissolved and is left to run contributing its numbers to the mother company, there might be completion for the same market with the mother company. This might create conflict of interest as the stronger company may enforce rules to avoid clashing of staff which definitely will not favor the acquired company. This eventually leads to amalgamation of processes and systems to avoid conflicts, dismissal of products by customers and improve coordination and teamwork (Dorai & Patolahti, 2010).

A study by Watson Wyatt denoted that post M&A, up to 61 percent of employees of the acquired company do have negative view over the M&A. The lower management level in the staff hierarchy of 11 percent will consider quitting their roles. Shleifer (2001) found out that the efficiency and performance of a company can not only be based on share prices and accounting profits. This is for the fact that stock markets cannot accurately measure success and efficiency of a company especially when markets are violated due to the fragile market environments. Krug & Hegarty (2001) documented significant management literature that found extensive turnover of top-level management staff after an M&A. Essential to note from the study is that, there was significant effects of M&A on the attitude and perception from all staff which however, does not have a conclusion of the ultimate employee performance. Some studies have shown significant downsizing through mass layoffs or redundancy which have been confirmed to have drastic effects on staff affected and even on those that survive the ordeal (Gaughan, 2010).

In the last three decades, researchers have centered their studies around significant predictors of failures in M&As. Very little research is documented on the M&A processes and Human Resources. Most studies on M&A and performance largely relied on literature reviews and evaluations instead of empirical studies (Weber & Tarba, 2011). Most studies have indicated that the predictors of the triumph of M&A are capricious. This could be as a result of unavailability of data on post-merger integration processes (Bachar, Yaakov, & Shlomo, 2011). The ROI is used especially by commercial banks to measure performance in order to analyze efficiency of management in the utilization of available resources. It prejudges the whether to invest more to a company, maintain or cut the investments. Return on Investment (ROI) is universal in that it can apply generally to the company, division or department in comparison to the allocated resources both human and technology (Nwude, 2012). In Nigeria, a study that reviewed commercial bank reforms to affirm if they were able to achieve their goals after M&A, found out that ROI challenges were still persistent (Olokoye, 2013).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology describes the processes and procedures used in the study in detail. The main tenets are the research design, the study population, the research process, the sample and sampling technique, data collection and analysis methods, and the sampling technique. This chapter describes in detail the study's unique, step-by-step procedures.

3.2 Resign Design

This is the blueprint of ascertaining and realizing objectives and giving resolutions to the questions of the study (Lewis & Fisher, 2007). The scientific paradigms of quantitative which uses collection and analysis of statistical data to provide generalizable results for similar sets of environment and qualitative element which does not rely on numerical data as it is used only for descriptive purposes and explaining of events that form the structure of conducting a study (Kuhn & Hacking, 2012). Quantitative paradigm processes and projections are consistent and repeatable thereby can be used to measure and predict reality (Biggam, 2011).

In order to perform statistical analysis on the research problem, the descriptive research design used in this study required systematic and quantifiable data collection. The study utilized a cross section survey to gather data from a section of the target population from which inferences are made. A research design generally describes the characteristics of study sample with relationships between phenomenon and events as observed by the researcher (Thyler, 2010). The primary goal of this study was to gain a better understanding of the alleged effects of M&A on employee performance in

Kenyan commercial banks. The results thereof, generalized to a range of corporate organizations.

3.3 Population of Study

Population is defined by Cooper and Schindler (2003) as the entire set of components from which a researcher chooses to draw conclusions. Furthermore, Weiss (2012) explains that a population is a group of people who are being studied statistically. A target population is defined as the fictitious group of things, people, or events that the researcher uses to extrapolate the findings. According to Mugenda and Mugenda (2003), a target population has characteristics in common that serve as the foundation for results to be generalized. Total M&A for commercial banks in Kenya between 2011 and 2021 is 12 acquisitions, 11 mergers, and 1 acquisition (CBK Publication, 2021). The target population for this study included 324 employees from commercial banks' divisional heads and at least two of their direct reports who are actively involved in M&A. Consequently, a target workforce of 324 employees. The daily design, performance reviews, supervision, and implementation of bank business should involve the divisional and departmental heads.

3.4 Sampling Technique and Sample Size

The method a researcher uses to select a sample for a study is known as the sampling technique, and the portion of the population from which accurate data is drawn is known as the sample size (Zina, 2017, Weiss, 2012). The study applied random sampling technique as this was economical and non-discriminatory as compared to studying the entire population that can be marred by time and financial constraints. Probability sampling approach presented an equal chance for members of the population to be selected as participants. Furthermore, random sampling dictates that the details of the population and information is known and availed, there should be willingness of participants to take part individually without coercion.

The basic structure of a commercial bank has an average of nine divisions namely: Human Resources, Finance Division, Operations, Risk, Retail, Corporate, Credit, Marketing, Internal Audit, and ICT Division. The divisions have directors (in other banks, heads) who are in charge and departmental heads or managers and officers that directly report to the designated office. The study targeted the divisional heads and two of the direct reports. A decade since 2011, a total of twelve M&As have taken place in Kenya. Eleven acquisitions and one merger. The target population was equal to the number of divisional respondents multiplied by the number of mergers and acquisitions, which totaled 324. Since the study's target population was known to be 324, the sample size was determined using an adaptation of Yamane's (1967) sampling formula.

Yamane's (1967) Formula:

$$n = \frac{N}{1+N(e)^2} \quad \text{Where;}$$

n = Sample Size

N = Study population

n = Precision Level/Confidence Level/Standard Error

The formula uses 95% Confidence/Precision Level

Substitute the known values in the formula;

$$n = \frac{324}{1+324(0.05)^2}$$

$$n = \frac{324}{1.81}$$

$n = 179$. The sample size =179 respondents.

3.5 Data Collection Method

Researchers use procedures and strategies with systematic mechanisms utilized to obtain reliable and consistent information. All this is aimed at accruing data that provides solutions to the research problem (Nalzaro, 2012). These attributed strategies are the data collection techniques that avail data essential for research deductions, resolutions and recommendations.

This study being quantitative in nature used primary data as a foundation for its deductions and secondary data as well to come up with solid affirmations. A structured and open-ended questionnaire was deemed appropriate to allow respondents to fully express themselves on the perceived effects of M&As on employee performance in Kenyan commercial banks. The structure was designed in such a way that it allowed for specificity while leaving open-ended sections to encourage further self-explanation. The items on the questionnaire were graded on a Likert scale. Respondents could rate statements on the study variables on a Likert scale of 1 to 5, with 1 indicating strong agreement, 2 indicating agreement, 3 indicating neutrality, 4 indicating disagreement, and 5 indicating strong disagreement. The questionnaire must present sufficiency on the subject of study in garnering information from respondents freely (Kothari, 2004). Secondary data extracted and analyzed from official government websites and publications, bank official publications, past studies and other literally works available on the topic and allied subjects.

3.6 Data Analysis

Using descriptive statistics, the study's data were analyzed. This includes utilizing means, averages, frequencies, and percentages to summarize the data and identify trends. Specifically, mean and standard deviations were good to be employed for analyzing Likert scale items in the study. Coded and organized data was tabulated and the frequencies of the variables calculated. Data presentation was done in figures, tables, graphs and charts for easy and straightforward interpretation.

The study also adopted linear regression ($Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$) analysis as the inferential statistical tools. Where:

Y = Employee Performance

$\beta_{1,}$ β_2 and $\beta_{3,}$ $\beta_{4,}$ = Beta coefficients

X_1 = Remuneration, reward and benefits

X_2 = Policy alignment, communication and coordination

X_3 = Corporate culture

X_4 = work environment

X_5 = Training and development

ε = Error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The findings from the data collection and analysis are presented in this chapter. The findings reflect both the demographics of the respondents and the study's primary goal, which sought to ascertain how employees in Kenyan commercial banks perceived the impact of mergers and acquisitions on their performance.

4.2 Response Rate

To collect data, the study used 179 respondents from its target population as a sample size. The survey return rate results are shown in table 4.1 below.

Table 4. 1 Response Rate

Response	Frequency	Percentage
Responded	133	74
Not Responded	46	36
Total	**179**	**100**

The questionnaires that were filled and returned represented 74% of the total questionnaires distributed. A response rate of 70% or higher is considered excellent by Mugenda and Mugenda (2003), 60% is a good response and 50% is adequate for analysis and reporting. However, 46 respondents did not return their questionnaires and were inaccessible representing 36% of the non-response.

4.3 Demographic Characteristics of the Respondents

As described in this section, the study was interested in learning the demographics and brief profiles of the respondents, including information about their gender, age group, highest level of education, jobs, length of time in those jobs, and total years of experience.

4.3.1 Gender

To indicate their gender, respondents had to check the appropriate box. This was used to identify the gender distribution provided by the study's respondents. The gender distribution is depicted in figure 4.1.

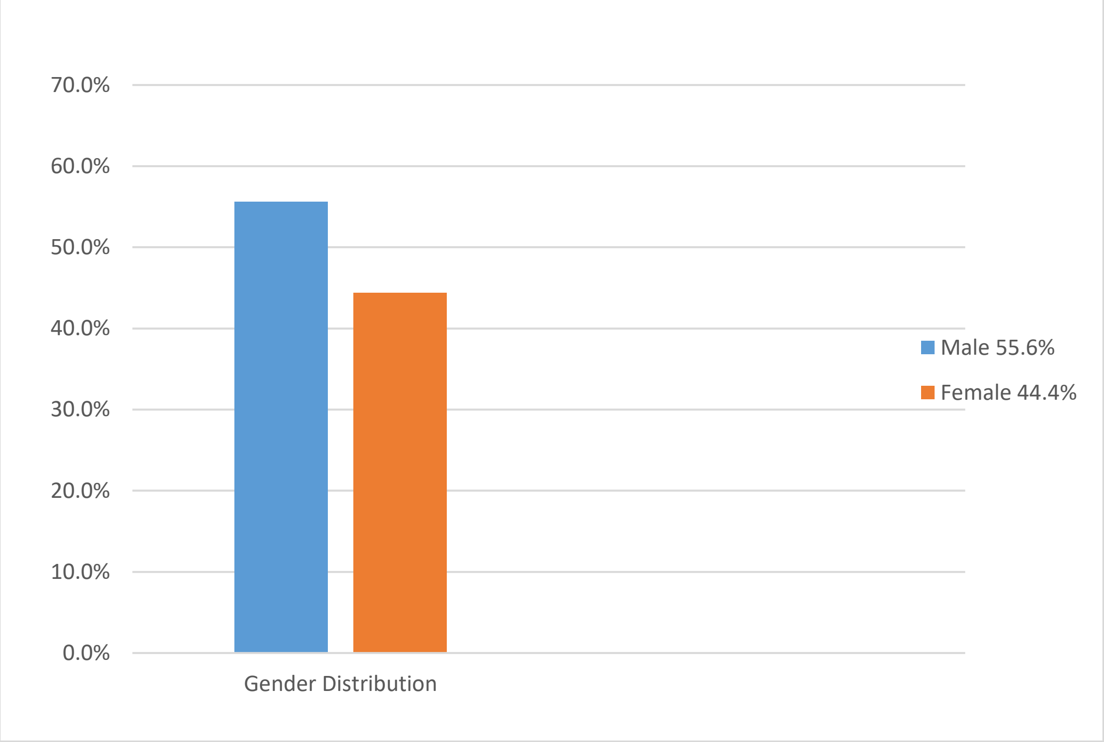

Figure 4. 1 Gender Distribution

55.6% indicated as male and formed the majority and that of females being 44.4%. The data collected therefore, can be summed as having views across both genders as validly expressed.

4.3.2 Respondents Age Distribution

According to the analysis of the respondents' ages, 42% of the respondents were between the ages of 36 and 45, which represents the majority of the respondents. There were 41 respondents, or 31%, who were between the ages of 26 and 35. While only 1% of respondents were between the ages of 18 and 25, 26% were over the age of 45. The distribution of respondents' ages is depicted in table 4.2.

Table 4. 2 Respondents Age Distribution

Age Bracket	Frequency	Percentage
18-25	1	1
26-35	41	31
36-45	56	42
Above 45	35	26
Total	**133**	**100**

4.3.3 Respondents Highest Level of Education

Education levels recorded ranged from diploma to doctorate levels. No respondent indicated certificate level as the highest level of education. The majority of respondents (58%), according to the analysis, identified a bachelor's degree as their highest level of education. 48 respondents indicated as having attained master degrees as their highest levels of education representing 36%. Those that indicated as having doctorate level and the highest education attained represented 5% of the respondents. Only one respondent, or 1% of all respondents, stated that their highest level of education was a diploma. Figure 4.2 depicts the highest level of education attained by respondents.

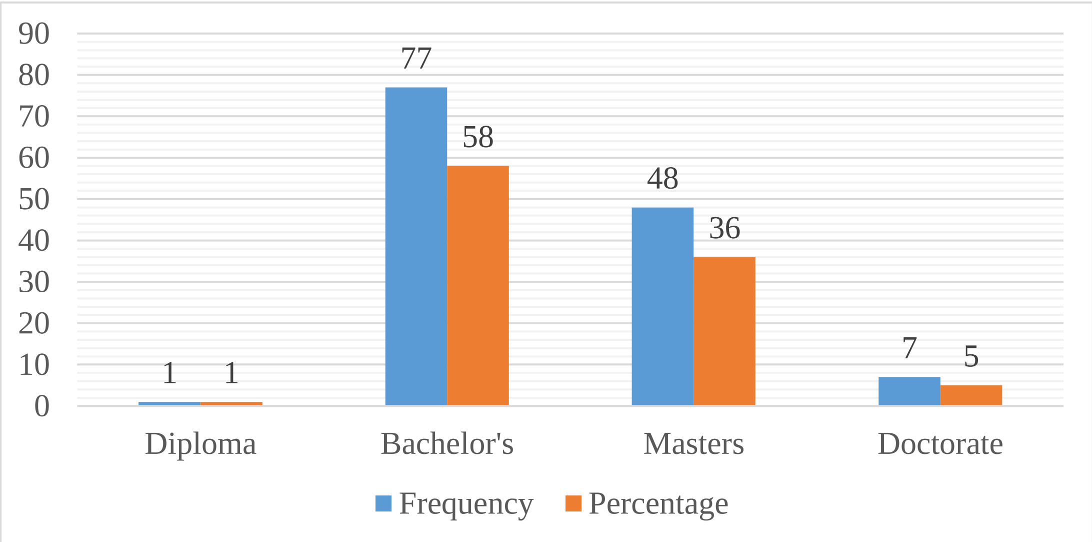

Figure 4. 2 Education Level Distribution

4.3.4 Job Role

The analysis revealed that 53% of the respondents worked at the management level and formed the largest portion of the respondents. 36% worked at the executive level. 11% worked as officers. The vast majority of those who responded held management and executive positions, and were involved in merger and acquisition activities as well as performance management. The distribution of the job roles for the respondents is shown in figure 4.3.

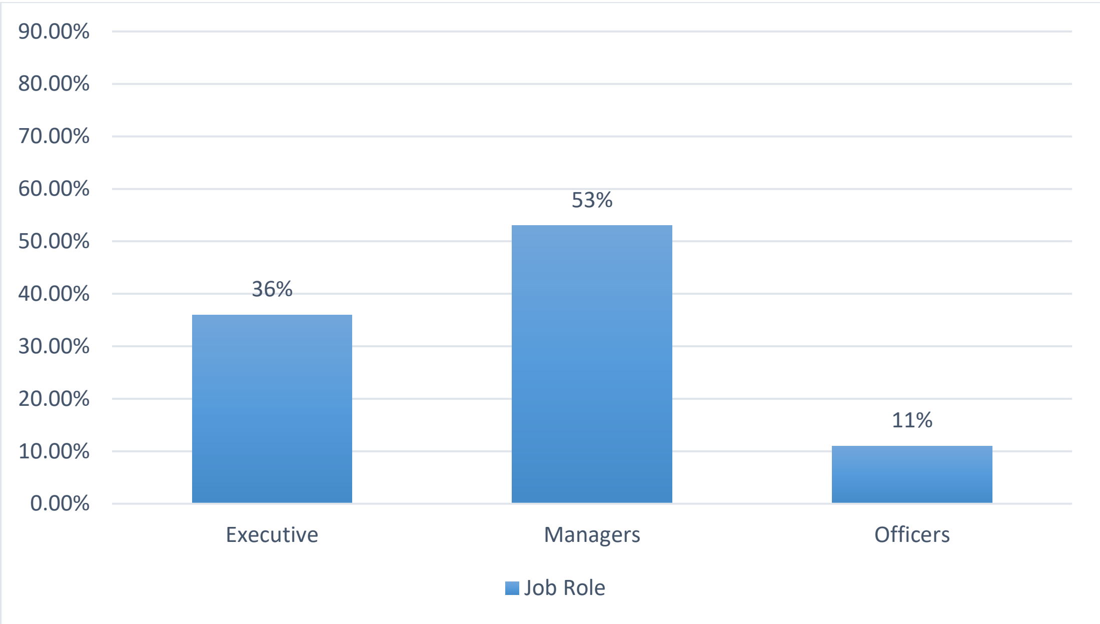

Figure 4. 3 Job Role Distribution

4.3.5 Years of Experience

Overall years of experience of respondents was important as it showed the level of understanding and conversance serving in the corporate world. The analysis revealed that 11% of the respondents had below 5 years of experience and 14% had a range of 5-10 years of experience. The majority of respondents (42%), had between 11 and 15 years of experience, while 44% had more than 15 years of experience. The findings analyzed as shown in figure 4.4.

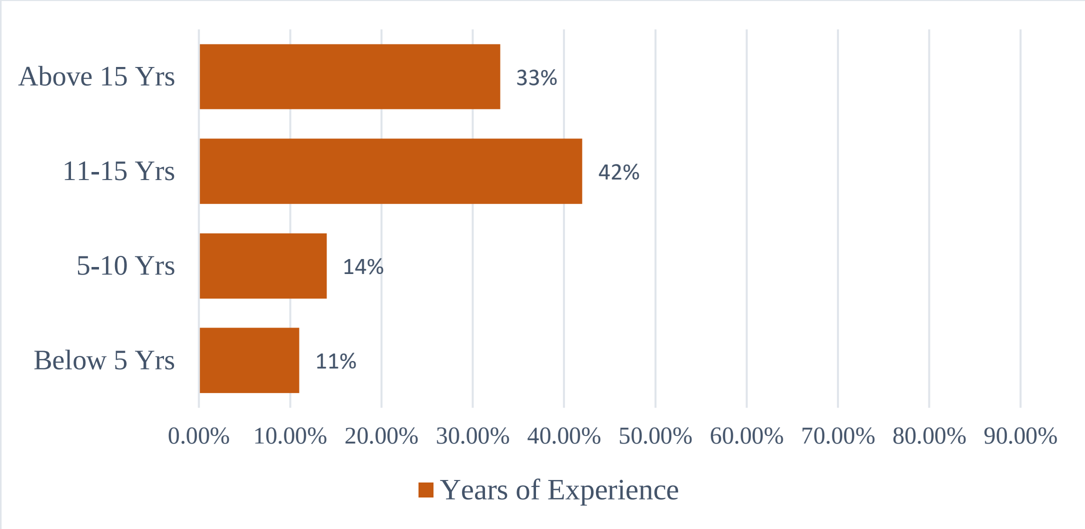

Figure 4. 4 Years of Experience Distribution

4.3.6 Years in Current Position

Years of experience in the respondents' current position was asked to gauge the longevity in the role as by the time of answering the questionnaire. This was to ascertain that the respondents had served in the respective banks in their current positions in a given number of years. According to the findings, 23% of respondents had been in their current positions for two to three years, while 9% had been in their positions for less than two years. 37% had been in their positions for 4-5 years, and 31% had been in them for more than 6 years. The results are analyzed in Table 4.3.

Table 4. 3 Years in Current Position

Years in Current Position	Frequency	Percentage
Below 2 Years	12	9
2-3 Years	31	23
4-5 Years	49	37
6 Year and Above	41	31
Total	**133**	**100**

4.3.7 Worked in the bank During the M&A

According to the findings of the analysis, 76% of respondents worked for their respective banks during the merger and acquisition. Only 24% of those polled said they were not employed by their respective banks at the time of the mergers and acquisitions. Table 4.4 depicts this.

Table 4. 4 Worked in the bank During the M&A

Worked in the bank during M&A	Frequency	Percentage
Yes	102	76
No	31	24
Total	**133**	**100**

4.4 Mergers & Acquisitions

The study's goal was to learn how Kenyan commercial bank employees perceived the effects of mergers and acquisitions. To fully meet the objective, the questionnaire was structured to understand the perception of the respondents on merger and acquisition then its perceived effects on employee performance. A series of structured interrelated questions were asked to get feedback concerning the subject matter.

The respondents were tasked to indicate if the M&A was the best option for the going concern of their banks. They were scored on a Likert scale of 1 (Strongly Agree), 2 (Agree), 3 (Neutral), 4 (Disagree), and 5 (Strongly Disagree) (Strongly Disagree).

Table 4. 5 M&A Best Option for Bank Going Concern

		1	2	3	4	5		
	N	%	%	%	%	%	M	SD
M&A was the best option for the going concern of the bank	133	89	8	0	3	0	1.17	.571

According to the analysis, 89% of respondents strongly agreed that M&A was the best option for their banks' ability to continue operating while only 8% disagreed. Only 3% of respondents disagreed that M&A was not the best choice. Since the mean was 1.17 and the standard deviation was 0.571, it can be concluded that strong agreement was predominate.

The study also wanted to know if all staff members were adequately informed about the decision to participate in the M&A, its progression, and its outcome. According to the results, 5% of respondents thought that communication with all bank employees was done well, 50% agreed, 31% were neutral, and 14% disagreed. According to table 4.6, the Mean was 2.54 with a Standard Deviation score of 0.803.

Table 4. 6 Communication of **M&A Decision, Progression & Conclusion to Staff**

		1	2	3	4	5		
	N	%	%	%	%	%	M	SD
Decision to partake the M&A, progression & conclusion was well communicated	133	5	50	31	14	0	2.54	.803

The study in understanding the M&A from the respondents, had to seek to know if there was a relationship between the banks' M&A strategy and the growth of the banks involved. This was to reveal if indeed the respondents had scope of the M&A. According to the survey results, 68% of respondents agreed on a scale of 1 to 5 that there was a link between the banks' M&A strategy and the expansion of the banks involved (where 1 is Strongly Agree, 2 is Agree, 3 is Neutral, 4 is Disagree, and 5 is Strongly Disagree). 27% of those polled strongly agreed with the statement, while 5% strongly disagreed. The mean of the respondents' feedback was 1.77, with a standard deviation of 0.517, according to the analysis of table 4.7.

Table 4. 7 Relationship Between the Banks' M&A Strategy and Growth

		1	2	3	4	5		
	N	%	%	%	%	%	M	SD
Relationship Between the Banks' M&A Strategy and Growth	133	27	68	5	0	0	1.77	.517

Further, the researcher was seeking to understand if culture transference, integration and compatibility was adopted in the M&A. On a scale of 1 to 5, 1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree." Respondents had to say how much they agreed to the perception on culture transference, integration and compatibility adoption. The larger percentage of the respondents agreed with a representation of 67% and 33% strongly agreed. The mean of 1.67 and standard deviation of 0.472 indicated a large inclination towards the respondents who agreed to the perception that culture transference, integration and compatibility adoption worked in the M&A.

Table 4. 8 Culture Transference, Integration and Compatibility Adoption

		1	2	3	4	5		
	N	%	%	%	%	%	M	SD
Relationship Between the Banks' M&A Strategy and Growth	133	33	67	0	0	0	1.67	.472

With the effect of the M&A, the respondents were asked to rate how concerned they were about their job security. The same scale of 1-5 was applied (1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree."). The analysis showed that 39% of the respondents strongly agreed that job security was a concern, 53% of them agreed while 8% of the respondents remained neutral. Mean stood at 1.69 and standard deviation at 0.618 as shown in table 4.9.

Table 4. 9 Job Security Concern

	N	1 %	2 %	3 %	4 %	5 %	M	SD
Job security was a concern for you as staff with the effect of the M&A	133	39	53	8	0	0	1.69	.618

The researcher intended to get the perception of the respondents in regards to the bank structure, change management, staff engagement, integration of systems, training and development because they are critical to mergers and acquisitions using the scale of 1-5 (1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree.").

13% of the respondents strongly agreed that change management was handled satisfactorily, 59% agreed, 12% were neutral, 11% disagreed while 5% strongly disagreed (Mean at 2.36, Standard Deviation at 1.003). 77% strongly agreed that the M&A and bank structure was satisfactory, 13% agreed while 10% disagreed (Mean of 1.42, Standard Deviation at 0.915). A larger part of the respondents at 60% representation disagreed that staff engagement through formal and informal sessions was done satisfactorily while 20% agreed (Mean at 3.46, Standard Deviation 1.125). 45% and 48% of the respondents strongly agree and agree respectively that integration of systems and processes was significantly done. 20% and 66% of the respondents Strongly Agree and Agree respectively that training and development were integrated in the M&A. The analysis is shown in table 4.10.

Table 4. 10 Change Management, Structure, Staff Engagement, System Integration, Training and Development

	N	1 %	2 %	3 %	4 %	5 %	M	SD
Change management was well handled and satisfactory	133	13	59	12	11	5	2.36	1.003
M&A and new bank structure was well done and satisfactory	133	77	13	0	10	0	1.42	.915
Staff engagement through formal and informal sessions was done satisfactorily	133	7	20	3	60	10	3.46	1.125
Integration of systems and processes was significantly done	133	45	48	0	7	0	1.68	.792
Training and development were integrated in the M&A	133	20	66	0	14	0	2.09	.874

4.5 Employee Performance & M&A

The main objective of the study was to determine the perceived effects of mergers and acquisitions on employee performance in commercial banks in Kenya. The researcher sought from the respondents the level of their perception as to whether mergers and acquisitions affected employee performance on a scale of 1-5 (1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree.").

The analysis of the responses indicated that 63% of the 133 respondents agreed and 37% strongly agreed that the merger and acquisition affected employee performance. The results generally show significant inclination of the respondents towards agreeing that M&A had perceived effects on employee performance. The mean of the perception from the analysis stood at 1.63 and standard deviation settled at 0.434 as shown in table 4.11.

Table 4. 11 Whether M&A Affects Employee Performance

	N	1 %	2 %	3 %	4 %	5 %	M	SD
The M&A affected employee performance in the bank	133	37	63	0	0	0	1.63	.434

The researcher was also interested in whether respondents believed employee performance had gradually increased since the merger. According to an analysis of the data, 24% of respondents strongly agreed with the findings, whereas 26% had no opinion. The majority of respondents (50%) agreed that M&A led to a consistent improvement in employee performance, as shown in Table 4.12.

Table 4. 12 Level of Employee Performance Improved Progressively since M&A

	N	1 %	2 %	3 %	4 %	5 %	M	SD
The level of employee performance improved progressively since the M&A	133	24	50	26	0	0	2.02	.707

Service quality, consistency, creativity and efficiency are some of the elements of measurement of employee performance. Improvement in these aspects reflects positivity in employee performance. As a result, the researcher sought to comprehend the perspectives of the respondents if M&A led to improved service quality, consistency, creativity and efficiency on a scale of 1-5 (where 1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree."). 59% of the respondents making the majority agreed, 27% strongly agreed, 10% indicated neutral while 4% disagreed. The mean score was 1.90 and standard deviation of 0.716 as presented in table 4.13.

Table 4. 13 Service quality, consistency, creativity and efficiency

	N	1 %	2 %	3 %	4 %	5 %	M	SD
The M&A led to improved service quality, consistency, creativity and efficiency	133	27	59	10	4	0	1.90	.716

The perception of the aspects of remuneration, reward and benefits were also inspected as to whether they affected employee performance in the M&A significantly. Respondents were required to indicate their perception in a scale of 1-5 (where 1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree."). The analysis of the responses revealed that 7% strongly agreed, 33% agreed, 40% were neutral, 11% disagreed while 9% of the respondents strongly disagreed (Mean 2.83, SD 1.026) as shown in table 4.14.

Table 4. 14 Remuneration, Reward and Benefits & M&A

	N	1 %	2 %	3 %	4 %	5 %	M	SD
Employee remuneration, reward and benefits affected employee performance in the M&A significantly	133	7	33	40	11	9	2.83	1.026

The study further sought to establish the perception of specific aspects of remuneration, reward and benefits and effects on employee performance. The aspects include enhanced allowances and bonuses, promotions and promotion structure, performance-based recognition and pay, wages and non-monetary benefits. The responses were on a scale of 1-5 (where 1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree."). The results were analyzed and tabulated in table 4.15.

Table 4. 15 Aspects of Remuneration, Reward & Benefits that Affect Employee Performance

	N	1 %	2 %	3 %	4 %	5 %	M	SD
M&A led to enhanced allowances and bonuses	133	13	52	20	11	5	2.42	1.002
M&A led to enhanced promotions and promotion structure	133	16	38	29	13	4	2.51	1.049
M&A led to enhanced performance-based recognition and pay	133	27	52	10	7	4	2.14	1.127
Wages and Non-monetary benefits were enhanced since the M&A	133	40	55	32	5	1	2.04	.874

Policy alignment, Communication and Coordination are critical aspects of M&A and have an effect on employee performance that cannot be overlooked. The researcher further sought to establish the different contributors of these aspects and their perceived effects on employee performance. The responses were on a scale of 1-5 (where 1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree."). There was a mean of 2.35 and a standard deviation of 0.994 in terms of communication, and the majority of respondents (59%), felt that the M&A's communication was done well. 37% of respondents agreed (45%) or strongly agreed (45%) that the banks involved in the merger and acquisition coordinated well (Mean 1.86, SD 0.827). The mean and standard deviation of responses to how well handled and successful policy alignment and integration were 1.92 and 1.034, respectively. The analysis results are shown in Table 4.16.

Table 4. 16 Policy alignment, Communication and Coordination

	N	1 %	2 %	3 %	4 %	5 %	M	SD
Communication about the M&A was well done	133	13	59	12	11	5	2.35	.994
Coordination between M&A banks was well done	133	37	45	14	3	1	1.86	.827
Policy alignment and integration was well handled and effective	133	38	45	7	5	5	1.92	1.034

Corporate culture as a diverse factor in different banks affect employee performance especially when mergers and acquisitions occur. The researcher inspected corporate culture as perceived by respondents during the M&A if it had effects on employee performance. The different aspects of corporate culture including integration, difficulty in adoption and dominance were queried. The responses were on a scale of 1-5 (where 1 meant "Strongly Agree," 2 meant "Agree," 3 meant "Neutral," 4 meant "Disagree," and 5 meant "Strongly Disagree."). The analysis is in table 4.17.

Table 4. 17 Aspects of Corporate Culture Affecting Employee Performance

	N	1 %	2 %	3 %	4 %	5 %	M	SD
There banks in the M&A fully integrated their culture effectively	133	44	35	14	5	2	1.86	0.991
The banks in the M&A have difficulties in adopting new culture	133	0	0	0	62	38	4.38	.486
The buyer’s/ acquirer’s culture becomes the dominant culture in the M&A set up	133	38	53	7	2	0	1.74	.684

The researcher too, sought to establish elements of the work environment. Assessing the perception of the respondents if work environment was enhanced with the M&A, if workloads were rational and well spread, if transfers and relocations were well handled and effective, if work space and equipment were improved. The analysis of the findings show inclination towards the respondents agreeing that work environment improved on M&A. Table 4.18 shows the analysis of the findings in percentages, mean and standard deviation.

Table 4. 18 Work Environment

	N	1 %	2 %	3 %	4 %	5 %	M	SD
Working Conditions were enhanced following the M&A	133	13	59	12	16	0	2.31	.899
Workloads are rational and well spread with effect to the M&A	133	20	66	7	9	0	2.04	.782
Transfers and relocations were well done and effective since the M&A	133	24	50	26	0	0	2.02	.707
Work space set ups and equipment improved since the M&A	133	38	62	0	2	0	1.62	.486

Balanced employee performance is achieved through training and development where the employee acquires the immediate skills for tasks at hand and long-term career growth. The researcher sought to establish if training and development affected employee performance, if it led to enhanced employee performance, if strategic fit and rationale was established and led to enhanced employee performance, if the best and skillful employees exit the bank with effect to the M&A. Table 4.19 shows the results as analyzed from the findings on training and development.

Table 4. 19 Training and Development

	N	1 %	2 %	3 %	4 %	5 %	M	SD
Training and development affected employee performance in the bank	133	40	53	7	0	0	1.67	0.600
Training and development led to enhanced employee performance in the bank	133	44	56	0	0	0	1.56	.498
Strategic Fit and rationale was achieved and led to enhanced employee performance	133	16	42	29	13	0	2.38	.910
The best and skillful employees exit the bank since the M&A	133	0	0	0	58	42	4.42	.496

4.6 Regression analysis

The study also adopted linear regression ($Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$) analysis as the inferential statistical tools. This multiple regression model was fit for establishing relationship between various dimensions of M&A and employee performance in commercial banks in Kenya.

Table 4. 20 Regression Analysis

	Unstandardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	1.236	0.312		4.358	0.000
Remuneration, reward and benefits	0.228	0.1440	0.185	0.776	0.038
Policy alignment, communication and coordination	0.118	0.0847	0.023	0.406	0.046
Corporate culture	0.299	0.0715	0.235	2.793	0.044
Work environment	0.312	0.0624	0.272	2.932	0.066
Training & development	0.248	0.107	0.145	1.378	0.012

Dependent Variable: Employee Performance

The equation ($\mathbf{Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3)}$ translates as follows:

$$\mathbf{Y = 1.236 + 0.228X1 + 0.118X2 + 0.299X3 + 0.312X4 + 0.248X5)}$$

Where:

X_1 = Remuneration, reward and benefits

X_2 = Policy alignment, communication and coordination

X_3 = Corporate culture

X_4 = Work environment

X_5 = Training and development

According to the regression analysis, if all other factors—including compensation, rewards, and benefits, policy alignment, communication, and coordination, corporate culture, work environment, and training and development—were held constant at zero, employee performance in Kenya's commercial banks would be 1.236. When all other independent variables are held constant, the analysis shows that increasing compensation, benefits, and recognition leads to a 0.228 increase in employee performance, increasing policy alignment, coordination, and communication leads to a 0.118 increase in performance, and increasing corporate culture leads to a 0.299 increase in performance. When all other factors were held constant, employee performance increased by 0.312 units for every unit improvement in the workplace and by 0.248 units for every unit improvement in training and development. According to this analysis, the perception of a positive work environment has the greatest positive influence on employee performance, while policy alignment, communication, and coordination have the least positive effects.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter contains the executive summary of the study, the conclusion based on data analysis, and the recommendations based on the conclusions, including ideas for future research. The summary, conclusion, and recommendation are all in line with the study's goal.

5.2 Summary of the Study

The study's main goal was to determine how Kenyan commercial banks felt about mergers and acquisitions. The study used a cross section survey to collect data from a sample size of 179 respondents, which resulted in a response return rate of 74%. A self-administered, structured open-ended questionnaire was employed as the data collection tool and random sampling technique was utilized. Descriptive statistics, such as means, standard deviations, averages, frequencies, and percentages, were used to analyze the data. Linear regression was applied as the inferential statistical tool and data presented in figures, tables and charts with supported interpretation by the researcher.

It was determined through analysis of the study's findings that employee performance was perceived to be impacted by mergers and acquisitions. 63% of respondents who agreed and 37% of respondents who strongly agreed supported this. A deeper analysis revealed that the mean was 1.63 and the standard deviation was 0.434. This demonstrated a propensity for the idea that M&A had an impact on employee performance. With a mean of 1.17 and a standard deviation of 0.571, 89% of respondents strongly agreed that M&A was the best choice for the participating banks' ability to continue operating. On a scale from 1 to 5 (where 1 is Strongly Agree, 2 is

Agree, 3 is Neutral, 4 is Disagree, and 5 is Strongly Disagree), the response to the communication of the decision to participate in the M&A, progression, and conclusion was received with a mean of 2.54 and standard deviation of 0.803 (see table). The general reception of the M&A by the staff is influenced by communication.

The larger part of the respondents agreed that there existed a relationship between the bank's M&A strategy and growth with a mean score of 1.77 and standard deviation of 0.517. Culture transfer, integration and compatibility adoption was perceived to have been done with a mean score of 1.67, standard deviation of 0.472 where 67% of the respondents agreed and 33% strongly consenting. With a mean score of 1.68 and standard deviation of 0.792, the respondents agreed that integration of processes and systems was well done in the M&A. only 7% of the respondents disagreed. However, the respondents disagreed when asked if staff engagement through informal and formal activities was well done. The mean score stood at 3.46 with 60% of the respondents disagreeing and 10% strongly disagreeing.

Job security is often a factor when considering employment in any institution including banks. When prompted to indicate if job security was a concern with the scope of the M&A, the majority of the respondents agreed with a mean of 1.69 and a standard deviation of 0.618 of which 39% strongly agreed, 53% agreed and 8% were neutral. With a mean score of 2.09 and standard deviation of 0.874, the respondents agreed that training and development was integrated in the M&A where 66% agreed, 26% strongly agreed and 14% disagreed.

The perception of the aspects of remuneration, reward and benefits (allowances and bonuses, promotion and promotion structure, performance-based pay and recognition, wages and non-monetary benefits) were also inspected as to whether they affected employee performance in the M&A significantly. The analysis of the responses revealed that 7% strongly agreed, 33% agreed, 40% were neutral, 11% disagreed while 9% of the respondents strongly disagreed (Mean 2.83, SD 1.026)

An inferential analysis with linear regression was used to establish the relationship between various M&A-related dimensions and employee performance in Kenya's commercial banks. Employee performance represented the dependent aspect or variable and the independent variables being: Remuneration, reward and benefits, Policy alignment, communication and coordination, corporate culture, Work environment, Training and development. The regression analysis showed that work environment was the lead in affecting or impacting employee performance and the least was policy alignment, communication and coordination. All independent variables kept at zero; a unit increase in remuneration, reward and benefits brought about 0.228 increase in employee performance, a unit increase in policy alignment, communication and coordination yielded 0.118 increase, increase in corporate culture led to 0.299 increase, work environment resulted in 0.312 increase, and with other variables at zero, a unit increase in training and development increases employee performance by 0.248.

5.3 Conclusion

The primary objective was to ascertain how Kenyan commercial banks viewed the effects of mergers and acquisitions. The study discovered a significant, overwhelmingly positive relationship between M&A and employee performance. Therefore, the study concludes that mergers and acquisitions have perceived effects on employee performance. The study further concludes that the dominant positive association between M&A and employee performance leads to improved employee performance in the light of mergers and acquisitions.

As a determinant aspect of employee performance, work environment is critical. The study concludes that work environment is perceived as the lead factor affecting employee performance in the light of merger and acquisition. Work environment encompasses: working conditions, workloads and rationale, workspace, equipment and set-ups, transfers, facilitation and relocations. Keeping other aspects of affecting employee performance constant, work environment leads in affecting employee performance when enhanced.

The study concludes that mergers and acquisitions do not take much attention to employee or staff engagement through informal and informal activities. The study concludes that instead of staff engagement activities, banks focus training and development in the light of mergers and acquisitions. This is proven in the study statistically.

The study concludes that job security has perceived effects on employee performance and significantly so in the light of mergers and acquisition. The suspense of downsizing and loss of jobs is therefore eminent and affects employee performance in M&A. Employees require assurance of proper processes and compliance and retention even in the wake of new structures.

Corporate culture, remuneration, reward and benefits, policy and coordination, training and development are perceived to affect employee performance by the study. The study concludes that when these aspects are enhanced in the light of M&A, they positively affect employee performance.

5.4 Recommendations

From the study, the aspect of work environment led in the perceived effects on employee performance significantly in M&A. The study therefore, recommends significant improvement of working conditions, balance, rationalize spread workloads equitably and well. The study recommends that transfers and relocations be well handled and facilitated properly and that policies around this to be often updated. The study further recommends that work space, set-ups and equipment should be improved routinely to meet the standards for improved employee performance.

The study results indicated that staff engagement was ignored in the banks and instead focused on task related training and development more. The study recommends that banks should take staff or employee engagement considerably necessary even in the light of mergers and acquisition. As much as they focus on training and development with specificity to tasks and roles of staff, it is important to partake informal and formal staff engagement activities like team buildings and excursions for staff. This builds up on culture, coordination and teamwork.

Job security was indicated as a concern affecting employee performance in the light of mergers and acquisition. The study recommends that the M&A strategy and bank's growth should be aligned and well-articulated to staff. Communication to staff should be formal and information about the M&A targets well stipulated. Training and development to be implemented to ensure no staff is below par in terms of skills to tasks. Human resource aspects of downsizing, if need be, must be communicated well and done according to policy and employment laws.

The study recommends that mergers and acquisitions should put employee performance in the priority list during mergers and acquisitions besides focusing on profitability. They should endeavor to minimize barriers to enhanced employee performance and operate at par if not above the industry standards as to how employees are handled and taken care of. This is not limited to remuneration and benefits, training and development, policies, and ensuring a well-cut corporate culture. The study recommends review of remuneration, reward and benefits to ensure there is harmony within the M&A.

5.5 Recommendations for Further Study

The study focused on establishing perceived effects of M&A in commercial banks in Kenya. The Kenyan banks have as well gone into mergers and acquisitions with other banks in the larger East African Community and Central Africa. The study recommends that future studies focus on the extended M&A in the region and compare with the findings of this study premised in Kenya. The study focused employee performance and thus there is recommendation for future studies to focus on the M&A processes specifically.

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APPENDICES

DATA COLLECTION LETTER

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Our Ref: **D61/10745/2018** November 07, 2022

TO WHOM IT MAY CONCERN

RE: INTRODUCTION LETTER: OMARI GIBSON NYAMBANE

The aforementioned person is enrolled in the Master of Business Administration program at the University of Nairobi's Faculty of Business and Management Sciences. **"Perceived Effects of Mergers and Acquisitions on Employee Performance in Commercial Banks in Kenya"** is the topic of his research.

This letter's goal is to respectfully ask you for help in providing the student with the information they need to complete their project.

The necessary information and data will be handled in strict confidence and will only be used for academic purposes.

Your assistance will be greatly valued

PHILIP MUKOLA (MR.)
FOR: ASSOCIATE DEAN, GBS & R
FACULTY OF BUSINESS AND MANAGEMENT SCIENCES

RESEARCH QUESTIONNAIRE

SECTION A

Kindly respond to the questions below by ticking on the answer that applies to you. You can also fill in the blank spaces where applicable.

1. What is your gender?

☐Male ☐Female

2. What is your age group?

☐18-25 ☐26-35 ☐36-45 ☐Above 45

3. What is the highest level of education you have attained?

☐Certificate ☐Diploma ☐Higher Diploma ☐Bachelor's Degree

☐Master's Degree ☐Doctorate ☐Other

4. What is the name of your organization? …………………………………………………………………………………….

5. What is your current job role?

☐Trainee ☐Clerk ☐Officer ☐Manager

☐Head of Department ☐Executive

6. Did you work in the bank during the M&A?

☐Yes ☐No

7. Number of Years on your current role

☐Below 2 Years ☐2-3 ☐4-5 ☐6 Years and above

8. Overall Years of experience

☐Below 5 Years ☐5-10 ☐11-15 ☐Above 15 Years

PART B – MERGERS AND ACQUISITION

Kindly indicate the extent to which you agree to the following statements on mergers and acquisition. Use a scale of 1 to 5 where 1= Strongly Agree, 2= Agree, 3= Neutral, 4= Disagree, 5 = Strongly Disagree.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. The M&A was the best option for the going concern of the banks involved	**1**	**2**	**3**	**4**	**5**
2. The decision to partake the M&A, the progression and conclusion was well communicated to all staff	**1**	**2**	**3**	**4**	**5**
3. There is a relationship between the banks' M&A strategy and the growth of the banks involved	**1**	**2**	**3**	**4**	**5**
4. Culture was transferrable between the banks, fully integrated and culture compatibility that works adopted	**1**	**2**	**3**	**4**	**5**
5. Culture differences were well controlled during the M&A	**1**	**2**	**3**	**4**	**5**
6. Job security was a concern for you as staff with the effect of the M&A	**1**	**2**	**3**	**4**	**5**
7. Indicate the extent to which you agree to the following statements in regards to the merger and acquisition	**1**	**2**	**3**	**4**	**5**
a. Change management was well handled and satisfactory	**1**	**2**	**3**	**4**	**5**
b. M&A and new bank structure was well done and satisfactory	**1**	**2**	**3**	**4**	**5**
c. Staff engagement through formal and informal sessions was done during and after M&A	**1**	**2**	**3**	**4**	**5**
d. Integration of systems and processes was significantly done	**1**	**2**	**3**	**4**	**5**
e. Training and development were integrated in the M&A	**1**	**2**	**3**	**4**	**5**
8. You would recommend an M&A again	**1**	**2**	**3**	**4**	**5**

PART C - EMPLOYEE PERFORMANCE & M&A

To what extent do you agree to the following statements in regards to the effects on employee performance in the current M&A setting? Use a scale of 1 to 5 where 1= Strongly Agree, 2= Agree, 3= Neutral, 4= Disagree, 5 = Strongly Disagree.

	Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1. The merger and, or acquisition affected employee performance in the bank	**1**	**2**	**3**	**4**	**5**
2. The level of employee performance improved progressively since the M&A	**1**	**2**	**3**	**4**	**5**
3. The M&A led to improved service quality, consistency, creativity and efficiency	**1**	**2**	**3**	**4**	**5**
4. Employee remuneration, reward and benefits affected employee performance in the M&A significantly	**1**	**2**	**3**	**4**	**5**
Remuneration, reward and benefits					
M&A led to enhanced allowances and bonuses	**1**	**2**	**3**	**4**	**5**
M&A led to enhanced promotions and promotion structure	**1**	**2**	**3**	**4**	**5**
M&A led to enhanced performance-based recognition and pay	**1**	**2**	**3**	**4**	**5**
Wages and Non-monetary benefits were enhanced since the M&A	**1**	**2**	**3**	**4**	**5**
Policy alignment, Communication and Coordination	**1**	**2**	**3**	**4**	**5**
Communication about the M&A was well done	**1**	**2**	**3**	**4**	**5**
Coordination between M&A banks was well done	**1**	**2**	**3**	**4**	**5**
Policy alignment and integration was well handled and effective	**1**	**2**	**3**	**4**	**5**
Corporate Culture					
There banks in the M&A fully integrated their culture effectively	**1**	**2**	**3**	**4**	**5**
Culture homogeneity in the M&A has effects on employee performance	**1**	**2**	**3**	**4**	**5**
The banks in the M&A have difficulties in adopting new culture	**1**	**2**	**3**	**4**	**5**

The buyer's/ acquirer's culture becomes the dominant culture in the M&A set up	**1**	**2**	**3**	**4**	**5**
Working Environment					
Working Conditions were enhanced following the M&A	**1**	**2**	**3**	**4**	**5**
Workloads are rational and well spread with effect to the M&A	**1**	**2**	**3**	**4**	**5**
Transfers and relocations were well done and effective since the M&A	**1**	**2**	**3**	**4**	**5**
Work space set ups and equipment improved since the M&A	**1**	**2**	**3**	**4**	**5**
Training and Development					
Training and development affected employee performance in the bank	**1**	**2**	**3**	**4**	**5**
Training and development led to enhanced employee performance in the bank	**1**	**2**	**3**	**4**	**5**
Strategic Fit and rationale was achieved and led to enhanced employee performance	**1**	**2**	**3**	**4**	**5**
The best and skillful employees exit the bank since the M&A	**1**	**2**	**3**	**4**	**5**

5. What suggestions would you give with regards to merger and acquisitions project in order to enhance employee performance in the bank?

…………………………………………………………………………………