PERCEPTION OF ACQUISITION: THE CASE OF BARCLAYS BANK OF KENYA EMPLOYEES

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DECLARATION

This Management Research Project is my original work and has not been submitted for a degree at the University of Nairobi or any other university.

Signed ------Koitien------ Date 26/10/2006

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This Management Research Project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

To my parents Mr. Andrew Nainene and Mrs. Justinah Naiyeyo Lelekoitien for their unquantified love and their undiminishing support and understanding which saw me through to the end.

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ABSTRACT

Time and again change programs fail to achieve their objectives because organizations fail to address the people side of the process, yet it is people who will deliver the program. Organizations have different types of resources; the most complex and important are the human resources. Machines and employees both complete tasks on the job. However, unlike a machine, an employee also has attitudes, perceptions and self-concept. These aspects of psychological make up are important to managers during times of change in their organizations.

This study was primarily aimed at achieving two objectives namely; to determine how Barclays Bank of Kenya employees perceive the Barclays Bank PLC acquisition of Amalgamated Banks of South Africa (ABSA) and to identify the factors that influence the perception of employees regarding acquisition in the banking industry.

Regarding the first objective, the study confirms that majority of the employees perceived the acquisition as value creating whose overriding objective was the attainment of profitable growth by acquisition. Employee's direct experience of the acquisition will differ depending on where they are placed in the organization, age, sex, marital status and educational background. For many employees their perception will be built on what they hear and how they see management act.

The conclusion drawn from the research is that understanding how staff view the organization can be an important aid to the decision making process both through identifying issues that need to be addressed and through its use to monitor how staff view acquisition as the acquisition itself is implemented.

Organizations are increasingly becoming aware of the importance of their human assets in meeting their business goals and achieving competitive advantage. There is growing evidence that people matter when organizations undertake acquisitions. Managed communication during the acquisition will inform employee's attitudes towards the process and provide consistency of perception.

Well-executed communication becomes critical during periods of change since employees go through a well defined process that can lead to anxiety, despondency and anger. Communications can help employee through this cycle by providing a 'route map' of the process; recognition of how they are feeling and explanation of how they will be affected.

The major limitation was the target respondents were all employees of Barclays Bank of Kenya but due to scarcity of resources in terms of research funds and time only employees based in Nairobi were considered. This may therefore give subjective and biased results.

The study recommends a replica study be carried out targeting employees in a country where Barclays Bank PLC and ABSA operations existed such as in Tanzania, Zimbabwe and South Africa. Alternatively, a replica study can be carried out in a country where only Barclays Bank PLC operations existed such as in Botswana, Egypt, Ghana, Uganda, Seychelles and Zambia. Last but not least, a replica study in countries such as Namibia, Angola and Mozambique will reveal the employees perception of acquisition in a country where only ABSA existed.

LIST OF ABBREVIATIONS

ABSA	-Amalgamated Banks of South Africa
BBK	-Barclays Bank of Kenya
CBK	-Central Bank of Kenya
GDP	-Gross Domestic Product
MBA	-Master of Business Administration
PLC	-Public Limited Company
UK	-United Kingdom
US$	-United State Dollar

CHAPTER ONE: INTRODUCTION

1.1 Background

Business restructuring is an integral part of the new economic paradigm. As controls and restrictions give way to competition and free trade, rationalization and reorganization are a necessary concomitant. The rationale for business combination, acquisitions, mergers and spin-offs, divestures and de-mergers co-exist without any contradictions (Ramanunjam, 2002).

Many financial companies are combining on the basis of logical fit, synergies and global businesses. They are seeking to take advantage of the boom in the financial market and deregulation, which allow for combination of different types of financial business (Ramu, 1998). A common form of bank restructuring is growth by acquisition of other banks. Growth can be achieved more quickly with acquisitions than by establishing new branches (Madura, 1995).

In July 2005, Barclays PLC, one of the world's top ten banks, acquired a majority stake (56.1 percent) in Amalgamated Banks of South Africa (ABSA) as part of its drive to expand its global product and international retail and commercial banking businesses in attractive markets outside the United Kingdom (http:// www.barclays.com).

Excluding South Africa, Barclays PLC has operations in ten countries in the scope of the deal namely, Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe. ABSA has a presence in five countries namely, Namibia, Tanzania, Angola, Mozambique and Zimbabwe. The only countries where their operations overlap are South Africa, Tanzania and Zimbabwe. With ABSA now part of the group, approximately fourteen percent (14%) of Barclay's earnings will come from Africa (In Business, 2005).

The implementation of new strategies and policies often call for human resource management priorities and a different utilization of personnel (Schuler and Jackson, 1989). Like other major organizational change, acquisitions are accompanied by high levels of complexity, multiple transitions and uncertain future state (Kometsky, 1985; Kilmann and Covin, 1988; Buono and Bowditch, 1989).

The impact of an acquisition on employees' of acquiring firm can be viewed in two folds. Commonly the economies of scale via cost savings anticipated in an acquisition will be largely achieved by the loss of jobs, as duplicated service operations are eliminated and loss-making divisions closed down. However, in some instances, the increased competitive strength of the newly enlarged enterprise can lead to expansion and the need for an increased workforce (Brigham and Gapensky, 2000).

Staff perception in any organization is very important, as employees are the driving force behind any successful business (Gakonye, 2003). Understanding how staff view organization can be an important aid to decision making process both through identifying issues that need to be addressed and through it's use to monitor how staff view change as the change itself is implemented (Buono and Bowditch, 1989).

1.1.1 Concept of Acquisition

An acquisition may be defined as a structured transfer of one organization's assets to another in an agreed upon and orderly manner. These assets may include a firm's physical plant, materials, markets, technologies and employees (Nevaer and Steven, 1990). An acquisition is a response to new technologies or market conditions that require a strategic change in a company's direction or use of resources (Jensen and Ruback, 1983). Acquisitions have been acknowledged as a form of corporate development and growth, their recognition as a form of organizational change is relatively new (Kometsky, 1985; Kilmann and Covin, 1988; Buono and Bowditch, 1989).

Acquisitions are undertaken for a wide variety of reasons. The following objectives are commonly cited in literature, namely, to penetrate new product or geographic markets, to gain market share, to achieve corporate growth, to acquire technology where it is lacking, to improve competitiveness in a global market place, to achieve operating efficiencies and economies of scale, to ensure future survival (Imberman, 1985; Nevaer and Steven, 1990; Weston, Chung and Hoag, 1990).

Gains from acquisition include Synergy, which is a positive incremental net gain, associated with the combination of two firms through acquisition. The acquisition will be beneficial if the combined firm has value that is greater than the separate firms. Revenue enhancement realized when the combined firm generates greater revenue than two separate firms. Increase in revenue may come from marketing gain, strategic benefits and increase in market power (Brealey and Myer, 1995).

Marketing gains realized when acquisitions produce greater operating revenues from improved marketing. Strategic benefits results when an acquisition promises a strategic advantage. This is an opportunity to take advantage of the competitive environment if certain things occur. Market power via increased market share hence profits can be enhanced through higher prices and reduced competition for customers (Porter, 1985).

Cost reduction gain implies that a firm can obtain greater operating efficiency in several different ways. Economies of scale relate to the average cost per unit of producing goods and services. Economies of scale are achieved by spreading overheads, which refers to the sharing of the central facilities such as corporate headquarters, top management and computer services (Ross, 1988).

Operating economies can be gained from vertical combination as well as from horizontal combination. Vertical acquisitions make coordinating closely related operating activities easier. Some firms acquire others to make better use of existing resources or to provide the missing ingredient for success (Ross, 1991).

Tax gains are often powerful incentives for some acquisitions. The possible tax gains from acquisition include the use of tax losses, unused debt capacity, surplus funds and the ability to write up the value of depreciable assets (Ross, 1991).

1.1.2 Banking Industry in Kenya

The banking system in Kenya is regulated by the Central Bank of Kenya (CBK) Act (Cap 491) and the Banking Act (Cap 488). These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (Ngesa, 1989). Currently we have 44 commercial banks that are regulated by the banking Act, one non-financial institution, two mortgage companies and 91 foreign exchange bureaus (ASA, 2005).

Generally the Kenya banking industry is more stable than it has ever been with 17 percent core capital / deposit; with improved solvency of 8 percent as required by CBK and liquidity margin far beyond 20 percent which is the total required reserve with most banks having 40 percent or more in the reserves. The future of the industry looks promising with financial and legal sector restructuring (www.centralbank.go.ke).

1.1.3 Barclays Bank Public Limited Company and Barclays Bank of Kenya limited

Barclays Bank PLC is one of the world's largest global financial services provider (present in over 60 countries) primarily offering banking, investment banking and investment management services. With over 300 years of history and expertise in banking, Barclays Bank Plc has six major divisions: UK Banking, Barclaycard, Barclays Capital, Barclays Global Investors, Barclays Wealth Management, International Retail and Commercial Banking. Barclays Africa is the leading bank in Africa, with businesses in 11 countries across Africa, namely, Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, South Africa, Tanzania, Uganda, Zambia and Zimbabwe and the Indian Ocean (http:// www.investorrelations.barclays.co.uk).

Barclays Bank is one of the leading banks in Kenya having opened its doors in 1916. Barclays Bank of Kenya is currently the largest business unit in the Barclays Africa family in terms of contribution to profit and size of operations. In Kenya, it boasts of a balance sheet worth US$ 1 billion, which is equivalent to 10% of the country's GDP. Barclays Kenya was listed on the Nairobi Stock Exchange in 1986 and currently has 34,000 shareholders (http:// www.barclays.com). Barclays Bank of Kenya has a staff compliment of 1711 (The Barclays Globe, February 2006).

1.1.4 Amalgamated Banks of South Africa

1991 signified the formation of Amalgamated Banks of South Africa Limited (ABSA) through the merger of UBS Holdings, the Allied and Volkskas Groups, and certain interests of the Sage Group. In 1992 ABSA acquired the entire shareholding of the Bankorp Group that included Trust Bank, Sen Bank and Bank Fin. In 1997 the name of the holding company, Amalgamated Banks of South Africa Limited was changed to ABSA Group Limited. In 1998 the United, Volkskas, Allied and Trust Bank brands were consolidated into a single brand, and ABSA adopted a new corporate identity (http:// www.absa.co.za).

Barclays Bank PLC views the ABSA acquisition with optimism. The deal will enable Barclays Bank PLC to offer greater opportunities to the colleagues/employees, offer better service and products to their customers, accelerate their strategy of expanding their global product business and growing their company in markets outside the UK, will enable them give even more to their communities by combining their resources with those of ABSA (http:// www.investorrelations.barclays.co.uk).

The combination of ABSA's domestic banking expertise, strong brand and market position with Barclays global brand reach, world-class products, global banking expertise and financial strength will create the leading financial services business in South Africa and ultimately the pre-eminent bank on the African Continent. ABSA applies a customer-centric business model with targeted business units serving specific market segments.

The Group interacts with its customers through a combination of physical and electronic channels, offering the full spectrum of banking services, from basic products and services for the low-income personal market to customized solutions for the commercial and corporate market (http:// www.absa.co.za).

The Group also provides products and services to selected markets in the United Kingdom, Germany, Singapore, Angola, Mozambique, Namibia, Tanzania and Zimbabwe. The Group offers a complete range of products and services in personal, commercial and corporate banking as well as insurance and financial services. ABSA was voted the most admired financial services company in South Africa in 2004 (http:// www.absa.co.za).

1.2 Research problem

Business restructuring is often a one-time exercise, but has a lasting and telling impact not only on the business directly concerned, but also on the other connected agencies. In an exercise of business or corporate restructuring, the considerations are numerous, the traps are many and the advantage of a precedent is immense. Unfortunately, very little codified and comprehensive literature exists to guide the uninitiated and inexperienced (Child et al., 2001).

If one analyses the reasons for failure of acquisitions, one will understand the core reasons, the non-integration of the human resources of both acquiring and acquired or target companies (Thornhill and Saunder, 2003). However, to break the mindset of people and convince them that the acquisition is for the common good and will fuel the growth is normally an uphill task. If success has to be achieved in the market place, what is required is a cohesive, well-integrated and motivated workforce willing to take on the multifarious challenges that arise on the horizon from time to time (Child et al., 2001).

The link between change implementation in an organization and the human resource factor is fundamental. Implementation of these strategies impact employees in different ways. Organizations have to consider the nature of people management practices that they could draw on, during this times in an effort to maintain more positive perceptions of trust-worthiness within the organization (Okuto, 2002). Such changes may mean hiring new people with new skills, firing people with inappropriate or substandard skills and/or promoting them into newly created managerial positions (Pearson, 1999).

Historically, writings about acquisitions have focused on economic, financial and legal issues, as opposed to human resource management issues or considerations around corporate culture. Buono and Bowditch (1989) suggests that while strategic, operational and financial concerns are and will continue to be significant, a merger of two organizations is, in reality a merger of groups and individuals, that is, a merger or acquisitions is ultimately a human process. During times of change, quite often one of the most important assets to an organization is forgotten. That would be the attitudes, values, perceptions, feelings and informal interactions of its employees (Business pulse article, 2003).

Nyamai (1989), Shimba (1993), Ndegwa (1996), Warucu (2001), Koigi (2002), Chesang (2002), Kiptugen (2003) and Muema (2005) carried out research on various aspects related to financial sector. Except Muema (2005) who researched on Barclays Bank of Kenya Limited employee perception of the competitive advantage of corporate values, the other researchers did not dwell on employee perception in their studies. This study examines employees' perception of acquisition and factors influencing their perception.

As can be seen, no study has been done to document employees' perception of acquisition and factors influencing their perception in the financial sector. More specifically, the study seeks to answer the following:

1. How employees perceive acquisition in the banking industry?
2. What are the factors that influence their perception about the acquisition?

1.3 Research objectives

i) To determine how Barclays Bank of Kenya employees perceive the Barclays Bank PLC acquisition of Amalgamated Banks of South Africa (ABSA).

ii) To identify the factors that influences the perception of employee regarding acquisition in the banking industry.

1.4 Importance of the study

The findings of the study are expected to be of particular importance to the following

(i) Managers in the banking industry to assist them in understanding the criticality of the employees' perception and factors influencing their perception about an acquisition.

(ii) Employees in understanding the positive gains of an acquisition by their organizations.

(iii) Scholars by providing food for thought and a challenge to conduct further research in the subject of employees' perception regarding acquisition and other growth strategies adopted by organizations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review on employee perception of acquisition. The facets in this chapter include change management, acquisition as a growth strategy, types of acquisition, factors influencing acquisition, challenges of acquisition, justification for acquisition, concept of perception, factors influencing perception, key elements of the perception process, how acquisition impact on employees. The literature in this section was mainly sourced from journals, textbooks, periodicals and the internet.

2.2 Change management

Today organizations face operating environments that are increasingly complex, dynamic and unpredictable. Turbulent economic, social and political forces including significant shifts in the economy, globalization and increasing competition, rapid and broad diffusion of technology, free trade, deregulation, maturing products and stagnant industries are transforming the environmental landscape (Fombrun, 1984; Downie and Coates, 1993). The contextual influences not only present organizations with critical challenges but also with new opportunities for growth and development. A wide range of organizational responses to these forces is evident, including downsizing, reorganization, cost cutting, outsourcing, mergers and acquisitions (De Simone and Harris, 1988).

During times of change, quite often one of the most important assets to an organization is forgotten. That would be the attitudes, values, perceptions, feelings and informal interactions of its employees. It is the hidden part of the equation that if not considered, will hinder the success of any change. The success of organizational change largely depends on the employees' perception of the change situation and his readiness to cope with it. Readiness for change is mainly understood as the employees' internal resources (knowledge, skills and abilities) while solving specific change problems (Business pulse article, 2003).

The acquiring firms must consider the very important aspect human emotions play in their organizations. The majority of change management is related to how well you understand the people involved, how they interact and how well they can see and strive for management's vision, while a small portion is related to the more obvious things such as strategy, technology, policies/procedures, financial resources and organizational structure. Too often management disregards the obvious anxiety that its employees feel when there is anticipated change. It is important to understand that the anxiety is real and usually based on information employees are receiving (Business pulse article, 2003).

2.3 Acquisition as a growth strategy

Growth is imperative for corporations. Since growth ultimately must come from markets currently served or new markets to be served, growth by acquisition is a strategy of entry into new product markets by purchasing the common shares or assets of a business or businesses already established in these markets (Paxson and wood, 1998). Banks are facing problems of squeeze in profit margins in their lending due to competition, and margins on securities activities fluctuate wildly. Besides, one cannot depend on one market, and, therefore they try to build their international equity investment expertise (Kilmann and Covin, 1988).

Acquisition occurs when the assets and activities of two independently controlled corporations are combined under the control of a single corporation. It's negotiated directly between the management of a target company and the proposals are approved by the separate board of directors before shareholders vote on them (Paxson and wood, 1998). In simple terms, an acquisition is the purchase of a majority interest in the acquired firm. It can either be a friendly or a hostile acquisition. For the purpose of this study, Barclays Bank PLC is the acquiring firm whereas Amalgamated Banks of South Africa (ABSA) is the acquired / target company.

Nonetheless, many studies demonstrate that acquisition is a likely complex and challenging strategy for top executives to implement. Furthermore, they must be managed effectively in order for them to be successful. The events in an acquisition have not changed the organizational systems but have had a major effect on workers, mainly negative (Ferrie et al., 1998; Kirimaki, 1997). Okuto (2002) asserts that there must be a mechanism to monitor the employee responses to organizational change since this has an effect on the employer-employee trust relationship and that trust is critical for organizational success.

2.4 Types of Acquisition

A horizontal acquisition involves two firms operating and competing in the same kind of business activity (Weston et al., 1990). This is acquisition of a firm in the same industry as the bidder (acquiring firm). Forming a larger firm may have the benefit of economies of scale. Nevertheless, horizontal acquisitions need to be regulated by the government for their potential negative effects on competition. The number of firms in the industry is decreased by horizontal acquisition and this may make it easier for the industry members to collude for monopoly of profits as well as engage in anti-competitive practices (Weston et al., 1990).

Vertical acquisitions occur between firms in different stages of production operation (Weston et al., 1990). When the market is competitive with many suitable bidders, opportunism is discouraged because the rivalry among the bidders. Opportunistically behaving parties can be avoided at contract renewal since there are many alternative bidders (Weston et al., 1990).

When the bidder and the target firm are not related to each other, the merger is called a conglomerate acquisition. The acquisition of a food product firm by a computer firm would be considered a conglomerate acquisition (Ross et al., 1988). Conglomerate acquisitions involve firms engaged in unrelated types of business activity (Weston et al., 1990).

2.5 Factors influencing acquisition

It is important to note that the decision to merge with or acquire a firm in another country is rarely made because of a single issue (Hitt et al., 2001). Thus, although the following reasons are discussed as independent influences, in many instances more than one reason accounts for the cross border transaction decisions.

2.5.1 Increased market power

Market power is a product of the firm's sizes, the degree of sustainability of its current competitive advantage and its ability to make decisions today that will yield new competitive advantage for tomorrow (Child et al., 2001). It exists when the firm can sale its product above the existing competitive market price or when its manufacturing, distribution and service costs are lower than those of competitors. In general, cross border acquisitions are used to increase market power when the firm acquires a company competing in the same industry and often in the same segment of the primary industry (a horizontal acquisition).A supplier or distributor (a vertical acquisition).A business in a highly related industry hence a related acquisition (Hitt et al., 2001).

An analysis of outcomes suggests that horizontal acquisitions of firm's with similar characteristics result in higher performance than when a firm with dissimilar characteristics is acquired. Examples of important similar characteristics include managerial styles, strategies being implemented and resource allocation patterns (Ramaswamy, 1997). Through vertical acquisitions, firms seek to control additional parts of the value-added chain. Acquiring either a supplier (a backward vertical acquisition) or a distributor (a forward vertical acquisition) or an organization that already controls more parts of the value chain than does the acquiring firm can result in additional market powers (Hitt et al., 2001).

2.5.2 Overcoming entry barriers

Barriers to entry are factors associated with a market and/or companies operating currently in the market that increase the difficulty and expense another firm would incur to enter the market. Examples of entry barriers include a well-established position by an incumbent in the segment of the industry targeted by the potential entrant and customer loyalty to existing brands. Evidence and company actions across time reveal that the higher entry barriers are, the greater the likelihood that a firm will seek to overcome them through an acquisition (Hitt, Ireland, and Hoskisson, 2001).

2.5.3 Cost of new product development

Developing new products and new businesses internally can be expensive and time intensive. In contrast, acquiring an existing company, one with an established sales volume, customer base, and successful financial performance, is thought to be less risky (Hitt, Hoskisson, and Kim, 1997). Reduced costs, compared to those incurred to develop products or businesses internally, along with the ability of an acquisition to yield an immediate presence in a market combine to persuade managers to acquire new products and businesses instead of developing them internally (Hitt, Hoskisson, Johnson and Moesel, 1996).

2.5.4 Increased speed to market

As compared to internally generated product development and new businesses, acquisitions allow the firm to enter a new market more rapidly. Thus, for companies seeking to compete in nations outside their home base, acquiring a firm is a much faster way to reach this objective as compared to the time required to establish a new facility and new relationship with stakeholders in a different country (Mc Cardle and Viswanathan, 1994).

2.5.5 Increased diversification

It's more difficult for a firm to develop new products that differ significantly from existing ones and to enter new markets. Thus, firms tend to complete acquisitions, rather than engage in internal developments, efforts to diversify their product lines and operations. These actions are understandable, in that evidence about corporate experiences suggests that acquisitions provide the fastest and perhaps the fastest way for the firm to change its portfolio of businesses (Bergh, 1997).

2.6 Challenges of Acquisition

In a nutshell, financial success in merger and acquisitions requires the careful combination of complimentary or otherwise related resources, coupled with appropriate financing, a friendly negotiation climate, organizational fit and managerial actions that help the combined firm realize potential synergies. Opportunism or other ethical problems, high debts, target firm resistance or straying from the core business can erase potential financial gains. If these latter attributes exist, a merger or acquisition is often unwarranted (Child et al., 2001).

2.6.1 Due Diligence problem

Due diligence involves a comprehensive analysis of all important target firm characteristics to include it's financial conditions, management capabilities, physical assets and other intangible assets relevant to the acquisition (Revsine et al., 1999).A critical reason for these problems is the acquirer's lack of knowledge about the target firm prior to acquisition. Due diligence is often overlooked because of managerial hubris and a rush to complete the transaction hence the acquiring firm makes an inappropriatc acquisition (Hitt et al., 2001).

2.6.2 Financing an acquisition

Acquisitions are an expensive and high-risk strategy. However, organizations with sufficient slack, including low debt levels, are more likely to enjoy performance increases through acquisition than highly leveraged firms with little or no slack. A company with high debt level should usually avoid acquisitions (Hitt et al., 2001).

2.6.3 Cultural aspects

The global corporations face difficult issues of reconfiguration and redeployment of resources. There are perceptible cultural differences in managerial work styles in different countries. The cultural systems vis-à-vis attitudes, values, assumptions, personal beliefs, in turn, affects management functions such as decision making, recruitment, promotion, organizing and planning (Ramu, 1998). Each party brings along, not only a unique organizational history, management and expertise, but also a distinct culture.

2.6.4 Integration

For instance, by buying a company whose products are based on a different technological platform, a purchasing company can gain new technological functionalities and capabilities. But such a deal would also pose a significant integration challenge because the platform disparity would have to be resolved. Similarly, acquiring an older, more mature firm can offer stocks of proven competencies as well as optimized processes, but poses greater integration challenges due to entrenched work routines and cultures and more cumbersome task reallocations (Chaudhuri, 2005).

2.6.5 Potential Cross-Effects

Capron (1999) noted that recent work on acquisitions or corporate transformations tends to see asset divestiture and resource redeployment as parts of a common process of reconfiguration of the target and acquirer businesses. Asset divestiture commonly implies changes in organizational, technological or marketing resources to produce and sell greater volumes of goods more efficiently. At the same time, the process of redeploying resources tends to create redundancies and conflicts with existing resources. The firm then tends to sell excess physical assets, shut excess facilities, and lay off surplus employees.

2.7 Justification for acquisition

Acquisitions are justified, especially to shareholders in terms of the potential value they are anticipated to create. A number of specific motives may inform these anticipations. These include securing economies of scale or scope, increasing synergy through the combination of complementary assets, applying knowledge or skills from one organization to another, and introducing greater control or discipline over a target company's management to secure better results (Haspeslagh and Jemison, 1991).

Acquisitions create value when the competitive advantage of one firm is improved through the transfer of strategic capabilities (Haspeslagh and Jemison, 1991). It is argued that a company can obtain a competitive advantage by accessing a set of resources or capabilities, which are valuable because they fulfill four criteria: They have to be rare, imperfectly imitable, without strategically equivalent substitutes and valuable when they are applied to the market (Barney, 1991).

Other motives for undertaking acquisitions, which are not necessarily in the best interests of the acquirers' shareholders, include enhancing the standing of the company in terms of its size, increasing management's prestige or power and reducing competition or other uncertainties in the external environment through an increase in market power or influence with public authorities (Haspeslagh and Jemison, 1991). Shelton (1988) states that 'value is created when these assets of target and bidding firms are used more effectively by the combined firms than by the target and bidder separated'. The potential value provides the economic logic for undertaking an acquisition (Barney, 1991).

2.8 Concept of perception

Perception is a cognitive process that lets a person make sense of stimuli from the environment. These stimuli affect all senses, that is; sight, touch, taste, smell and hearing. The stimuli can come from other people, events, physical objects or ideas. A person's perception process is a mechanism that helps her adapt to a changing environment (Dember, 1960). Attitudes have played a key role in social psychology because of the presumed connection between people's perception of their world and their behavior in it. An attitude is "a learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object" (Fishbein and Ajzan, 1975).

Perception is influenced by internal and external factors leading people to see some perceived objects or persons, events differently. External factors are characteristic of perceived objects or persons, which may include size, intensity, contrast, repetition, motion, novelty, status and appearance. Internal factors in perception are characteristics of the perceiver. The perceivers have a tendency to use themselves as a basis for perceiving others, events, objects. Internal factors that can influence perception are needs and motives, past experiences, self-contest and personality (Nzuve, 1999).

2.9 Factors influencing perception

Perception is the process through which people select, organize and interpret or attach meaning to events happening in the environment. How employees perceive, organize and interpret information depend very much on the characteristics of the stimuli, characteristics of the situation and some of our own personality characteristics. Different people may perceive the same environment differently, based on what particular aspects of the situation they choose to selectively absorb, how they organize this information and the manner in which they interpret it to grasp the situation. Misperceptions occur due to perceptual errors and distortions, and managers are bound to take poor or improper decisions (Pattanayak and Mishra, 1999).

People differ in their perception to similar situations and explanations given for such divergence frequently refer to some underlying processes, which result in individual differences. They differ in terms of physical characteristics such as size, weight, age and sex as well as in background characteristics such as training and education, and personality traits such as extroversion or aggressiveness (Mitchell, 1978). Perception is therefore the starting point for all behavior. Perception is defined as those factors that shape and produce what we actually experience (Costley and Todd, 1983).

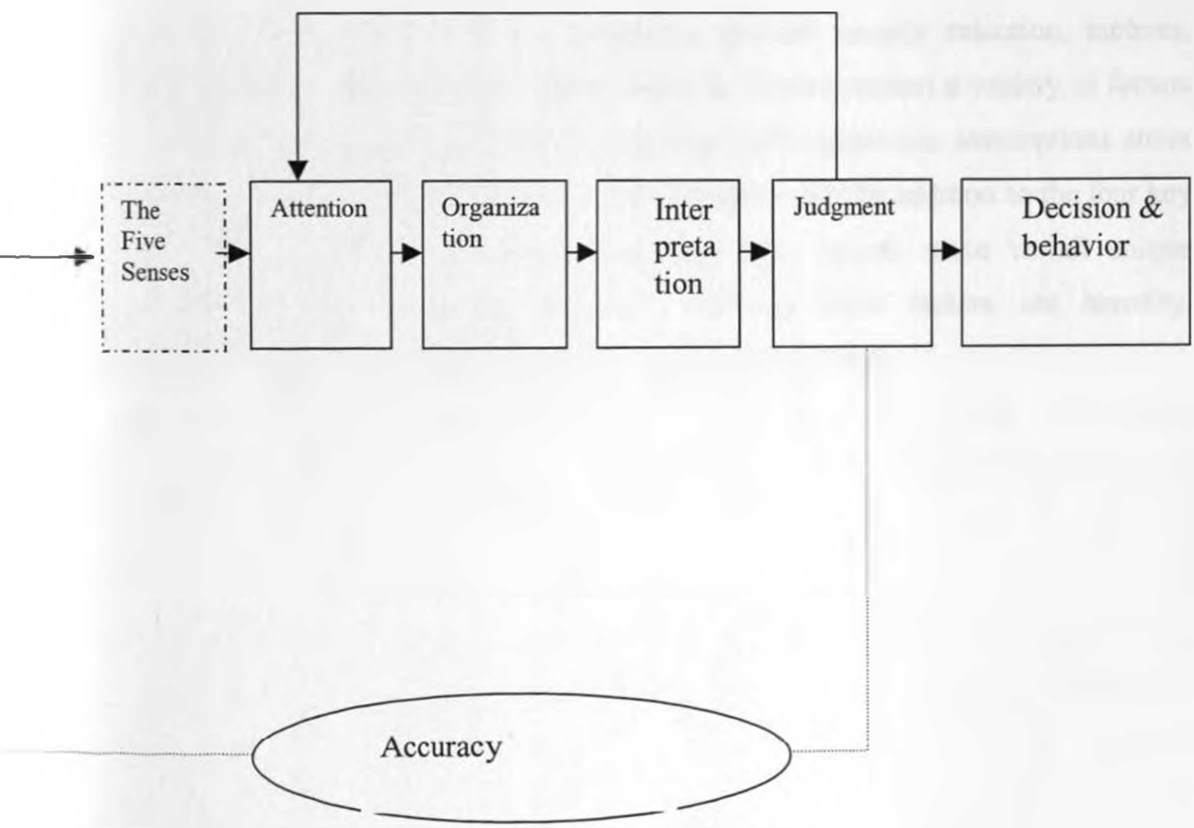
There are numerous general factors, which are related to what one perceives. The internal factors includes response disposition, which implies that people tend to perceive familiar stimuli more quickly than unfamiliar ones. One's feeling toward the objects in question; in general, it appears that we select things about which we hold positive feelings. The more frequently one is exposed to something, the greater the likelihood that it will be positively evaluated. Response salience, salience refers to the contemporary aspects of the situation, which may influence our experience. Particular instructions, current needs or actions that immediately precede a situation may influence our perception (Segall et al., 1966).

The external factors on the other hand include intensity of the stimuli, which explains why we tend to notice bright lights, pungent smell, odor smell and loud noises. Motion, explains that moving objects tend to be more readily perceived than stationary objects. Size of objects, large obtrusive objects tends to be perceived more easily than small ones. That is, we tend to pay attention to larger things and, somehow, bigness has a goodness quality to it. Physical environment, research has shown that living in certain types of setting, for example, urban areas versus plains or forest influence our perceptions (Segall et al., 1966).

2.10 Key elements of the perception process

As figure 1 shows a stimulus in the environment must be subjectively processed by the observer. A judgment is eventually reported and, as the dotted lines indicate, perceptual accuracy occurs when there is a close match between the subjective judgment and the stimulus. Decisions and behaviors based on accurate perceptions are likely to be effective in dealing with stimulus. Behavior and decisions that are inaccurate, however, usually lead to poor decisions and inappropriate behaviors.

Figure1. A Four-Stage Model of the Perception and Judgment Process



Source: Wagner and Hollenbeck (1995) Pg.135.

Before information can influence decisions and behaviors, it moves through four distinct stages of perceptual process shown in figure 1 as namely; attention, organization, interpretation and judgment. Attention stage implies the individual decides what will be processed and what will be ignored. Subliminal perception explains information that is processed by the perceiver without his or her awareness. Organization stage implies many discrete bits of information are checked into higher-level, abstract concept. Interpretation stage implies that meaning is attached to the relation among abstract concepts. Judgment implies recalled information is weighted and aggregated to come up with a single overall judgment (Wagner and Hollenbeck, 1995).

There are four key elements in the perception process namely selection, motives, organization and interpretation. Ron Adler and Neal Towne present a variety of factors that affect the way people interpreted messages as past experience, assumptions about human behavior, expectations, knowledge and personal mood. In addition to the four key factors that affect perception, other factors have also helped make us all unique individuals who perceive things differently. Among these factors are heredity, environment, friendships and peers and physiology (Timm, 1982).

2.11 How acquisition impact on employees

Acquisitions produce involuntary turnover or termination of employees so as to create economies of scale. As acquisitions are announced and implemented, employees can feel stress, anger, disorientation, frustration, confusion, and sometimes fright. When this occurs, employees may reduce their commitment to the organization and lower their productivity as well. The employee's psychological state can produce potentially dysfunctional behaviors (Buono and Bowditch, 1989).

Acquisitions negative impact on people includes significant turmoil, rampant rumors, loss of self-esteem, loss of concentration and motivation, conflictual individual and group reactions, culture clashes and turnover of key personnel. Impacts on people, all of which serve to heighten tensions between combining organizations, include loss of organizational identification, change in reporting relationship, elimination of overlapping positions and geographical transfers (Buono and Bowditch, 1989).

Acquisitions threaten, reduce or destroy important elements of economical or psychic value such as job security, promotion, career opportunities, status and pride of association (Haspeslagh and Jemison, 1991). Cartwright and Cooper (1996) explain this by the termination of the existing psychological contract between thc individual and his or her organization.

In acquisitions concerns are about increasing efficiency and reducing costs as the driving forces, greater attention should be focused on status deprivation and layoffs. The trend to downsizing corporate personnel places strains on employees who anticipated spending their careers with an employer and climbing managerial hierarchies. Also, employees who are denied promotions or discover that these opportunities do not exist face feelings of frustration and anger. Of necessity, some employees must take lesser positions in order to have jobs. These circumstances are difficult for managers and companies themselves (Miller and Catt, 1989).

When an employee encounters the loss of title and position or fails to achieve a certain self established status level, status deprivation occurs. Examples include employment at a job below the workers capabilities, job downgrading, displacement through mechanization and lack of compensation for assuming additional responsibilities. In dealing with employees experiencing status deprivation and layoff, organizations ought to clarify job expectations and keep people updated about their job progress (Miller and Catt, 1989).

In addition to concerns about uncertain future, employees who are affected by layoff often have strong feelings of anger and despair. Some may have spent most of all of their working lives serving an employer, and suddenly, their livelihoods become threatened. To prevent incorrect rumors and dispel uncertainties, organizations need to inform personnel who are affected as soon as possible.

Cost reduction is also an initial reaction to increased global competition based on cost, quality and new technology (Bateman, 1993). The main reason for mergers / acquisitions comprises cost cutting (Ramu, 1998). Companies focusing on cost cutting lay off workers and managers, reduce the number of organizational levels, and close or sell inefficient facilities. They work hard to improve product quality, not only for customers but also to reduce the costs of rejects, rework, customer services and warranties (Ramu, 1998).

Pucik (1988) points out how human resource management activities can support and compliment line management in providing a supportive climate and appropriate systems for organizational learning, both by the subsidiary and by the parent. Human resource management may therefore be defined as the range of policies and practices used to facilitate integration, commitment, flexibility and the quality of working life, as well as meeting broader business goals such as changing organizational values, structures, productivity and delivery mechanisms (Brewster and Tyson, 1991).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

This research work was a case study on Barclays Bank of Kenya employees' perception of acquisition and factors influencing their perception as the company is adapting to the new circumstance. Kothari (1990) concurs that the case study method is particularly useful in this instance because it captures a population that is undergoing changes within the same organizational context.

Case studies are more suited to gather and organize information on a particular issue and thereafter analyze it to seek patterns or themes in the data. Because perception and attitude take time to develop a case study offers the flexibility to dwell on the issue with a reasonable degree of depth (Ng'ang'a, 2004). This method was preferred for the reason that it allows for a more intensive study of one entity.

3.2 The Population

The population of the study consisted of all the employees of Barclays Bank of Kenya limited. According to Barclays Globe (2006) the bank has a staff compliment of 1711.

3.3 The Sample and the Sample Design

A sample of 120 employees was considered adequate to provide a general view on the employees' perception of acquisition as well as to determine the factors influencing their perception.

Sampling was by stratified random sampling method based on the six major department of the bank i.e. Retail, Corporate Service, Payments and International Services, Human Resources, Barclaycard and Service Delivery. The sample represented fairly equal staff from all these departments.

3.4 Data collection

Primary data was gathered from respondents using a structured questionnaire (See appendix 2). The questionnaire was pre-tested and adjusted appropriately with a view of enhancing its effectiveness.

The questionnaire measures variables from which quantifiable data was gathered. An introductory letter that briefly explains the purpose of the study accompanied the questionnaire (See appendix 1). The drop and pick method was used to administer the questionnaire. The questionnaire was distributed to one hundred and twenty staff (120) representing management and non-management employees drawn from the following departments as depicted by the table 1. The distribution of the respondents was as follows

Table 1: The distribution of the respondents per department

Departments	Retail	Corporate service	HR	PAIS	Barclay Card	Service delivery	Total
Level in organization							
Management	10	10	10	10	10	10	60
Non-managements	10	10	10	10	10	10	60
Total	20	20	20	20	20	20	120

Source: Research Data

The questionnaire was structured as follows: Section A contains profile of the respondent and other demographic factors to help address objective 2 of the research. Section B addresses objective 1 of the research whereas Section C is the questionnaire closure.

3.5 Data Analysis Method

The study was descriptive in nature. The data collected was analyzed using descriptive statistics. These include the use of frequency tables, percentages, mean scores and cross tabulation. Percentages and frequency tables was used to analyze employees' profiles. Mean scores were used to analyze objective 1 whereas Cross tabulation was used for Objective 2.

CHAPTER FOUR: DATA ANALYSIS

This chapter presents the analysis and findings of the study. It provides general information of the sample studied, profile of the respondents, Perception of effect of acquisition and factors influencing acquisition perception. Data was analyzed using frequency tables, percentages, mean scores and cross tabulation.

4.1 General information

A sample of 120 was selected by way of the stratified random sampling technique based on the six departments of the bank, that is, Retail, Corporate Service, Payments and International Services, Human Resources, Barclaycard and Service Delivery, wherein, for each department, a sample of 20 respondents was picked at random.

Although a sample size of 120 was required for this study, only 100 employees accepted to participate by accepting the questionnaires. However, it was not possible to get back all these questionnaires in time and therefore, 72 responses were used for the analysis. The overall response rate was 72% (72 respondents out of 100). The response rate was deemed adequate and sufficient by the researcher for purposes of data analysis. This compares well with other studies such as Muema (2005) with 67%.

Table 2: The Response rate per department

Department	Frequency	Percentage
Retail	20	28
Corporate Service	11	15
Payments and International Services	8	11
Human resources	6	8
Barclaycard	10	14
Service Delivery	17	24
Total	72	100

Source: Research Data

As depicted by table 2, the response rate was highest from the Retail department with 28%. Service delivery had second highest response rate of 24%. Human resource department recorded the lowest response rate of 8%.

4.1.1 Profile of the respondents

Responses were gathered from both the management and non-management staff in reliable and representative proportions. As such, the study was based on the views and perceptions of the employees at all levels of the organization hierarchy. The Table 3 gives a summary of the respondents' characteristics and demographic factors.

Table 3: Respondents' characteristics (n=72)

Characteristics	Frequency	Percentage
Gender of employees		
Male	36	50
Female	36	50
Total	72	100
Age bracket (years)		
Below 30	41	57
31-40	30	42
41-50	1	1
Total	72	100
Marital Status		
Single	37	51
Married	30	42
Divorced or separated	3	4
Widowed	2	3
Total	72	100
Academic qualification		
Post graduate	11	15
Graduate	45	63
Diploma	9	12
O/A Level	7	10
Total	72	100
Period of service (in years)		
Below 1 year	16	22
1-5years	25	35
6-10 years	15	21
10-14 years	16	22
Above 15	0	0
Total	72	100

Table 3: Continued

Characteristics.	Frequency	Percentage
Period or time last promoted		
Never	31	43
Below 5 years	36	50
6-10 years	4	6
11-15 years	1	1
Total	72	100
Position in organization		
Management	17	24
Non management	55	76
Total	72	100

Source: Research Data

As shown by table 3, male and female respondent proportions are equal at 50% each. It was evident that this was a fair distribution of gender for the study. A larger proportion of the respondents, that is, 57% are below 30 years of age, 42% of the respondents were between 31-40 years whereas only 1% of respondents were above 40 years. Whereas 51% of the respondents were single, 42% of them were married while 4% and 3% of them were divorced and widowed respectively.

Respondents with post graduate academic qualifications account for 15% of the respondents, 63% are university graduates, 12% hold diploma certificates and 10% are 0/A Level certificate holders. 22% of the respondents have worked with the bank for a period of less than a year, 35% of them worked for less than 5 years, 21% worked for less than 10 years, 22% for less than 15 years and none of the respondents have worked for more than 15 years. 43% of the respondents have not been promoted since they joined the bank, whereas 50% were promoted less than 5 years ago, 6% were promoted less than 10 years ago, while 1% promoted 15 years ago. Only 24% of the respondents are in the management staff category compared to 76% who are non-management staff.

4.2 Perception of effect of acquisition

The first objective of the study sought to determine how Barclays Bank of Kenya employees perceives the Barclays Bank PLC acquisition of Amalgamated Banks of South Africa (ABSA). These perceptions were captured through section B of the questionnaire whereby question 1 dwelt on companywide aspects of an acquisition whereas question 2 probed for individual feelings. The Perception statements that were considered by the study are those commonly recited in researches done on Acquisitions. Therefore, the Perception statements that could apply to BBK employees were the only ones that were considered. The information was obtained using mean scores ranked on a 5-point likert scale with 1 taken to represent lowest level and 5 taken as highest. The higher the mean score the greater was the effect perceived. The results are shown in Table 4.

Table 4: Perception and Restructuring effect (company wide aspects)

Perception	Mean Score	Standard Deviation
Enhance competitiveness	3.2254	1.2212
Enlisted rampant rumors	3.7778	1.2806
Loss of organizational identity	1.8143	1.0114
Elimination of overlapping positions	3.3750	1.2830
Geographic transfers	2.9306	1.0919
Closure of inefficient facilities	3.6620	1.1457
Turnover of key personnel	3.3611	1.2482
Loss of morale	2.1806	.9976
Enhance market leadership	3.3286	1.2935
Enhance profitability	3.8451	1.0092
Broaden product and service range	4.0423	1.0203
Acquire access to major customers	3.7500	1.0582
Lead to economies of scale via spreading overhead	3.6143	1.1584
Enhance corporate growth	4.1389	.8443
Acquire technology where is lacking	3.7746	1.1237
Improvement of working conditions	2.7778	1.0776
Lead to salary increase	1.8310	.9100
Lead to too much workload	1.9859	1.1525
Stretched targets that are difficult to achieve	2.6338	1.3442
Few opportunities for promotion	2.2535	1.1429
Greater community involvement	3.1549	1.1420

Source: Research Data

As table 4 shows in general, the findings revealed that the employees were more agreeable to the perceived effects of the acquisition statements and majority of them had a mean score of above 2.5. The statements that had the highest mean scores of above 3.00 include those on enhance corporate growth 4.12, broaden product and service range 4.04, enhance profitability 3.85, enlisted rampant rumors 3.78, acquire technology where is lacking 3.75, acquire access to major customers 3.75, closure of inefficient facilities 3.66, lead to economies of scale via spreading overhead 3.61, elimination of overlapping positions 3.38, turnover of key personnel 3.36, enhance market leadership 3.33, enhance competitiveness 3.23 and greater community involvement 3.12.

These results imply that majority of the employees perceived the acquisition as value creating whose overriding objective was the attainment of profitable growth by acquisition. Avoidance of growth in a market where incumbent's rivals are relentlessly seeking to increase their market shares can result in a serious loss of market position while the attendant adverse impacts on profitability can jeopardize long-term survival. Growth provides a means for maintaining or enhancing a firm's relative competitive position.

4.2.1 Perception of feeling/experience of an acquisition

The feeling/experiences of employees were not addressed by question 1 of section B of the questionnaire therefore question 2 sort to capture employee experiences due to announcement and subsequent implementation of Barclays Bank PLC acquisition of ABSA. The information was obtained using mean scores ranked on a 5-point likert scale with 1 taken to represent lowest level and 5 taken as highest. The findings were analyzed using mean score. The interpretation was done based on the intensity of the mean scores, and the higher the mean score the greater was the effect perceived and the lower the mean score the lower was the effect perceived. Table 5 presents the findings.

Table 5: Perception and Restructuring effect (individual feelings)

Perception	Mean Score	Standard Deviation
Feeling of fear	2.2113	1.3084
Feeling of helplessness	1.6620	1.0274
Suspicion toward intention of management	2.5775	1.3801
Job stress and tension	2.0282	1.0951
Feeling of anxiety	2.5775	1.4309
Job insecurity	2.4507	1.2960
Conflict between personal and employer requirement	2.2535	1.2504
Feeling of mistrust	2.1408	1.3234
Unclear and conflicting roles	2.3803	1.3241
Feeling of anger	1.3944	.9020
Feeling of hurt	1.4648	.9685
Feeling of confusion and disorganization	2.0423	1.2585
Feeling of decline in self-confidence	1.5211	.8922
Inability to cope with the workload	1.3857	.7669
Inadequate support and guidance from senior staff	1.9571	1.1091
Difficulties in establishing good working relation	1.5915	.9036
Reduced work motivation	1.9577	1.1764
An emerging opportunity for personal growth	3.3239	1.1560
Emotional problems due to loss of colleagues who have resigned	1.8873	1.0219
Feeling of calmness	2.5775	1.0645

Source: Research Data

As table 5 shows in general, the findings revealed that a small proportion of employees were agreeable to the following statements which had a mean score of above 2.5.The statements that had mean scores of above 2.5 included those on emerging opportunity for personal growth 3.32, suspicion toward intention of management 2.58, feeling of anxiety 2.58, feeling of calmness 2.58 and job insecurity 2.50.

Generally, table 5 shows a large proportion of employees were not agreeable to the following statements which had a mean score of below 2.5. The statements included inability to cope with the workload 1.39, feeling of anger 1.39, feeling of hurt 1.47, feeling of decline in self-confidence 1.52, difficulties in establishing good working relation 1.59, feeling of helplessness 1.66, emotional problems due to loss of colleagues who have resigned 1.89, inadequate support and guidance from senior staff 1.96, job stress and tension 2.03, feeling of confusion and disorganization 2.04, feeling of mistrust 2.14, feeling of fear 2.21, conflict between personal and employers requirement 2.25 and unclear and conflicting roles 2.38.

4.3 Factors influencing employee perception of acquisition

The second objective of the study was to identify the factors that influence the perception of employees regarding acquisition in the banking industry. The mean scores of perception statements in question 2 of section B of the questionnaire were cross-tabulated against five of the demographic factors namely; gender, age, marital status, level of education and position in the organization in order to determine the relationships between these factors and perception of acquisition.

The factors were ranked in a 5 point likert scale with the respondents asked to score against each of the factor in terms of its influence on perception i.e. To a very great extent, great extent, moderate, little extent and no effect at all for scores of 5,4,3,2 and 1 respectively. The findings were analyzed using mean score.

The interpretation was done based on the intensity of the mean score. The higher the mean score the greater was the demographic factor perceived to influence employees perception of the acquisition and the lower the mean score the lower was the demographic factor perceived to influence employees perception of the acquisition. Mean scores of above 3 points and below 3 points were perceived to be high and low respectively. The results are shown in Table 6,7,8,9 and 10.

Table 6: Perception and Gender of Respondent

	Mean scores	
Perception Factor	**Male**	**Female**
Feeling of fear	2.06	2.37
Feeling of helplessness	1.58	1.17
Suspicion towards intention of management	2.36	2.80
Job stress and tension	2.06	2.00
Feeling of anxiety	2.69	2.46
Job insecurity	2.19	2.71
Conflict between personal and employer's requirements	2.22	2.29
Feeling of mistrust	2.03	2.26
Unclear and conflicting roles	2.31	1.89
Feeling of anger	1.47	1.31
Feeling of hurt	1.53	1.40
Feeling of confusion and disorganization	2.08	2.00
Feeling of decline in self confidence	1.53	1.51
Inability to cope with the workload	1.94	1.97
Lack of adequate support and guidance from senior staff	1.58	1.60
Difficulties in establishing good working relationships with other employees	1.58	1.60
Reduced work motivation	2.06	1.86
Emerging opportunity for personal growth	3.58	3.06
Emotional problems including guilt feeling following loss of colleagues who have resigned	1.83	1.94
Feeling of calmness	2.53	2.63

Source: Research Data

As table 6 shows in general, the findings revealed that gender as a factor was not perceived as influencing the employee's perception of the acquisition with only one statement scoring a mean of 3.58 and 3.06 for male and female respondents respectively. The mean scores for the male and female respondents displayed negligible differences implying that the gender of an employee as demographic factor did not influence perception.

Table 7: Perception and Age of Respondent

	Mean scores		
Perception Factor	**Below 30 Years**	**31-40 Years**	**41-50 Years**
Feeling of fear	2.05	2.38	4.00
Feeling of helplessness	1.63	1.62	4.00
Suspicion towards intention of management	2.34	2.83	5.00
Job stress and tension	1.88	2.28	5.00
Feeling of anxiety	2.49	2.72	4.00
Job insecurity	2.32	2.62	3.00
Conflict between personal and employer's requirements	2.34	2.14	2.00
Feeling of mistrust	1.99	2.28	5.00
Unclear and conflicting roles	2.37	1.93	5.00
Feeling of anger	1.20	1.56	5.00
Feeling of hurt	1.24	1.66	5.00
Feeling of confusion and disorganization	1.95	2.10	4.00
Feeling of decline in self confidence	1.39	1.69	2.00
Inability to cope with the workload	1.40	1.38	1.00
Lack of adequate support and guidance from senior staff	1.85	2.03	4.00
Difficulties in establishing good working relationships with other employees	1.59	1.62	3.00
Reduced work motivation	2.02	1.76	5.00
Emerging opportunity for personal growth	3.44	3.14	4.00
Emotional problems including guilt feeling following loss of colleagues who have resigned	1.80	2.00	2.00
Feeling of calmness	2.63	2.56	1.00

Source: Research Data

As table 7 shows in general, the findings revealed that age as a factor was perceived as influencing the employee's perception of the acquisition. The employees in the below 30 years segment exhibited the same characteristics as those categorized as between 31 and 40 years. Amongst the two categories only one statement scored mean score of 3 points. In contrast to the below 30 years and 31-40 years categories of employees, the 41-50 years category scored mean scores of above 3 points in most of the perception statements except for five statements.

Table 8: Perception and Marital Status

	Mean scores			
Perception Factor	**Single**	**Married**	**Divorced/ Separated**	**Widowed**
Feeling of fear	2.11	2.24	2.67	5.00
Feeling of helplessness	1.59	1.69	2.00	2.00
Suspicion towards intention of management	2.43	2.56	3.38	4.50
Job stress and tension	1.89	2.03	3.00	3.00
Feeling of anxiety	2.24	2.66	3.00	3.00
Job insecurity	2.41	2.86	2.01	2.50
Conflict between personal and employer's requirements	2.32	2.14	1.33	4.00
Feeling of mistrust	2.11	2.07	2.33	3.50
Unclear and conflicting roles	2.49	2.28	2.67	1.50
Feeling of anger	1.30	1.38	2.33	2.0
Feeling of hurt	1.30	1.52	2.33	2.50
Feeling of confusion and disorganization	1.86	2.03	2.33	1.00
Feeling of decline in self confidence	1.46	1.62	1.67	1.00
Inability to cope with the workload	1.67	1.41	1.00	1.00
Lack of adequate support and guidance from senior staff	1.89	1.90	2.33	3.50
Difficulties in establishing good working relationships with other employees	1.62	1.48	1.67	3.00
Reduced work motivation	2.05	1.79	2.33	2.00
Emerging opportunity for personal growth	2.95	3.21	3.33	4.00
Emotional problems including guilt feeling following loss of colleagues who have resigned	1.78	1.97	1.67	3.00
Feeling of calmness	2.68	2.52	1.67	2.00

Source: Research Data

As table 8 shows in general, the findings revealed that marital status, as a factor was perceived as influencing the employee's perception of the acquisition. The employees in the single and married category exhibited the same characteristics with mean scores of below 3 points. The divorced/separated category only scored a mean score of above 3 points in four perception statements. The widowed category scored a mean score of above 3 points in ten perception statements.

Table 9: Perception and level of Education

	Mean scores			
Perception Factor	**Post Graduate**	**Graduate**	**Diploma**	**A/O Level**
Feeling of fear	1.64	2.24	3.13	1.86
Feeling of helplessness	1.18	1.73	2.38	1.14
Suspicion towards intention of management	2.36	2.47	3.63	2.43
Job stress and tension	1.64	2.04	2.89	1.57
Feeling of anxiety	2.09	2.69	3.00	2.14
Job insecurity	1.91	2.01	3.13	2.14
Conflict between personal and employer's requirements	2.00	2.27	2.75	2.00
Feeling of mistrust	1.55	2.13	3.25	1.86
Unclear and conflicting roles	2.27	2.13	3.13	1.86
Feeling of anger	1.18	1.31	2.25	1.29
Feeling of hurt	1.09	1.40	2.50	1.29
Feeling of confusion and disorganization	1.55	2.20	2.38	1.43
Feeling of decline in self confidence	1.18	1.53	2.13	1.29
Inability to cope with the workload	1.45	1.48	1.38	1.14
Lack of adequate support and guidance from senior staff	1.73	1.98	2.63	1.71
Difficulties in establishing good working relationships with other employees	1.64	1.60	1.88	1.14
Reduced work motivation	2.00	1.98	2.50	1.14
Emerging opportunity for personal growth	3.45	3.10	3.13	2.29
Emotional problems including guilt feeling following loss of colleagues who have resigned	1.73	1.93	2.13	1.57
Feeling of calmness	2.64	2.68	1.86	2.71

Source: Research Data

As table 9 shows in general, the findings revealed that level of education, as a factor was perceived as influencing the employee's perception of the acquisition. Employees with postgraduate qualification exhibited similar characteristics as the graduate's category scoring mean scores of below 3 points. The employees with diploma qualification scored mean score of above 3 points in seven (7) perception statement whereas those with O or A level academic qualification scored mean scores of below 3 points in all the statements.

Table 10: Perception and Position in the Organization

Perception Factor	Mean scores Management	Mean scores Non Management
Feeling of fear	2.24	2.20
Feeling of helplessness	1.71	1.65
Suspicion towards intention of management	2.65	1.93
Job stress and tension	1.94	2.06
Feeling of anxiety	2.41	2.63
Job insecurity	2.24	2.25
Conflict between personal and employer's requirements	2.00	2.33
Feeling of mistrust	2.24	2.11
Unclear and conflicting roles	2.47	2.17
Feeling of anger	1.65	1.31
Feeling of hurt	1.71	1.39
Feeling of confusion and disorganization	1.94	2.04
Feeling of decline in self confidence	1.53	1.52
Inability to cope with the workload	1.35	1.47
Lack of adequate support and guidance from senior staff	2.00	1.89
Difficulties in establishing good working relationships with other employees	1.35	1.67
Reduced work motivation	1.58	2.04
Emerging opportunity for personal growth	3.29	3.33
Emotional problems including guilt feeling following loss of colleagues who have resigned	2.00	1.85
Feeling of calmness	2.70	2.53

Source: Research Data

As table 10 shows in general, the findings revealed that position in the organization, as a factor was not perceived as influencing the employee's perception of the acquisition. Both management and non-management category of employees scored a mean score of below 3 points in all the perception statements except in one statement.

CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes, discusses and makes conclusions on the findings of this study in relation to the objectives put forward in chapter one. It also discusses the limitations of the study, recommendations for further research as well as recommendations for policy and practice.

5.1 Summary, Discussions and Conclusions

This study was primarily aimed at achieving two objectives namely; to determine how Barclays Bank of Kenya employees perceive the Barclays Bank PLC acquisition of Amalgamated Banks of South Africa (ABSA) and to identify the factors that influence the perception of employees regarding acquisition in the banking industry.

Regarding the first objective, the study confirms that majority of the employees perceived the acquisition as value creating whose overriding objective was the attainment of profitable growth by acquisition. Avoidance of growth in a market where incumbent's rivals are relentlessly seeking to increase their market share can result in a serious loss of market position while the attendant adverse impacts on profitability that can jeopardize long term survival. Growth provides a means for maintaining or enhancing a firm's relative competitive position.

Since technological change has such a powerful role in competition, research result indicate majority of employees perceived that BBK will acquire technological capabilities from ABSA thereby improve its position. Successful technological leaders actively pursue first mover advantages rather than rely on their technological edge. BBK ought to take every opportunity to use their technological leadership to define the competitive rules in ways that benefit them.

The research result indicate majority of employees perceived the acquisition to provide a way to broaden the firm scope through adding positions in new segments, positions in new geographic areas and greater integration. They perceived the acquisitions as led to increase in market coverage through geographic extension of the market and through product line extension. Product line extension can also enhance revenues if the acquiring firm (Barclay Bank PLC) manages to exploit the strong reputation of the target (ABSA) business brand, sales network or marketing activities. Overall, superior marketing capabilities can lead to increased customer value, which in turn can be translated into premium prices and/or increased volumes.

Greater market coverage allows the acquiring firm to sell existing products (once confined to the particular markets of one firm) to a wider body of consumers, thus enhancing revenues. Shared product lines enable the acquiring firm to increase the variety of product lines; and eventually to cross-sell and bundle products to customers. The value of the bundles to customers may be greater than the value of each product separately. These sentiments were echoed by employees who perceive the acquisition as enabling BBK acquire access to major customers.

Employees perceived the acquisitions as enhancing innovation capability by using superior innovation capability (proprietary technology, patents, know-how) of the target firm to enhance product features (product innovation capability) or to improve organizational and marketing effectiveness (e.g. time to market, customer satisfaction). Innovation capability can be converted into price premium and/or increased volume, leading to higher revenues.

The research results indicate that majority of employees perceived management differences between acquiring and target firm as led to turnover of key personnel. If the profile, skills and style of managers differ among the firms, forging interrelationships may prove difficult. Management differences that may inhibit interrelationships include differences in age, titles, educational backgrounds, technical skills and tenure in office.

The research findings indicate that majority of employees' perceived differing cultures and procedures as led to loss of morale. Relevant cultural differences include such things as norms of interpersonal behavior, terminology and basic business philosophy. Procedural differences may include different accounting and information systems, approval limits and union agreements. Cultural differences can inhibit communication and make working relationships hard to negotiate and maintain, whereas procedural differences create friction and confusion hence loss of morale.

The research findings disqualify an argument by Buono and Bowditch (1989) that as acquisitions are announced and implemented; employees can feel stress, anger, disorientation, frustration, confusion, and sometimes fright. When this occurs, employees may reduce their commitment to the organization and lower their productivity as well. Most on-the-job frustration appears to result from conflict between individual wants and the restraints imposed by the organization. The research finding clearly shows that the BBK employee wellness programs slogan of `Live Well, Work Well', has in a way helped employees balance individual needs and organizational needs.

The research outcome further disqualify an argument by Haspeslagh and Jemison (1991) that acquisitions threaten, reduce or destroy important elements of economical or psychic value such as job security, promotion, career opportunities, status and pride of association. Brigham and Gapensky (2000) argued that, in some instances, the increased competitive strength of the newly enlarged enterprise could lead to expansion and the need for an increased workforce. These sentiments were echoed by respondents who perceived the acquisition as an opportunity for personal growth hence experienced a feeling of calmness.

Regarding the second objective, it is clear from the research findings that different employees may perceive the same environment differently, based on what particular aspects of the situation they choose to selectively absorb, how they organize this information and the manner in which they interpret it to grasp the situation. People differ in their perception to similar situations and explanations given for such divergence frequently refer to some underlying processes, which result in individual differences.

Mitchell (1978) asserted that people differ in terms of physical characteristics such as size, weight, age and sex as well as in background characteristics such as training and education, and personality traits such as extroversion or aggressiveness. Employees direct experience of the acquisition will differ depending on where they are placed in the organization, age, sex, marital status and educational background.

Their perception will be built on what they hear and how they see management act. The study established that among the demographic factors age, marital status and level of education influenced the employee's perception of acquisition.

5.2 Limitation of the study

The target respondents were all employees of Barclays Bank of Kenya but due to scarcity of resources in terms of research funds and time only employees based in Nairobi were considered. A larger sample would have given a more representative perception of the employees in the organization. This may therefore give subjective and biased results.

Some management level employees however, seemed unable to trust the intentions of the researcher and hence may not have sincerely indicated all aspects in relation to the study. A majority of non-management level employees however seemed sincere in their willingness to accept the questionnaires and return them in time. Therefore, there was an unfair generalization of the findings.

Another limitation regards the size of the sample. Some would-be respondents failed to return their questionnaires. Others declined to be involved in the study. The content of the study could have been richer if a large number of respondents were involved. The study also suffered problems associated with questionnaire-based data collection method, like misunderstanding of the questions and willfully giving misleading information where suspicion became a major issue.

Lastly, some respondents were also slow in submitting back their questionnaires. The researcher therefore had to physically and constantly follow them to honor their promises. On some occasions, this approach was not kindly received by these respondents.

5.3 Recommendations for further research

Despite the in-depth coverage of this research and its findings, there still exists a gap that future researchers could explore. To crosscheck the findings in this study, it is suggested that a replica study be undertaken using one category of employees. For instance, management level employees as a target respondents. Future studies should attempt to achieve a large sample to determine whether the results can be generalized.

Similarly a replica study can also be carried out targeting employees in a country where Barclays Bank PLC and ABSA operations existed such as in Tanzania, Zimbabwe and South Africa. Alternatively, a replica study can be carried out in a country where only Barclays Bank PLC operations existed such as in Botswana, Egypt, Ghana, Uganda, Seychelles and Zambia. A replica study in countries such as Namibia, Angola and Mozambique will reveal the employees perception of acquisition in a country where only ABSA existed.

Similar studies should be conducted to determine employee perception of other corporate growth strategies adopted by their organizations.

5.4 Recommendations for policy and practice

Since employees are the key factor to organizational success, their view/perception about acquisition cannot be ignored. Understanding how staff view the organization can be an important aid to the decision making process both through identifying issues that need to be addressed and through its use to monitor how staff view acquisition as the acquisition itself is implemented.

Views of employees are based on their experiences, attitudes and opinions. Individuals accept or reject organizational philosophies and practices. If their views are considered, employees are more likely to exert greater on-the-job efforts and to develop loyalty. When employers are perceived negatively, indifference towards job responsibilities lessens productivity and causes morale problems. Organizations should strive to build employee confidence and strengthen human relationships during acquisition implementation.

Furthermore, employees form opinions about themselves and their firms as changes in their organizations are implemented. Positive outcome serves to motivate, build confidence, develop morale and promote creativity. Conversely negative views contribute to human relations problems. A dissatisfied employee cause discipline problems and becomes a source of displeasure to colleagues. Whenever they become aware of such situations, managers should take the initiative to talk with these workers, encourage them to discuss causes of their views and recommend possible solutions.

More importantly, employees want to be informed, and they seek feedback about events and activities that affect them. Often, managers overlook the importance of providing information. Without information, uncertainty exists and rumors, innuendoes and miscommunications prevail. Several approaches can keep people informed. For instance staff meetings, memos, company publications, team building events as well as time be set aside to accommodate individual questions.

Organizations should not deliberately mislead employees into thinking unrealistically about advancement possibilities or contribute to development of false hopes that are not likely to materialize. Should this happen, it inevitably leads to frustration, anxiety and disappointment. When workers must be informed of a negative status change, organizations ought to be direct and factual; express appreciation to employees for helping make change as smoothly as possible.

In disseminating information, organizations ought to be honest and direct. If possible, have counselors assist workers with emotional trauma. Above all organizations ought to assure surviving workers of their value as human assets, respond to their questions and concerns, and maintain open communication with them. Last but not least, organizations should not make promises that cannot be kept.

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APPENDIX 1: LETTER OF INTRODUCTION

Dear Colleague

RE: REQUEST FOR RESEARCH INFORMATION

I am a Customer Advisor at Moi Avenue branch and a student at the University of Nairobi pursuing a master's degree in Business Administration (MBA). I am undertaking a research project on Employee Perception of Acquisition: The Case of Barclays Bank of Kenya Employees as part of the academic requirements for the award of the stated degree.

I would be grateful if you could spare some of your time and fill the attached questionnaire answering the questions as honestly as possible. The information you give shall be treated with utmost confidentiality and will be used solely for this research problem.

A copy of the research report will be made available to you upon request.

In case of any queries pertaining to this research project, do not hesitate to call me on Tel 0720 266149. Any additional information you might consider necessary for this study will be highly appreciated.

Thanks in advance,

Yours sincerely,

Lelekoitien Saruni Daniel

APPENDIX 2: QUESTIONNAIRE

Kindly answer the following questions as accurately as possible. Your individual responses are strictly confidential and anonymous. Your answers shall be used for academic purposes only. Please tick your answer against each question in the spaces provided.

SECTION A: PROFILE OF RESPONDENT AND OTHER DEMOGRAPHIC FACTORS

1. Sex of the respondent
   - a) Male [ ]
   - b) Female [ ]

2. Age of respondent
   - a) Below 30 [ ]
   - b) 31-40 [ ]
   - c) 41-50 [ ]
   - d) Above 51 [ ]

3. Marital status
   - a) Single [ ]
   - b) Married [ ]
   - c) Divorced / separated [ ]
   - d) Widowed [ ]

4. What is your highest level of Education?
   - a) Post Graduate [ ]
   - b) Graduate [ ]
   - c) Diploma [ ]
   - d) O or A level [ ]

5. For how long have you worked for Barclays?

   a) Less than 1 year
   b) 1-5 years
   c) 6-10 years
   d) 10-14 years
   e) Over 15 years

6. When were you last promoted?

   a) Less than 5 years ago
   b) 6-10 years ago
   c) 11-15 years ago
   d) Above 16 years ago

7. What is your position in the organization?

   a) Management Staff (B3 and above)
   b) Non –Management (B2 and below)

8. In which department of the Bank are you employed?

   a) Barclaycard
   b) Retail
   c) Human Resourccs
   d) Corporate Service
   e) Payments and International Services
   f) Service Delivery

SECTION B: EMPLOYEE PERCEPTION OF ACQUISITION

1. To what extent do you consider the following statements, to be reflective/represent your views about the Barclays Bank PLC acquisition of Amalgamated Banks of South Africa (ABSA)?

	Not At all	Little extent	Moderate	Great extent	Very great extent
	1	2	3	4	5
a. It has enhanced competitiveness of Barclays Bank	[ ]	[ ]	[ ]	[ ]	[ ]
b. It has enlisted rampant rumors	[ ]	[ ]	[ ]	[ ]	[ ]
c. It has led to loss of organizational identity	[ ]	[ ]	[ ]	[ ]	[ ]
d. It will lead to elimination of overlapping positions	[ ]	[ ]	[ ]	[ ]	[ ]
e. It will lead to geographic transfers	[ ]	[ ]	[ ]	[ ]	[ ]
f. It will lead to closure of inefficient facilities	[ ]	[ ]	[ ]	[ ]	[ ]
g. It will lead to turnover of key personnel	[ ]	[ ]	[ ]	[ ]	[ ]

	Not At all	Little extent	Moderate	Great extent	Very great extent
	1	2	3	4	5
h. It will lead to loss of morale	[ ]	[ ]	[ ]	[ ]	[ ]
i. It will enhance Barclays Bank of Kenya market leadership	[ ]	[ ]	[ ]	[ ]	[ ]
j. It will enhance Barclay profitability	[ ]	[ ]	[ ]	[ ]	[ ]
k. It will broaden the product and service range in existing markets and territories	[ ]	[ ]	[ ]	[ ]	[ ]
l. It will acquire access to major customers	[ ]	[ ]	[ ]	[ ]	[ ]
m. It will lead to economies of scale via spreading overheads	[ ]	[ ]	[ ]	[ ]	[ ]
n. It will enhance corporate growth	[ ]	[ ]	[ ]	[ ]	[ ]

	Not At all	Little extent	Moderate	Great extent	Very great extent
	1	2	3	4	5
o. It will acquire technology where it's lacking	[ ]	[ ]	[ ]	[ ]	[ ]
p. It will lead to improvement of working conditions	[ ]	[ ]	[ ]	[ ]	[ ]
q. It will lead to salary increase	[ ]	[ ]	[ ]	[ ]	[ ]
r. It will lead to too much workload, which will be difficult to cope	[ ]	[ ]	[ ]	[ ]	[ ]
s. It will lead to stretched targets, which will be difficult to achieve	[ ]	[ ]	[ ]	[ ]	[ ]
t. It will lead to few opportunities for promotion	[ ]	[ ]	[ ]	[ ]	[ ]
u. It will lead to greater community involvement	[ ]	[ ]	[ ]	[ ]	[ ]

2. Please indicate to what extent you experience each of the following due to the announcement and subsequent implementation of Barclays Bank PLC Acquisition of Amalgamated Banks of South Africa (ABSA).

	Not At all	Little extent	Moderate	Great extent	Very great extent
	1	2	3	4	5
a) A feeling of fear	[ ]	[ ]	[ ]	[ ]	[ ]
b) A feeling of helplessness	[ ]	[ ]	[ ]	[ ]	[ ]
c) Suspicion towards intention of management	[ ]	[ ]	[ ]	[ ]	[ ]
d) Job stress and tension	[ ]	[ ]	[ ]	[ ]	[ ]
e) A feeling of anxiety	[ ]	[ ]	[ ]	[ ]	[ ]
f) Job insecurity	[ ]	[ ]	[ ]	[ ]	[ ]
g) Conflict between personal and employers' requirements	[ ]	[ ]	[ ]	[ ]	[ ]
h) A feeling of mistrust	[ ]	[ ]	[ ]	[ ]	[ ]
i) Unclear and conflicting roles	[ ]	[ ]	[ ]	[ ]	[ ]

	Not At all	Little extent	Moderate	Great extent	Very great extent
	1	2	3	4	5
j) A feeling of anger	[ ]	[ ]	[ ]	[ ]	[ ]
k) A feeling of hurt	[ ]	[ ]	[ ]	[ ]	[ ]
l) A feeling of confusion and disorganization	[ ]	[ ]	[ ]	[ ]	[ ]
m) A feeling of decline in Self-confidence	[ ]	[ ]	[ ]	[ ]	[ ]
n) Inability to cope with the workload	[ ]	[ ]	[ ]	[ ]	[ ]
o) Lack of adequate support and guidance from senior staff	[ ]	[ ]	[ ]	[ ]	[ ]
p) Difficulties in establishing good working relationships with other employees	[ ]	[ ]	[ ]	[ ]	[ ]
q) Reduced work motivation	[ ]	[ ]	[ ]	[ ]	[ ]
r) An emerging opportunity for personal growth	[ ]	[ ]	[ ]	[ ]	[ ]

	Not At all	Little extent	Moderate	Great extent	Very great extent
	1	2	3	4	5
s) Emotional problems including guilt feeling following loss of colleagues who have resigned	[ ]	[ ]	[ ]	[ ]	[ ]
t) A feeling of calmness	[ ]	[ ]	[ ]	[ ]	[ ]

SECTION C: QUESTIONNAIRE CLOSURE

1. Are you aware of Barclays Bank PLC acquisition of Amalgamated Banks of South Africa (ABSA)?

   Yes ☐

   No ☐

2. If your response is Yes for question 1, how did you learn about it?

   Word of Mouth (Official pronouncement) ☐

   Company Publications and Circulars ☐

   Local Newspapers ☐

   Television ☐

   Others (specify) ____________________

3. Please indicate any other comments you may wish to include that are relevant to this subject--

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THANKS