THE INFLUENCE OF MERGERS AND ACQUISITIONS ON EMPLOYEE PERFORMANCE: A CASE OF EQUATORIAL COMMERCIAL BANK

BY

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DECLARATION

This research project is my original work and has not been presented for a Masters degree award in any other university.

Signature:………………………. Date:…………………………..…….

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This research project report has been submitted for examination with my approval as the candidate's supervisor.

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DEDICATION

This project is dedicated to my parents, Mr. and Mrs. Kivuti, brothers, sisters, and friends who have consistently encouraged and supported me throughout this course. May God bless you.

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ABSTRACT

Mergers and acquisitions as an external growth strategy has gained surge because of increased deregulation, privatization, globalization and liberalization adopted by several countries. Mergers have become a common phenomenon in Kenya over the recent past. As a result of the challenging local and global macroeconomic environment, slowed economic performance and credit rating downgrades of major economies, Central Bank of Kenya (CBK) embarked on a significant monetary tightening stance, in an effort to reduce rising inflation and stabilize the Kenya shilling. The constrained economic condition resulted in the merger between Equatorial Commercial Bank and Southern Credit Bank. The main reason behind this merger was the need to enlarge branch network and balance sheet. Studies focusing on the project planning and management aspect of mergers and acquisitions appear scanty especially in the commercial banks where employee performance is affected by the conflicts brought about by the difference in structures and cultures in the merged organizations. It was in this light that this study aimed to fill the existing knowledge gap by carrying out a study on the influence of mergers and acquisitions on employee performance in Kenya where the focus was on Equatorial Commercial Bank. The specific objectives were to assess the influence of remuneration, sense of ownership and belonging, job security and chain of command on the performance of employees working in Equatorial Commercial Bank. This research problem was studied through the use of a survey descriptive research design. The target respondents included the 159 departmental heads, assistant departmental heads and lower cadre staffs like the supervisors, accounts and finance officers from the Equatorial Commercial Bank. A sample of 112 respondents was selected from within each group in proportions that each group bears to the study population. The study used a survey questionnaire administered to each member of the sample population. The study administered the questionnaire individually to all respondents of the study. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. Inferences were made by testing relationships among variables using Karl Pearson Correlation and multiple regression analysis. The study concludes that employee pay and remuneration affect employee performance in the merged organization. Mergers affect the sense of ownership and belonging among the employees in the Bank hence their performance. Job security affects the employee performance in the Bank. Chain of command affects the employees' performance in the Bank. The management of the Bank should also check the quantity of work and compare with the salary given to the employees. The Bank should increase formal and informal training programs to their staff so as to enhance their sense of ownership and hence performance through mergers and acquisitions. Measures and strategies in order to enhance job security among employees in the merged banks should be achieved by creating environment that enhances their motivation level to satisfactory levels.

LIST OF ABBREVIATIONS & ACRONYMS

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CFC	Capital Finance Company
ECB	Equatorial Commercial Bank
EU	European Union
ILO	International Labour Organization
M&A	Mergers and Acquisitions
SCBC	Southern Credit Banking Corporation
SPSS	Statistical Package for Social Sciences
Std Dev	Standard Deviation
UK	United Kingdom
USA	United States of America
MA	Masters of Arts
UoN	University of Nairobi

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In today's market growth is essential for sustaining the viability, dynamism and the value enhancing capability of any firm. This is because a growth oriented firm is able to attract talented executives and also be in a position to retain them. The main objective for any firm in the market today is to make profits and be in a position to create and maximize shareholder's wealth. Growth of the firm can be achieved by introducing new products and services to the market, improving on the already existing products and services in the market or by expanding its present operations on its existing products. The internal growth of a firm can be achieved by entering into mergers and acquisitions (Ghosh and Das, 2003).

A merger is the combination of businesses which occurs when two companies, more or less on equal footing, decide to join forces (Tomlison, 2005). On the other hand, acquisitions are business combinations which occur when one company takes over another company. For the entire Mergers and acquisition (M&A) process to be a success, there must be a transfer of the capabilities and knowledge for cost effective synergies to become a reality. There are certain objectives and reasons for mergers and acquisitions that propel the increase in mergers and acquisitions (Hensmans et al., 2001).

Mergers and acquisitions as an external growth strategy has gained surge because of increased deregulation, privatization, globalization and liberalization adopted by several countries. Mergers and acquisitions have become an important medium to expand product portfolios, enter new markets and acquire technology, gain access to research and development and gain access to resources which would enable the company to compete on a global scale (Yadav and Kumar, 2005). There are many reasons to merge with or to acquire another company: greater market share, diversification into a related group of products or services, expansion up or down the supply chain, gaining cutting edge expertise for new product development.

Change has a direct and profound impact on people, organizational systems, and business operations. Failure to understand and to develop strategies to manage the impact of such change poses a direct threat to profitability and the preservation of equity value.

The United States of America banking industry epitomizes the global rapid raise in mergers and acquisitions. In 1984, there were 15,084 banking institutions in USA, by the year 2005, that number had fallen to 6,500; a decline of 57 per cent (Janicki and Prescott, 2006). In the last two decades, most of the decline in the number of established banking organization in the USA was due to mergers and acquisitions (Janicki and Prescott, 2006). In the same period, 8,122 banks and financial institutions disappeared through mergers and holding company purchases the majority of these banks being domestic financial institutions (Berger, Saunders, Scalise and Udell 1998).

The second most economically developed region in the world, Western Europe witnessed a similar trend in a slightly less dramatic rate (Walkner and Raes, 2006). Between 1996 and 2005 European banks made 816 acquisitions with a total value of €682 billion (PricewaterhouseCoopers, 2006). Similarly in the United States of America, 80 percent of the consolidations within financial institutions between 1993 and 2003 have been through mergers and acquisitions (Walkner a,.nd Raes, 2005). According to Kreitner (2001) the low success rate of mergers and acquisition are linked to amount of uncertainty amongst employees that is associated with the entire process (Hannagan, 2005). According to Hannagan (2005) that the entire process leads to certain questions in the minds of the employees of the organizations involved which would lead to employee productivity.

More recently, the crisis in the global banking industry that occurred in the last two years (2008) that was largely dominated by the sub-prime crisis and the liquidity problems that followed from it, led to a decline the number of M&A's as more institutions were cautious about voluntary mergers and acquisitions (Lambkin and Muzellec, 2008). The wave of consolidations that was experienced prior to the 2008 global financial crisis can be attributed to many factors, both macro and micro (Walkner and Raes, 2006). At the macroeconomic level, consolidation was influenced by factors such as the increasing globalization of the international financial system, the liberalization of capital movement across borders and financial deregulation within countries, technological advances particularly in transactional processing, and increased competition. At the microeconomic level, factors such as regulations, competition and CBK legislation influence M&A projects.

Mergers have become a common phenomenon in Kenya over the recent past. In 2008, the then Finance Minister Amos Kimunya proposed to raise the minimum core capital for banks to 1 billion shillings from 250 million shillings, giving 2012 as the deadline for all banks to comply (Kenyan banks consolidation, 2010). Subsequently, Kenyan banks are set for consolidation to meet the deadline to boost minimum core capital. In the case of ECB and SCBC the main reason behinds the merger was to meet the Central Bank of Kenya (CBK) requirement that was set by end of June 2010. The local implications on banks of enhanced capital rules abroad following the 2008 global financial crisis may also encourage mergers and acquisitions in the sector. Increased competition and capital adequacy requirements under Basel III are likely to be the key drivers behind sector consolidation. Among the recent mergers are CFC/Stanbic Bank mergers, EABS-Akiba Bank merger, EABS/Ecobank.

As a result of the challenging local and global macroeconomic environment, slowed economic performance and credit rating downgrades of major economies, (CBK) embarked on a significant monetary tightening stance, in an effort to reduce rising inflation and stabilize the Kenya shilling. According to the Deposit Protection Fund Board Report of 2010 (Deposit Protection Fund Board, 2010) the Kenyan banking industry has continued on a growth trajectory in response to globalization, technological advancement, competition, economic vibrancy and increased customer sophistication calling for aggressive re-orientation of products and services. This has been in efforts to meet the ever changing customer needs and preferences as well as reach the un-banked groups. As such the financial institutions were required to re-state the deposits that form the input to CBK monthly return and deposits for the purposes of insurance premium assessment to include products in the market that are deposits in nature such as foreign currency deposits and transactions accounts.

The result was constrained private sector demand for credit, liquidity risks and funding costs rising faster for banks with limited access to interbank markets, retail and wholesale funds. This economic condition resulted in the merger between Equatorial Commercial Bank and Southern Credit Bank which is among the most recent mergers in Kenya. On 31 May 2010, Equatorial Commercial Bank Limited (ECB) and Southern Credit Banking Corporation Limited (SCBC) executed an asset and portfolio (business) transfer agreement for the transfer of ECB banking business to SCBC who paid a fair consideration for transfer of the business by issue of new shares in equal value to the assets and liabilities transferred. The main reason behind this merger was the need to enlarge branch network and balance sheet. The organizational transformation project with the objective of achieving an even more focused and results oriented institution is expected to continue, as this is an integral part of an ongoing re-alignment of the organizational strategy to further improve customer management and strongly position the bank in this increasingly competitive environment.

The firms that merge or undergone acquisitions are deemed to expand their financial structure which can work to their advantage in many ways such as increase in branch network and customer base for Equatorial Commercial bank. However, due to the presence of various chains of command, different organizational structures and cultures, the employees in the firms that have undergone either a mergers or acquisitions usually experience challenges that affect their performance. This study therefore aims to look at the project planning aspect of this mergers and acquisitions by investigating their influence on employee performance where the focus will be on Equatorial Commercial Bank.

1.2 Statement of the Problem

The incidence of M&A has continued to increase significantly during the last decade, both domestically and internationally. The sectors most affected by M&A activity have been service- and knowledge-based industries such as banking. According to Hayward (2002) the best results come from those organizations who take a modest break in their acquisition process to allow the lessons learnt from acquisitions to be processed, i.e. a break long enough for management to consolidate key lessons, but not so long that those lessons are forgotten. Guest et al. (2004) concluded that if a first merger does not succeed, it is not worthwhile pursuing future mergers. Overall, the body of literature on the usefulness of prior experience in undertaking M&As has shown mixed results.

Very often, companies announce mergers and acquisitions for better performance and to create a unique image in the mind of the customers because they want to sustain and increase their share in the market (Kuhn, 2000). To accomplish the target of continuous effort for achieving their targets, the organizations generally establish human resource departments for enhancing the performance of their employees. Mergers and acquisitions constitute a transfer of wealth from workers to shareholders. This occurs because acquirers do not honor implicit contracts with employees concerning wages and benefits. While Jovanovic and Rousseau (2002, 2004) speculate that high quality managers and high quality projects are complements, diffusion of new technologies and the reallocation of capital to more efficient uses and to better managers, the abrogation of these commitments enable the new owners of the company to use the deal as a mechanism for enhancing the profitability of the firm, and ultimately, shareholder wealth, at the expense of workers.

Several studies have been done locally on mergers and acquisitions. A study by Muia (2009) on mergers and acquisition in Kenya shows that the number of world mergers and acquisitions is high in developed countries than in developing countries. This disparity reveals that most firms in Kenya have tended to keep off from pursuing M&A as reflected by the statistics of firms that have merged with or acquired other firms in Kenya during the period 1999 – 2009, hence missing out on benefits of M&A growth strategy. In Kenya for instance, economic activities have been characterized by a low number of local and cross-border mergers and acquisitions over the years despite the benefits that accrue thereof. Wangui (2007) carried out a survey of mergers and acquisitions experiences by commercial banks in Kenya and concluded that most banks have gone through mergers so as to increase the market share. Chesang (2002) did a study on merger restructuring and financial performance of commercial banks and recorded improvement in terms of financial performance indicators with minimum statutory requirement, but recorded a decline in performance of other ratios.

Studies focusing on the project planning and management aspect of mergers and acquisitions appear scanty, especially in the commercial banks where employee performance is affected by the conflicts brought about by the differences in structures and cultures of the merged organizations. This is despite the voluminous reports and articles indicating the need to involve employees to enhance performance. It was in this light that the study aimed to fill the existing knowledge gap by carrying out a study on the influence of mergers and acquisitions on employee performance in Kenya where the focus was on Equatorial Commercial Bank.

1.3 Purpose of the Study

The purpose of the study was to establish the influence of mergers and acquisitions on employee performance: A case study of Equatorial Commercial Bank.

1.4 Objectives of the Study

The study sought to achieve the following objectives

i. To establish the impact of remuneration on employee performance in the Equatorial Commercial Bank.
ii. To examine the degree on which sense of ownership and belonging affects the employee performance in Equatorial Commercial Bank.
iii. To establish the role of job security on the performance of employees working in Equatorial Commercial Bank.
iv. To determine the relationship between chain of command and the performance of employees working in Equatorial Commercial Bank.

1.5 Research Questions

This study aimed at answering the following basic questions:

i. What is the impact of remuneration on the performance of employees working in the Equatorial Commercial Bank?
ii. To what degree does sense of ownership and belonging affect the performance of employees working in Equatorial Commercial Bank?

iii. What is the role of job security on the performance of employees working in Equatorial Commercial Bank?
iv. What is the relationship of chain of command and the performance of employees working in Equatorial Commercial Bank?

1.6 Significance of the Study

The potential shareholders would always want to invest in a company whose objective is to maximize their wealth and therefore before investing in a merged company they would need adequate information before making investment decisions in the merger company. It was thus hoped that the information in this study would help the current shareholders make informed decisions since they would be able to predict the trends in share price as well as dividends of merged companies. This would involve looking at the human side of mergers and acquisitions to enhance employee performance during mergers and acquisitions.

It was also hoped that investment consultants would benefit specifically in advising their firm whether the employees performance aspects are addressed in the mergers and acquisitions and the appropriate type of merging. On the other hand management consultant would benefit from the study findings hence equip them with the relevant advice for already merged firms on how to structure their management in order to enhance employee performance. This information is critical to ensure success of the merger company if not it may perform poorly.

It would contribute to the broader realm of business and academic research in business through its recommendation, the study would add value to better academia, and the study would be of significance to the academic research in the broader area of project management and planning and provide a foundation for future studies.

1.7 Limitations of the Study

The researcher encountered various limitations that were likely to hinder access to information sought for the study. The main limitation of this study was its inability to include more organizations in the country. This was a study focusing only on Equatorial

Commercial Bank. The study could have covered more commercial banks that have undergone through mergers and acquisitions across country so as to provide a more broad based analysis. The study countered this problem by carrying a study across the departments and the seven branches of Equatorial Commercial Bank in Nairobi which is the hub of majority of its branches in Kenya and serves as a representative. These branches include Mombasa Road, Industrial Area, The Mall, Head Office at Waiyaki Way, Card Center, Priory and Chester House.

The respondents approached were likely to be reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or the Bank. The study handled the problem by carrying an introduction letter from the University and assuring them that the information they give would be treated confidentially and it would be used purely for academic purposes.

1.8 Delimitation of the Study

This study was on the influence of mergers and acquisitions on employee performance in Kenya. This study was limited to Equatorial Commercial Bank where special focus was on the management staff working in the bank's head quarters in Nairobi. This involved collecting information from the top, middle and lower level management staffs in the Bank. This was relevant in collecting the data required as time and distance are the limiting factors that inhibit collecting the data from all the Bank branches and other commercial banks across the country. This study was undertaken between the months of June to July 2013.

1.9 Basic Assumptions of the Study

The study assumed that the respondents would be honest, cooperative, objective and trustworthy in their response to the research instruments and would be available to respond to the research instruments in time. It was also the assumption of the study that the authority in the Bank would grant the required permission to collect data from employees. The study further made the assumptions that there would be no serious changes in the composition of the target population that would affect the effectiveness of the study sample.

1.10 Definition of Significance Terms

Acquisitions	these are business combinations which occur when one company takes over another company by getting hold of the share capital of another in exchange for cash, ordinary shares, loan stock, or some mixture of the two resulting in the identity of the acquired being absorbed into that of the acquirer
Chain of command	it is the order in which authority and power in an organization is wielded and delegated from top management to every employee at every level of the organization.
Employee performance	this are the job related activities expected of a worker and how well those tasks are executed to satisfy the rating system used to determine the abilities and output of an employee.
Job security	is the probability that an individual will keep his or her job; a job with a high level of job security is such that a person with the job would have a small chance of becoming unemployed.
Mergers	the combination of businesses which occurs when two companies, more or less on equal footing, decide to join forces
Mergers and acquisitions	they are means of establishing the organizational purpose in terms of its long-term objectives, action programs and resource allocation through combining forces.

Remuneration	this is the payment or compensation received for services or employment. This includes the basic salary and any bonuses or other economic benefits that an employee or executive receives during employment.
Sense of ownership	it is the employees' feeling as being part of the team members that they have played a key role in formulating and implementing an idea in an organization, that the outcome represents the combined efforts of the team, and that each individual sees the benefit that their contributions made to the team's success.

1.11 Organization of the Study

The study is organized in five chapters. Chapter one covers background of the problem, problem statement, purpose of the study, objectives and research questions. It also covers significance of the study, basic assumptions, limitations and delimitations of the study and finally organization of the study. Chapter two covers literature reviewed from works that have been done in the same area of study. It reviews what other scholars in the field have found out. Chapter three spells out the research methodology. This includes introduction, research design, target population, sample size and sample selection, research instruments, data collection procedures and data analysis procedures. Chapter four covers data presentation, processing and interpretation, while chapter five covers summary and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Mergers and acquisitions are increasing in the world as organizations try to expand their operations and increase their competitive advantage. Despite optimistic expectations, mergers and acquisitions frequently fail or succeed, in part because of the little attention given on the project planning and management part of it and the great neglect of human resource issues, which are rarely considered until serious problems arise. This is against the conception that the success of any merger or acquisition is as much about people and culture as it is about the financials. As such, organizations that recognize the link between people and performance make it their business to understand how to shape employee behavior during and after the mergers. However, there has been some attention in the management and finance literatures devoted to assessing the consequences of mergers and acquisitions, while there has been little analysis of the effects of such events on employees. Much of the empirical work on this topic of mergers and acquisitions has been based on non-representative samples of corporate control changes and companies.

This chapter deals with the available literature that has been reviewed for the study. The literature is mainly on the influence of mergers and acquisitions on employee performance. The specific areas covered include concept of mergers and acquisitions, influence of mergers and acquisitions on employee performance, pay/remuneration, sense of ownership & belonging, job security and chain of command, theoretical literature, conceptual framework and summary of literature review.

2.3 Concept of Mergers and Acquisitions

A major obstacle faced by organizations seeking to merge or acquire others has been that of identifying the business area in which a firm should participate in order to maximize its long-term profitability. A merger and acquisition is normally one of the most important strategies that a company will embark on. Mergers and acquisitions may lead to financial deficiency. For example, firms may diversify their earnings by acquiring other firms or their assets with dissimilar earning streams. Earnings diversification within firms may lessen the variation in their profitability, reducing the risk of bankruptcy and its attendant costs. Mergers and acquisitions are the modes of establishing inter-organizational linkages whereby companies buy a part of or a controlling interest in another company (Harrison, 2002). A merger is the unification of two or more organizations into a single unit whilst an acquisition involves the purchase of one organization by another so that the buyer assumes control (Brouthers et al., 1998).

M&A can be seen as means of accessing growth through two ways; firstly, developing the strengths that the organization currently posses and secondly, acquiring the strong points or competitive edge enjoyed by another organization. This notion is supported by Salleo (2002), mergers & acquisitions (M&A) are a means of reinforcing existing capabilities and for accessing a new set of valuable capabilities, which are difficult to imitate not widely available and integrated in an indivisible part of another firm. This view on M&A's is similar to that put forward by Kang and Johansson (2000), as the two authors refer to strategy as a process that enables the organization achieve its goals in much shorter time once it harnesses the strengthens of the firm with which it engages in the strategic partnership. This perspective of business structures, there is a whole host of different mergers. Horizontal merger occur where two companies that are in direct competition and share the same product lines and markets. Vertical merger are combinations that involve a customer and company or a supplier and company for instance a cone supplier merging with an ice cream maker. Market-extension merger are mergers where two companies that sell the same products in different markets merge. Product-extension merger occur when two companies selling different but related products in the same market. Conglomeration merger involves two companies that have no common business areas.

In addition there two types of mergers that are distinguished by how the merger is financed. Each has certain implications for the companies involved and for investors: Purchase Mergers is the kind of merger that occurs when one company purchases another. The purchase is made with cash or through the issue of some kind of debt instrument; the sale is taxable. Acquiring companies often prefer this type of merger because it can provide them with a tax benefit. Acquired assets can be written-up to the actual purchase price, and the difference between the book value and the purchase price of the assets can depreciate annually, reducing taxes payable by the acquiring company. Consolidation Mergers is a merger where a brand new company is formed and both companies are bought and combined under the new entity. The tax terms are the same as those of a purchase merger. ECB took a horizontal merger to combine the two banks that previously operated in the same industrial settings and competed for the same market.

For the entire M&A process to be a success there must be a transfer of the capabilities and knowledge for cost effective synergies to become a reality. There are certain objectives and reasons for mergers and acquisitions that propel the increase in mergers and acquisitions (Hensmans et al., 2001). These include; desire to increase the size of the organization to ensure it reaps the benefits of enhances economies of scale, business combination also leads to risk diversification, particularly where the two companies have different income streams, increasing the company's market competitiveness; thus, being in a position to stay off competition. The strategy may also be used as a means of avoiding taxation, as a means of achieving the organizations' growth objectives by expanding their existing markets or by entering in new markets, businesses with good potential may be poorly managed and the assets underutilized, thus resulting in a low return being achieved as a result such a business is likely to attract a takeover bid from a more successful company (Shimizu et al., 2004).

To achieve competitive advantage M&A's have become a strategic option for organizations. The process of M&A is rising without there being reason of economic performance to justify such action. The overall impact of M&A has been studied by a number of developed countries like USA, UK and EU countries. In the most recent development in banking sector the trend of M&A is more dominant. This process of M&A is still continued and resulting in consolidation and the employee's turnover (McGuckin and Nguyen, 2001). Apart from the increase in consciousness about the importance of people in merger synergy realization, there has been an explosive increase in the business press recently in executive literature and guideline proposals about how to successfully manage mergers and acquisitions.

Mergers and acquisitions have become more often associated with lowered morale, job dissatisfaction, unproductive behavior, increased turnover and absenteeism, rather than with increased financial performance as expected. An estimate by Davy et al. (1988), blames employee problems as being responsible for one-third to one-half of all merger failures. Therefore, the underlying causes of employee resistance need to be studied carefully because their understanding has the potential of improving merger planning and outcomes. As negative employee reactions are believed to account partially at least for unsuccessful M&As, the interesting question to answer is why mergers and acquisitions trigger negative reactions in employees.

Employee's performance means effective behaviors, actions, motivations, and decisions that capture the full spectrum of job activities. In the context of employees, the managerial performance means he/she is solving most day to day problems, monitoring competitive behavior, attempting to meet performance objectives and carrying out company policies. Organizational performance can be accessed on the bases of managerial performance, subordinates performance, strategy pursued by the organization and market conditions. In this study the influence of mergers and acquisitions on employee performance is investigated by looking at pay/remuneration, sense of ownership & belonging, job security and chain of command.

2.4 Influence of Mergers and Acquisitions on Pay/Remuneration

Financial remuneration in the form of retention incentives has long been considered an antidote for potential employee attrition during a merger or acquisition. Most M&A financial models include a retention plan line item, and the amount of money that is added for employee retention is often considered part of the cost of the deal. Companies want to believe that providing retention incentives to stay with the combined organization is sufficient to cause employees to stay. However, the retention incentives can only begin to build a bridge to restoring employee trust by buying time. Shleifer and Summers (1988) conjectured that mergers and acquisitions constitute a transfer of wealth from workers to shareholders. According to the authors, this occurs because acquirers do not honor implicit contracts with employees concerning wages and benefits.

The abrogation/abolition of these commitments enables the new owners of the company to use the deal as a mechanism for enhancing the profitability of the firm, and ultimately, shareholder wealth, at the expense of workers. Several authors have examined the employment and wage effects of mergers and acquisitions (McGuckin and Nguyen (2001), Conyon et al. (2004), and Gugler and Yurtoglu (2004). However, the unit of observation in such studies is typically the plant or firm. In contrast, the unit of analysis in this study is the individual worker, which allows us to provide direct, systematic empirical evidence on the effects of ownership change on worker outcomes. The use of data on individual workers is quite useful, since an ability to track workers who are involved in a merger or acquisition might allow us to discriminate between the alternative theories mentioned earlier.

While there has been some attention in the management and finance literatures devoted to assessing the consequences of mergers and acquisitions for top-level managers (e.g., CEOs), there has been little analysis of the effects of such events on other types of employees. It is also important to note that much of the empirical work on this topic has been based on non-representative samples of corporate control changes and companies, typically, full-firm mergers and acquisitions of publicly-traded companies (McGuckin and Nguyen, 2001). This is unfortunate, since it is well known that most ownership changes involve privately-held companies and that these transactions occur below the firm level (e.g., the sale of an individual plant or division of a company).

Mergers and acquisitions lead to substantial downsizing or even mass layoffs, usually basing their conclusions on data from a small number of large, publicly-traded corporations. Such layoffs have been alleged to have a traumatic, lasting negative impact on workers who are fired and also on survivors, or those who remain with the firm in the aftermath of the layoff (Brockner et al. (1987), Brockner (1988)). Financial remuneration alone will not rebuild long-term employee trust. The company must regain employee trust. Otherwise, once the retention incentives are paid, employees may be more likely to consider other employment opportunities. Subsequently, the amount of money paid to them as retention incentives, if not extended or renewed, might have only created a temporary stability.

2.5 Influence of Mergers and Acquisitions on Sense of Ownership and Belonging

There are contrasting views on the impact of mergers and acquisitions on employees. Mergers and acquisitions constitute a transfer of wealth from workers to shareholders.

This occurs because acquirers do not honor implicit contracts with employees concerning wages and benefits (Jovanovic and Rousseau, 2004). Thus, in their view, the abolition of these commitments enables the new owners of the company to use the deal as a mechanism for enhancing the profitability of the firm, and ultimately, shareholder wealth, at the expense of workers. Others have alleged that mergers and acquisitions lead to substantial downsizing or even mass layoffs, usually basing their conclusions on data from a small number of large, publicly-traded corporations.

Such layoffs have been alleged to have a traumatic, lasting negative impact on workers who are fired and also on survivors, or those who remain with the firm in the aftermath of the layoff. Jovanovic and Rousseau (2004) conjecture that high quality managers and high quality projects are complements. Moreover, they assert that takeovers result in the diffusion of new technologies and the reallocation of capital to more efficient uses and to better managers. An empirical implication of their model is that technological change and ownership change are complements, which implies that these transactions should lead to some job reduction but also skill upgrading and wage increases for employees that remain with the firm.

During mergers and acquisitions activity rumor mills are overly active, leading to more anxiety and counterproductive behaviors (Buono and Bowditch, 1989). Often based on fears rather than reality, these rumors can significantly exacerbate employee anxiety, tension and stress. Further, the repetitive nature of rumors tends to strengthen people's belief in them (Rosnow and Fine, 1976), and therefore, subsequent management attempts to deny well-developed rumors that possess even a grain of truth can easily compromise employees' faith in management's honesty (Rosnow, 1988). Thus, it seems the only way for management to deal with the anxiety that follows a merger or acquisition announcement is to communicate with employees as soon as possible about all the anticipated effects of the change.

If not dealt with, the uncertainty and anxiety can lead to such dysfunctional outcomes as stress, job dissatisfaction, low trust in the organization and commitment to it, and increased intentions to leave the organization. These dysfunctions can, in turn, diminish productivity and increase turnover and absenteeism which turn my lead to company loss and increased operating cost. It is well accepted that mergers and acquisitions often create significant trauma for the employees and managers of both acquiring and acquired firms that result in attitudinal and productivity problems as well as turnover of valued personnel. Buono and Bowditch (1989) note that negative reactions may lead to significantly lower levels of job satisfaction and job security and less favorable attitudes toward management. Employees often cope with the uncertainty surrounding a merger by reducing levels of commitment and instead use energy either to cope with anxiety and confusion or to try to find new employment opportunities (Fulmer and Gilkey, 1988).

Acquired firm employees, finding themselves sold as a commodity, may suffer from feelings of worthlessness, and may feel inferior because of loss of autonomy and status. The imbalance of power inherent in the acquirer/acquired relationship has also been shown to affect behavioral outcomes. Schweiger, Ivancevich and Power (1987) found that 58% of managers in an acquired firm are gone within 5 years or less of an acquisition. Based on the above, Covin, Sightler, Kolenko and Tudor (1997) hypothesize that employees of an acquired firm will feel the impact of a merger more strongly and that this impact will be associated with specific attitudinal and behavioral outcomes. Their sample consists of 2,845 employees of a Fortune 500 Company, to whom a questionnaire was administered. The results revealed that employees of the acquired firm had significantly lower merger satisfaction scores than either employees of the acquiring firm or new hires. In an attempt to predict post-acquisition attitudes, Coff (2002) uses the attitudinal and demographical variables as predictor variables for merger satisfaction. Shleifer and Summers (1987) conjecture that the new owners of a firm in the aftermath of a hostile takeover are more likely to abrogate implicit contracts with employees, with respect to wages, benefits, and pension contributions.

2.6 Influence of Mergers and Acquisitions on Job Security

Employees who work at pre and post-mergers and acquisitions environment feel a strong threat to their job security while working in such environment. Workers may have skills and traits that are well suited to other jobs and or/firms, but not to their present job or employer. Ashford, Lee and Bobko (1989) found empirically that the greater the number of changes in an organization, the greater the perceived job insecurity by the employees and in turn, this perceived job insecurity is negatively related to organizational commitment, trust in organization, job satisfaction and ultimately, job performance. A merger or acquisition provides an impetus for employees whose matches are poor to seek out (by their own volition or after being laid off) appropriate work elsewhere. The opportunity to find a better match leads to a rise in the average quality of the match among departing employees. In a competitive labour market, the quality of the match is reflected in the worker's earnings.

Negative reactions may lead to significantly lower levels of job satisfaction and job security and less favorable attitudes toward management. Employees often cope with the uncertainty surrounding a merger by reducing levels of commitment and instead use energy either to cope with anxiety and confusion or to try to find new employment opportunities. Another noticeable analysis by Davy et al. (1988) involves a field study in a large firm aiming to determine the direct impact on employee's attitudes, performance and behavioral intentions over time. Their participants (216 employees) completed survey questionnaires on 2 separate occasions: less than a month after the completion of the sale and the second one three months later. Their findings suggest that employee's attitudes and intentions to leave or be absent deteriorate between the first and the second survey. The feelings of job insecurity significantly increase, which is consistent with the fact that layoffs indeed did occur during the three-month period between the surveys. Also, organizational commitment significantly decrease, while intentions to leave and be absent increase.

As organizational commitment declines, workers tend to look for new jobs, which distracts them from their current work, thus, there seems to be a direct connection between changes in attitudes and intentions. Moreover, employee's evaluations of their performance changed, as respondents reported that their performance over the last three months was lower than in all their years of service.

Davy et al (1988) found that employees evaluated the communication program positively and, as expected, these evaluations correlated significantly with perceptions of personal control, organizational commitment and job satisfaction. Interestingly, job security, intention to quit and intention to be absent and performance were not significantly correlated with the program evaluations. These results indicate that positive reactions to the communication program engender higher perceptions of control, organizational commitment, job satisfaction and lower intentions to quit and be absent. Performance, similar to the previous studies mentioned in this review did not seem to be affected by employee's attitudes and intentions. It is also plausible to conjecture that a change in ownership provides an opportunity to implement key organizational changes. That is, the acquisition may be a catalyst that enables managers to undertake tough business decisions, such as firing unproductive workers or hiring better ones.

Employees' feelings of insecurity and loss may cascade downward through the organization. Anxiety and insecurity will divert the employee's attention away from business needs and focus on negative aspects, such as why the merger won't work. Thus, it is imperative to conduct a 'talent audit' before the acquisition, to ascertain the managerial and personnel talent which the acquiring organization wants to or must retain for future success. Managers may have held off making such decisions, yet are compelled to implement workforce reduction programs due to financially-induced stress associated with the new ownership regime (i.e., a mandate to cut costs and increase performance). These pressures should also result in an improvement in the average quality of the workforce. Therefore, given the magnitude and importance of the employees' psychological reactions on the merger outcome, it is very important to understand the sources of this stress and the way it affects the organization in order to be able to reduce employee resistance as a way to maximize synergy realization.

2.7 Influence of Mergers and Acquisitions on Chain of Command

Depending on the size of a company, merging segments may take months or even years. Proper planning is required for a merger to go smoothly. The key to a successful integration is allowing time to make adjustments to your merger plans, including contingencies. In general, merging company segments involve a high level of coordination, communication amongst all involved parties, and making tough choices such as reduction of staff. The issue of cultural compatibility between merging firms has long been proposed as an important determinant of the realization of potential synergies. Majority of the merging firms do not develop a chain of command required to communicate merger details, including regular updates regarding the progress and completion of various tasks along the flow chart. It is important to note that conglomerate and companies executing roll-up strategies sometimes take a different approach and delegate merger integration issues down the chain of command.

One unfortunate consequence of mergers and acquisitions is that employees are often required to take on additional workloads. Accordingly, organizations should require managers to have conversations with employees about their potential new roles subsequent to the merger or acquisition and support them, as much as possible, in developing/ acquiring/ learning the knowledge, skills, and tools necessary to be effective in that new role. Further, due to the merger low level employees find themselves reporting to several managers or supervisors creating some sort of conflict where the staff is caught between the two. Schweiger and Denisi (1991) designed a longitudinal field experiment that evaluates the effects of a communication program that they called a realistic merger preview. Their study was intended to answer the question of whether such a program could mitigate the expected negative effects of mergers and acquisitions on employees.

The results of Schweiger and Denisi (1991) suggest that realistic communication during a merger process in the form of a realistic merger preview can help the employees get through the process, as illustrated by the significantly lower measures on global stress and perceived uncertainty and significantly higher on job satisfaction, commitment and self-reported performance for the experimental group, exposed to the communication program. Task conflict can prove to be productive and augments the team performance (Jehn, 1994). It tends to come up with better decisions. Simons & Peterson (2000) argue that task conflict promotes team members' ability and perceptions about decision-making effectiveness. But there is no perfect relation between task conflict and performance; however task conflict tends to reduce members' satisfaction and commitment. It persuades superior cognitive understanding of the issue being discussed. Task conflict and performance form the positive aspect of relationship. It is a likelihood that in task conflict team members would have the prospect to voice their own perspective on issues being decided by the group (Amason, 1996).

The transfer of duties is one of the most important developments not only within the banking sector but also in the economy as a whole. Transfer of services in the banking sector initially involved non-core functions, such as cleaning, catering, maintenance and IT services. In the latest years, however, it is also used for providing core functions, such as customer service. Customer service and various sales functions are performed today by call centres, where a great number of tasks are carried out by low skilled and poorly remunerated personnel and with almost no trade union activity. The job of call centres is characterized worldwide by unskilled work and duties that do not require particular training, loose chain of command, Short-term contracts that create work insecurity, Staff mostly consisting of young people and women (Weber, 2000). While employees in the banking sector consider these changes to be extremely negative, the contrary view also needs to be stated.

According to this view, the new technologies as well as the M&A wave will not reduce the number of jobs in the financial services sector; they will redistribute these jobs among the new duties (Uni-Europa Finance, 2001). Indeed, a decrease in staff employed in bank central offices has been observed, however this decrease is accompanied by employment increase as far as jobs involving executive duties are concerned. With the introduction of new technologies former duties have been dispensed and, at the same time, new jobs are created, requiring high-skilled and qualified people. Internet banking provides new jobs to computer engineers, a skill that was not traditionally needed in this sector. The increasing importance of strategic decisions made in today's economic environment of continuous M&A leads to the transfer of highly specialized tasks, such as legal and financial services, system design, publicity, consultation, asset management (e.g. bricks and mortar) (ILO, 2000).

The urgent need to cut down production costs, due to competition growth, leads banks to the transfer of less specialized tasks (sales appointments, complaints' management, collection of claims). This transfer serves as an excuse for banks to employ poorly remunerated seasonal staff with flexible employment terms and limited job rights. In the case of duties transferred to call centres, minimal money is invested on staff training because investment on the training of regular employees is preferred. In any event, it is true that even though the overall number of employees in the banking sector has not been reduced, lot of staff rotation has been observed across the various departments

Workplace conflict is certainly a costly proposition for organizations all over the world. Some of the costs are obvious and other costs are implicit. Obvious cost continues to rise such as when employees react angrily instead of cooperatively. Hidden cost effects on decision making (Newstrom and Davis 1993). Three different points of view are advanced to study the conflict in organizations which include traditional point of view, human relation view and international view of conflict. According to the traditional point of view, conflict must be avoided. In the human relations view, conflict is a natural and inevitable outcome in an organization. It inflicts negative affects but has the potential to be a positive force as contributory to the performance. In the international perspective, conflict is a positive force for performing effectively. In the wake of competition, financial institutions try to improve their services and offer good products to the consumers. At large, stakeholders benefit as the transfer of human resources from one institution to the other for a better opportunity and services becomes a common practice. It puts the institutions on the toes to operate with improved performance.

Merger in the institutions creates a sense of competition and a better utilization of each other's strength. On the other hand such mergers result in a reduction of their employees through offering handsome packages in the shape of golden handshake etc. This situation sometimes creates tension for all individuals who are working in financial institutions. Advancement in technology, development of good management practices' and cost effective utilization of the scarce resources, demand that organizations at large improve their work environment in order to remain viable in the competitive market scenario. Pressing demands from the stakeholders and ever ready entry of the opportune investor forces the market segment to remain alert in all kinds of situations and to increase their profits by enhancing performance. In particular, financial institutions have a lot to do in the present situation in Pakistan. Immense competition and growth in this sector demands operating with fine practices.

Conflict may surface due to pressure from the market. Conflict is not bad if it produces positive results (Newstrom at al., 1993) but high level of task conflict leads to reduction in team commitment and team member’s satisfaction (Jehn and Mannix, 2001; Simons at al., 2000). In the wake of competition, management strives to adopt efficient approach in the discharge of work by the employees to accrue the desired output. Such efforts make the management go in search of advanced practices. In this pursuit, the management brings about the changes whereby conflict free environment is provided to the employees. Similarly, once the problem is identified, it is resolved in order to keep employees away from adverse situation, which arises at the time. Cognizance of the importance of conflict resolution, the researchers have embarked upon this study. It provides an opportunity to the management, to resolve the issue at the initial stages. Smooth and easy work environment would help the employee to apply his capabilities whole heartedly in discharge of their primary function.

2.8 Employee Motivation in Mergers and Acquisitions

Mergers and acquisitions can be expected to have differential effects on employees’ level of motivation. The new owners of these facilities recognize that the merger or acquisition creates a window of opportunity for improving the sorting and matching of workers across plants. They use the transaction as a mechanism to discard unproductive workers, upgrade the skills of existing workers, and hire new employees whose skills better suit the new organization. On the managerial side, another signal of a bad match between an employee and a given plant occurs when workers are over-compensated, relative to employees with similar characteristics in the same industry (Majumdar and Alfred, 2001). If matching is working well and workers are well-sorted, they should be paid on the basis of their productivity. When there is a bad match, a worker may be paid the prevailing wage, even when he or she is not productive enough to warrant this level of compensation.

In order to decrease post-M&A attrition, over the long term, organizations and managers must take tangible steps to improve employee commitment and employee retention by providing additional support. These types of effort can help keep your critical talent, intellectual capital, and client relationships on board. Due diligence like developing the preferred employment model, identifying high-performing employees and critical roles, developing a retention strategy and designing a retention program and obtaining program and budget approvals (McWilliams and Siegel, 2000). Planning for the impact on people and organizations should be an integral part of business planning and strategy for any merger or acquisition. Too often, preparation for the deal stops short of adequate assessment of these issues. Indeed, the required due diligence process, although of crucial importance, often does not go beyond fundamental financial, employment, and legal matters.

Integration advisory involves developing a communication strategy, developing performance management programs, creating training programs, providing leadership coaching, facilitating employee focus groups or round tables and developing employee engagement surveys and assessments. Further motivation can be achieved through program management like completing management transition, improving communication across entities and facilitating complex integration activities (Tanriverdi and Venkatraman, 2005). The effects of mergers and acquisitions on employee morale can be significant if the reorganization of the business is not handled effectively. During any merger or acquisition effort, there are at least two groups of employees involved, often coming from organizations with distinctly different cultures and styles. Learning a new culture can be challenging, but is especially so when employees are faced with uncertainty about what the future may hold and whose job is on the chopping block.

2.9 Role of Company Policy in Mergers and Acquisitions

The perceived organizational support perspective is guided by the principle that most employees need to feel that their organization respects and supports them in order to remain committed and loyal, satisfied with their jobs, and willing to work hard. Accordingly, employees develop global beliefs concerning the extent to which their organizations value their contributions and care about their well-being. Organizations should evaluate their performance management processes to determine whether they provide a rigorous identification of talent, effectively evaluate behavioral and professional competency development, and appropriately recognize achievements (McWilliams, Siegel and Van Fleet, 2005). In addition, organizations should require managers to provide individualized, formal feedback to employees. Managers should be encouraged to view the performance management process as a priority, investing time and energy in mentoring and developmental feedback discussions.

Shareholders as a group and policy analysts should focus more on what happens to the combined value. The empirical evidence in the financial economics literature does not support a more aggressive antitrust policy towards mergers. If anything, the evidence supports a less aggressive merger policy (Jovanovic and Rousseau, 2002). A case for more aggressive merger policy presumably could be made if mergers systematically lead to increased prices, less innovation, lower quality and other harm to consumers. Existing merger policy is successful on average in deterring antitrust-related problems. Thus, there is no case for a more aggressive merger enforcement policy. At the same time, the results do raise the possibility that a less aggressive merger policy would be desirable.

Companies merge to save on operational expenses and control a bigger market share. Some acquisitions are considered hostile takeovers because one company acquires another company against its will. The merger and acquisition process is complicated and requires each company involved to perform due diligence (Harris, Siegel and Wright, 2005). Before the merger or acquisition is complete, the due diligence process should show all parties involved if completing the transaction will yield positive results. A less aggressive merger policy would lead to more mergers with clear efficiency gains at the possible, but not clear expense of some increase in market power. To the extent that advances in information technology and globalization have increased the extent of competition today relative to the previous two decades, a less aggressive merger policy would be appropriate.

Mergers and acquisitions in banking sector are forms of horizontal merger because the merging entities are involved in the same kind of business or commercial activities. Sometimes, non-banking financial institutions are also merged with other banks if they provide similar type of services. Through mergers and acquisitions in the banking sector, the banks look for strategic benefits in the banking sector. They also try to enhance their customer base. In the context of mergers and acquisitions in the banking sector, it can be reckoned that size does matter and growth in size can be achieved through mergers and acquisitions quite easily (Coff, 2002). Growth achieved by taking assistance of the mergers and acquisitions in the banking sector may be described as inorganic growth. Banks are adopting policies for mergers and acquisitions.

2.10 Theoretical Framework

This study is grounded on human capital theory regarding cross-level effects of mergers and acquisitions on employee performance. Human capital theory suggests that education or training raises the productivity of workers by imparting useful knowledge and skills, hence raising workers' future income by increasing their lifetime earnings (Becker, 1994). The theory postulates that the firm's strategies and structures will be dependent upon environmental conditions, the more varied the environment the more differentiated the structure. The human capital approach is often used to explain occupational wage differentials. Human capital can be viewed in general terms, such as the ability to read and write, or in specific terms, such as the acquisition of a particular skill with a limited industrial application. Human capital theory has since become a dominant means of understanding how wages are determined. It holds that earnings in the labour market depend upon the employees' information and skills.

Coff (1999, 2000, 2002) analyzed human capital factors in the market for corporate control. His research focuses on how human capital affects information asymmetry between buyers and sellers regarding the market value of the firm. The first relevant concept from the theory of human capital is the notion of a fit or match between plants and firms and their owners. This idea was first applied in the theory of labor turnover or job separation proposed by Jovanovic (1979), who asserted that some workers are particularly well-suited to a given job or establishment. According to Jovanovic (1979), if a worker is employed in the right job or organization, a good match will result and he or she will experience higher wage growth than a similar worker. On the other hand, a worker may instead be a bad match for a given task or a particular organization, with negative consequences for both the organization and the employee's career.

Building on this idea, Lichtenberg and Siegel (1987) outlined a matching theory of ownership change, in which the quality of the fit between heterogeneous plants and owners is reflected in the productivity of the organization. Sub-par plant productivity constitutes a signal of a bad match involving an owner and a plant, which will be the major determinant of the firm level decision to maintain or relinquish ownership of a given plant. Holmes and Schmitz (1990) modified this framework to include an additional human capital dimension that they call business quality, which is directly related to the quality of the manager. In their model, high quality managers buy companies that implement high quality projects based on new ideas.

Jovanovic and Rousseau (2002) also conjectured that there is a positive association between high quality projects and high quality employees. In their theoretical framework, mergers and takeovers allow for the diffusion of new technologies and the reallocation of capital to more efficient uses and to better managers. Thus, according to the authors, these transactions play a role similar to the efficiency-enhancing, dynamic adjustment associated with entry and exit.

2.10 Conceptual Framework

Mergers and acquisitions have become more often associated with lowered morale, job dissatisfaction, unproductive behavior, increased turnover and absenteeism, rather than with increased financial performance as expected. Therefore, the underlying causes of employee non-performance need to be studied carefully because their understanding has the potential of improving merger planning and outcomes. Identifying the various ways in which mergers and acquisitions influences employee performance can have long-term implications for economic development of individuals, organizations and nations in general. From the literature review, the various aspects of mergers and acquisitions that influence employee performance form the conceptual framework in this study. A conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/ synthetical aspects of a process or system being conceived. The independent variables in this study are pay/ remuneration, sense of ownership and belonging, job security and chain of command while the dependent variable is employee performance. The moderating variable is employee motivation while the extraneous variable in the study is the company policy forming the undernoted diagram.

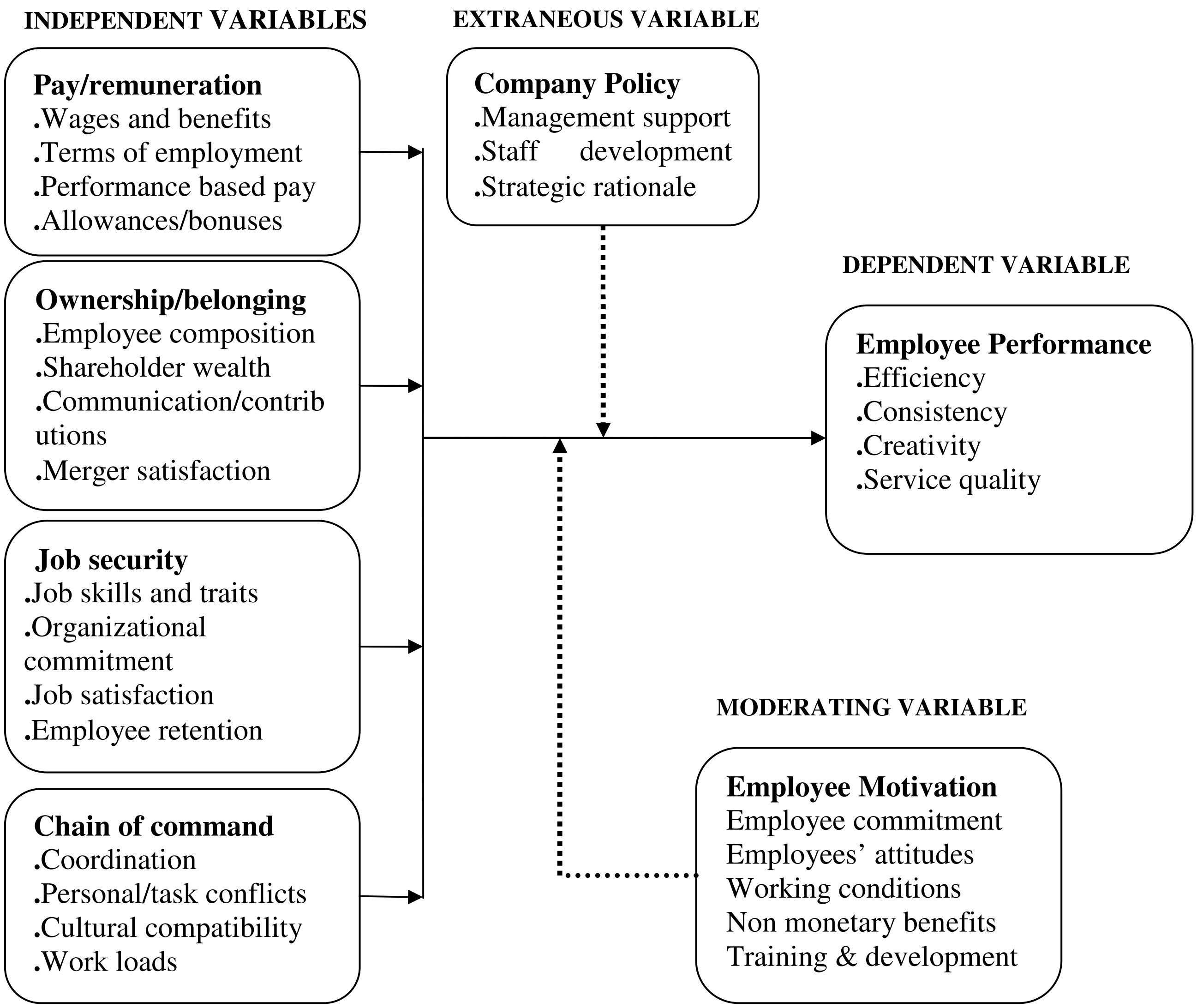

Figure 2.1: Conceptual Framework

2.11 Summary of Literature Review

Making a good organizational marriage currently seems to be a matter of chance and luck. This needs to change so that there is a greater awareness of the people issues involved, and consequently a more informed integration strategy. Successful mergers depend very much on the swift implementation of a carefully thought out post-merger policy, often only after a careful period of courtship (Very and Schweiger, 2001). According to Very and Schweiger (2001), the successes of mergers can be impeded by the failure to enact it under a credible leader, able to deal with diverse national or company cultures as well as being capable of decisive action. Important as this may be, there is also a requirement for putting into place both managerial and communications structures.

The Economist (2005) have highlighted that mergers and acquisitions take place when a firm is faced with expanding global competition, the growth-cost of research, product development and marketing, and the need to move faster in carrying out their global strategies. The aim is to achieve faster market entry and start up, to gain access to new products, technologies, markets and to share costs, resources and risk. Pike and Neale (2002) emphasized that many product markets have become more global, and the life span of products has tended to diminish. Greater emphasis has been placed also on research and development activities. There are some industries such as aerospace, telecommunications and pharmaceuticals where small firms will not be able to generate the cash flows that are required to finance such research and development.

Locally, Wangui (2007) concluded that firms have a reference for mergers and acquisitions, as an entry mode into a market segment when they feel the need to move fast as opposed to that of internal venturing that can be a relatively slow process. Mergers and acquisition are a much faster way to establish a significant market presence and generate profitability. A company can purchase a market leader, in a strong cash position overnight, some when speed is important, mergers and acquisitions are favored entry models and it is also used as an international mode of entry in foreign market. Chesang (2002) in her study on merger restructuring and financial performance of commercial banks recommended that merger restructuring can still be considered option particularly in the case of small and medium sized banks.

From the foregoing review, there have been many studies on mergers and acquisitions on various perspectives. However, year after year many mergers and acquisitions are found to fail due to challenges related to planning. Much as there have been voluminous articles on mergers and acquisitions, there is a dearth on the influence of mergers and acquisitions on employee performance in financial organizations. This is particularly lacking in the developing countries and Kenya in particular where most of the mergers and acquisitions are those in the financial sectors hence a research gap. This study focusing on mergers and acquisitions in developing countries is a modest attempt to bridge this gap. It was an effort to bring to light the influence and insights into influence of mergers and acquisitions on employee performance in Kenya where Equatorial Commercial Bank was the context of focus.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a general approach to studying a research topic. It is the framework underlying the strategy of a research. This chapter presents the methodology, which was used to carry out the study. It further describes the type and source of data, the target population and sampling methods and the techniques that were used to select the sample size. It also describes how data was collected and analyzed. The suitable methodology in this study gives the guidelines for information gathering and processing.

3.2 Operational Definitions of Variables

Operational definition of variables is operationally defining a concept to render it measurable. It is done by looking at the behavior of the dimensions, indicators, properties denoted by concepts translated into observable and measurable elements to develop an index of the concepts. Measures can be objective or subjective.

Table 3.1: Operational Definition of Variables

Research Objective	Variable	Indicators of the Variables	Methods	Measurement scale	Level of Analysis
To establish the influence of mergers and acquisitions on employee performance	**Dependent Variable** Employee performance	Efficiency Consistency Creativity Service quality	Questionnaire	Ordinal/ Interval	Descriptive
To assess the influence of remuneration on employee performance	**Independent Variable** Remuneration	Wages and benefits Terms of employment Performance based pay Allowances/bonuses	Questionnaire	Ordinal/ Interval	Descriptive
To examine the influence of sense of ownership and belonging the performance of employees.	**Independent Variable** Sense of ownership and belonging	Employee composition Shareholder wealth Communication/contributions Merger satisfaction	Questionnaire	Ordinal/ Interval	Descriptive
To establish the influence of job security on the performance of employees	**Independent Variable** Job security	Job skills and traits Organizational commitment Job satisfaction Employee retention	Questionnaire	Ordinal/ Interval	Descriptive
To determine the influence of chain of command on the performance of employees	**Independent Variable** Chain of command	Coordination Personal/task conflicts Cultural compatibility Work loads	Questionnaire	Ordinal/ Interval	Descriptive

3.3 Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project. Research design provides an operational frame within which the facts are placed, processed through analyzing procedures and the valuable research output is produced. Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. Further, Donald (2006) notes that a research design is the structure of the research, it is the ‘‘glue ’’ that holds all the elements in a research project together.

This research problem was studied through the use of a survey descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. This study therefore was able to generalize the findings to all the enterprises. The main focus of this study was quantitative. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. This method concerns the intense investigation of problem solving situations in which problems are relevant to the research problem. The underlining concept is to select several targeted cases where an intensive analysis identifies the possible alternatives for solving the research questions on the basis of the existing solution applied in the selected case study. The study attempts to describe and define a subject, often by creating a profile of group of problems (Cooper and Schindler, 2003). Thus, Equatorial Commercial Bank was the focus of the study which provided a natural setting on which data was collected.

3.4 Target Population

Target population is the specific population about which information is desired. According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. The population can be divided into sets, population or strata and which are mutually exclusive. The target population composed of all the staff employed at Equatorial Commercial Bank branches in Nairobi. The structure in Equatorial Commercial Bank put staff in three categories; top management level consisted of the executives (head of departments and the deputy heads of departments); middle management comprises functional heads (tactical level of management and comprised all the senior and middle level officers in all departments of the company who are tasked with the responsibility of implementing policies made) while low level management is mainly unionisable staff (accounting and customer attendant officers whose main duty is performing daily tasks which are routine and repetitive in the company). The target respondents included the 159 departmental heads, assistant departmental heads and lower cadre staffs like the supervisors, accounts and finance officers from the Equatorial Commercial Bank. For purpose of this study the target population was stratified through top level, middle level and low level management. Mugenda and Mugenda (1999) explain that the target population should have some observable characteristics, to which the study intends to generalize the results of the study. This definition assumes that the population is not homogeneous.

Table 3.2: Target Population

Sections	**Population (Frequency)**	**Percentage**
Top management	16	10
Middle level management	23	14
Low level management	120	75
Total	**159**	**100**

Source: Equatorial Commercial Bank, 2013

3.5 Sampling Procedure

Sampling techniques provide a range of methods that facilitate to reduce the amount of data need to collect by considering only data from a sub-group rather than all possible cases or elements. At the time of conducting research, it is often impossible, impractical, or too expensive to collect data from all the potential units of analysis included in the research problem. A smaller number of units, a sample, are often chosen in order to represent the relevant attributes of the whole set of units, the population. Since the samples are not perfectly representative of the population from which they are drawn, the study cannot be confident that the conclusions generalize the entire population (Shahidul and Sheikh, 2006). Ngechu (2004) emphasizes the importance of selecting a representative sample through making a sampling frame. A population frame is a systematic list of subjects, elements, traits, firms or objects to be studied. From the population frame the required number of subjects, respondents, elements, firms are selected in order to make a sample.

Sampling ensures that some elements of a population are selected as riding representative of the population this was according to Keya et al., (1989). Stratified random sampling technique was used to select the sample. According to Kerry and Bland (1998) the technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aims to reduce standard error by providing some control over variance. The study grouped the population into three strata i.e. low level, middle level and top level management. According to Cooper and Schindler (2003), random sampling frequently minimizes the sampling error in the population. This in turn increases the precision of any estimation methods used.

Cooper and Schindler (2006) argue that if well chosen, samples of about 10% of a population can often give good reliability. Stratified random sampling technique was used since population of interest is not homogeneous and could be subdivided into groups or strata to obtain a representative sample. The study selected a section and particularly the staffs who included departmental heads, assistant departmental heads and lower cadre staffs like the supervisors, accounts and other officers from the Equatorial Commercial Bank since they were the ones conversant with the influence of mergers and acquisitions on employee performance. From the above population of one hundred and fifty nine, a sample of 112 respondents (predetermined using Fisher formula) was selected proportionally from within each group in proportions that each group bears to the study population. Furthermore, owing to the big number of target population and given the time and resource constraints, the sampling at least 30 elements is recommended by Mugenda and Mugenda (1999). This generated a sample of 112 respondents which the study sought information from. This made it easier to get adequate and accurate information necessary for the research.

The sample size was given by Fisher formula as follows:

$n = p \times q\ [z/e]^2$

Where: n= was minimum sample size required

p = the proportion belonging to the specified category

q = the proportion not belonging to the specified category

z = the value corresponding to the level of confidence required (90% certain=1.65, 95% certain= 1.96 and 99% certain=2.57)

e% = the margin of error required.

When the population is less than 10,000 the sample need to be adjusted according to minimum sample size formula as shown below:

$n.' = n./(1+n/N)$ where

$n.'$ = the adjusted minimum sample size

$n.$ = the minimum sample size (as calculated)

N = the total population

Using p=50%, q=50%, z=1.96 (95% certain) e= 5% (i.e. within plus or minus 5% of the true percentage, the margin of error that can be tolerated), N=159

$n. = 50 \text{x} 50 \text{x}\ [1.96/5]^2$

$= 2500 \text{x}\ 0.153664$

$= 384$

Adjusted sample size

$n.' = 384/\ [1+ (384/159)]$

$= 384/3.41509434$

$= 112.44$

Approx = 112

The selection per category or strata was as follows.

Table 3.3: Calculated Sample Size

Sections	Population (Frequency)	Proportion	Sample Size
Top management	16	(112/159)x16	11
Middle level management	23	(112/159)x23	16
Low level management	120	(112/159)x120	85
Total	**159**		**112**

3.6 Data Collection Methods and Instruments

According to Ngechu (2004) there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. This is because each tool and instrument collects specific data. Data may be collected by a wide variety of methods. Primary data is gathered and generated for the project at hand. Primary data is information gathered directly from respondents and for this study the study used questionnaires. Secondary data is the data is gathered for other purposes and used in the recent project usually the secondary data are found inside the company, libraries, research centers, internet and etc. Secondary data involved the collection and analysis of published material and information from other sources such as annual reports, published data.

3.6.1 Data Collection Instrument

The study made use of a survey questionnaire administered to each member of the sample population. The questionnaire had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helps in reducing the number of related responses in order to obtain more varied responses. The open-ended questions provided additional information that may not have been captured in the close-ended questions. The questionnaire was carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

Secondary data was also collected for this study. This data was useful for generating additional information for the study from already documented data or available reports.

Cooper and Schindler (2003) further explain that secondary data is a useful quantitative technique for evaluating historical or contemporary confidential or public records, reports, government documents and opinions. Mugenda and Mugenda (2003) add that, numerical records can also be considered a sub category of documents and that such record include figures, reports and budgets. This basically implies the incorporation of valuable statistical data in the study.

3.6.2 Data Collection Procedure

The study administered the questionnaire individually to all respondents of the study. The study exercised care and control to ensure all questionnaires issued to the respondents were received and achieve this, the study maintained a register of questionnaires, which were sent, and which were received. The questionnaire was administered using a drop and pick later method.

3.7 Pilot Testing

The researcher carried out a pilot study to pretest and validates the questionnaire. This was in line with a qualitative research design methodology employed in this research project. According to Berg and Gall (1989) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which will be employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

The study selected a pilot group of 10 individuals from the management staffs of Jamii Bora Bank to test the reliability of the research instrument. Jamii Bora Bank was realized after the merger between City Finance Bank Ltd. and Jamii Bora Kenya Ltd in year 2010. This was achieved by first stratifying the individuals according to level of management, level of education, number of years worked. The study also put in consideration gender equity and geographical background of individuals. The pilot data was not included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enabled the study to be familiar with research and its administration procedure as well as identifying items that required modification. The result helped the study to correct inconsistencies arising from the instruments, which ensured that they measure what was intended.

3.8 Validity and Reliability

To establish the validity of the research instrument the study sought opinions of experts in the field of study especially the study's supervisor and lecturers in the department of strategic, project management and planning and finance. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity. According to Shanghverzy (2003), reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures.

3.8.1 Reliability

Reliability is concerned with the question of whether the results of a study are repeatable. The term is commonly used in relation to the question of whether the measures that are devised for concepts in business are consistent. One factor that might affect the reliability of the study is the respondents' lack of knowledge. It is further suggested that if a respondent at the moment is tired or stressed, or have attitudes toward the questionnaire / interview it can impact negatively on the reliability of the study. Moreover reliability is particularly an issue in connection with quantitative research. The quantitative study is likely to be concerned with the question of whether a measure is stable or not.

The main concern of the research was evaluating the influence of mergers and acquisitions on employee performance in Equatorial Commercial Bank. After consulting with the study's supervisor and Equatorial Commercial Bank management staff and project planning and management experts, some modifications and adjustments were done. After the final confirmation, a pilot test was conducted by distributing the questionnaire among 10 management staff of Equatorial Commercial Bank which ensured that the questionnaire is appropriate and the aspects investigated were generally understandable.

In order to check reliability of the results, study used Cronbach's alpha methodology, which is based on internal consistency. Cronbach's alpha measures the average of measurable items and its correlation. The current and desirable situation was tested for influence of mergers and acquisitions and employee performance. SPSS software was used to verify the reliability of collected data. Overall scales' reliability of the present situation and the desirable situation was tested by Cronbach's alpha, which should above the acceptable level of 0.70 (Hair et al., 1998). The value of reliability in this study was set to be 0.8 in order to meet the acceptable level. The reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. The Alpha measures internal consistency by establishing if certain item measures the same construct. Cronbach's Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. All the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Nunnally, 1978).

3.8.2 Validity

The most important criterion of research is validity. Validity is concerned with the integrity of the conclusions that are generated from a piece of research. Validity is concerned with whether or not the item actually elicits the intended information. Validity suggests fruitfulness and refers to the match between a construct, or the way a study conceptualizes the idea in a conceptual definition, and the data. It refers to how well an idea about reality fits in with actual reality. Actually, qualitative study's are more interested in giving a fair, honest, and balanced account of social life from the viewpoint of someone who lives it every day (Neuman, 2003).

In other words, validity is concerned with whether the findings are really about what they appear to be about. Validity defined as the extent to which data collection method or methods accurately measure what they are intended to measure (Saunders et al., 2003). Yin (2003) states, no single source have a complete advantage over all others. The different sources are highly complementary, and a good case study should use as many sources as possible. The validity of a scientific study increases by using various sources of evidence (Yin, 2003).

The first phase of this research employed the econometric technique to investigate the relationship between mergers and acquisitions and employee performance of Equatorial Commercial Bank. The data was collected from the organization's departments such as project management and planning. This issue confirmed the validity of the data and relevant results.

3.9 Data Processing and Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. According to Baulcomb, (2003), content analysis uses a set of categorization for making valid and replicable inferences from data to their context. To quantify the strength of the relationship between the variables, the researcher conducted a Karl Pearson's coefficient of correlation. In addition, the researcher carried out a multiple regression analysis so as to determine the influence of mergers and acquisitions on employee performance: A case study of Equatorial Commercial Bank. The regression equation ($\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$): Whereby

Y = employee performance

X_1 = remuneration

X_2 = sense of ownership and belonging

X_3 = job security

X_4 = chain of command

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of determination

ε = Error term

The data was broken down into the different aspects of influence of mergers and acquisitions on employee performance such as influence of remuneration, sense of ownership and belonging, job security and chain of command on the performance of employees working in Equatorial Commercial Bank. This offered a quantitative and qualitative description of the objectives of the study.

CHAPTER FOUR

DATA PRESENTATION, PROCESSING AND INTERPRETATION

4.1 Introduction

The purpose of this research was to establish the influence of mergers and acquisitions on employee performance: A case of Equatorial Commercial Bank. This chapter focuses on data analysis, interpretation and presentation. As such the study sought to establish the influence of remuneration on employee performance in the Equatorial Commercial Bank; to examine the influence of sense of ownership and belonging on the performance of employees working in Equatorial Commercial Bank; to establish the influence of job security on the performance of employees working in Equatorial Commercial Bank and to determine the influence of chain of command on the performance of employees working in Equatorial Commercial Bank. The data was gathered from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. The study employs various statistical tools for extracting information on the influence of mergers and acquisitions on employee performance with a focus on Equatorial Commercial Bank.

4.2 Questionnaire Return Rate

The study sampled 112 respondents from the target population in collecting data with regard to the influence of mergers and acquisitions on employee performance of Equatorial Commercial Bank. The questionnaire return rate results are shown in Table 4.1.

Table 4.4: Response Rate

Response	**Frequency**	**Percentage**
Responded	87	78
Not responded	25	22
Total	**112**	**100**

From the study, 87 out of 112 target respondents filled in and returned the questionnaire contributing to 78%. This commendable response rate was made a reality after several personal calls were made and visits to remind the respondent to fill-in and return the questionnaires as well as explaining the importance of their participation in this study. This response rate was good and representative and conforms to Mugenda and Mugenda

(1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The questionnaires that were not returned were due to reasons like, the respondents were not available to fill them in at that time and with persistence follow-ups there were no positive responses from them. The response rate demonstrates a willingness of the respondents to participate in the study.

4.3 Demographic Characteristics of the Respondents

The study targeted staff within the project planning/human resource and operations departments in the Equatorial Commercial Bank. As such the results on demographic characteristics of these respondents were investigated in the first section of the questionnaire. They are presented in this section under gender distribution of the respondents, age of the respondents, working experience and highest academic qualifications.

4.3.1 Distribution of the Respondents by Gender

In this study the respondents sampled were expected to comprise both male and female staffs. As such, the study required the respondents to indicate their gender by ticking on the spaces provided in the questionnaire. Table 4.2 shows the distribution of the respondents by gender.

Table 4.5: Gender of the Respondents

Gender	Frequency	Percent
Male	45	51.5
Female	42	48.5
Total	**87**	**100.0**

Accordingly, 51.5% of the respondents were males while 48.5% of them were females. The findings show that the institution studied has both male and female members; however the majority of them are males. The findings imply that the views expressed in this findings are gender sensitive and can be taken as representative of the opinions of both genders as regards to influence of mergers and acquisitions on employee performance of Equatorial Commercial Bank.

4.3.2 Age of the Respondents

The level of employee performance may vary with the age of the respondents. In order to avoid biasness, this study thus had to investigate the composition of the respondent in terms of age brackets to understand their familiarity with the influence of mergers and acquisitions on employee performance of Equatorial Commercial Bank. The findings are presented in table 4.3.

Table 4.6: Age Brackets of the Respondents

Age Bracket	Frequency	Percentage
25 - 30 Years	11	13
31 - 34 years	18	21
35 – 40 years	25	29
41 – 44 years	15	17
45 – 50 years	11	13
Over 50 years	7	8
Total	**87**	**100**

According to the study, majority (29%) of the respondents showed that their ages fell between 35 and 40 years, 21% of them indicated that they were aged between 31 and 34 years, 17% of the respondents were aged between 41 and 44 years, 13% of them were aged 25 to 30 years and 45 to 50 years in each case, while 8% of the respondents were over 51 years of age. From the results depicted in table 4.3, none of the respondents was aged below 24 years. It is also clear that the respondents were well distributed in terms of age and that they are active in technological advancements and productivity and hence can contribute constructively in the influence of mergers and acquisitions on employee performance of Equatorial Commercial Bank.

4.3.3 Working Experience in the Bank

The length of service/working in an organization determines the extent to which one is aware of the issues sought by the study. The study therefore sought to establish the length of time that the respondents had been working in the Bank. The results on this question are presented in Table 4.4.

Table 4.7: Duration Worked in ECB

Duration in Years	Frequency	Percentage
0-5 yrs	13	15
5-10 yrs	50	58
10-15	18	21
Over 15 yrs	5	6
Total	**87**	**100.0**

The study results depicted in table 4.4 reveal that 58% of the respondents indicated that they had an experience of 5-10 years in the Bank, 21% of them had worked in the organization for a period of 10-15 years, 15% of them had a working experience of 0-5 years, while 6% of the respondents indicated that they had an experience of over 15 years. This shows that majority respondents had enough work experience in ECB. The respondents are conversant with the influence of mergers and acquisitions on employee performance of Equatorial Commercial Bank.

4.3.4 Highest Academic Qualification

Commercial banks like ECB employ staffs in different work stations hence different academic qualifications. This difference might contribute to differences in the responses given by the respondents. The study therefore sought to establish the highest academic qualifications attained by the respondents.

Table 4.8: Level of Education

Level of Education	Frequency	Percent
Diploma	17	20
Bachelors/ Undergraduate degree	49	56
Masters	17	20
Other (e.g. PhD, Higher National Diploma)	3	4
Total	**87**	**100**

The study results reveal that majority 56% of the respondents had acquired a Bachelor's or undergraduate degrees level of education, 20% of the respondents indicated that they had acquired a diploma, another 20% of the respondents indicated that they had acquired Masters degrees level of education while 4% of the respondents indicated that they had acquired other academic qualifications such as PhDs, Higher National Diplomas and other international certificates. This results imply that majority of the respondents had at least an undergraduate degree and hence understood the information sought by this study.

4.3.5 Distribution of Respondents by Departments

The strategic decisions involving mergers and acquisitions as well as employee welfare in any given institution are vested on the management staffs distributed in various departments in such an organization. As such the study sought to establish the distribution of the respondents in various departments within the Bank. The results are as depicted in table 4.6.

Table 4.9: Respondents' Departments

Department	Frequency	Percentage
Admin/ Finance/ Treasury	9	10
Credit/ Corporate/ Asset Finance	9	10
Operations/ IT/HR	44	51
Marketing/ Cash Product Management	23	27
Other	2	2
Total	**87**	**100**

According to table 4.6, majority of the respondents worked in the Operations/ IT/HR department as shown by 51% of the respondents, 27% of them worked in the Marketing/ Cash Product Management department, 10% of the respondents indicated that they worked in the Admin/ Finance/ Treasury department, another 10% of them came from the Credit/ Corporate/ Asset Finance department, while 2% of the respondents worked in other departments such as procurement department. This implies that the responses obtained in this study are representative of the views of stakeholders in the various departments in the Bank hence sufficient for extracting data on the influence of mergers and acquisitions on employee performance of Equatorial Commercial Bank.

4.4 Influence of Mergers and Acquisitions on Employee Performance

The main purpose of this study was to establish the influence of mergers and acquisitions on employee performance with regard to Equatorial Commercial Bank. This section therefore involves an analysis of the various aspects of mergers and acquisitions that influence employee performance in Equatorial Commercial Bank. As such the study sought to establish whether the merger between the financial institutions affected employee performance in ECB.

Table 4.10: Whether the Merger affected Employee Performance in ECB

Response	Frequency	Percent
Yes	84	96
No	3	4
Total	**87**	**100**

According to the results shown in table 4.7, 96% of the respondents overwhelmingly indicated that the merger between the financial institutions affected employee performance in ECB as opposed to 4% who indicated otherwise. These results are a clear indication that there is a unanimous agreement that finance whether the merger between the financial institutions affected employee performance in Equatorial Commercial Bank.

Mergers and acquisitions are often associated with various effects on the human resource side of it. As a result the study sought to establish the extent to which the merger between the two banks influenced the employee performance. The results are as depicted in table 4.8.

Table 4.11: Extent to which the Merger Influenced Employee Performance at ECB

Category	Frequency	Percentage
To a very great extent	4	5
To a great extent	25	29
To a moderate extent	50	57
To a little extent	8	9
Total	**87**	**100.0**

From the study, 57% of the respondents indicated that the merger between the two banks influenced the employee performance at ECB to a moderate extent, 29% of the respondents indicated to a great extent, 8.8% of the respondents indicated the merger between the two banks influenced the employee performance at ECB to a little extent, while 5% of them indicated to a very great extent. The results imply that in general there is a moderate influence of the merger between the two banks on employee performance at ECB.

The study further sought to establish the respondents' opinions on how they would rate the level of employee performance in the organization since the merger. The results are as depicted in table 4.9.

Table 4.12: Level of Employee Performance

Level of employee performance	Frequency	Percentage
Very high	8	9.1
High	8	9.1
Average	58	66.7
Normal (no change)	13	15.1
Total	**87**	**100**

From the study, majority of the respondents (66.7%) unanimously indicated that the level of employee performance in the organization since the merger was average, 15.1% of them indicated that there was no change in the level of employee performance in the organization since the merger, while 9.1% of the respondents opined that the level of employee performance in the organization since the merger was very high as well as another 9.1% of those who indicated that it was high. These results imply that the level of employee performance in the organization since the merger changed significantly with majority of the views indicating that there was average change and increase in the employee performance.

4.5 Pay/Remuneration

In order for the study to achieve its main objective the first specific objective of the study was to establish the influence of remuneration on employee performance in the Equatorial Commercial Bank. In this regard the respondents were required to indicate the extent to which employee pay and remuneration affect employee performance in the merged organization.

Table 4.13: Extent to which Pay and Remuneration affect Employee Performance

Category	Frequency	Percentage
To a very great extent	4	5
To a great extent	25	29
To a moderate extent	50	57
To a little extent	8	9
Total	**87**	**100.0**

From the study, 57% of the respondents indicated that employee pay and remuneration affect employee performance in the merged organization to a moderate extent, 29% of the respondents indicated to a great extent, 8.8% of the respondents indicated that employee pay and remuneration affect employee performance in ECB to a little extent, while 5% of them indicated to a very great extent. The results imply that in general there is a moderate influence of pay and remuneration on the level of employee performance in the merged organization.

The study further sought to establish the extent to which various aspects of pay/remuneration affect the employee performance in the current merger setting. A scale of 1 to 5 was provided where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Table 4.14: Aspects of Pay/Remuneration that affect Employee Performance in ECB

Aspects of pay/remuneration	Little Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std. Dev
Wages and benefits	0	2.9	85.7	11.4	4.0857	.37078
Terms of employment	12.5	18.8	43.8	25	3.6828	1.2500
Performance based pay	27.1	6.8	41.4	22.6	3.5423	1.1772
Allowances/bonuses	7.5	13.5	45.1	30.1	3.9007	1.036

According to the results shown in table 4.11, majority of the respondents indicated that wages and benefits affect the employee performance in the current merger setting to a great extent as shown by a mean score of 4.0857, allowances/bonuses also affect the employee performance in the current merger setting to a great extent as shown by a mean score of 3.9007, as well as terms of employment shown by a mean score of 3.6828 and performance based pay affect the employee performance in the current merger setting to a great extent as shown by a mean score of 3.5423.

4.6 Sense of Ownership/Belonging

The second objective of the study was to examine the influence of sense of ownership and belonging on the performance of employees working in Equatorial Commercial Bank. Accordingly the study sought to establish the extent to which the merger setting affects the sense of ownership and belonging among the employees in the Bank.

Table 4.15: Extent to which Merger affects Employees' Sense of Ownership and Belonging

Category	Frequency	Percent
To a very great extent	5	6
Great extent	18	21
Moderate extent	40	46
Little extent	21	24
No extent	3	3
Total	**87**	**100**

From the study, 46% of the respondents rated that the merger setting affects the sense of ownership and belonging among the employees in the Bank to a moderate extent, 24% of them indicated to a little extent, 21% of them indicated to a great extent, another 6% of the respondents indicated to a very great extent, while 3% of the respondents rated that the merger setting affects the sense of ownership and belonging among the employees in the Bank to no extent.

The respondents were required to indicate the degree to which various aspects of ownership and belonging affect employee performance in the Bank where scale of 1 to 5 was provided such that 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Table 4.16: Aspects of Ownership and Belonging that affect Employee Performance

Aspects of ownership and belonging	No extent	Little extent	Moderate extent	Large extent	Very large extent	Mean	Std dev
Employee composition	11.3	0	18.8	20.3	49.6	3.9602	1.3082
Shareholder wealth	29.2	43.8	8.3	8.3	10.4	3.5428	1.5152
Communication	18.8	10.4	35.4	35.4	33.3	3.2972	1.6102
Employee contributions	11	0	19	20	50	3.9745	1.3183
Merger satisfaction	0	12.5	14.6	25	29.2	3.3322	1.4923

Majority of the respondents indicated that employee contributions affect employee performance in the Bank to a great extent as shown by a mean score of 3.9745, employee composition affect employee performance in the Bank to a great extent as shown by a mean score of 3.9602 and shareholder wealth affect employee performance in the Bank to a great extent as shown by a mean score of 3.5428, while merger satisfaction and communication affect employee performance in the Bank to moderate extents as shown by mean scores of 3.3322 and 3.2972 respectively.

4.7 Job Security

The third specific objective of this study was to establish the influence of job security on the performance of employees working in Equatorial Commercial Bank. As such the respondents were required to rate the extent to which they felt they understood the procedures, policies, and responsibilities that are part of their job in the merged bank setting.

Table 4.17: Understanding of Job Procedures, Policies and Responsibilities

Category	Frequency	Percent
To a very great extent	26	30
To a great extent	46	53
To a moderate extent	11	13
To a little extent	2	2
To a very little extent	2	2
Total	**87**	**100**

From the study, 53% of the respondents indicated that they felt they understood the procedures, policies, and responsibilities that are part of their job in the merged bank setting to a great extent, 30% of them indicated that they understood the procedures, policies, and responsibilities that are part of their job in the merged bank setting to a very great extent, 13% of the respondents indicated to a moderate extent, 2% of the respondents indicated that they felt they understood the procedures, policies, and responsibilities that are part of their job in the merged bank setting to a little extent, while 2% of them indicated to a very little extent.

In general the level of job security affects the level of employee performance in mergers and acquisitions. As such the study sought to establish the extent to which job security affects the respondents' performance in the Bank.

Table 4.18: Extent to which Job Security affects the Employees Performance in ECB

Extent	Frequency	Percent
To a very great extent	5	6
Great extent	18	21
Moderate extent	40	46
Little extent	21	24
No extent	3	3
Total	**87**	**100**

On the extent to which job security affects the respondents' performance in the Bank, 46% of the respondents rated that job security affects the employee performance in the Bank to a moderate extent, 24% of them indicated to a little extent, 21% of them indicated to a great extent, another 6% of the respondents indicated to a very great extent, while 3% of the respondents rated that job security affects the employee performance in the Bank to no extent.

The study further required the respondents to rate the degree to which various aspects of job security affect their performance. They were required to rate using a scale of 1 to 5 where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Table 4.19: Aspects of Job Security that Affect Employee Performance

Aspects of job security	No extent	Little Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
Job skills and traits	0	0	15.7	72.9	11.4	3.9571	.52297
Organizational commitment	0	0	11.4	81.4	7.1	3.9571	.43191
Job satisfaction	0	0	2.9	85.7	11.4	4.0857	.37078
Employee retention	0	11.4	51.4	25.7	11.4	3.3714	.83703

From the study, majority of the respondents indicated that job satisfaction affects employee performance to a great extent as shown by a mean score of 4.0857, job skills and traits affects employee performance to a great extent as shown by a mean score of 3.9571 and organizational commitment affects employee performance to a great extent as shown by a mean score of 3.9571, while employee retention affects employee performance to a moderate extent as shown by a mean score of 3.3714.

4.8 Chain of Command

Chain of command is another factor that affects performance of employees in a bank that has undergone through a merger. Consequently, the fourth objective of the study was to determine the influence of chain of command on the performance of employees working in Equatorial Commercial Bank. The study therefore sought to establish the extent to which chain of command affect the employees performance in the Bank.

Table 4.20: Extent to which Chain of Command affects Employees Performance in ECB

Category	Frequency	Percentage
Very great extent	29	33
Great extent	34	39
Moderate extent	20	23
Little extent	4	5
Total	**87**	**100.0**

According to the table, majority (39%) of the respondents stated that chain of command affects the employees' performance in the Bank to a great extent and 33% to a very great extent while 23% said chain of command affects the employees' performance in the Bank to a moderate extent. According to 4.5% of the respondents, chain of command affects the employees' performance in the Bank to a little extent. This indicates that chain of command affects the employees' performance in the Bank to a great extent as shown by majority of the respondents, 72%.

The study further sought to establish the extent to which various aspects of chain of command affect the performance of employees in the Bank. A scale of 1 to 5 was provided where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Table 4.21: Aspects of Chain of Command that Affect Employees' Performance

Chain of command	**No extent**	**Little Extent**	**Moderate Extent**	**Great Extent**	**Very Great Extent**	**Mean**	**Std. Dev.**
Coordination	6.3	12.5	18.8	31.3	31.3	3.6834	1.25542
Personal relationship	0	11	15	56	19	3.7723	1.05339
Cultural compatibility	2	27	7	41	23	3.5521	1.18423
Work loads	0	4.2	45.8	37.5	12.5	3.5845	0.77251
Task conflicts	6	13	19	31	31	3.6954	1.25435

From the study, majority of the respondents reiterated that personal relationship affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.7723, task conflicts affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.6954, coordination affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.6834, workloads affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.5845 as well as cultural compatibility shown by a mean score of 3.5521.

The respondents were further requested to rate the degrees to which various factors affect employee performance in the merged Bank. The results are as shown in table 4.19.

Table 4.22: Factors that Affect Employee Performance in the Merged Bank

Employee performance	No extent	Little extent	Moderate extent	Large extent	Very large extent	Mean	Std dev
Employee commitment	2.3	27.1	6.8	41.4	22.6	3.5423	1.177
Employees attitudes	0	12.5	18.8	43.8	25	3.6828	1.250
Working conditions	9.3	6.7	18.6	36.8	28.6	3.6943	1.218
Non monetary benefits	29.2	43.8	8.3	8.3	10.4	3.5428	1.5152
Training & development	0	12.5	14.6	25	29.2	3.3322	1.4923
Management support	11	0	19	20	50	3.9745	1.3183
Staff development	18.8	10.4	35.4	35.4	33.3	3.2972	1.6102
Strategic rationale	0	12.5	18.8	43.8	25	3.6828	1.2500

According to the study, majority of the respondents recapped that management support affects employee performance in the merged Bank to a great extent as shown by a mean score of 3.9745 working conditions affects employee performance in the merged Bank to a great extent as shown by a mean score of 3.6943, employees attitudes affects employee performance in the merged Bank to a great extent as shown by a mean score of 3.6828, strategic rationale affects employee performance in the merged Bank to a great extent as shown by a mean score of 3.6828, non monetary benefits affects employee performance in the merged Bank to a great extent as shown by a mean score of 3.5428 and employee commitment affects employee performance in the merged Bank to a great extent as shown by a mean score of 3.5423. They further added that training & development and staff development affect employee performance in the merged Bank to moderate extents as shown by mean scores of 3.3322 and 3.2972 respectively.

In general the respondents were required to indicate the extent to which various aspects of employee performance are affected by the merger of the banks.

Table 4.23: Aspects of Employee Performance affected by the Merger

Employee performance	No extent	Little extent	Moderate extent	Large extent	Very large extent	Mean	Std dev
Service quality	29.2	43.8	8.3	8.3	10.4	3.5428	1.5152
Creativity	0	12.5	14.6	25	29.2	3.3322	1.4923
Consistency	11	0	19	20	50	3.9745	1.3183
Efficiency	18.8	10.4	35.4	35.4	33.3	3.2972	1.6102

Majority of the respondents reiterated that consistency is affected by the merger of the banks to a great extent as shown by a mean score of 3.9745 and service quality is affected by the merger of the banks to a great extent as shown by a mean score of 3.5428, while creativity and efficiency are also affected by the merger of the banks to moderate extents as shown by mean scores of 3.3322 and 3.2972. It is therefore clear from the foregoing that mergers are important medium to expand product portfolios, enter new markets and acquire technology, gain access to research and development and gain access to resources which would enable the company to compete in the current competitive and dynamic banking industry. The results of the merger range form good to bad as concerns the pay/ remuneration, sense of ownership and belonging, job security and chain of command.

4.9 Inferential Analysis

Inferential analysis is utilized in this study to determine if there is a relationship between an intervention and an outcome, as well as the strength of that relationship. The inferential statistics analysis aimed to reach conclusions that extend beyond the immediate data alone between the independent variables in this study. dependent variables and the dependent variable of which involved a coefficient of determination The study the study conducted inferential analysis to establish the relationship between the in and a multiple regression analysis. The independent variables in this study included pay/ remuneration, sense of ownership and belonging, job security and chain of command while the dependent variable was employee performance.

4.9.1 Pearson's Coefficient of Correlation

To quantify the strength of the relationship between the variables, the researcher used Karl Pearson's coefficient of correlation. The researcher used the Karl Pearson's coefficient of correlation (r) to study the correlation between the study variables and the findings were as in table 4.21.

Table 4.24: Coefficient of Correlation

	Employee performance	**Pay/ remuneration**	**Sense of ownership and belonging**	**Job security**	**Chain of command**
Employee performance	1	.119	.103	.242	.435
Sig. (p-Values)		.365	.435	.063	.103
Pay/ remuneration	.119	1	.097	.362	.461
Sig. (p-Values)	.365		.461	.004	0.097
Sense of ownership and belonging	.103	.097	1	.213	.213
Sig. (p-Values)	.435	.461		.102	.102
Job security	.242	.362	.213	1	.123
Sig. (p-Values)	.063	.004	.102		.335
Chain of command	.435	.461	.213	.335	1
Sig. (p-Values)	.103	0.097	.102	.009	

From the findings, there was a positive correlation between employee performance and chain of command with a correlation figure of 435, it was clear that there was a positive correlation between the employee performance and job security as shown by a correlation figure of 0.242, it was also clear that there was a positive correlation between the employee performance and sense of ownership and belonging with a correlation figure of 0.103 and a positive correlation between employee performance and pay/ remuneration with a value of 0.119. This shows that there was positive correlation between employee performance and pay/ remuneration, sense of ownership and belonging, job security and chain of command.

4.9.2 Coefficient of Determination

The coefficient of determination is a measure of how well a statistical model is likely to predict future outcomes. The coefficient of determination, r^2 is the square of the sample correlation coefficient between outcomes and predicted values. As such it explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (employee performance) that is explained by all the independent variables (pay/ remuneration, sense of ownership and belonging, job security and chain of command).

Table 4.25: Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792	.627	.303	.125

Predictors: (Constant), pay/ remuneration, sense of ownership and belonging, job security and chain of command.

The four independent variables that were studied, explain only 62.7% of the employee performance as represented by the R^2. This therefore means the five independent variables only contribute about 62.7% to the employee performance while other factors not studied in this research contribute 37.3% of the e employee performance. Therefore, further research should be conducted to investigate the other factors (37.3%) that affect employee performance.

4.9.3 Multiple Regression Analysis

In addition, the researcher conducted a multiple regression analysis so as to establish the relationship between various dimensions of mergers and acquisitions and employee performance at Equatorial Commercial Bank of Kenya. Multiple regression is a statistical technique that allows us to predict a score of one variable on the basis of their scores on several other variables. The main purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable.

Table 4.26: Multiple Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.224	.312		4.358	0.000
Pay/ remuneration	0.217	0.1440	0.185	0.776	0.038
Sense of ownership and belonging	0.118	0.0847	0.023	0.406	0.046
Job security	0.299	0.0715	0.235	2.793	0.044
Chain of command	0.248	.107	.145	1.378	0.012

Dependent Variable: Employee Performance at ECB

The researcher conducted a multiple regression analysis so as to relationship between various dimensions of mergers and acquisitions and employee performance at ECB and the four independent variables. The regression equation (**$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$**) now becomes:

$$\mathbf{Y = 1.224 + 0.217\ X_1 + 0.118X_2 + 0.299X_3 + 0.248X_4}$$

Whereby Y = Employee Performance at ECB

X1 = Pay/ remuneration

X2 = sense of ownership and belonging

X3 = Job security

X4 = Chain of command

According to the regression equation established, taking all factors (pay/ remuneration, sense of ownership and belonging, job security and chain of command) constant at zero, the employee performance at Equatorial Commercial Bank realized would be 1.224. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in pay/ remuneration lead to a 0.217 increase in employee performance at Equatorial Commercial Bank of Kenya. A unit increase in sense of ownership and belonging will lead to a 0.118 increase in employee performance at ECB; a unit increase in job security will lead to a 0.299 increase in employee performance at Equatorial Commercial Bank; whereas a unit increase in chain of command will lead to a 0.248 increase in employee performance at Equatorial Commercial Bank of Kenya. These results infer that job security contributes more to employee performance at Equatorial Commercial Bank, followed by chain of command and pay/ remuneration, while sense of ownership and belonging contributes the least to employee performance at Equatorial Commercial Bank of Kenya.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, DISCUSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This is the final chapter in this study which gives the summary of the findings, the discussion, conclusions, recommendations of the study based on the objective of the study and suggestions for further findings. It comes after identifying the background, problem at hand and the objectives in chapter one, literature review was done in chapter two, chapter three set out the methodology that the study used to collect data and chapter four analyzed the data obtained from the study. The chapter finally presents the suggestions for further studies. The study sought to establish the influence of remuneration on employee performance in the Equatorial Commercial Bank; to examine the influence of sense of ownership and belonging on the performance of employees working in Equatorial Commercial Bank; to establish the influence of job security on the performance of employees working in Equatorial Commercial Bank and to determine the influence of chain of command on the performance of employees working in Equatorial Commercial Bank.

5.2 Summary of Findings

This study found that the merger between the financial institutions affected employee performance in ECB as indicated by 96% of the respondents. Mergers and acquisitions are often associated with various effects on the human resource side of it. According to 57% of the respondents the merger between the two banks influenced the employee performance at ECB to a moderate extent where 66.7% of the respondents indicated that the level of employee performance in the organization since the merger was average.

The study further found that employee pay and remuneration affect employee performance in the merged organization to a moderate extent as shown by 57% of the respondents. Accordingly, the respondents reported that wages and benefits, allowances/bonuses, as well as terms of employment and performance based pay affect the employee performance in the current merger setting to great extents.

The study also found that the merger setting affects the sense of ownership and belonging among the employees in the Bank to a moderate extent as indicated by 46% of the respondents. In addition, employee contributions affect employee performance in the Bank to a great extent as shown by a mean score of 3.9745, employee composition affect employee performance in the Bank to a great extent as shown by a mean score of 3.9602 and shareholder wealth affect employee performance in the Bank to a great extent as shown by a mean score of 3.5428, while merger satisfaction and communication affect employee performance in the Bank to moderate extents as shown by mean scores of 3.3322 and 3.2972 respectively.

With regard to job security, the study found that 53% of the respondents felt that understood the procedures, policies, and responsibilities that are part of their job in the merged bank setting to a great extent and therefore 46% of them rated that job security affects the employee performance in the Bank to a moderate extent. On the same job satisfaction affects employee performance to a great extent as shown by a mean score of 4.0857, job skills and traits affects employee performance to a great extent as shown by a mean score of 3.9571 and organizational commitment affects employee performance to a great extent as shown by a mean score of 3.9571, while employee retention affects employee performance to a moderate extent as shown by a mean score of 3.3714.

On chain of command, the study found that chain of command affects the employees' performance in the Bank to a great extent as stated by 39% of the respondents. It was found that that personal relationship affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.7723, task conflicts affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.6954, coordination affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.6834, workloads affect the performance of employees in the Bank to a great extent as shown by a mean score of 3.5845 as well as cultural compatibility shown by a mean score of 3.5521. Management support, working conditions, employees' attitudes, strategic rationale, non monetary benefits and employee commitment affects employee performance in the merged Bank to great extents.

From the Karl Pearson's coefficient of correlation, there was positive correlation between employee performance and pay/ remuneration, sense of ownership and belonging, job security and chain of command. In addition, the regression equation established shows that job security contributes more to employee performance at Equatorial Commercial Bank, followed by chain of command and pay/ remuneration, while sense of ownership and belonging contributes the least to employee performance at Equatorial Commercial Bank of Kenya.

5.3 Discussion of Findings

From the findings mergers between the financial institutions was found to affect employee performance in ECB. Mergers and acquisitions are often associated with various effects on the human resource side of it. As Salleo (2002) argues, mergers & acquisitions (M&A) are a means of reinforcing existing capabilities and for accessing a new set of valuable capabilities, which are difficult to imitate not widely available and integrated in an indivisible part of another firm. These include; desire to increase the size of the organization to ensure it reaps the benefits of enhances economies of scale, business combination also leads to risk diversification, particularly where the two companies have different income streams, increasing the company's market competitiveness; thus, being in a position to stay off competition.

It is generally acknowledged that the amount of money that is added for employee retention is often considered part of the cost of the deal in M&As. The level of employee performance in the organization since the merger was found to be average. As from the findings employee pay and remuneration affect employee performance in the merged organization. Accordingly, the respondents reported that wages and benefits, allowances/bonuses, as well as terms of employment and performance based pay affect the employee performance in the current merger setting. These findings are consistent with McGuckin and Nguyen (2001) who indicated that financial commitments enable the new owners of the company to use the deal as a mechanism for enhancing the profitability of the firm, and ultimately, shareholder wealth, at the expense of workers.

The study also found that the merger setting affects the sense of ownership and belonging among the employees in the Bank. Employee contributions, employee composition, shareholder wealth, merger satisfaction and communication affect employee performance in the Bank. This concurs with the findings of Jovanovic and Rousseau (2004) who alleged that mergers and acquisitions lead to substantial downsizing or even mass layoffs, usually basing their conclusions on data from a small number of large, publicly-traded corporations. In the merger process the employee are psychologically threatened by the layoffs which can significantly exacerbate their anxiety, tension and stress. These can in turn lead to such dysfunctional outcomes as stress, job dissatisfaction, low trust in the organization and commitment to it, and increased intentions to leave the organization. Coff (2002) also conjectured that employees of the acquired firm had significantly lower merger satisfaction scores than either employees of the acquiring firm or new hires.

Employees who work at pre and post-mergers and acquisitions environment feel a strong threat to their job security while working in such environment. Ashford, Lee and Bobko (1989) found empirically that the greater the number of changes in an organization, the greater the perceived job insecurity by the employees and in turn, this perceived job insecurity is negatively related to organizational commitment, trust in organization, job satisfaction and ultimately, job performance. From the current study, job security, understanding of the procedures, policies, and responsibilities are part of the employee roles in the merged bank setting. In addition, job security was rated to affect the employee performance in the Bank. These results indicate that positive reactions to the communication program engender higher perceptions of control, organizational commitment, job satisfaction and lower intentions to quit and be absent. This is in accordance to Davy et al. (1988) findings that the feelings of job insecurity significantly increase, which is consistent with the fact that layoffs indeed did occur during the three-month period between the surveys. Other factors include organizational commitment which significantly decrease, while intentions to leave and be absent increase. job satisfaction affects employee performance, job skills and traits and employee retention affects employee performance.

In general, merging company segments involve a high level of coordination, communication amongst all involved parties, and making tough choices such as reduction of staff. The issue of cultural compatibility between merging firms has long been proposed as an important determinant of the realization of potential synergies. The study found that chain of command affects the employees' performance in the Bank. The study also established that personal relationship, task conflicts, coordination, workloads as well as cultural compatibility. Management support, working conditions, employees' attitudes, strategic rationale, non monetary benefits and employee commitment affects employee performance in the merged Bank to great extents. According to Simons & Peterson (2000) argue that task conflict promotes team members' ability and perceptions about decision-making effectiveness. In the wake of competition, management strives to adopt efficient approach in the discharge of work by the employees to accrue the desired output. Jehn and Mannix, (2001) also supports that merging firms do not develop a chain of command required to communicate merger details, including regular updates regarding the progress and completion of various tasks along the flow chart.

5.4 Conclusion

From the study findings, the study concludes that employee pay and remuneration affect employee performance in the merged organization. With this regard, wages and benefits, allowances/bonuses, as well as terms of employment and performance based pay affect the employee performance in the current merger setting.

The study concludes that mergers affect the sense of ownership and belonging among the employees in the Bank hence their performance. The study established that employee contributions, employee composition, shareholder wealth and merger satisfaction and communication affect employee performance in the Bank.

The study also concludes that employees understood the procedures, policies, and responsibilities that are part of their job in the merged bank setting and job security affects the employee performance in the Bank. It was made clear that same job satisfaction, job skills and traits, employee retention and organizational commitment affects employee performance.

The study finally deduces that chain of command affects the employees' performance in the Bank. It was also ascertained that personal relationship, task conflicts, coordination, workloads, cultural compatibility, management support, working conditions, employees' attitudes, strategic rationale, non monetary benefits and employee commitment affects employee performance in the merged Bank.

5.5 Recommendations

From the findings and conclusions, pay and remuneration is a major factor of mergers that affect the employee performance in ECB. The management of the Bank should also check the quantity of work and compare with the salary given to the employees. Employees are highly motivated by monetary value which in turn affects their performance. The management should therefore increase the pay of employees for better performance. Promotions of the qualified employees should also be put into consideration. Performance appraisal exercise should be taken seriously in organizations to check the performance of employees hence take the necessary actions towards the strengths and weaknesses of employees in the merger setting.

This study recommends that bank increase formal and informal training programs to their staff so as to enhance their sense of ownership and hence performance through mergers and acquisitions. In this regard, communication should be enhanced and more structured approach to the process should be established. It will also enable them acquire relevant knowledge and skills that lead to increased efficiency of the staff working at the Bank. This will in turn affect the performance of commercial banks in Kenya.

Since job security depends on having the necessary skills and experience that are in demand by employers, which in turn depend on the prevailing economic condition and business environment, individuals whose services are in needed by employers tend will enjoy higher job security. Measures and strategies in order to enhance job security among employees in the merged banks should be achieved by creating environment that enhances their motivation level to satisfactory levels. Thus for the banks to become more competitive they must embrace mergers in the market which will lead to better working conditions and job security.

The study recommends that since chain of command affects employee performance in the mergers and acquisitions, there is dire need to lay down proper strategies to enhance smooth running of the institutions. The positive employee performance found can be ensured by streamlining the strategies in asset structure, diversity of loans or credit risk strategies as well as removal of cultural barriers, removing structural obstacles of coordination, personal relationship, as well as cultural compatibility, promoting competition and protecting consumers all without prejudicing outcomes. This would go a long way in ensuring service quality, creativity, consistency and efficiency among the employees.

5.6 Recommendation for Further Studies

This study has reviewed the effects of mergers and acquisitions on employee performance in Equatorial Commercial Bank and has identified pay/ remuneration, sense of ownership and belonging, job security and chain of command as being the major effects of mergers and acquisitions on employee performance in ECB. There are other different commercial banks and firms who have opted to merge. To this end, therefore, a further study should be carried out to establish how other firms can nurture the mergers and acquisitions at large and the influence of mergers and acquisitions on employee performance in these firms.

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APPENDICES

Appendix I: Letter of Transmittal

I am final year student at the University of Nairobi perusing a Master degree in Project Planning and Management. I am undertaking a research on **THE INFLUENCE OF MERGERS AND ACQUISITIONS ON EMPLOYEE PERFORMANCE: A CASE OF EQUATORIAL COMMERCIAL BANK**.

In this regard, I kindly request for your support in terms of time in responding to the attached questionnaire. Your accuracy and candid response will be critical to achieve the objectivity of the research.

It will not be necessary to write your name on this questionnaire. All information received will be treated in strict confidence. In addition, the findings of the study will surely be used for academic research purposes and to enhance knowledge.

Thank you for your valuable time on this.

Yours faithfully,

Mary Kivuti.

M.A Student.

University of Nairobi.

Appendix II: Questionnaire

THE INFLUENCE OF MERGERS AND ACQUISITIONS ON EMPLOYEE PERFORMANCE: A CASE OF EQUATORIAL COMMERCIAL BANK

This questionnaire consists of two major parts; Part A on general information and Part B on influence of mergers and acquisitions on employee performance. Kindly answer all the questions to the best of your ability. Indicate with a tick or filling in the space(s) provided.

PART A: GENERAL INFORMATION

1. What is your gender?

Male	[ ]	Female	[ ]

2. Your age bracket (Tick whichever appropriate)

18 – 24 Years	[ ]	25 - 30 Years	[ ]
31 - 34 years	[ ]	35 – 40 years	[ ]
41 – 44 years	[ ]	45 – 50 years	[ ]
Over 51 years	[ ]		

3. How long have you been working in the Bank (or the merged banks)?

0-5 yrs	[ ]	5-10 yrs	[ ]
10-15	[ ]	Over 15 yrs	[ ]

4. What is your highest academic qualification?

Certificate	[ ]	Diploma	[ ]
Bachelor's degree	[ ]	Masters Degree	[ ]

Others (Specify................................) [ ]

5. What department are you in?

Operations/ IT/HR	[ ]	Credit/ Corporate/ Asset Finance	[ ]
Admin/ Finance/ Treasury	[ ]	Marketing/ Cash Product Management	[ ]

Others (Please specify) ___________________________________ [ ]

PART B: INFLUENCE OF MERGERS AND ACQUISITIONS ON EMPLOYEE PERFORMANCE

6. Did the merger affect employee performance in the organization?

   Yes [ ] No [ ]

7. To what extent did the merger between the two banks influence the employee performance?

Very great	Great	Moderate	Slight	Very little

8. How would you rate the level of employee performance in the organization since the merger?

Very high	High	Average	Normal (no change)	Poor

PAY/REMUNERATION

9. To what extent does employee pay and remuneration affect employee performance in the merged organization?

Very great	Great	Moderate	Slight	None

10. To what extent do the following aspects of pay/remuneration affect the employee performance in the current merger setting? Use a scale of 1 to 5 where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Aspects of pay/remuneration	**1**	**2**	**3**	**4**	**5**
Wages and benefits					
Terms of employment					
Performance based pay					
Allowances/bonuses					
Other (Specify……………………………………………….)					

SENSE OF OWNERSHIP/BELONGING

11. To what extent does the merger setting affect the sense of ownership and belonging among the employees in the bank?

Very great	Great	Moderate	Slight	None

12. To what degree do the following aspects of ownership and belonging affect employee performance in the bank? Use a scale of 1 to 5 where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Aspects of ownership and belonging	**1**	**2**	**3**	**4**	**5**
Employee composition					
Shareholder wealth					
Communication					
Employee contributions					
Merger satisfaction					
Other (Specify……………………………………………….)					

JOB SECURITY

13. To what extent do you feel you understand the procedures, policies, and responsibilities that are part of your job in the merged bank setting?

Very great	Great	Moderate	Slight	None

14. To what extent does job security affect your performance in the bank?

Very great	Great	Moderate	Slight	None

15. Rate the degree to which the following aspects of job security affect your performance? Rate using a scale of 1 to 5 where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Aspects of job security affect your performance	**1**	**2**	**3**	**4**	**5**
Job skills and traits					
Organizational commitment					
Job satisfaction					
Employee retention					
Other (Specify…………………………………………….)					

CHAIN OF COMMAND

16. To what extent does chain of command affect your performance in the bank?

Very great	Great	Moderate	Slight	None

17. To what extent do the following aspects of chain of command; affect the performance of employees in this bank? Use a scale of 1 to 5 where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Chain of command	**1**	**2**	**3**	**4**	**5**
Coordination					
Personal relationship					
Cultural compatibility					
Work loads					
Task conflicts					

18. To what degree do the following factors affect employee performance in the merged bank? Use a scale of 1 to 5 where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great.

Factors affecting employee performance	**1**	**2**	**3**	**4**	**5**
Employee commitment					
Employees attitudes					
Working conditions					
Non monetary benefits					
Training & development					
Management support					
Staff development					
Strategic rationale					

19. In general to what extent are the following aspects of employee performance affected by the merger of the banks Use a scale of 1 to 5 where 1= None, 2= Slight, 3= Moderate, 4= great, 5 = Very great..

Aspects of employee performance affected by the merger	**1**	**2**	**3**	**4**	**5**
Service quality					
Creativity					
Consistency					
Efficiency					

20. What suggestions would you give with regard to planning and management of merger project in order to enhance employee performance in the bank?

……………………………………………………………………………………………

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THANK YOU!!