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

JUNE-LISBETH MUGOA ADEMBESA

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any University.

Signed: ___________________ Date: __________________

June Adembesa (D61/60267/2010)

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

Signed: __________________ Date: _________________

Prof. Martin Ogutu
Associate Professor
Department of Business Administration
School of Business
University of Nairobi

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DEDICATION

This work is dedicated to my late father who had poured so much into my life . I will always hold you close to my heart and always in my thoughts.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The banking industry has in the last couple of years seen a transformation and dramatic changes which are brought about by competition. The study looked and analyzed as study objective, the type of mergers and acquisitions that the banks have adopted to achieve competitive advantage over its rivals. On another objective, it ventured on determining the effects of mergers and acquisitions on employee productivity. The design used was ideal for the research problem since it allowed for a quantitative study for an expansive data collection and thorough analysis of the data collected. By using the research design, the researcher was able to collect data and explain phenomenon more deeply and exhaustively. The study found out that a higher percentage of banks were either in acquisition then horizontal mergers and vertical mergers and most respondents had worked in the bank at the time of mergers or acquisitions. The study found that this is usually as stress and tension times for the employees for the both bank which leads to staff turnover, absenteeism due to the uncertainty. The study made the conclusion that before mergers or acquisitions management needs to have equal treatment to all staff. It should not create any sense of job insecurity so communication in regards to such a venture needs to be communicated at all times so that staff feels they are part of the team. The study recommended that organisations needs to maintain its standard and always be keen on employee's perception .Further research on this study should be undertaken in different industries so as to get the employees perception on effects of employee productivity.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

In today's globalized economy, mergers and acquisitions are being increasingly used world over for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalizing on economies of scale among other (Kemal, 2011). The reasoning behind any corporate merger is that two companies are better than one because they increase shareholder value over and above that of the two separate firms (Sharma, 2009). The motives behind mergers and acquisitions are economies of scale, increase in market share and revenues, taxation, synergy, geographical and other diversification.

A merger is the combination of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock where one company or both loose entity. According to Halpern (1983), mergers occur when an acquiring firm and a target firm(s) agree to combine under legal procedures established in the states in which the merger participants are incorporated. Manne (1965) argued that in a merger, the acquiring concern will be a corporation and not an individual, and the medium of exchange used to buy control will typically be shares of the acquiring company rather than cash. A merger requires the explicit approval of those already. in control of the corporation. And most statutes require more than a simple majority vote by shareholders to effectuate a merger. The term "acquisition" is used to refer to any takeover by one company of the share capital of another in exchange of cash, ordinary shares, or loan stock (Halpern, 1983). M & As has been popular methods of increasing the size and value of firms in modern times. Compared to the older system of increasing value through organic growth, M & As are faster and in most cases cheaper. The terms M & As have been used interchangeably in this study.

The human capital theory, states that mergers and acquisitions lead to improvements in firm performance and plant productivity, although they also result in the downsizing of establishments and firms. These transactions also appear to enhance the careers of workers because they provide a mechanism for improving the sorting and matching or workers and managers to firms and industries that best suit their skills. In addition the theory of Synergy according to Viverita (2008), the differential efficiency theory of mergers, if the management of firm A is more efficient than the management of firm B and if after firm A acquires firm B, A the efficiency of firm B is brought up to the level of firm A, then this increase in efficiency is attributed to the merger. According to this theory, some firms operate below their potential and consequently have low efficiency. Such firms are likely to be acquired by other, more efficient firms in the same industry. This is because firms with greater efficiency would be able to identify firms with good potential operating at lower efficiency. They would also have the managerial ability to improve the latter's performance.

Mergers and acquisitions ensure tremendous profit in terms of financial gains and work performance. However employees often cope with the uncertainty surrounding a merger by reducing levels of commitments and instead use the energy either to cope with anxiety and confusion or try to find new employment opportunities. (Fulmer and Gilley ,1998). The negative effects of mergers do not seem too simply or go away with time, but rather seem to get more serious as time passes. Hence this study seeks to investigate the effects associated with mergers and acquisitions on employee productivity among commercial banks in Kenya.

1.1.1 Concept of Mergers and Acquisitions

Hax and Majluf (1996) define mergers and acquisitions as a means of establishing the organizational purpose in terms of its long term objectives, action programs and resource allocation. 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 (Hill & Jones 2001). David (1997) explains a merger as a process that occurs when two organizations of about equal size unite to form one enterprise. Thus, mergers involve friendly restructuring of the assets and resources for the companies involved in the combination (David, 1997). Majority of mergers are friendly and are recommended by the directors and shareholders of both companies (Hill and Jones, 2001).

Many directors and senior managers will today recommend to their board that merging or acquiring another company will assist the organization access to new or penetrate further into existing markets, acquire new products, technology, resources or management of talent (Jemison and Sitkin, 1986). The important factors that influence corporate strategy is the environment in which a company is operating. It is, in the search of suitable responses to that environment, that an organization realizes that it neither has the strengths needed, nor the time required to develop such strengths as the opportunity might get lost, that it seeks and identifies another firm with which to merge or to acquire, that has appropriate capabilities and competences (Hubert & Edward, 2006).

According to Pike and Neale (2002), merger strategies are associated with the pooling of the interests of two companies into a new enterprise requiring the agreement by both sets of shareholders. Firms will thus seek that strategic position that will provide them with the maximum impact on the external environment, internal resources and competencies, and the expectations and influence of stakeholders (Johnson and Scholes, 2002). Mergers and acquisitions strategies are used by firms in strategic positioning. A takeover or an acquisition, on the other hand, is defined as an acquisition by one company of the share capital of another in exchange for cash, ordinary shares, loan stock, or some mixture of the two: this directly results in the identity of the acquired being absorbed into that of the acquirer. Hill and Jones (2001) posit that a takeover is when the acquiring company gains control of another without the co-operation of its existing management.

A number of scholars argue that mergers and acquisitions of companies are a common and important response to globalization and the changing market environment (Boateng & Bjortuft, 2003). Despite the increasing popularity of mergers and acquisitions, it has been reported that, more than two-thirds of large merger deals fail to create value for shareholders in the medium term (Reshcke & Aldag, 2000). Reshcke and Aldag (2000) found that the profitability of target companies, on average declines after an acquisition. However, the effect of M&A on innovation performance has been discussed controversially. While mergers have been regarded an effective instrument for reaping benefits of both scale and scope, this is often taken for granted without any further specifications.

1.1.2. Concept of Perception

Perception can be defined as the process by which organisms interpret and organize sensation to produce a meaningful experience of the world. Sensation usually refers to the immediate, relatively unprocessed result of stimulation of sensory receptors in the eyes, ears, nose, tongue, or skin. Perception, on the other hand, better describes one's ultimate experience of the world and typically involves further processing of sensory input. Through the Through the perceptual process, we gain information about properties and elements of the environment that are critical to our survival. Perception not only creates our experience of the world around us;it allows us to act within our environment (Sternberg 1996).

Perception can be divided into two groups; bottom-up theories or data driven and top-down theories. Top-down theorists start their explanation of perception from the top, focussing on expectancies, prior knowledge, and other higher-level cognitive processes and then work their way down to considering the sensory data. While bottom-up theorist's start from the bottom and consider the perceived physical stimulus, the observable form or pattern, and work their way up to higher-level cognitive processes such as the organising principles (Sternberg 1996).

1.1.3 Concept of Employee Productivity

Mergers and Acquisitions can be especially challenging to employees, ultimately impacting their performance. Whether wildly divergent or sharing commonalities, rarely do two cultures easily and smoothly merge into one. Capable, experienced employees are the foundation to any workforce. During times of uncertainty, employees are most likely to become non-productive or leave. Beyond the direct costs of employee turnover, companies can lose thousands of dollars in productivity and reduced levels of customer service, with broader implication to the bottom line business results. Further, when employees leave with years of knowledge and experience, they simply cannot be easily replaced overnight. Cultural resilience suffers when the workforce lacks confidence and stability.

When corporations merge, there are usually instances of redundancy. In these cases, redundancy can lead to lay–offs, or may require shifting roles of your employees. While lay–offs most often cannot be avoided, reducing uncertainty amongst employees is best. Those employees that are being laid off should be told immediately and be provided with severance packages, if possible, and most importantly treated in a respectful manner. Remaining employees should have clear guidelines on their role within the new organization, and a development plan that will help them adjust to subsequent changes.

It is well accepted that’s mergers and acquisitions often create significant trauma for employees and managers of both the acquiring and acquired firms that result in attitudinal and productivity problems as well as turnover of valued personnel. Buono and Bowditch (1989) noted that negative reactions may lead to significantly lower levels of job satisfaction and job security and less favorable attitude towards management. Employees often cope with the uncertainty surrounding a merger by reducing levels of commitments and instead use the energy either to cope with anxiety and confusion or try to find new employment opportunities. (Fulmer and Gilley ,1998). The consequences are particularly critical given Schweiger and Denisi’s findings mentioned above, that negative effects of mergers do not seem too simply or go away with time, but rather seem to get more serious as time passes.

1.1.4. Perceived Effects of Mergers and Acquisition on employee Productivity

People decide on their own attitudes and feelings from watching themselves behave in various situations. This happens when internal cues are weak or confusing they effectively put the person in the same position as an external observer (Bem 1972).People changing attitudes happens when they have the feelings of discomfort or they attribute their cause to their own behaviors and attitudes.

Mergers and acquisitions often create significant trauma for employees and managers of both the acquiring and acquired firms that result in attitudinal and productivity problems as well as turnover of valued personnel Buono and Bowditch (1989) noted that negative reactions may lead to significantly lower levels of job satisfaction and job security and less favourable attitude towards management. Employees often cope with the uncertainty surrounding a merger by reducing levels of commitments and instead use the energy either to cope with anxiety and confusion or try to find new employment opportunities. (Fulmer and Gilley, 1998). The consequences are particularly critical given Schweiger and Denisi's findings mentioned above, that negative effects of mergers get more serious as time passes.

With mergers and acquisitions happening, the perceived thought is usually in both ways that is positive and negative. The management always have the impression that the mergers are good as they will give a competitive advantage while others usually perceive it oppositely. .

1.1.5 Banking Industry in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at December 2008 there were forty six banking and non-bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest's and which also addresses issues affecting members.

1.1.6 Commercial banks in Kenya

The history of banking in Kenya dates back to the colonial period. Colonial rule brought in its wake new forms of banking. British commercial banks started operations in Kenya during the 1890s. The operations of these foreign-owned banks were characterised by high degree of concentration, branch banking, and an almost exclusive concern with financing external trade and for many decades, a lack of interest in, or involvement with, the African population. As Kenya became more and more part of this capitalist world economy, the banks established themselves in the colony to provide services for financing exports and imports.

The origin of commercial banking in Kenya relates to commercial connections in East Africa, which existed towards the end of the 19th Century. First of all there was National Bank of India in Kenya in 1896 after the establishment of the British in the region. It was followed by Standard Bank of South Africa in 1910. In 1916, the National Bank of South Africa merged with Anglo-Egyptian Bank Ltd to form Barclays Bank (dominion Colonial) Commercial Banks and Mortgage Finance Institutions are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under. They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations. Currently there are there are 43 licensed commercial banks.

Out of the 43 institutions, 30 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution. The country's banking sector has recorded exponential growth with bank branches rising from 534 as at December 2005 to more than 1,000 in 2011. The number of rural branches has grown by more than 150 per cent compared to over 70 per cent growth in urban areas over the same period, which has highly boosted financial inclusion in the country. The Government has reformed banking to make it internationally competitive. In 2007, the Ministry of Finance proposed to raise bank capital from Sh250 million ($2.94 million) to Sh 1 billion ($11.8 million) by 2010. This deadline has since been pushed to 2012.

1.2 Research Problem

Mergers and acquisitions can prove to be a huge risk to the human resources of both companies. Employees of the merging or acquiring company, however, have an edge over those working for the acquired company as they may be rewarded with increase in remuneration and better job position. It gives them a sense of having an upper-hand, yet, the fears of mergers cannot be neglected. It must be noted that there is a remarkable difference between acquisitions and the unification of two companies can play out very differently in different scenarios. Here is a tidbit, employees of large corporate deal with such predicaments better than their counterparts working in relatively smaller companies. Also, often employees deal with a partial or unrelated merger/acquisition in a much less hostile fashion. The effects on employees can be downplayed by providing them adequate information and training to be well-equipped and engaged in dealing with the new change.

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region as well as automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the half' banking products. Players in this sector have experienced increased competition Most research done in commercial banks Kenya had greatly been focused on the effects of financial performance in banks have undergone mergers and acquisitions. It's against this background that this study wishes to establish the effects of mergers and acquisitions on employee's productivity in commercial banks in Kenya?

1.3. Research Objective

The study addressed the following objective;

i. To establish the types of mergers and acquisition among commercial banks in Kenya.

ii. To determine the effects of mergers and acquisitions on employee productivity in commercial banks in Kenya.

1.4 Value of the study

The study is of importance to stakeholders in the financial industry as the results presented would lay the foundation of their policy work in issues pertaining mergers and acquisitions and employees productivity hence provide guidelines for formulation of managerial policy in the financial companies.

The study contributes to the body of knowledge by providing information in the issues of effects of mergers and acquisitions on employee productivity hence building on the existing theories.

The study benefits researchers and academicians by adding to their knowledge and for future researchers the study will be used as a reference point for studies inclined to mergers and acquisition.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review on mergers and acquisitions and the effects they have on employee productivity. The main areas presented here are theoretical foundation, mergers and acquisitions, employee's productivity and effects of mergers and acquisitions on employees.

2.2 Theoretical Foundation

The theoretical foundation was based on Resource-based View which is the study of how the external resources of organizations affect the behaviour of the organization. M&A is thus one of the options that a firm uses to reduce its environmental interdependence and uncertainties (Finklestein, 1997). Casciaro and Piskorski (2005) further developed, and they found that mutual dependence was a key driver behind inter-industry M&As among firms as they offer an internal perspective of how organizations specify resource needs and use M&A as an instrument to obtain missing capabilities and/or enhance existing resources (Barney, 1986). Organizational Learning Theory (OLT) explain and also guides on organisational behaviour suggests that routines stemming from experience guide .Empirical studies demonstrate that the more experience an organization's members have with a particular strategic action or direction, the more likely they are to repeat it (Amburgey and Means, 1992).

By combining both theories it can be viewed as a key resources which helps companies to gain their comparative advantage in mergers and acquisitions activities. Penrose (1959), provides a general theory of the growth of the firm, a theory of entrepreneurship based on the subjective opportunity set of the firm, expansion based on indivisibility and the balance of processes, a resource-based theory of diversification, and a theory of expansion through acquisition and merger.

According to the value increasing school, mergers occur, broadly, because mergers generate ‘synergies’ between the acquirer and the target, and synergies, in turn, increases the value of the firm (Hitt et al., 2001). If the gain in value to the target was not positive, it is suggested, the target firm’s owners would not sell or submit to the acquisition, and if the gains were negative to the bidders’ owners, the bidder would not complete the deal. Hence, if we observe a merger deal, efficiency theory predicts value creation with positive returns to both the acquirer and the target. Banerjee and Eckard (1998) and Klein (2001) evidence this suggestion.

The impact of mergers and acquisitions on the performance of the acquiring firm remains, however, at best, “inconclusive” and, at worst, “systematically detrimental” (Dickerson et al., 1997). Mergers fail to create value, it is suggested – with somewhere between 60 and 80% classified as ‘failures’ (Puranam and Singh, 1999) – and a number of value destroying theories have been put forward in explanation. These value-destroying theories can be divided into two groups: the first assumes that the bidder’s management is ‘boundedly rational’, and thus makes mistakes and incurs losses due to informational constraints despite what are generally value-increasing intentions.

The second assumes rational but self-serving managers, who maximise a private utility function, which at least fails to positively affect firm value. Within the first category, the theory of managerial hubris (Roll, 1986) suggests that managers may have good intentions in increasing their firm’s value but, being over-confident, they over-estimate their abilities to create synergies. Over-confidence increases the probability of overpaying (Hayward and Hambrick, 1997; Malmendier and Tate, 2008), and may leave the winning bidder in the situation of a winner's-curse, which dramatically increases the chances of failure (Dong et al., 2006).

2.3 Mergers and Acquisitions

Mergers are forms of business transactions where there is a combination of two or more corporate entities, and in the process of combining of two entities one or more such corporate entities lose their corporate existence because they merge with the surviving entity. Acquisitions are those forms of business transactions where the shares or control of a company is taken over by persons who, prior to the change in the shareholding or control, did not possess such shareholding or control. The world of finance is expanding and consolidating at an exponentially increasing speed. During the last decade we have seen the formation of many continental trade agreements and expansion in international trade volumes and transactions worldwide. This integration has strengthened financial markets and has given rise to the combination of numerous financial activities to offer even more choices of investment. Recently, banks have sought expansion through waves of mergers and acquisitions (M&A) along the years, starting with the United States and Europe and then spreading to other countries around the world (Fo-carelli, Panetta & Salleo, 2002).

Mergers and acquisitions are a global phenomenon with an estimated 4000 deals taking place every year. However, there have been recent developments. Four periods of high merger activity, also known as merger waves, occurred in the united states in 1897-1904, 1916-29, 1965- 69, 1984-89, and 1993-2000 (ILO, 2001; Jimmy, 2008). Most studies of bank M&A have focused on the United States as it was the first country to witness bank M&A in the late 19thcentury (Hubbard, 2001).

More recent studies have analyzed bank M&A in Europe especially after the consolidation of the European economies and the unification of their currency (Yener, 2004; Lindblom , 2002). Yet, until now, it has been quite rare to find research into bank M&A in the developing countries of the Middle East and North Africa region because such expansion activities were non-existent until recently. Mergers and acquisition (M&A) is a critical vehicle in Kenya just like in other countries in the world facilitating corporate growth and productivity. The reasons a firm may go the merger and acquisitions are many and diverse. They range from tax planning efforts to expansion in a bit to enjoy economies of scale. The need to achieve legal compliance especially in capital intensive sectors like telecommunications industry and the financial sector the other major reasons. There is also the factor of business considerations like is the case in a business environment where the one competitor has large capital outlay as compared to the other scores of small competitors.

The small firms may merge in a bit to wrestle market share from the large company. Whatever reason, the common denominator of all M&As is the focus on bottom line of the companies involved. M&A may be aimed at improving bottom line through increased efficiency or sustaining the same by staying afloat.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 were set for consolidation to meet the deadline to boost minimum core capital. This delay in expansion activities may be greatly blamed on the protective regulations in these areas which have inhibited growth of the banking sector and also due to large public sector interference. Nevertheless, with increased liberalizations and economic reforms in some countries in the region, more and more banks are engaging in expansionary activities including mergers and acquisitions.

Mergers and acquisitions are like gambling, it's incredibly risky and you cannot predict the size of returns. It may or may not add to the value of the company and there have been documented cases when it even backfired, but what is the impact of such a corporate decision on the employees working for the companies involved in it. These decisions are often based on the calculations of the Board of Directors of both companies regarding the monetary gains from the deal. They rarely consider the diversity of their work cultures. In fact, a survey conducted by Watson Wyatt Worldwide backs up this view. It was found in the study that only 8% of such decisions considered HR as a high priority factor. Expectantly, the employees are left on their own to deal with this major change to the management hierarchy, policies and the organizational structure. Since mergers & acquisitions have a commercial value for the companies involved, employees are often overlooked in this decision.

Mergers can be classified into three types**.** Vertical Mergers: If a company acquires another company, which buys the products of Acquirer Company and uses them as raw material in its production process or acquires a company from which the company buys its raw material. Horizontal Mergers is when a bank acquires another bank and merges it into itself. Similarly if a company acquires another company which is operating in the same area of its operation and merges it into itself, it is said to be horizontal merger. This could be to increase the market share, or to get technological advantages, or to enter into the new geographical areas, or to acquire any other strategic advantages. Conglomerate Mergers: If a company acquires a company which is not at all connected with the area of operations of acquiring company, it is said to be a conglomerate merger. For example, if a bank acquires a cement company and merges it into itself, then it can be treated as conglomerate merger. Depending upon the situation and need of the acquiring company, it may adopt anyone of the above types of mergers.

2.4 Employee Productivity

Aftermath of mergers and acquisitions impact the employees or the workers the most. It is a well-known fact that whenever there is a merger or an acquisition, there are bound to be layoffs. In the event when a new resulting company is efficient business wise, it would require less number of people to perform the same task. Under such circumstances, the company would attempt to downsize the labor force. If the employees who have been laid off possess sufficient skills, they may in fact benefit from the lay off and move on for greener pastures. But it is usually seen that the employees those who are laid off would not have played a significant role under the new organizational set up. This accounts for their removal from the new organization set up. These workers in turn would look for re-employment and may have to be satisfied with a much lesser pay package than the previous one. Even though this may not lead to drastic unemployment levels, nevertheless, the workers will have to compromise for the same. If not drastically, the mild undulations created in the local economy cannot be ignored fully.

Impact of mergers and acquisitions on top level management may actually involve a "clash of the egos". There might be variations in the cultures of the two organizations. Under the new set up the manager may be asked to implement such policies or strategies, which may not be quite approved by him. When such a situation arises, the main focus of the organization gets diverted and executives become busy either settling matters among themselves or moving on. If however, the manager is well equipped with a degree or has sufficient qualification, the migration to another company may not be troublesome at all.

Mergers and acquisitions can prove to be a huge risk to the human resources of both companies. Employees of the merging or acquiring company, however, have an edge over those working for the acquired company as they may be rewarded with increase in remuneration and better job position. It gives them a sense of having an upper-hand, yet, the fears of mergers cannot be neglected. It must be noted that there is a remarkable difference between acquisitions and the unification of two companies can play out very differently in different scenarios. Here is a tidbit, employees of large corporate deal with such predicaments better than their counterparts working in relatively smaller companies. Also, often employees deal with a partial or unrelated merger/acquisition in a much less hostile fashion. The effects on employees can be downplayed by providing them adequate information and training to be well-equipped and engaged in dealing with the new change.

2.5 Effect of Mergers and Acquisitions on Employee Productivity

When two companies come together, it is interesting to observe how do mergers affect employees. This is because there is a sudden cloud of uncertainty that envelope the employees at the middle and lower tier of the management hierarchy. Which companies work culture should be followed? What are the new rules and policies? Should we do this or that? Who should I report to? What is expected out of me? What is the new evaluation strategy and reward system? Such questions create much confusion and chaos at the workplace. An array of unanswered questions leads to instability as employees fear losing their jobs or be unable to cope up with such a drastic change. The top management may either be quick to settle down the commotion by negotiating or formulating new guidelines or it may take some time. The latter leaves ambiguity looming over the workplace and a disoriented work environment.

Feelings of Anxiety or Alienation; during an impending or a materialized merger and acquisition, the workforce may suddenly feel disengaged resulting in absenteeism or employees quitting their jobs in these companies. Such dissatisfaction adversely affects the employee productivity and output level. Ineffective communication further strains the employer-employee relationship and reduces personnel morale. Relocating offices to a new place leaves the employees feeling alienated, irrespective of the presence of the merged company. Often, the senior management does not involve HR heads while making a decision on the impending merger or acquisition. However, when the event takes place, the HR department of the company becomes too helpless to be able to exercise any damage control and ease anxiety among employees.

Threat to Job, New Competition; the likelihood of layoffs cannot be denied post a merger or acquisition. It is only natural for employees to feel threatened by the expansion of the workforce prompting towards the imminent decision of 'cutting flab' from the coalition. Mergers and acquisition end up having an unfavourable effect on employees who experience difficulties in working together with the new addition to the workforce. It may even lead to non-cooperation with the other merging company's employees. In a merger and acquisition, one company is likely to have a stronger foothold in the market than the other, giving rise to a power struggle. In such a case, employees tend to overlook the achievement of organizational goals and only strive to maintain job security.

Disapproval of the Decision: There may be a strong unfavourable effect on employees, resulting in disapproval of the very decision itself. This generally arises if the aforementioned issues have not been resolved timely. It will ultimately lead to a portion of the personnel condemning the amalgamation. The Watson Wyatt study notes that in the aftermath of a merger or acquisition, 61% employees belonging to the target company will have a negative opinion towards it and 11% from the lower level of management will even consider quitting their jobs. Although share prices and accounting profits are useful performance indicators, they may be imperfect measures of organizational efficiency or productivity. Inferences regarding the ability of the stock market to accurately reflect changes in firm efficiency are problematic when the of efficient markets are violated (Shleifer, 2001). Accounting measures of profit have also been criticized by researchers in economics and finance because they are also not necessarily perfectly correlated with real performance and can be subject to manipulation by managers (Benston, 1982).

It is also important to note that many mergers and acquisitions involve privately-held companies or occur below the firm level (e.g., divisions of large, publicly-traded firms), which makes it virtually impossible to assess stock price or accounting profitability effects, except for transactions involving large, publicly-traded firms. Of course, these deals constitute only a small percentage of overall merger and acquisition activity. Most transactions involve the sale of small, single-plant firms or the sale of a single plant or division by a larger firm (Siegel, Simons,& Lindstrom, 2005). The end result is that analyses of mergers and acquisitions based solely on information from public companies could yield misleading estimates of the impact of such transactions on performance. As a result, several authors (e.g., Lichtenberg and Siegel 1987, 1990a, 1990b; McGuckin and Nguyen, 2001; Maksimovic and Phillips, 2001; Harris, Siegel, and Wright, 2005) have asserted that a more desirable methodology is to eschew share price and profit measures and instead, assess the productivity of plants before and after ownership changes.

Similar measurement concerns plague empirical research on the effects of mergers and acquisitions on workers. In the management literature, there have been numerous studies of turnover involving top-level managers in the aftermath of mergers and acquisitions (Walsh, 1988, 1989; Hambrick & Canella, 1993; Krug & Hegarty, 1997, 2001). However, these transactions could affect employment, compensation, and career paths, not just for top managers, but for all workers. While these studies enable us to make inferences about what happens to the average worker at an establishment or company in the aftermath of these transactions, they do not allow assessment of the effects on individual employees, nor on long-run careers. That is because detailed data on employees involved in these transactions are unavailable to most researchers in publicly-available file like Compustat or even proprietary, confidential datasets. Thus, there is no direct, systematic, large-scale empirical evidence regarding the effects of a merger or acquisition on individual workers.

Some scholars have asserted that corporate takeovers have deleterious effects on workers. For example, 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. More specifically, they assert that shareholder wealth creation arising from corporate takeovers need not reflect improvements in economic welfare or efficiency. Instead, the increase in economic performance may reflect a transfer of wealth from employees and other non-financial stakeholders to shareholders. Others have alleged that mergers and acquisitions lead to substantial downsizing or even mass layoffs, usually basing their conclusions on small samples of "event studies" of large 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)).

The resurgence in mergers, acquisitions, and divestitures has focused greater attention on assessing the impact of these transactions on organizations and workers. Empirical studies of the effects of these transactions typically examine a single unit of analysis: firms, plants, or workers. Firm-level analyses evaluate the impact of changes in corporate control on short-run stock prices long-run stock prices, or accounting profits of companies whose shares are publicly-traded (Harrison, Hitt, Hoskisson, and Ireland, 1991; Hoskisson, Johnson, and Moesel, 1994; Jensen, 1988, 1993; Ravenscraft and Scherer, 1987; McWilliams and Siegel,1997). A recent analysis by King, Dalton, Daily, and Covin (2004) concluded that acquiring firms do not experience an increase in post-acquisition accounting profitability, even though share prices rise (for both acquired and acquiring firms) soon after such events are announced. That is, even though the stock market anticipates that synergies will arise from acquisitions, these gains do not appear to be realized.

In contrast, we assert that takeovers constitute a mechanism for enhancing careers, particularly when the transactions result in the implementation of new technologies, by stimulating additional investment in human capital and promoting “skill upgrading” of the workforce. We model corporate control changes as events that simultaneously have cross-levels effects on firms, plants and employees. Based on the theory of human capital, we develop a set of predictions regarding firm, plant, and worker turnover. (Yener2004;Lindblom, 2002). Our empirical analysis is based on longitudinal, linked employer-employee data for virtually the entire population of Swedish manufacturing firms and employees for the period 1985-1998. These data allow us to simultaneously assess the effects of mergers and acquisitions on firm performance, plant productivity, levels of employment, and compensation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology which offers an explanation into what type of research this study was about. It also defines the population of the study and the specific sampling techniques which were used, methods of data collection and data analysis. This chapter is organized along the following subsection: research design, population, data collection and data analysis

3.2. Research Design

Research design focuses on transforming a research question into a research project (Fox & Bayat 2007; Huizingh, 2007; Feilzer, 2009; Robson, 2011). Goddard and Melville (2004) stipulate that a research process should be employed when conducting research. A research paradigm is an organizing structure that is used when conducting research (Feilzer, 2009; Kuhn & Hacking, 2012). As research becomes more prevalent within society and the scientific realm, researchers established two research paradigms, quantitative and qualitative research (Thomas, 2003; Fox & Bayat, 2007; Biggam, 2011).

The quantitative research paradigm focuses on answering the research question through the collection and statistical analysis of numerical data (King, 1994; Christensen, 2010). This paradigm collects data from specific instances and phenomena with the aim of providing results that are generalizable to other similar environments (Glesne & Peshkin, 1992). Moreover, this paradigm acquires measurements and performs analyses which are easily repeatable by other researchers (King, 1994). A key facet of quantitative research is that the researcher elects to be an outsider since the primary focus is on collecting objective data. Thus careful attention is paid not to contaminate the data via personal involvement with the research subjects (Glesne & Peshkin, 1992; Walliman, 2005). The quantitative research paradigm subscribes to the philosophy of positivism (Glesne & Peshkin, 1992; Sale, 2002). A positivist researcher believes that reality is objective and independent of the observer. This type of researcher can also measure and predict reality (Orlikowski & Baroudi, 1991; Walliman, 2005; Biggam, 2011). The qualitative research paradigm, on the other hand, does not rely on numerical data because it focuses on explaining events and people as well as issues related to events and people (Fox & Bayat, 2007; Robson, 2011). The research paradigm used in this study was a quantitative research paradigm. Since the primary goal of this research is to gain a better understanding of effects of mergers and acquisitions on employee productivity in commercial banks in Kenya**,** it was imperative that the results obtained will be generalizable to a diverse array of organizations.

3.2 Population of the study

A population is defined as the total collection of elements about which one wishes to make some inference (Cooper and Schindler, 2003). The target population is defined as all the members of a real or hypothetical set of people, events or objects the researcher wishes to generalize in the results of the research (Borg and Gall, 1989). The target population for this study will be the managers of various commercial banks in Nairobi which have merged or been acquired and whose functions involve design, implementation and continuous monitoring. Mugenda and Mugenda , (2003) describes target population as a complete set of individual cases object with some common characteristics to which researchers want to generalize the results of the study . A total of 14 Banks that have merged during the study period 2000-2010 in Kenya will form the study population in Nairobi.

3.3 Data Collection

The nature of the study was quantitative and were based on both primary and secondary data so as to achieve concrete information. The primary data was collected from the management of Commercial Banks which had undergone mergers and acquisitions process.

The study used questionnaires to collect primary data. The questionnaires were administered to the managers of various commercial banks in Nairobi which have merged or been acquired and whose functions involve design and implementation. A questionnaire is a research instruments consisting of a series of questions. The questionnaires were both structured and open ended.

The researcher used questionnaire which are more efficient and economical tool for descriptive and preventive research for the sample size that will be chosen. This way was easier to identify the level by which the respondent will agree or disagree. (Kothari, 2004). The secondary data was gathered through the use of other available written material on the subject within the press and other literature .

3.4 Data Analysis

Given that the study collected data that were largely qualitative, data was analyzed by use of descriptive statistics that is, means, averages and percentages was employed by the researcher which was the most appropriate method of analysis. The data analysis tools were simple tabulations and presentations of the report using spreadsheets.

The data was presented using tables, charts and graphs. Data was analyzed first by being coded and organized into concepts from which generalization will be made of entire population. Data was then tabulated and frequencies calculated on each variable under study and interpretations made from the field findings. Percentages were then calculated and interpretation made.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

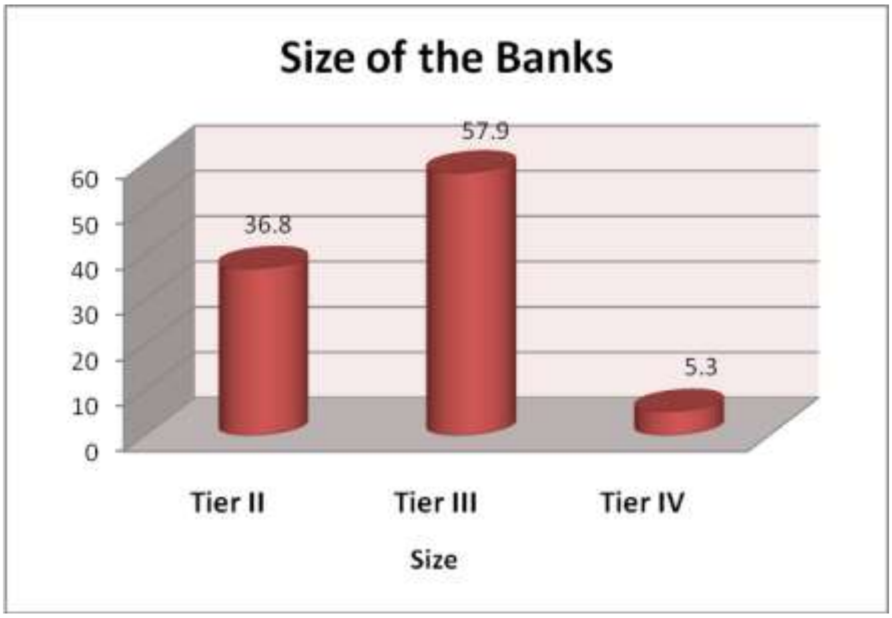
4.1 Introduction

The general objective of this study was to examine the effects of mergers and acquisitions on employee productivity in commercial banks in Kenya. This chapter presents the data analysis, results and discussion of the study. The analysis was done using SPSS and MS excel. This chapter is presented in three key sections: The first section is the descriptive analysis of the general information from the respondents. The second section represents the analysis on mergers and acquisitions within the Banking Industry in Kenya. The third section represents the performance of employees in banks after Mergers and acquisitions. Forty questionnaires were distributed during the study with thirty questionnaires being successfully filled, which created a response rate of 75%. This response rate was sufficient enough to answer the research objectives as stated below:

4.2 General Information

Majority of the respondents had worked in the bank between 1-5 Years (60%). The rest of the respondents had worked in the bank for 6-10 years (20%), 11-15 years (16%) and above 21 years (4%). In regards to the share holding 79.2% were locally owned while 20.8% were foreign owned. In addition the period of operation in Kenya ranged from 7-50 years with most banks having been operating for 20 and 30 years respectively.

Figure 1 : Size of Banks



The table above represents the size of the banks. Most of the banks were Tier III and Tier II and very few were Tier IV.

Table 1: Shareholding and size of the Bank

	Tier II	**Tier III**	**Tier IV**
Locally owned	7	8	0
Foreign owned	0	2	1

4.2.1: Types of Mergers and Acquisitions

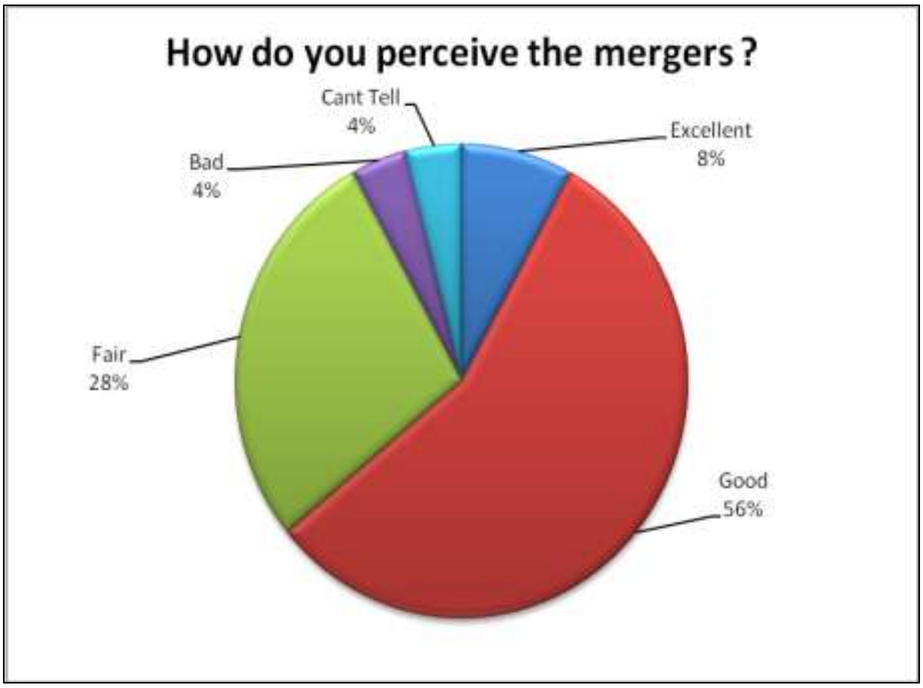
Table 2: Types of Mergers and Acquisitions

Types of mergers and acquisitions	frequency	%
Acquisition	**15**	**60%**
Horizontal	**4**	**16.0%**
Non Reponses	**3**	**12.0%**
Vertical	**2**	**8.0%**
Conglomerate	**1**	**4.0%**
Total	**25**	**100%**

The most common type of merger after analysis was Acquisition which was at 60% followed by horizontal mergers at 16%. The least preferred type of mergers were conglomerate and vertical.

The study also confirmed that more than half of the respondents (56%) worked in the banks at the time of the mergers while 44% did not work in the bank at the time of the merger.

Figure 2: Perception of Mergers & Acquisitions



The figure above represents perception of the employees on mergers. 50% thought mergers were good while the least 4% either thought they were bad or did not have any views on mergers. In addition 56% of the respondents reported that the merger had impacted their performance while 32% reported that the merger never impacted their performance. Most of the respondents that had been impacted said that they had experienced an increase in responsibilities (16%). 4% of the respondents thought there was need for Change Management. 4% said that the mergers had brought opportunities for growth while the rest (4%) thought that the mergers were time consuming.

Table 3: Perception of mergers and acquisitions

	Frequency	Percent(%)
To a high extent	7	28
To some extent	11	44
Not at all	3	12
Not sure	4	16
Total	25	100

About 44% of the respondents confirmed the mergers to have lead to greater turn over and self centered behavior, 28% to a high extent, 16% were not sure while 12% reported that the merger had not led to greater turnover, abseentism or destructive behavior.

4.2.2 EFFECT ON EMPLOYEES PRODUCTIVITY

Table 4: Effect of Mergers and Acquisitions on Employee productivity

Aspect of Productivity	Mean Score	SD
Timeliness	3.20	1.15
Adherence to policy	3.16	1.31
Target achievement	3.12	1.30
Resource allocation	3.08	1.26
Staff turnover	3.04	1.31
Job satisfaction	2.84	1.28
Job commitment	2.80	1.12
Grand Mean	3.03	

The findings showed that the grand mean score on employee productivity was 3.03. The most impact was in timeliness where a mean score of 3.20 was achieved. Adherence to policy had an impact of 3.16 while target achievement was at 3.12. The aspects with the least performance were job commitment which was at 2.80 and Job satisfaction at 2.84. These 2 were rated low amongst the employees meaning that there was no change in employees commitment to work after the mergers or acquisitions.

Due to the above a higher percentage about 44% of the respondents confirmed that the bank was facing challenges as a result of the merger, 28% not much challenges, 12% within control, 8% reported they don’t face any challenges while 8% were not sure whether the organization faced challenges or not. Out of those who were involved in the process of merger and acquisition 28% cited the following as part of their duties in the mergers: Administration duties, clearing processes, laying off of staff, Marketing, Orientation of the new staff and review of the policies .

Asked whether they were satisfied with their current work role 44% of the respondents stated that they were satisfied, 44% were somehow satisfied, 8% were very satisfied while 4% were not satisfied with their current work role. In addition 71.4% reported to have a strong sense of loss, anger and grief during the merger while 28.6% did not feel a sense of loss after the merger. Out of those who felt a sense of loss, 16% was due to uncertainty, while the rest was due to having a feeling of being detached, felt unwanted, lacked identity, loss of culture, staff layoffs and redundancy. More than half of the staff 56% reported to have experienced stress and tension as a result of the combination of the two organizational cultures, while 24% felt to some extent while 25% did not feel or experience stress or tension during the transition period

: Effect on employees

Issues	Very Much	Much	Not Much	Not at All	Not Sure
1.Work environment	20%	**28%**	**32%**	**20%**	-
2.Job characteristics	16%	**24%**	**44%**	**16%**	-
3. Career path	28%	3**6%**	24%	**12%**	-
4.Work relationships	16%	28%	**32%**	12%	-
5.Status differences	**16.7%**	12.5%	**54.2%**	8.3%	8.3%
6.Job security	25.0%	20.8%	**37.5%**	8.3%	8.3%

Most of the respondents (32%) reported that there work environment had not been affected much while (28%) said there work environment had been affected by the merger. In addition (44%) reported that there job characteristics had not been affected much while (24%) said their job characteristics had been affected much by the merger.

Thirty six percent of the respondents reported that their career paths had been affected much by the merger while (12%) said that their career path was not affected in anyway by the merger. In regard to work relationships (32%) were not much affected by the merger while (12%) confirmed that the merger never affected their work relationships.

More than half of the respondents (54.2%) indicate that there was no much status difference after the merger while (16.7%) said the status difference was affected very much after the merger. In addition (37.5%) reported that there was no much difference in regard to job security after the merger while (25%) reported that job security was very much affected after the merger.

Most of the respondents 50% said that the merger has not affected their commitment to work, 40.9% it had affected their commitment to some extent while only 9.1% it had affected their commitment to the organization. In addition 41.7% did not experience any significant change in their work role, 33.3% experienced significant change, while 25% experienced the change to some extent.

Some of the recommendations made for organizations to consider before mergers included: Management to have equal treatment for all staff, mergers should not create a sense of job insecurity while others said that mergers had the potential of creating more job opportunities for others.

4.3 Discussion

Majority of the literature review indicated that mergers and acquisitions have a negative impact on employee performance but an in depth analysis from the research indicates that it has a mix of both positive and negative impacts.

Brockner et al.(1987), Brockner indicate that due to feelings of anxiety or alienation during an impending or a materialized merger and acquisition, the workforce may suddenly feel disengaged resulting in absenteeism or employees quitting their jobs in these companies. Such dissatisfaction adversely affects the employee productivity and output level. Ineffective communication further strains the employer-employee relationship and reduces personnel morale. The research found that indeed feelings of anxiety and alienation do occur during a merger and acquisition. The research indicated that the most respondents did experience a sense of loss, anger and grief after the merger due to uncertainty in their job, feeling of detachment from their duties, feeling unwanted, lack of identity, loss of culture, and insecurity due to staff lay offs and redundancy. As a result of uncertainty and anger, more than half of the respondents experienced stress and tension as a result of the combination of two cultures. This occurred during the transition period. 71.4% reported that they had a strong sense of loss, anger and grief during the merger and out of those who felt a sense of loss, 16% was due to uncertainty, while the rest was due to having a feeling detached, felt unwanted, lacked identity, loss of culture, staff layoffs and redundancy. More than half of the staff (56%) reported to have experienced stress and tension as a result of the combination of the two organizational cultures.

According to Buono and Bowditch 1989, negative reactions during mergers and acquisitions often lead to significantly lower levels of job satisfaction and job security and less favourable attitude towards management. These significant trauma on employees of both the acquiring and acquired firms that result in attitudinal and productivity problems as well as turnover of valued personnel. These facts are supported from the research conducted where 44% indicated that indeed the mergers lead to greater turn over and self centred behaviour. Fulmer and Gilley 1998 explains these negative consequences as the method through which employees try to cope with anxiety by seeking new employment opportunities which also leads to employees feeling disengaged resulting in absenteeism, respondents in the research did indicate that to a high extent the merger led to greater turnover, absteetism or destructive behavior.

Mergers and Acquisitions can be especially challenging to employees, ultimately impacting their performance. Whether wildly divergent or sharing commonalities, rarely do two cultures easily and smoothly merge into one. Capable, experienced employees are the foundation to any workforce. Buono and Bowditch (1989) noted that negative reactions may lead to significantly lower levels of job satisfaction and job security and less favourable attitude towards management. The research conducted indicated that in regard to performance most respondents were satisfied with their work roles while only few respondents were not happy with their new work role after the mergers. However in terms of performance most employees in acquisitions experienced tension and stress compared to Horizontal, Vertical and Conglomerate mergers. In addition Career paths, work relationships and job security was also affected among employees in acquisitions compared to Horizontal, Vertical and Conglomerate mergers. The findings of the research, 40% indicated that there was little improvement on timeliness after the mergers while 28% felt that there was no significant high improvement when it came to adherence to policy. This is also evidenced by only 4% indicating that there was high commitment among the employees after the merger.

From the literature review, scholars assert that takeovers constitute a mechanism for enhancing careers, particularly when the transactions result in the implementation of new technologies, by stimulating additional investment in human capital and promoting “skill upgrading” of the workforce. This is supported by our research which indicated that 56% of the respondents reported that the merger had impacted their performance and most of the respondents that had been impacted said that there were increased responsibilities (16%) and 4% were of the opinion that the merger created an opportunity for growth. This could be attributed to what the research has found to be better resource allocation. 32% of the respondents felt that the merger led to better resource allocation and infact did improve target achievements.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the study. The first section gives a summary of; The purpose of the study, Research Design and major findings during the study. The second section discusses the findings of the research questions based on the literature review. The consequent section gives conclusions drawn from the discussions and in conclusion, the section concludes by giving recommendations guided by the research questions.

5.2 Summary of findings

The general objective of this study was to examine the perceived effects of mergers and acquisitions on employee productivity in commercial banks in Kenya. The study was guided by the following research objectives: to establish the effects of mergers and acquisitions among commercial banks in Kenya and also to determine the effects of mergers and acquisitions on employee productivity in commercial banks in Kenya.

Descriptive research design was adopted for this study because it offered a profile of relevant aspects which are of interest to the organization, individuals and management. The sampling frame comprised of the management employees of the commercial banks in Kenya. The study adopted a non-probability sampling technique which was th Purposive Sampling technique. The study implemented primary data collection. Primary data was gathered by the use of questionnaires to solicit information from the respondents.

The target population was drawn from employees in banks in Kenya that had undergone mergers and acquisitions in the past 10 years .The sample size comprised of 40 respondents from various cadres in the Banking sector from the 14 Banks that have merged since the year

2000. The data was collected using questionnaires and analysed by using SPSS and MS Excel to obtain descriptive statistics through frequencies, mean, percentages and Pearson correlation tests.

In regard to shareholding most banks were locally owned with only a few being foreign owned . Majority of the banks had been in operation in Kenya for twenty and more years before the mergers. Most of the banks that were locally owned were either Tier III or II while the foreign owned were either Tier III or Tier IV. More than half of the respondents had worked in the banks at the time of mergers. In regard to types of mergers in Kenya, the most preferred included acquisitions, horizontal mergers, vertical mergers and the least common were conglomerate mergers.

5.3 Conclusion

From the data collected, this research concludes that there were more companies which were undertook acquisitions more than mergers. This being the case the study found that ideally acquisition is preferred.

The study also concluded that majority of employee’s perception on how performance had been affected by acquisitions. Majority of the responses showed there had been greater improvement in regard to staff turnover, resource allocation, adherence to policy and commitment to work.

However in terms of performance most employees in Acquisitions experienced tension and stress compared to Horizontal, Vertical and Conglomerate mergers. In addition Career paths, work relationships and job security were also affected among employees in Acquisitions compared to Horizontal, Vertical and Conglomerate mergers.

5.3 Recommendation for Policy and Practice

From the data gathered and analyzed, it was noted that mergers and acquisitions have both negative and positive impact on employee performance. For an organization to maintain its standard and always be consistent it needs to be keen on the process and how the perception to employees in regards to mergers and acquisitions

Mergers and acquisitions are currently the trend and thus a challenge to the policy makers to develop policies that will foster a good change management and also inculculate a positive perception on the process. so as to reduce stress among employees and also to improve the perception of employees.

5.4 Limitations of the study.

The study had the limitation of having a low response rate. The response rate was not as high as expected because some of the would-be respondents failed to return their questionnaires, while others declined to be involved in the study. Out of the forty questionnaires distributed, only thirty were collected. The contents of the study would have been richer if we gathered at least 80% of the respondents were involved.

The use of a cross sectional study as the research design and thus using interview questions as tool for data collection posed a limitation in itself. This was because not all respondents were able to fill in the questionnaires. A recommendation of having a longitudinal study where the interview would observe the respondent would have been ideal.

The study is limited to the small sample of commercial banks which have merged, so the results of the study are only indicative and not conclusive.

5.5 Suggestions for Further Research

The study focused on managers of commercial banks who are involved in the design, decision and continuous monitoring which is only part of the employees who work in the banking sector. However, with the evidence of many industries undertaking mergers or acquisitions, further studies should be done to attempt to bring forth a comparison between the different perceptions of all employees. This comparison will help to point out the most perceived issues on mergers and acquisitions.

Also, using a wider respondents and in different industries would allow for more information to be collected from different employees in different ranks and thus will allow for generalization and comparison as information gathered will be from a wider scope.

Further research also should be done with case study as the research design method. This will allow for information to be collected from different respondents from different ranks and thus will allow for generalization and more information.

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APPENDICES

APPENDIX I

LETTER OF INTRODUCTION

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a student at University of Nairobi, in partial fulfilment of the award Masters in Business Administration degree. I am conducting a study on "EFFECTS OF MERGERS AND ACQUISITIONS ON EMPLOYEE PRODUCTIVITY IN COMMERCIAL BANKS IN KENYA"

For the purpose of facilitating our research work, I wish to collect data through questionnaire. I shall be grateful if you would kindly extend to us the help we may need to have this questionnaire completed. This information is purely for the purpose of my research work and therefore it shall be treated with strict confidentiality. A copy of the final report shall be given to you on request.

Thank you in advance, I look forward to your assistance.

Yours Faithfully,

June Adembesa

APPENDIX II

QUESTIONNAIRE

SECTION A

Tick the appropriate response. Where the question is opened, write in the space provided

1. Gender (tick one) Male ( ) Female ( )

2. What is your age group a) 18-23 Years ( ) b) 24-29 Years ( ) (c) 30-35 Years

d) 36-41 Years ( ) e) 42 years and above ( )

3. What is your highest level of education? (Tick one)

College	( )	Graduate	( )
Post graduate	( )	Doctorate	( )

4. The name of your Organization……………………………………………….

SECTION B:

1 .Did you work in the organization at the time of the merger and acquisition?

Yes ( ) No ( )

2. Has there been any education related to the merger and acquisition?

Yes ( ) No ( )

If yes, what type of education? ....

3. Have you been active in the realization of the acquisition?

Yes ( )No ( )

3a.If yes, how? ....

3b. If no, why?

....

4. How were you involved in the post merger and acquisition process?

....

5. Have you at any time during the acquisition process doubted top management?

Yes ( )No ( )

Indifferent ( )

If yes why? ....

6. Has your work tasks changed after the acquisition?

Yes ( ) No ( ) Indifferent ( )

7. How did you experience the post merger and acquisition with respect to the strategies and policies implemented by top management?

Very positive ( ) Positive ( ) Negative ( ) Indifferent (

(NB: Please state whether there has been a Significant Increase (SI), Significant Decline (SD)) or indifferent (i)

Thank you for your time

APPENDIX III

LIST OF BANKS THAT HAVE MERGED SINCE 2000

No.	Institution	Merged with	Current Name	Date approved
1	Universal Bank Ltd.	Paramount Bank Ltd.	Paramount Universal Bank	11.01.2000
2	Kenya Commercial Bank	Kenya Commercial Finance Co.	Kenya Commercial Bank Ltd.	21.03.2001
3	Citibank NA	ABN Amro Bank Ltd.	Citibank NA	16.10.2001
4	Bullion Bank Ltd.	Southern Credit Banking Corp. Ltd.	Southern Credit Banking Corp. Ltd.	07.12.2001
5	Co-operative Merchant Bank ltd	Co-operative Bank ltd	Co-operative Bank of Kenya ltd	28.05.2002
6	Biashara Bank Ltd.	Investment & Mortgage Bank Ltd.	Investment & Mortgage Bank Ltd.	01.12.2002
7	First American Bank ltd	Commercial Bank of Africa ltd	Commercial Bank of Africa ltd	01.07.2005
8	East African Building Society	Akiba Bank ltd	EABS Bank ltd	31.10.2005
9	Prime Capital & Credit Ltd.	Prime Bank Ltd.	Prime Bank Ltd.	01.01.2008

10	CFC Bank Ltd.	Stanbic Bank Ltd.	CFC Stanbic Bank Ltd.	01.06.2008
11	Savings and Loan (K) Limited	Kenya Commercial Bank Limited	Kenya Commercial Bank Limited	01.02.2010
12	City Finance Bank Ltd.	Jamii Bora Kenya Ltd.	Jamii Bora Bank Ltd.	11.02.2010
13	Equatorial Commercial Bank Ltd	Southern Credit Banking Corporation Ltd	Equatorial Commercial Bank Ltd	01.06.2010

Acquisitions

No.	Institution	Acquired by	Current Name	Date approved
1	Mashreq Bank Ltd.	Dubai Kenya Ltd.	Dubai Bank Ltd.	01.04.2000
2	Credit Agricole Indosuez (K) Ltd.	Bank of Africa Kenya Ltd.	Bank of Africa Bank Ltd.	30.04.2004
3	EABS Bank Ltd.	Ecobank Kenya Ltd.	Ecobank Bank Ltd.	16.06.2008