



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

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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. The main reason behind mergers has been attributed to the need to enlarge branch network and balance sheet. 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 focused on Equatorial Commercial Bank. This research problem was studied through the use of a 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 30% (48 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. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. From the findings, the study revealed that compensation strategy, strategic integrations, management structure and strategic placement influence organization performance at the Equatorial Commercial Bank, as a result of Mergers and Acquisitions.

Keywords: mergers & acquisitions, banks, organizational performance,

INTRODUCTION

In the fast-paced world of Mergers and Acquisitions, at the beginning of every transaction is a vision for the future of a newer, bigger, better operation where everything is rosy and profits are there for the taking as indicated by Angwin (2001). 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 (Jovanovic & Peter, 2002). 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 & Das, 2003).

According to Boateng and Bjørtuft (2003) a merger is the combination of businesses which occurs when two companies, more or less on equal footing, decide to join forces. 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 (Krug & William, 2001). There are certain objectives and reasons for mergers and acquisitions that propel the increase in mergers and acquisitions (Hensmans & Volberda, 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 & 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 (King, Dan, Catherine & Jeffrey, 2004; Harris, Donald & Mike, 2005). 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.

To achieve competitive advantage Mergers and Acquisition's (M&A) 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 (Gugler & Burcin, 2004). 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 & 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 (Conyon, Sourafel, Steve & Peter, 2002).

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 & Prescott, 2006). In the last two decades, most of the decline in the number of established banking organizations in the USA was due to mergers and acquisitions (Janicki & 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 (Agrawal & Jeffrey, 2000).

The second most economically developed region in the world, Western Europe witnessed a similar trend in a slightly less dramatic rate (Walkner & 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 & 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. According to Hannagan (2005), the entire process leads to certain questions in the minds of the employees of the organizations involved which would affect employee productivity.

More recently, the crisis in the global banking industry that occurred in the year (2008) that was largely dominated by the sub-prime crisis and the liquidity problems that followed from it, led to a decline in the number of M&A's as more institutions were cautious about voluntary mergers and acquisitions (Lambkin & 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 & 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 (Hannagan, 2005).

Merger and acquisitions success rate had so far been rather dismal. A recently conducted study on Australia M&A's activities found that for the first time shareholder value was increased, more than it was reduced as a result of mergers and acquisitions (KPMG, 2003). The KPMG (2003) study, further established that 34% of the deals enhanced shareholder value, 32% reduced value and 34% had no effect. Despite this low success rate, it was important to note that this was a significant improvement from the first survey carried out in 1999 where 53% of mergers and acquisitions reduced shareholder value (KPMG, 2003). These findings were supported by the findings of a survey done by consultants McKinsey & Co., which established that almost 40% of all cross-border mergers and acquisitions end up in failure

(Kreitner, 2001). Different authors have come up with varying reasons to explain the cause of the grim performance of mergers and acquisitions (Lambkin & Muzellec, 2008).

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 Equatorial Commercial Bank (ECB) and Southern Credit Banking Corporation (SCBC) the main reason behind 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 (CBK, 2010).

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 (Deposit Protection Fund Board, 2010). This economic condition resulted in the merger between Equatorial Commercial Bank and Southern Credit Bank which is among the most recent mergers in Kenya. 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. However, with increased customer deposits and a modestly favorable economic climate, the Bank recorded a loss after tax of Kshs 68 million at the end of the year compared to a loss of Kshs 108.7 million at the date of the merger.

In the post-merger, the Bank recorded a profit after tax of Kshs. 72 million, compared to a loss of Kshs. 68 million in 2010. Net interest income was Kshs. 391 million, with the growth mostly coming from interest income on advances. This was, however, negatively impacted in the second half of the year by an increased cost of funds after the regulator's tightening of liquidity in the market. The Bank's non-interest income was Kshs. 353 million, mainly driven by commissions and fees from transactions, increased FX income, and income from associated companies. 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, as Muia (2009) argues, 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.

ECB is a medium-sized financial institution in Kenya, serving corporate clients, small and medium enterprises and individuals. Established as a Finance Company in 1983, Equatorial Commercial Bank Limited (ECB) commenced operations as a fully-fledged commercial bank in 1995. In June 2010 Equatorial Commercial Bank merged with Southern Credit Banking Corporation, creating a new enlarged bank under the Equatorial Commercial Bank brand (ECB, 2011). The merger has given ECB critical mass

to further develop and grow in a dynamic and competitive market place. With a diverse client base, ECB provides a comprehensive package of financial services and products, tailored to suit the bank's clients' requirements, while keeping the procedures simple and rates competitive. The goal of ECB is to offer specialized services by using a professional approach, which in turn will build long-term relationships with its clients. At ECB, creating good customer relations is a vital part of our business strategy (ECB, 2011). The Mission of ECB is to continuously provide personalized, quality and excellent financial services to customers and to increase shareholder value (ECB, 2011). In as much as there are benefits of the change of management in the Bank, there has been some challenges due to the presence of various chains of command, different organizational structures and cultures, the employees experience challenges that affect their performance.

The incidence of M&A has continued to increase significantly during the last decade, both domestically and internationally. A major motivation of strategic M&A is the synergistic effect. In the upsurge of M&A at home and abroad, failure to achieve the synergistic effect is one of the important reasons of a high failure rate of M&A. 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&A has shown mixed results. According to ECB (2011), 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. 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).

According to Buono and Bowdich (2001) employees tend to resist change associated with the M&A which affect their morale, strategic fit is reduced resulting to low employee performance. Furmer and Gilkey (2003) noted that employees faced with uncertainties associated with job loss during M&A redirect their energy towards coping with this anxiety and confusion or towards finding a new job. This reduces their performance in their work. Studies focusing on the employee performance 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 (Agrawal *et al.*, 2000; Muia, 2009). This is despite the voluminous reports and articles indicating the need to involve employees to enhance performance. It is in this light that the study aims to fill the existing knowledge gap by carrying out a study on the influence of mergers and acquisitions on organization performance in Kenya with focus on Equatorial Commercial Bank. The general objective of this study was to establish the influence of mergers and acquisitions on employee performance, with special focus on Equatorial Commercial Bank. This study was guided by the following specific objectives:

- i. To assess the influence of compensation strategy on organization performance, as a result of Mergers and Acquisitions at the Equatorial Commercial Bank.
- ii. To examine the influence of strategic fit on the organization performance resulting from Mergers and Acquisitions at Equatorial Commercial Bank.
- iii. To establish the influence of strategic placement on the organization performance, as a result of Mergers and Acquisitions at Equatorial Commercial Bank.
- iv. To determine the influence of management structure on organization performance resulting from Mergers and Acquisitions at Equatorial Commercial Bank.

Theoretical Review

Human Capital Theory

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 (Coff, 2002). 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.

Matching" Theory of Ownership Change

Building on this idea, Lichtenberg & Siegel (2009) 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 & Schmitz (2008) 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.

Reversal Theory

An understanding of what it is that drives employee behaviour patterns can assist with encouraging higher levels of performance and achievement (Lichtenberg & Siegel, 2007). Reversal Theory describes a number of discrete ways of experiencing the world and shows that these fundamental states comprise pairs of opposites. The switches between each pair of opposites are called 'reversals.' At the heart of reversal theory is the idea that our experience is shaped by a set of alternative ways of seeing the world, each of which is based on a fundamental value or motive. Specifically, four pairs of such opposite states have been discerned. In the course of everyday life, and under a variety of circumstances, we switch - or reverse - quite frequently between opposite motivational states or styles.

Expectancy Theory

Individuals are constantly predicting likely future outcomes and create expectations about future events. If things seem reasonably likely and attractive, they know how to get there individuals' effort depends on their characteristics and role to make the difference, then this will motivate us to act to make this particular act come true. Expectancy theory suggests that motivation is based on how much we want something and how likely we think we are to get it. The formal framework of expectancy theory was developed by Victor Vroom (1964). This framework states basically that motivation plus effort leads to performance, which then leads to outcomes.

Conceptual Framework

According to Mugenda, (2008), a conceptual framework is a concise description of the phenomenon under study accompanied by a graphical or visual description of the major variable of the study. According to Bogdan and Biklen (2003) 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 compensation strategy, strategic fit, strategic placement and management structure while the dependent variable is employee performance forming the undernoted diagram (Figure 1).

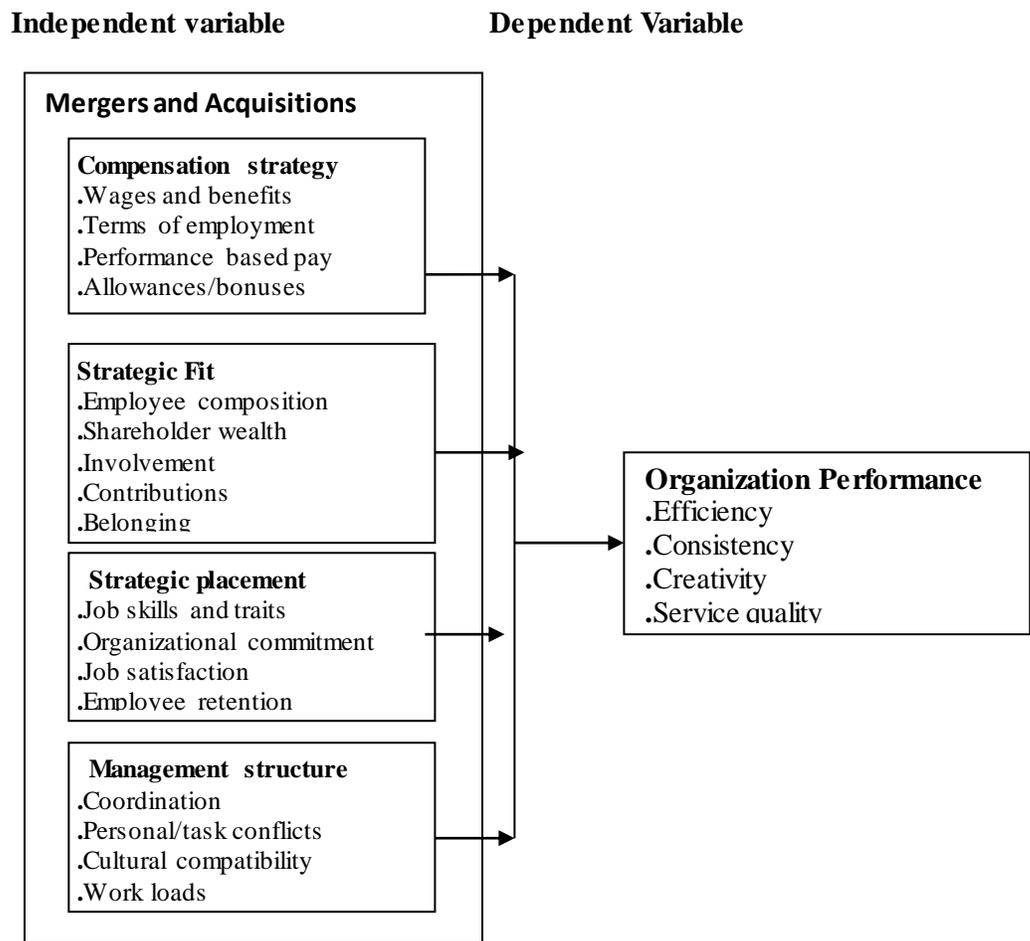


Figure 1: Conceptual Framework

Research gaps

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 (Muia, 2009). 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 is an effort to bring to light the insights into influence of mergers and acquisitions on employee performance in Kenya where Equatorial Commercial Bank will be the context of focus.

Bengtsson,(2006) carried out a case study survey on the effects of employees performance affected by M&A.. Larson and lowendahl,(2005) noted that case studies have a lower submission rate unlike the use of questionnaires. Case studies seem to be more discarded in advance due to fear of them not being accepted thus there is much larger pool of rejected case studies. This study aims at bridging this gap.

RESEARCH METHODOLOGY

This study adopted a descriptive research design. For purpose of this study the target population was stratified through top level, middle level and low level management. Mugenda & Mugenda (2003) explained that the target population should have some observable characteristics, to which the study intends to generalize the results of the study. This definition assumed that the population is not homogeneous. 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. The sampling of at least 50(30%) is recommended by Mugenda and Mugenda (1999). This generates a sample of 48 respondents which the study seeks information from. This made it easier to get adequate and accurate information necessary for the research. 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. The study used a survey questionnaire administered to each member of the sample population. A survey questionnaire was used for its ability to gather lots of information quickly and easily from respondents since it can be administered to many people and it is also inexpensive (Mertens, 2010). The questionnaire was administered individually to all respondents of the study. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received. To achieve this, the researcher maintained a register of questionnaires, which was sent and later retrieved. The questionnaire was administered using a drop and pick later method.

Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. Quantitative data is data which are concerned with describing meaning and provided a more in-depth and rich description (McDowall, 2000). The data was broken down into the different aspects of influence of mergers and acquisitions on employee performance such as influence of compensation strategy, strategic fit and belonging, strategic placement and management structure on the performance of employees working in Equatorial Commercial Bank. This offered a quantitative and qualitative description of the objectives of the study.

The study targeted a sample size of 48 respondents from which 45 filled in and returned the questionnaires making a response rate of 92.8%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (1999), 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.

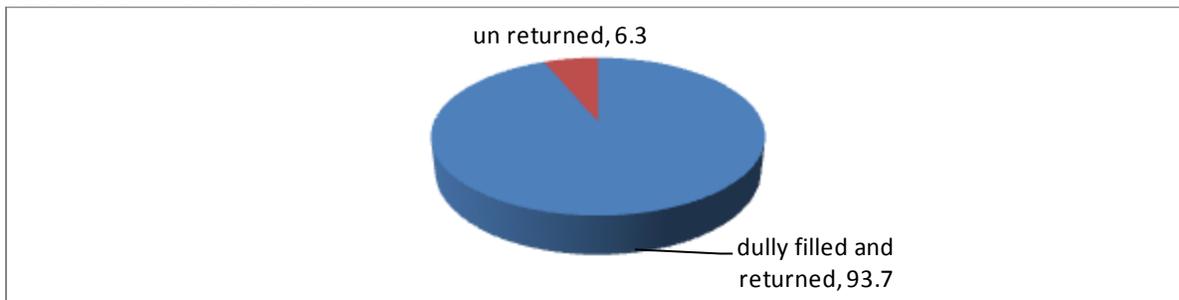


Figure 2. Response rate

Reliability Analysis

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved the sample of 10 respondents among the management staff. Reliability of the questionnaire was evaluated through Cronbach’s Alpha which measures the internal consistency. Cronbach’s alpha was calculated by application of SPSS for reliability analysis. The value of the alpha coefficient ranges from 0-1 and may be used to describe the reliability of factors extracted from dichotomous and or multi-point formatted questionnaires or scales. A higher value shows a more reliable generated scale. Cooper & Schindler (2008) has indicated 0.7 to be an acceptable reliability coefficient. Table 1 shows that strategic integration had the highest reliability ($\alpha=0.891$) followed by compensation strategy ($\alpha=0.827$), then management structure ($\alpha = 0.803$) and strategic placement ($\alpha=0.762$). This illustrates that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7.

Table 1. Reliability Coefficients

| Scale | Cronbach's Alpha | Number of Items |
|-----------------------|------------------|-----------------|
| Compensation strategy | 0.827 | 5 |
| Strategic integration | 0.891 | 6 |
| Strategic placement | 0.762 | 6 |
| Management structure | 0.803 | 6 |

RESULTS AND DISCUSSION

Influence of Mergers and Acquisitions on Organisational Performance

Table 2. Effects of merger and Acquisition on organization performance

| | Frequency | Percentage |
|--------------|-----------|------------|
| Yes | 35 | 77.8 |
| No | 10 | 22.2 |
| Total | 45 | 100 |

The study sought to reveal whether merger between the two banks influence the organizational performance. From the findings the study established that 88.2 % of the respondents agreed that merger between the two banks influences the organizational performance, whereas 22.2% of the respondents were of the contrary opinion. This implies that merger between the two banks influences the organizational performance (Table 2).

Table 3. Extent to which merger between the two banks influences the organizational performance.

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Very great extent | 11 | 24.4 |
| Great extent | 26 | 57.8 |
| Moderate extent | 4 | 8.9 |
| Low extent | 3 | 6.7 |
| No extent at all | 1 | 2.2 |
| Total | 45 | 100 |

The study sought to establish the extent to which merger between the two banks influenced the organizational performance. From the findings in Table 3, 57.8 % indicated to a great extent, 24.4 % of the respondents indicated to a very great extent, 8.9% of the respondents indicated to a moderate extent, 6.7% of the respondents indicated to low extent, and finally 2.2% of the respondents indicated to no extent at all. This implies that the merger between the two banks influence the organizational performance to a great extent.

Table 4. Organizational performance rate in the since the merger

| | Frequency | Percentage |
|--------------|-----------|------------|
| Very high | 11 | 24.4 |
| High | 15 | 33.3 |
| Average | 10 | 22.2 |
| Normal | 7 | 15.6 |
| Poor | 2 | 4.4 |
| Total | 45 | 100 |

The study requested the respondents to rate the level of organizational performance since the merger. From the findings (Table 4) 33.3% indicated that organizational performance was high, 24.4% of the respondents indicated that organizational performance as very high, 15.6% of the respondents indicated

that organizations', performance was normal, whereas 4.4 % of the respondents indicated that employees' performance was poor. This implies that organizational performance in the organization since the merger had risen to average level

Compensation Strategy

Table 5. Extent to which compensation strategy affects organization performance

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Very great extent | 11 | 24.4 |
| Great extent | 20 | 44.4 |
| Moderate extent | 8 | 17.8 |
| Low extent | 4 | 8.9 |
| No extent at all | 2 | 4.4 |
| Total | 45 | 100 |

The study sought to establish the extent to which merger between the two banks influences the organizational performance. From the findings 44.4 % of the respondents indicated o a great extent, 24.4% of the respondents indicated to a very great extent 17.8 % of the respondents indicated to a moderate extent. 8.9% of the respondents indicated a low extent and finally 4.4% of the respondents indicated no extent at all, this implies that the merger between the two banks influence the organizational performance to a great extent (Table 5).

Table 6. Extent to which aspects of compensation strategy affect the organizational performance

| Aspects of pay/compensation strategy | No Extent | Little extent | Moderat Extent | Greater Extent | very great extent | Mean | Std deviation |
|--------------------------------------|--------------|------------------|-------------------|-------------------|-------------------------|------|------------------|
| Wages and benefits | 2 | 3 | 5 | 22 | 11 | 3.89 | 0.20 |
| Terms of employment | 1 | 2 | 2 | 26 | 12 | 4.07 | 0.26 |
| Performance based pay | 0 | 2 | 1 | 31 | 10 | 4.13 | 0.30 |
| Allowances/bonuses | 0 | 0 | 1 | 25 | 16 | 4.07 | 0.26 |

The study sought to establish the extent to which the above aspects of compensation strategy affect the organizational performance in the current merger setting. From the findings as shown in Table 6 the study established that majority of the respondents were of the view that the following aspects of compensation affect the organizational performance to a great extent: Allowances/bonuses as shown by mean of 4.36, Performance based pay shown by mean of 4.11, Terms of employment shown by mean 4.07 and finally wages and benefits as shown by mean of 3.87. All the cases were supported by a low standard deviation which implies that most of the respondents were of similar opinion.

Strategic Fit/Integration

Table 7. Extent to which merger setting affect the strategic fit

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Very great extent | 12 | 26.7 |
| Great extent | 21 | 46.7 |
| Moderate extent | 6 | 13.3 |
| Low extent | 4 | 8.9 |
| No extent at all | 2 | 4.4 |
| Total | 45 | 100 |

The study sought to establish the extent to which merger setting affect the strategic fit and belonging among the employees in the bank. From the findings, 46.7 % indicated o a great extent, 26.7% of the

respondents indicated to a very great extent 13.3% of the respondents indicated to a moderate extent, 8.9% of the respondents indicated to low extent at all, and finally 4.4% of the respondents indicated to no extent at all, this implies that merger setting affects the strategic fit and belonging among the employees in the banks to a great extent (Table 7).

Table 8. Extent to which aspects of ownership and belonging affect organizations performance

| Aspects of ownership and belonging | No Extent | Little extent | Moderate | Greater Extent | very great extent | Mean | Std deviation |
|------------------------------------|-----------|---------------|----------|----------------|-------------------|------|---------------|
| Employee composition | 0 | 2 | 4 | 26 | 13 | 4.11 | 0.24 |
| Shareholder wealth | 1 | 2 | 0 | 24 | 18 | 4.24 | 0.25 |
| Communication | 0 | 3 | 0 | 25 | 17 | 4.24 | 0.25 |
| Employee contributions | 2 | 2 | 3 | 23 | 15 | 4.04 | 0.21 |
| Merger satisfaction | 1 | 3 | 1 | 27 | 13 | 4.07 | 0.25 |

The study sought to establish the extent to which the above aspects of ownership and belonging affect organizational performance in the bank. From the findings (Table 8) the study established that, majority of the respondents were of view that the following aspects of ownership and belonging affects organizational performance to a great extent Shareholder wealth, Communication as shown by mean of 4.24 in each case, Employee composition as shown by mean of 4.11, Merger satisfaction as shown by mean of 4.07, an finally Employee contributions as shown by mean of 4.04.

Strategic Placement

Table 9. Extent to which employee understand the procedures, policies, and responsibilities

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Very great extent | 8 | 17.8 |
| Great extent | 9 | 20.0 |
| Moderate extent | 11 | 24.4 |
| Low extent | 17 | 37.8 |
| Total | 45 | 100 |

The study sought to establish the extent to extent do respondents felt to understand the procedures, policies, and responsibilities that are part of their jobs in the merged bank setting. From the findings 37.8% indicated to a low extent, 24.4% of the respondents indicated to a moderate level, 20% of the respondents indicated to a great extent. And finally 17.8% of the respondents indicated to a very great extent. This implies that majority respondents felt to understand the procedures, policies, and responsibilities that are part of their jobs in the merged bank setting to a low extent (Table 9).

Table 10. Extent to which strategic placement affect s respondent's performance in the bank

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Very great extent | 10 | 22.2 |
| Great extent | 22 | 48.9 |
| Moderate extent | 6 | 13.3 |
| Low extent | 4 | 8.9 |
| No extent at all | 3 | 6.7 |
| Total | 45 | 100 |

The study sought to establish the extent to which strategic placement affects respondent's performance in the bank. From the findings as indicated in Table 10, 48.9% indicated to a great extent, 22.2% of the respondents indicated to a very great extent 13.3% of the respondents indicated to a moderate extent. 8.9% of the respondents indicated to a low extent whereas 6.7% of the respondents indicated to no extent at all. This implies that strategic placement affects respondent's performance in the bank to a great extent.

Table 11. Degree to which the following aspects of strategic placement affect employee performance

| Aspects of strategic placement affect performance | No Extent | Little extent | Moderate | Great Extent | very great extent | Mean | Std deviation |
|---|-----------|---------------|----------|--------------|-------------------|------|---------------|
| Job skills and traits | 1 | 0 | 3 | 25 | 16 | 4.22 | 0.25 |
| Organizational commitment | 1 | 0 | 4 | 22 | 18 | 4.24 | 0.23 |
| Job satisfaction | 0 | 0 | 5 | 26 | 14 | 4.20 | 0.25 |
| Employee retention | 1 | 1 | 4 | 24 | 15 | 4.13 | 0.23 |

The study sought to establish the degree to which the above aspects of strategic placement affect organisational performance. From the findings as shown in Table 11, the study the following aspects of strategic were indicated to affect organizational performance to a great extent, organizational commitment as shown by a mean of 4.24, Job skills and traits as shown by a mean of 4.22, job satisfaction as shown by mean of 4.20 and finally employee retention as shown by a mean of 4.13.

Management Structure

Table 12. Extent to which management structure affect respondent's performance in the bank.

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Very great extent | 16 | 35.6 |
| Great extent | 23 | 51.1 |
| Moderate extent | 6 | 13.3 |
| Total | 45 | 100 |

The study sought to establish the extent to which management structure affects organisational performance in the bank. From the findings 51% of the respondents indicated to a great extent, 35.6 % of the respondents indicated to a very great extent whereas 13.3% of the respondents indicated to a moderate extent. This implies that the current management structure affect organisational performance to a great extent (Table 12).

Table 13. Extent to which aspects of management structure affect the performance of the bank

| Management structure | No Extent | Little extent | Moderate | Greater Extent | very great extent | Mean | Std deviation |
|------------------------|-----------|---------------|----------|----------------|-------------------|------|---------------|
| Coordination | 0 | 1 | 2 | 32 | 10 | 4.13 | 0.30 |
| Personal relationship | 2 | 0 | 3 | 28 | 12 | 4.07 | 0.26 |
| Cultural compatibility | 1 | 2 | 5 | 29 | 8 | 3.91 | 0.26 |
| Work loads | 3 | 2 | 4 | 34 | 2 | 3.67 | 0.31 |
| Task conflicts | 3 | 0 | 2 | 21 | 19 | 4.18 | 0.22 |

The study sought to establish the extent to which aspects of management structure; affect the performance of the organization. Results are as shown in Table 13. From the findings, the study established that majority of the respondents were of view that the following aspects of management structure affected organizational performance to a great extent, task conflicts as shown by mean of 4.18, coordination mechanisms as shown by mean of 4.13, personal relationship as shown by mean of 4.07, cultural compatibility, as shown by mean of 3.91, and workloads as shown by mean of 3.67.

Table 14. Extent to which various factors affected organizational performance

| Factors affecting employee performance | No Extent | Little extent | Moderate | Greater Extent | very great extent | Mean | Std deviation |
|--|-----------|---------------|----------|----------------|-------------------|------|---------------|
| Employee commitment | 1 | 2 | 2 | 24 | 16 | 4.16 | 0.23 |
| Employees attitudes | 2 | 3 | 2 | 23 | 15 | 4.02 | 0.21 |
| Working conditions | 0 | 2 | 4 | 21 | 18 | 4.22 | 0.22 |
| Non-monetary benefits | 2 | 3 | 3 | 24 | 13 | 3.96 | 0.21 |
| Training & development | 0 | 0 | 7 | 27 | 11 | 4.09 | 0.25 |
| Management support | 2 | 0 | 8 | 22 | 13 | 3.98 | 0.20 |
| Staff development | 1 | 1 | 3 | 26 | 14 | 4.13 | 0.24 |
| Strategic rationale | 1 | 0 | 5 | 23 | 16 | 4.18 | 0.22 |

Table 14 shows results on the extent to which the above, factors affect organizational performance in the merged banks. From the findings the following factors were factors were indicated to affect organizational performance to a great extent; Working conditions as shown by a mean of 4.22, strategic rationale as shown by mean of 4.18, employee commitment as shown by a mean of 4.16, staff development as shown by mean of 4.13, training & development as shown by mean of 4.09, employees attitudes as shown by mean of 4.02, management support as shown by mean of 3.98, non-monetary benefits as shown by a mean of 3.96. All the cases were supported by low mean which implies that respondents were of similar opinion.

Table 15. Extent to which aspects of organizational performance were affected by the merger of the banks

| Aspects of organizational performance affected by the merger | No Extent | Little extent | Moderate | Greater Extent | very great extent | Mean | Std deviation |
|--|-----------|---------------|----------|----------------|-------------------|------|---------------|
| Service quality | 2 | 3 | 2 | 23 | 15 | 4.02 | 0.21 |
| Creativity | 3 | 2 | 4 | 25 | 11 | 3.87 | 0.21 |
| Consistency | 3 | 4 | 0 | 26 | 12 | 3.89 | 0.23 |
| Efficiency | 2 | 3 | 1 | 24 | 15 | 4.04 | 0.22 |

The data in Table 15 shows the extent to which above aspects of organizational performance were affected by the merger of banks, from the findings the study established that majority of the respondents were of views that merger affecter the following aspects to a great extent; efficiency as shown by mean of 4.04, service quality as shown by a mean of 4.02. Consistencies as shown by mean of 3.89, and finally creativity as shown by a mean of 3.87. The study revealed that there was need for proper planning before

the merger and acquisition, there was need for strategic aligning before and after merger and acquisition and there was need for employee involvement during merge and acquisition.

Regression Analysis

Table 16. Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .933 ^a | .871 | .798 | .88195 |

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in Table 16 the value of adjusted R squared was 0.798 an indication that there was variation of 79.8% on the performance of the banks due to changes in compensation strategy, strategic integration, strategic placement and management structure at 95% confidence interval . R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table above there was a strong positive relationship between the study variables as shown by 0.901.

Table 17. ANOVA

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 0.442 | 4 | 0.1105 | 1.4822 | 1.96 ^b |
| | Residual | 2.982 | 40 | 0.0746 | | |
| | Total | 3.424 | 44 | | | |

From the ANOVA statics in Table 17, the processed data, which is the population parameters, had a significance level of 2.1% which shows that the data is ideal for making a conclusion on the population’s parameter as the value of significance (p-value) is less than 5%. It also indicates that the model was statistically significant and compensation strategy, strategic integration, strategic placement and management structure were significantly influencing performance of the bank.

Table 18. Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | | | |
| 1 | (Constant) | .510 | .440 | | 1.159 | .000 |
| | Compensation strategy | .226 | .129 | .026 | 1.752 | .838 |
| | Strategic integration | .125 | .112 | .152 | 1.116 | .266 |
| | Strategic placement | .247 | .125 | .262 | 1.976 | .053 |
| | Management structure | .276 | .185 | .183 | 1.492 | .042 |

The established regression equation was

$$Y = 0.510 + 0.226 X_1 + 0.125 X_2 + 0.247 X_3 + 0.276X_4$$

From the above regression equation it was revealed that holding compensation strategy , strategic integration , strategic placement and management structure to a constant zero , performance of the banks would stand at 0.510 , a unit increase in compensation strategy lead to increase in the in performance of the banks by a factors of 0.226, unit increase in strategic integrations would lead to increase in performance of the banks by factors of 0.125 , unit increase in strategic placement would lead to increase in glass ceiling effect performance of the banks by a factor of 0.247 and unit increase in management structure would lead to increase in performance of the banks by a factors of 0.276 (Table 18). This

shows that there was positive association between performance of the banks and compensation strategy, strategic integration, strategic placement and management structure. The study found that all the values for all the variables, compensation strategy, strategic integration, strategic placement and management structure were found to significantly influence the performance of the bank.

CONCLUSION

From the findings the study revealed compensation strategy, strategic fit influence organization performance at the Equatorial Commercial Bank, as a result of Mergers and Acquisitions. It was revealed that strategic placement; management structure influence organization performance at Equatorial Commercial Bank, as a result of Mergers and Acquisitions.

RECOMMENDATIONS

There is need for the management of the bank to enhance the compensation strategy after merger and acquisition as it was found that compensation strategy influence the performance of the banks. The management of the banks needs to align the merger and acquisition with strategy of the company, as it was revealed that strategic fit influence the performance of the banks.

There is need for the management of the banks to enhance strategic placement after merger and acquisition as it was as the results indicated that strategic placement influence the performance of the banks .There is also need for the management structure of the bank to be aligned with merger and acquisition since management structure influences the performance of the banks.

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