

Organisational Commitment - a sign of survival of workforce during Mergers and Acquisitions

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Abstract

A constantly changing business environment has led to numerous mergers and acquisitions (M&As) in the banking sector with the aim for survival and growth. The fallout of M&As is changing employee behaviour. Numerous studies have observed that M&As, or even simply an announcement of one, has resulted in lower employee commitment towards the organisation.

The present study measures employees' commitment to an organisation, a nationalised bank, that underwent a merger with one of its subsidiaries, as per recommendations of various committees. The study addresses the issue at three stages - identity of the employees, level of job and residual years of service left. Further, with the help of ANOVA, the difference between the mean values was assessed and the results were depicted on the basis of p-value. The results suggest that commitment level is influenced by the level of job, which was found to be statistically significant. Mean values indicate that employees of both the parent organisation and the acquired one tend to have lower commitment levels. Similar findings were recorded for the tenure of service of employees. Employees with long tenures were more committed, which can be attributed to long service duration and their internal passion for their job.

Keywords: *Merger and Acquisition, Bank, Organisational Commitment, Identity, Level of Job*

Introduction

In the Indian banking sector, mergers and acquisitions (M&As) have been initiated to move from a regime of 'large number of small banks to small number of large banks'. The larger a bank, the higher is its competitiveness and better its prospects of survival. One of the major issues at the time of M&A is treatment of employees of the merging bank. Narasimhan Committee report (August 1991, 1997, 1998) recommended merger of large Indian banks to make a strong support for international trade. They recommended a three-tier banking structure - three large banks of international level; eight to ten national banks and a large number of regional and local banks.

The Indian banking industry is witnessing mergers of smaller banks into larger ones as in the case of State Bank of India, which is in the process of merging its smaller associate banks with itself (horizontal merger). Horizontal mergers are mergers of organisations dealing in the same/similar products/services. Such mergers are challenging since both organisations have employees with similar skills, which may lead to conflict and incompatibility of working styles. The acquiring organisation naturally expects employees of the merging organisation to adhere to its policies, procedures and work ethics, which such employees tend to resist. If these culture gaps are wide, it takes years to see productivity gains (Nahavandi and Malekzadeh, 1993).

Mergers and Acquisitions facilitate survival in a competitive environment. One of the primary concerns in M&A are the organisations' human resources. It has been viewed as a factor based on individual or group attitude, involvement and loyalty (Porter, Steers, Mowday & Boulian, 1974). It has been described by Porter et al (1974, p 604) "as an attachment to the organization and intention to remain in it with identified values and goals of the organization which makes the individual to give extra effort on its behalf". It implies an individual's behaviour and actions, which indicate his loyalty to the organisation. It can be increased and harnessed to meet the organisational ends and interests (Salancik, 1977).

Organisational commitment has been often linked with acceptability of human behaviour at the workplace. The behaviour of employees has been often linked with the motivation and commitment levels relating to organisational effectiveness (Crosby, 2000; Robbins 2001).

The changing scenario in the banking sector made M&As a necessity for survival and achieving prosperity. M&As have led to changing employee behaviour and varying levels of acceptability to the M&A. This has led to the following questions:

- What are the changes in employee behaviour?
- Are these changes related to job effectiveness?
- Are these changes related to identity of employees during a merger?
- Are these changes related to continuity of job?
- Are these changes associated with the respective level of job?
- Are these changes associated with the tenure of the job left?

These issues relate to organisation commitment. This study assesses the term 'organisation commitment' and employees' behaviour before and after the merger.

Literature Review

Several studies have observed that M&As, or even simply the announcement of one, lower employees' organisational commitment levels (Armstrong-Stassen, Cameron, Mantler & Horsburgh, 2001; Buono, Bowditch & Lewis, 1985; Covin, Sightler, Kolenko & Tudor, 1996; Davy, Kinicki, Kilroy & Scheck, 1988; Jones, 2000; Weber, Lubatkin & Schweiger, 1994; and Zhu, May & Rosenfield, 2004). 'Organisational commitment' is a state in which an individual, by his actions, indicates his involvement with and loyalty to the organisation. It can be increased and harnessed to meet the organisational ends and interests (Salancik, 1977).

Meyer and Allen (1991) identified three types of organisational commitment: affective, continuance and normative. Affective commitment is the employee's emotional attachment to the organisation, which is related with the organisation's values. The employee emotionally relates with the organisation and enjoys working for it. Continuance commitment is the willingness to be in the organisation for personal investment, which is non-transferable; it is related to the workplace including relationships with co-workers, years of experience, skills acquired during employment, a sense of involvement, etc. Normative commitment implies feeling obliged to be with the organisation, which is often expressed as loyalty and duty. This feeling is a form of moral obligation to the organisation which makes the employee make personal sacrifices at the workplace (Wiener and Verdi, 1980).

Research Methodology

Purposive sampling method was used to collect the data from the nationalised bank, State Bank of India, with which State Bank of Indore has been merged. The data was collected from Indore city from State Bank of India and State Bank of Indore. The sample was collected in three stages at different levels with the help of a questionnaire and scheduled interviews. For measuring organisational commitment, individuals were interviewed to record their responses related to this factor. A standardised scale of Organisational Commitment, Hyde Anukool, Roy Rishu (2005) published at NPC, Agra, with reported reliability of .89 and validity of .94 was used to record individual responses.

The three stages of data collection were as follows:

Stage I: A sample size of about 200 employees from both the banks, i.e. State Bank of India and State Bank of Indore, were collected.

Stage II: In this stage, the entire sample set of 400 was categorised based on job seniority (Executives and Non-Executives).

Stage III: In this stage, the entire sample set of 400 was categorised based on years left to retirement (two categories were created – employees with about less than 5 years of service left and employees with more than 15 years of service left). This study was carried out at Indore city only. The representative sample unit is an individual who has been an employee of a bank that has been merged with special reference to State Bank of India and is an employee of one of the Indore branches of the bank for the last few years. For the purpose of the study, the objectives and hypotheses were framed keeping in mind the identity of the employees, level of job seniority and tenure remaining till retirement.

Objectives and Hypotheses

Part A : The main objectives of the study are:

Stage 1 : Employees of State Bank of India and employees of State Bank of Indore, 200 each, (two sample units)

1. To compare employee organisational commitment of State Bank of India and State Bank of Indore after the merger.

Stage 2 : Executive and Non-Executive level (two sample units).

2. To compare employee organisational commitment of Executive and Non-Executive employees.

Stage 3 : Residual Service (employees with less than 5 years to retirement and those with more than 15 years of residual service). (two sample units).

3. To compare employee organisational commitment of employees with residual service of less than 5 years and residual service of more than 15 years.

Part B : Setting of hypotheses:

H1.1 - "There is no significant difference in employee organisational commitment between employees of State Bank of India and State Bank of Indore after Merger."

H1.2 - "There is no significant difference in employee organisational commitment between employees of Executive and Non-Executive level."

H1.3 - "There is no significant difference in employee organisational commitment between employees with residual service of less than 5 years and those with residual service of more than 15 years."

Data collection tools

This study assesses employee commitment levels in terms of work environment, affection towards the organisation, contentment, goal fulfilment, positive thinking, career goals, empathy and empowerment. The statements related to these factors were mentioned in the scale. The responses were recorded on 5-point Likert rating scale, 5 Strongly Agree, 4 Agree, 3 Neutral, 2 Disagree and 1 Strongly Disagree. Individual responses may vary based on employee identity, level of seniority and tenure of service. This scale identifies the level of importance of each statement from 5 to 1 as 1 least important and 5 most important. Of the responses collected, 392 were found usable from a population of 400. Based on level of seniority (Executive and Non-executive) a sample size of 58 was used. On the basis of residual years of service, a sample size of 105 each was used.

Statistical Techniques used for Data Analysis: For the three-stage design to test the significant difference within the group and between the groups, one-way ANOVA was used. On the basis of values of $p < .05$ the hypothesis thus was accepted or rejected to depict the results. For studying the objective, data was reduced by Amos and used for further analysis. This data was then transformed on SPSS sheet and analysed by testing with the help of one-way ANOVA for testing difference between the means of two groups.

Results and Discussion

This study at first identified the organisational commitment on the basis of group of employees, level of job and residual years of service.

Stage I : On the basis of Group of Employees (Two samples)

(Group 1 : Employees of State Bank of India; Group 2: Employees of State Bank of Indore)

Table 1.1.a- Showing Mean Values

Groups	Mean
Group 1 (Employees of State Bank of India)	2.9997
Group 2 (Employees of State Bank of Indore)	2.9605

Table 1.1.b Showing ANOVA Table

	Sum of Squares	Df	F	Sig.
Between Groups	.151	1	1.076	.300
Within Groups	54.67	390		
Total	54.82	391		

Results and Discussion

The values presented in Table 1.1.a of F for one way ANOVA and their mean values for Group 1 (employees of State Bank of India) and Group 2 (employees of State Bank of Indore) show no significant difference as the F value is 1.076 and the p value is $> .05$.

The values presented in Table 1.1.b for ANOVA shows no significant difference between Group 1 (employees of State Bank of India) and Group 2 (employees of State Bank of Indore) and the difference is also statistically not significant within the group. Thus, the hypothesis - H1.1- "There is no significant difference in employee organisational commitment between employees of State Bank of India and State Bank of Indore after Merger" stands accepted. On the basis of p value for One way- ANOVA, the results clearly show significant difference in organisational commitment level of employees in both the groups. However, these changes are visible in the acquired group of employees, i.e. Group 2 (State Bank of Indore) show lower commitment level. This might be attributed to changes that have occurred in organisational work setting as State Bank of India is a comparatively big group and they know they have to survive for continuity of their job. The employees of Group 1 (State Bank of India) have high mean values in comparison.

Stage II: At Executive and Non-executive level (two samples):

Table no. 1.2.a showing Mean Values

Groups	Mean
Group 1 (Executives)	3.0445
Group 2 (Non-executives)	2.7340

Table no. 1.2 b showing ANOVA Table

	Sum of Squares	Df	F	Sig.
Between Groups	2.796	1	27.860	.000
Within Groups	11.442	114		
Total	14.238	115		

Results and Discussion

The values presented in Table 1.2.a of F for One way ANOVA for the Group 1 (Executive) and Group 2 (Non-Executive) is statistically significant as the F value is 27.860 and the p value is < .05. The values presented in Table 1.2.b for ANOVA shows significant difference between Group 1 (Executive) and Group 2 (Non-Executive) and the difference is also significant within the group. Thus, the hypothesis H 1.2- "There is no significant difference in employee organisational commitment between employees of Executive and Non-Executive level" stands rejected. On the basis of p value for One way- ANOVA, the results clearly show significant difference in organisational commitment level of employees in both the groups. The present result suggests that Group 1 (Executives) have high commitment levels in comparison to Group 2 (Non-Executives) which might be attributed to the roles and responsibility imparted as per the level of job. The responsibility is more with the Executive level of cadre as they have to get the work done with full effort and the targets have to be met.

1.3. Stage III: On the basis of Residual Services in the job (Two samples)

(Employees with residual service of less than 5 years and employees with residual service of more than 15 years).

Table 1.3.a Showing Mean Values

Groups	Mean
Group 1 (Residual service < 5 years)	3.0069
Group 2 (Residual service > 15 years)	2.9710

Table no. 1.3.b showing ANOVA Table

	Sum of Squares	Df	F	Sig.
Between Groups	.039	1	.298	.586
Within Groups	15.828	120		
Total	15.868	121		

Results and Discussion

The values presented in Table 1.3.a of F and the mean value for Group 1 (Residual service <5 years) and Group 2 (Residual service >15 years) is statistically insignificant as the F value is .298 and the p value is > .05. Thus, the hypothesis – H1.3- “There is no significant difference in Employee Organisational Commitment between employees of Residual service (less than 5 years) and Residual service (more than 15 years)” stands accepted. The values presented in Table 1.3 b for ANOVA shows no significant difference between Group 1 (Residual service <5 years) and Group 2 (Residual service >15 years) . On the basis of p value for One-way ANOVA, the results clearly show that no significant difference in organisational commitment level of employees in both the groups is recorded. When the individual is new to the organisation, the influence of remuneration or promotion, reward attracts him and thus, changes his attitude and behaviour. However, when the stay in the organisation is extended, the individual feels a relationship with the organisation and feels a sense of belongingness and passion. As the experience and years of service rendered is more for Group 1 employees, they feel more committed to the organisation in comparison to employees of Group 2 who have more years of residual services left.

Findings

Employee organisational commitment was found to differ in Stage I on the basis of group of employees. The responses show **that** the organisational commitment was lower for the acquired group employees. However, the parent group of employees' **commitment** was high, which might be attributed to changes that have occurred in organisational work setting as State Bank of **India** is a comparatively big group and they are more comfortable with it. The employees of the acquired group are facing **changes** and thus, are showing lowered commitment levels.

On the basis of level of job in the second stage, the results clearly show significant difference in organisational commitment **level** of employees in both the groups. The executive levels of employees have more responsibility towards the tasks ahead. **They** have high commitment level in comparison to non-executive level of employees as well. On the basis of residual year of service left in the third stage, employees with less residual years of service are more committed in comparison to employees with more residual years of service. This might be attributed to the experience and years of service spent in the organisation. The employees feel more connected with the organisation and still show more commitment. This might be related to the feeling of belongingness amongst them.

Recommendations

- During strategic changes, employee participation should be initiated and employees should be convinced about such situations.
- Employees at different levels of seniority face different challenges which may be related to transfers, promotion or change in location with reference to their native place. According to their career stage, employees should be mentored to deal with such situations.
- Training and mentoring sessions should be conducted prior to such changes.
- Employees should be formally and informally made to work together to break the identity issues and by job rotation or job enlargement at times.
- With the help of an employee survey, employees' behaviour should be assessed and issues, if any, should be addressed in a timely manner to avoid any conflict.

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