

Stress Management among Bank Employees: With Reference to Mergers and Acquisitions

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Abstract:

Employees of banks are supposed to be proactive, proficient enough to bear responsibility and to perform under very stiff competitive environment. The existing banking industry is going through very critical situations, for example, global market is facing recession, the growth rate of emerging economies are going down; the pressure of competition is very high and apart from this dynamic environment of banking industry; various banks are restructuring their path of growth. At this juncture, banks are adopting and spreading their wings of mergers and acquisition to fly high and augment their strength and market size by approaching global as well as the rural market. Here, the impact of mergers and acquisitions on employees is a major concern because this may create stress among employees. Employees and their families have to go through with a certain paradigm during the course of a merger. The aim of the study is to identify the various stressors which contribute in increasing the level of stress among employees. Further, the article discusses the employee attitude and works related behavior and at the end we conclude. There is scope for further research to explore the employees' behavior towards strategic issues like mergers and acquisitions. This study will present guidelines for policy formulators, bankers and researchers to consider employees' view before taking further decision towards mergers and acquisition.

Key Words: Stress, Banking Industry, Employees, Mergers and Acquisition.

1. Introduction:

Growth opportunities come in a variety of ways; a great deal of energy and resources may be wasted if an entrepreneur does not identify these on time. The remarkable example for growth strategy is 'Mergers and Acquisition' (M&As). Companies are supposed to be proactive rather than reactive to the changing business environment. Due to the cut-throat competition, technological up gradation, recession in global economy and stock market volatility banks are facing various challenges at the market place. In response to these factors, banks around the world are restructuring their assets, operations and contractual relationships with their shareholders, creditors and other financial stakeholders. Corporate restructuring

has facilitated many organizations to re-establish their strategies in order to respond more efficiently and effectively to unforeseen challenges of the market.

In recent times, we have seen many examples of M&As in banking industry. Apart from financial issues, there are certain issues, which are not given full consideration. Kahr (2011) has stated on bank management and banking industry that bank mergers will not result in increased profitability for banks, and that there are limited opportunities for banks to increase their revenues. This is because of the organizational changes, which take place during the course of a merger; it largely affects the performance of the employees. It is quite obvious that when a merger is announced respective employees of the firm may feel stressed, disoriented, frustrated, confused and even frightened.

Therefore, this is a modest attempt to identify and study the various factors or stressors which determine the level of stress among employees after M&As. These stressors will surely have effects on the attitude and a number of work-related behaviors of employees; consequently, the performance of the bank employees will suffer.

2. Conceptual Framework:

It is unavoidable for anyone to exclude himself or herself from the organizational decisions; therefore, employees are an inevitable part of the decision taken by the top management. In this article, we are studying the factors which determine the stress among employees. Precisely, we need to understand the term 'stress' which was coined by Hans Selye in 1936. He defined it as "the non-specific response of the body to any demand for change." Stress management can be defined as interventions designed to reduce the impact of stressors in the workplace. These can have an individual focus, aimed at increasing an individual's ability to cope with stressors.

The goal of Stress Management is to manage the stress of everyday life among employees. Many different methods may be employed, such as biofeedback, meditation and massage. Counselors work with individuals in order to determine what stress management program will work best for that person.

It is evident to the recent past that Mergers and Acquisitions is a well-known strategic tool for banks in India. It is an end of the continuum of alternatives companies have in combining with each other. The least intense and complex form of combination is licensing. Next come alliances, partnerships and subsequently joint ventures. The amount of penetration in market risk, profits, and control depends on the type of combination strategy. It is the mergers and acquisitions that require a huge amount of investment, a greater amount of market penetration, a good amount of profits, risks and control over assets. It gives first-hand information about environmental changes.

After understanding the concept of stress management and mergers & acquisitions, we need to study the previous studies in order to have a larger view of various effects of mergers and acquisitions on employees. This will surely lay down the scope of the topic for further research.

3. Review of Literature:

Schweiger and Ivancevich (1985) studied the human factor in merger and acquisition and identified some common merger stressors, which include uncertainty, insecurity, and fears concerning job loss, job changes, compensation changes, and changes in power, status, and prestige. These stressors should be given utmost care in pre-merger strategic issues.

Ivancevich, Schweiger and Power (1987) studied the merger stress process, stages of the merger process and the sources of stress created and choosing guidelines and interventions to encourage more effective

management of merger stress. They suggested some measures to effectively manage merger stress, like prevention, to reduce the actual stress-inducing merger events; secondly, reappraisal of employees who refer to change initial cognitive appraisal of a situation and at last effective stress management and professional help, which supports those employees who are already stressed.

Schweiger and Weber (1989) suggested that Mergers and acquisitions (M&As) are corporate events that have the potential to create severe personal trauma and stress, which can result in psychological, behavioral, health, performance, and survival problems for both the individuals and companies involved. With the increasing size and number of M&As transacted and the number of employees affected, it is essential that executives and human-resource professionals pay greater attention to understand the sequence of actions and reactions associated with the process.

Schweiger and Denisi (1991) conducted a longitudinal field experiment to evaluate the various effects of a communication program on employees of an organization; they called it a realistic merger preview. This study was intended to measure the effects of mergers and acquisitions on employees. Their results suggested that realistic communication during a merger process in the form of a realistic merger preview can help the employees to get through the process of merger. As illustrated by the significantly lower measures on global stress and perceived uncertainty and significantly higher on job satisfaction, commitment and self-reported performance for the experimental group, exposed to the communication program.

Rajeshwari (1992) identified the potent stress situations (stimulus) of bank employees and then classified them into factors relating to organizational policy, structure, process, physical working conditions, group behavior and others. T concluded that structural rigidity, poor physical working conditions and extra organizational factors to be potent stressors.

Cartwright and Cooper (1993) studied the human aspects of merger and acquisition, and the impact of such a major change event has on employee health and well being, which have received relatively little research attention. They took the sample size of 157 middle managers involved in the merger of two U.K. Building Societies. They found that Post-merger measures of mental health to be a stressful life event, even when there is a high degree of cultural compatibility between the partnering organizations.

Weber (1996) assessed the role of corporate cultural fit, autonomy removal, and commitment of managers to the merger in predicting effective integration between merger partners in different industry sectors. He found that relationship was very complex; they varied across industries and had different relationships with different measures of performance. Further, he found that cultural differences at the top management level were most likely to influence the merging organizations' ability to realize synergies.

Sakas and Triantafyllopoulos (2009) examined the factors staff's beliefs, attitudes and social representations vis-à-vis the part it plays during the negotiation process in the effort of the two leaders of the Greek banking branch to merge. They used codification by means of software, so as to clarify the trends for negotiations in win-win conditions. They concluded that the private or public character of each banking organization involved in the negotiation process of aiming at a merger will affect its strategic choices in relation to the role played by human beliefs and professional attitudes during the negotiations. Additionally, the research pointed out some elements that were explained and justified by the existing circumstances in the particular banking area. The fear of change, the stress, the insecurity and the loss of morale are also pointed out as being significant factors.

Rafferty and Restubog (2010) examined the relationships between two measures of the change process adopted by a firm and a measure of the change context and employees' reactions to a merger. They conducted a longitudinal study to understand the employee's perception change process in merger. It was found that as the number of formal change information sessions attended increased, anxiety decreased. Moreover, it was reported that high-quality change information was negatively associated with anxiety and positively related to affective commitment to change. Affective commitment was positively associated with job satisfaction and negatively associated with turnover intentions, which were positively associated with the voluntary turnover.

Khattak et al (2011) examined the occupational stress in the banking sector of Pakistan. A total of 237 bank employees from different commercial banks participated in the survey. They used self-reported questionnaire and descriptive, correlation and regression statistical tools were used to analyze data. The results revealed the potential stressors like workload, working hours, technological problem at work, inadequate salary, time for family and job worries at home were the significant sources of stress in the banking sector. The study suggested that the elements which are creating stress lead to burn out. Moreover, the significant symptoms of burnout as revealed by the results were back pain, extreme tiredness, headache and sleep disturbance. All stressors (Organization, Job, Relationship at work, work environment and family work interface) were significantly correlated to all burnouts (Physical, Psychological and Organizational). All the stress elements significantly predicted burnout in the banking sector of Pakistan. The changing work pattern is creating stress for the bank employees, and these stressors are leading to burn out.

Clarke and Salleh (2011) conducted a qualitative study examining the emotional impact of a merger between two banking institutions on managers in Brunei. The distinctive national culture representing a fusion of Malay and Islamic values was found to influence the emotional impact of this merger. These values place less emphasis on personal control as a means for dealing with uncertainty. The findings suggest that Western transactional models of perceived control to explain how people manage change may have far more limited application within a Bruneian context.

Shook and Roth (2011) conducted a qualitative study using a constant comparative method to assess the perspectives of HR practitioners based on their experiences with mergers, acquisitions, and downsizings. They interviewed 13 HR practitioners to collect the data. They found that HR practitioners were not involved in planning decisions related to downsizings, mergers, and/or acquisition. Neither the practitioners in this study nor other members of the HR team in their organizations had an upfront due diligence role in these change initiatives.

Goyal and Joshi (2011) opined that M&As offer great opportunities for companies to grow and add value to shareholders' wealth. Moreover, they have concluded that M&As are expected to increase in branches, market share, geographical reach or penetration in market, value and efficiency of the company and thereby increase shareholders' value as we have observed in the case of ICICI Bank and the Bank of Rajasthan Ltd. merger.

As per the above studies, we can clearly identify the problem that human factor in organization at the time of mergers, and acquisitions is overshadowed as compared to other factors. Based on previous studies, we can identify the following merger stressors, which need to be studied in the present scenario of business.

3.1 Merger Stressors:

Based on above review of literature we can evidently identify the below mentioned stressors, which are responsible for causing stress among employees. This will help us to understand the human factor, which should be considered before merger. Emphasis on these factors will augment the probability of success of mergers.

➤ **Uncertainty:**

It is quite common phenomena in private sector that life and career of employees are largely depending on the environmental factors of business. This is one of the basic factors, which contributes in the level of stress among employees. When merger is announced, it is obvious that the level of uncertainty increases among employees about various factors, this is because of lack of proper information, employees start raising questions about their future.

➤ **Insecurity:**

When they come to know about merger, they feel that the transferee company will adopt them or not. If they are adopted by the transferee company, then whether they will be adjusted according to the work environment or not, these are some big factors, which cause stress among employees.

➤ **Fears concerning job loss,**

The instant and first reaction of employees about the mergers and acquisition is insecurity with regard to their job. Whether they should continue or leave the job, this ambiguous situation causes stress among employees. According to Buono and Bowditch (2003) explained in their book with examples that mergers create fears in the minds of employees of transferor company about job loss. This creates huge amount of stress among employees.

➤ **Nature and Quality of Job:**

Due to the changes of work culture after merger employees do not feel comfortable as a growth process brings advancements of many things. This overpowers some employees becomes factors for stress. The restructuring process is most important from the point of view of growth. Therefore, banks must pay attention to their employees for achieving effectiveness in their performances. According to Mylonakis (2006), the restructuring process of European and global banking has brought substantial changes in the nature and quality of job and employment. Thus, we can say that M&As play a significant role in lives of bank employees. The introduction of new technologies in banking preceded the M&A wave.

➤ **Changes in Salary, Authority and Power:**

There are evidences when a small firm merges into big firms employee's get some salary hike, simultaneously their job is also enhanced and enriched by the transferee company. Sometimes due to some other stressors like the expectation of management from employees increases and this creates pressure in the minds of employees which becomes reasons for stress.

Geete (2011) studied the merger of State Bank of India and its subsidiary bank the State Bank of Indore and explored in his article that there is an increase in the profitability, network, revenue and ranking of the bank as world level. Not even this majority of the employees was also happy with this Merger because they are getting better salary, and customers were also satisfied because they are getting widely accessible network and services. On the other hand, we have seen agitation from the bank of Rajasthan Ltd. employees. They were against this merger. Factors of stress might vary between nationalized and private sector banks, and it could have possibility be subject matter for further research.

➤ **Change Process:**

Mergers, Acquisitions and restructuring are the process of change, since so many changes are associated with mergers and acquisitions, it is natural that the behaviour and attitude will definitely be affected by these changes. Consequently, stress level among employees may increase. Rafferty and Restubog (2001) examined relationships between two measures of the change process adopted by a firm and a measure of the change context and employees' reactions to a merger. A longitudinal study was conducted to measure employee's perception that he or she had. They found that a poor change history was negatively associated with effective commitment to change. As the number of formal change information sessions attended increased, anxiety decreased. High quality change information was negatively associated with anxiety and positively related to affective commitment to change. Affective commitment was positively associated with job satisfaction and negatively associated with turnover intentions, which were positively associated with a voluntary turnover.

➤ **Working Hours and Workload:**

Krantz, G., Berntsson, L. and Lundberg, U. (2005) analyzed how paid work, unpaid household tasks, child care, work-child care interactions and perceived work stress are associated with reported symptoms in male and female white-collar employees. For this purpose, questionnaire was mailed to 1300 men and 1300 women belonging to the white-collar sector. It contained items relating to total workload (hours spent on paid work, unpaid household tasks and childcare), subjective indices for work stress and symptoms. They concluded that working life and private circumstances, and the interplay between them need to be taken into account to curb stress-related ill health in both men and women.

➤ **Technological Problem at Work:**

After the advent of Information and Communication Technology, it has become mandatory for every organization to adopt technological advancement. Therefore, the employees of the concerned organization supposed to go through the technological training programmes. In the absence of these training sessions, the stress level would definitely go up. As it is evident from the study of Schraeder, Swamidass and Morrison (2006), they examined the relationships between employee reactions to specific technological changes and the job-related attitudes of these employees. Results of their longitudinal study indicated that individuals involved in making decisions related to the technology changes reacted more positively to the changes than individuals with low levels of involvement. Moreover, the results of their study revealed that individuals with higher pre-change levels of role ambiguity reacted more negatively to the technology changes.

In case of mergers, it is quite possible that the acquirer firm may have latest and advance technology at work, so in that case, they are supposed to conduct skill enhancement programmers for those employees who are unaware about the technicalities of the work.

➤ **Group Differences**

In an incidence of a merger, two groups of bank employees have to adjust with each other, but due to various work and cultural difference, it takes time to mingle up. Panchal and Cartwright (2001) revealed in their study that group differences exist after merger, which causes stress among employees.

➤ **Communication:**

Schweiger and Denisi (1991) suggested that realistic communication during a merger process in the form of a realistic merger preview can help the employees to get through the process of merger. Recently, we

observed in case of the bank of Rajasthan Ltd. and ICICI Bank Ltd. merger that employees agitated it, and lack of communication was reported.

The above-mentioned stressor affects the attitude and behavior of employees. It is one of the issues for further research that how organization should deal with those stressors which lead to below mentioned changes in the attitude and behavior of employees.

➤ **Cultural Clash:**

When two distinct organizations with different value systems, habits and styles are combined, it is possible that a 'clash or collision' may occur and lead to negative consequences. Organizational members are so embedded in their own culture that they do not realize its influence on their behavior and when they are enforced to work in different work culture, certainly it is going to affect their performance. It can positively or negatively affect the organizational performance as well. If this factor is not considered appropriately then it will surely create stress among employees. It is evident in the case study on merger between two mutual saving's banks from the perspective of organizational culture by Buono, Bowditch and Lewis (1985) that even within the same industry, there are major difficulties in trying to merge two different though viable organizational cultures. They collected data on organizational culture and organizational climate and analyzed from pre- and post-merger interviews, observations, archival information, and survey questionnaires.

Here is an attempt to identify some of the possible employees' attitudes and behaviors:

3.2 Effects of Stressors on Employees' Attitude and Behavior:

It is a natural phenomenon that the changes in internal and external environment will surely affect our attitudes and behavior. It is quite common from a learning aspect that as we go through certain changes, it will definitely bring some or the other changes in our behavior and consequently, the employees' behavior will determine organizational behavior, discipline and work culture. Hassan, R. (2010) found that M&As do have significant impacts on employees' well-being, work, team performance and organizational performances. Managing the acquisition process and the employees of the acquired organization in the right manner and approaches can reduce the negative impact of the acquisition process. It also can help an organization to recover and perform again in a shorter span of time. Organization should employ the right approach and strategies during the acquisition process and special attention given to effectively managing the employees of the acquired organization.

3.3 Employees Turnover Rate:

Due to mergers and acquisitions, it is quite possible that employees' turnover rate may be high, it is so because employees feel unhappy with the work or compensation which they get in a new company. It may be possible that an employee will start to look for a new job, and it will definitely increase the turnover which is not at all good for the bank or any other company.

3.4 Absenteeism:

A large number of studies has been conducted on human relations issues in enterprises, but the absenteeism in employees who sprouts due to certain issues related to job. When an employee is enforced to change the job profile then it can become a prominent reason for employees whom they will try to avoid stress by being absent. Therefore, these issues need to be taken care of very seriously as it directly affects the productivity of the company. It is rightly stated by Nikandrou, Papalexandris & Bourantas (2000) that

acquisitions often have a negative impact on employee behavior resulting in counterproductive practices, absenteeism, low morale and job dissatisfaction.

3.5 Strikes:

We have witnessed a strike in the case of India's largest private sector bank, i.e. ICICI Bank Ltd. and the Bank of Rajasthan Ltd. (BoR) that when the merger was announced all the three major employee unions of BoR--All India Banks of Rajasthan Employees Federation, All India Banks of Rajasthan Officers' Association and Akhil Bhartiya Bank of Rajasthan, Karmchari Sangh, called the strike demanding the immediate termination of the ICICI-BoR merger proposal. It is a very strong phenomenon of the behavior of employees in the growth strategy like mergers and acquisitions.

The issue of employees' perception towards mergers needs special attention from researchers and thinkers in order to convert mergers as synergy.

3.6 Grievances:

Mergers and acquisition cannot realize their complete potential value without proper positive employees' input. When new employees are employed their grievances must be handled carefully so that they can mingle up in the working culture of the organization. It is important from the point of view of organizational objectives as we are aware that only a satisfied employee is capable of satisfy the customer. Customer satisfaction is the requirement of existing business environment, which is very competitive in nature.

Measures to Effectively Manage Stressors:

- Human Resource practitioners should be involved in planning decisions related to downsizing, mergers, and/or acquisition.
- Good communication strategy is a tool through which the effect of most of the stressors like uncertainty, insecurity and fear of job loss can be minimized.
- Reassessment of an employee after merger and placing them accordingly.
- Employee Development Programmes can be conducted so that employees can understand the working environment of the acquirer firm.
- Thus, effective stress management and professional help can improve the performance of employees.

Martinez (2009) suggested that employee assistance program (EAP) can be a way to deal with stress among employees. It states that stress brought by work, family life or substance abuse affect the employee's workplace productivity. It discusses employer's various options in choosing EAPs such as in person counseling and telephone hotline basis. Tips from Sandy Rosenberg and Marina London regarding the steps that a company should take in choosing an EAP are offered.

4. Conclusion:

As per the above discussion, we can say that merger and acquisition is an inevitable part of banks, and as it is a law of nature that small entity is supposedly merged into larger entity. There are number of factors which cause stress among employees like uncertainty, insecurity, fears concerning job loss, job changes, compensation, changes in power, status, prestige, workload, working hours, technological problem at work, inadequate salary, time for family job worries at home group differences and communication.

These stressors can affect the performance of employees. To achieve the desired target banks should focus on employees' satisfaction considering above recommendations.

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