



MEGA MERGER OF SBI: EMPLOYEES' ATTITUDE AND ADAPTABILITY

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Abstract

Mergers have become an increasingly common reality of organisational life. Mergers promote the entities to develop, condense and alter the nature of their competitive position. In addition, during this time, it is a common scene of employees with stress, fear and anxiety. They may have fears concerning job loss, job changes, compensation, workload, working hours and so on. The attitude of an employee resulting from the merger will certainly affect his work related behavior; consequently, the efficiency and output of the company suffer.

On 15 Feb 2017, the Union Cabinet approved a proposal to merge 5 associate banks with SBI. Merger of SBI with its 5 associate banks and Bharatiya Mahila Bank is the largest merger in history of Indian Banking Industry." In any merger, the biggest challenge is always integration of human resources because the people who are coming in have a lot of apprehension" said Arundhati Bhattacharya, former Chairman, SBI. This paper highlights the attitude and adaptability of employees towards merger of associate banks with SBI and also compares the pre-merger and post-merger position of employees. Responses from SBI employees were obtained and it is found that even though the merger has brought certain increases in their workload and responsibility, they are adaptable with the merger process. It is hoped that this study will help those who are interested in knowing the human side of mega merger of SBI.

Key words: Merger, Employee Attitude, Employee Adaptability.

Introduction

In general terms, bank is referred to as a financial institute or a corporation which is accredited by the state or central government to deal with money by accepting deposits, giving out loan and investing in securities. The main roles of banks are economic growth, uptick of the economy and provide funds for investment. In the recent times, banking sector has been undergoing a lot of changes in terms of regulation and effects of globalization. These changes have affected this sector both structurally and strategically. With the dynamic environment, many different plans of actions have been espoused by this sector to abide expeditious and to heave ahead in the global realm. One such plan of action is through the process of consolidation of banks. There are several ways to consolidate the banking industry; the most commonly adopted by banks is merger. The main intention behind the merger in the banking industry is to achieve economies of scale and scope.

Mergers bring about tremendous changes in the organizational setup. Change simply refers to variation in the present state of affairs of an organization. In order to survive in this competitive scenario, mergers are considered unavoidable. According to Coch and French (1948), Kotter (1995), Kotter and Cohen (2002), many organizations had the drawbacks regarding the attitude of employees which lead to failures in change. During the merger process, if handled with proper care, synergies can be withdrawn but a little gaffe can muck up the whole transition. In such buffeting environment, employee attitudes to accept changes as a result of merger are considered decisive for management. It affects employee attitude because of transferring a situation from the familiar to the unfamiliar which can develop ambiguity, strain and anxiety among employees.

Merger of Banks in India

Merger can be defined as a mean of unification of two players into single entity. Merger is a process of combining two business entities under common ownership. Bank merger is an event of when previously distinct banks are consolidated into one institution (Pilloff and Santomerro, 1996).



Merger in Indian banking sectors have been initiated through the recommendations of Narasimham committee II. The committee recommended that “merger between strong bank / financial institutions would make for greater economic and commercial sense and would be case where the whole is greater than the sum of its parts and have “force multiplier effect”.

Banks adopt merger process for a variety of reasons such as to enjoy economies of scale, to work more efficiently, to fill the technology gaps and to compete with the overseas market. Though mergers may make good financial and developmental sense to banks, the management should also consider the human side effects of merger.

While announcing a merger, most of the employees may have fears, dismay and anxiety regarding working hours, promotion, transfer, supervision, compensation, workload, job security, responsibility, change in power, grievance handling, relationship with superiors and peers and so on. Banks must proactively work to maintain employee trust to motivate them and to retain them. A merger should not be a burden to an employee rather he should consider it as a great opportunity for his career development.

Employee Attitude

Thurston, (1931) defined attitude as the affect for or against a psychological object. All port, (1935) detailed that an attitude is a mental or neural state of readiness, organized through experience, exerting a directive or dynamic influence on the individual’s response to all objects and situations to which it is related. Attitude is a term associated to psychology and attitude varies from person to person notion. The different attitude of employees brings about variety of positive or negative type of activities during the merger process. There are two types of employee’s attitude towards merger. One aspect of employees may have a negative attitude towards changes that may occur as a part of merger and are more likely to refuse to accept the change. And the other aspect of employees has a positive attitude towards change and is more likely to hold up to the change.

Koslowsky and Zeev (1990) commented that employees who are reliable towards the organization have a positive attitude towards the change. On the other hand, employees who are not committed to the organization; has a negative attitude towards the change. According to Erich J. Schwarz, (2009), employees who have positive attitude towards change in the organization become valuable employees to the organization. Baumgartner, et al (2008), described that most of the employees are not prepared for change. Employee’s negative attitude towards change is due to the fear about job. To overcome disinclination to change, organization should prepare a lucid arrangement and change cognizance among employees in order to attain well planned work surroundings and in proportion work agenda to lessen pressure and timidity. Maria Vakalo (2005) detailed of professional pressure related to negative attitudes to change. Tension created by difficult task related to burden and unfair pay can cause negative attitude towards change.

Employee Adaptability

Employee adaptability refers to the employees’ ability to revamp their behaviors or responses towards the changing environment. It is an individual capacity to subsist with the ongoing changes and demands. Adaptability of an employee shows how well this employee is able to work under current job requirements and conditions. A highly adaptable worker has adequate skills and knowledge to comply with job requirements and reach desired performance. A flexible workforce allows the organization to meet changing performance requirements, adapt, and respond to workplace innovations (Miller 2002). Employees who display high adaptive performance tend to have more advantages in career opportunities than those who are not that much adaptive. Organisations expects employees’ to maintain positive job attitudes and high levels of adaptive performance by learning new skills and procedures.

Mega Merger of SBI: An Overview

The most recent and largest merger in the history of banking industry was of State Bank of India with its 5 associate banks namely State Bank of Bikaner & Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Travancore (SBT) and BharatiyaMahila Bank. It was on 1st April, 2017 that “the SBI opened as ‘one bank’ and will continue to operate in the same manner as before post merger”- Arundhati Bhattacharya, former SBI Chairman, told the media.



Shares of SBI and its listed associate banks (State Bank of Bikaner, State Bank of Mysore and State Bank of Travancore) gained 3-13 percent on the back of approval from the cabinet for their merger.

At 09:27 hrs, the next day after approval, State Bank of India was quoting at Rs. 273.20, up Rs.4.55 or 1.69 percent on the BSE, SBBJ was quoting at Rs.752.45, up 4.80 percent, SBM was trading at Rs.589, up 4.87 percent and State Bank of Travancore was quoting at Rs.590.10, up 5.38 percent. The rest two associate banks- State Bank of Patiala and State Bank of Hyderabad- are unlisted.

Founded in 1806, Bank of Calcutta was the first bank established in India and over a period of time, evolved into State Bank of India. SBI represents a sterling legacy of over 200 years. It is the oldest commercial bank in the Indian subcontinent, strengthening the nation's trillion-dollar economy and serving the aspirations of its vast population.

SBI merged with its associate banks in order to have increased balance sheet and economies of scale. With this merger:

1. SBI has entered into the league of top 50 global banks.
2. It has now 22,414 branches and 59,541 ATMs serving over 42 crore customers as declared by SBI in its annual report 2017-18.
3. SBI is now a banking behemoth with an asset book of Rs.37 lakh crore.
4. The merger entity will have one-fourth of the deposit and loan market, as the SBI's market share will increase from 17% to 22.5-23%.
5. SBI's asset base (Rs.2868,721.08Cr) is now five times larger than the second largest Indian Public Sector bank, Bank of Baroda (Rs. 573,265.55Cr).

Statement of the Problem

Mergers ensure tremendous profit in terms of financial gains and work performance. But most of the times, mergers can be especially challenging to employees in terms of job loss, job changes, workload, working hours and so on. The attitude of the employees towards the merger can be a factor which determines the success of the implementation of the merger process. A change in the attitude of the employees, whether positive or negative will definitely affect the employees' well-being, team performance, work and organizational performance. A negative-minded employee may become a burden to the organization.

Therefore, it is necessary to know their attitude towards job as a result of merger with various aspects of the job. Hence, the study 'Mega Merger of SBI: Employees' Attitude and Adaptability' aims at analyzing the change in attitude among the employees working there and the level of adaptability of them with the new working environment.

Objectives of the Study

1. To compare the pre-merger and post-merger position of employees attitude towards merger.
2. To analyse the level of adaptability achieved by the employees.

Methodology

The population of the study comprises of employees of 80 SBI branches in Pathanamthitta district. This study is descriptive based on primary data. For the purpose of this study, a sample of 60 employees (both former associate bank employees and SBI employees) selected out of 12 branches using multi-stage random sampling method. The total population was divided into different stratas (taluk wise division) namely Ranny taluk, Mallapally taluk, Kozhencherry taluk and Thiruvalla taluk. Then from each taluk, 3 branches which are located in towns were selected and from each of these branches, 5 employees were randomly selected. The collected statistics were analyzed using the Statistical Package for Social Science (SPSS).

Hypothesis of the Study

H0: There is no significant change in the attitude of employees after merger.

H1: There is significant change in the attitude of employees after merger.



Review of Literature

Dr. Muhammad Naveed, Dr. Muhammad Naeem Hanif, Dr. Shahid Ali, (2011), found that the employees who have worked in both pre and post mergers and acquisitions environment strongly feel that their motivation level is unsatisfactory. Employees who worked at both pre and post mergers & acquisitions environment feel strong threat to their job security while working in such environment. On the other hand, the employees having only post M&A job experience had shown satisfactory results as they didn't work in a pre M&A environment. Therefore, their response was positive regarding job motivation and job security. Employees join the bank after mergers are very satisfied with their job security and they are fully motivated because they don't have any threat and this has increased their level of motivation.

Dr. Krishn A. Goyal, Vijay Joshi, (2012), found that merger is the activity, which creates stress among employees. When the Bank of Rajasthan was about to be merged in the ICICI bank, all the employees were against this merger. It is found that, satisfaction level is very low and the stress is very high. The study reveals that mergers stressors, which are responsible for stress among employees. The major psychological factors are uncertainty, insecurity, job changes and threat of job loss. On the other hand, the working cultural factors are also responsible for stress and these include the technology used by the company, reporting system, working hours, relationship with boss and supervision.

Mary Kivuti, (2013), concluded that employee pay and remuneration affect employee performance in the merged organisation. The study concludes that mergers affect the sense of ownership and belonging among the employees in the Bank, hence their performance. The study established that employee contributions, employee composition, shareholder wealth and merger satisfaction and communication affect employee performance in the Bank. The study also concludes that employees understood the procedures, policies and responsibilities that are part of their job in the merged bank setting and job security affects the employee performance in the Bank.

Dr. Laxmikant Sharma, (2015), stresses that in recent times, mergers and acquisitions have been observed at a large scale in corporate sector. The idea is to increase the efficiency, profitability and competitiveness of company. Apart from these considerations, there are certain issues, which are not given due attention. One of these issues is the phenomenon of rising stress among the employees of the firms. It has been seen that due to the mergers of firms, the bank employees come under stress which affect their attitude, behavior and consequently upon their productivity. The article attempts to analyses the type of stress among bank employees in corporate sector and the way it affects their working. Most important among them are the fear of losing the job, uncertainty of career, strikes etc. In this scenario, certain stress relieving measures like proper communication on the part of management, counseling, are required to contain this problem.

Results and Discussions

The variables identified for finding out the attitude of employees towards merger includes job security, workload, compensation changes, and changes in power, growth and responsibility. The attitude of respondents is measured on a three-point scale; high, moderate and low.

Table 1 Pre-Merger and Post-Merger Position of Employees

	Paired Differences					t	df	Sig. (2 tailed)
	Mean	Std. Deviation	Std. Error mean	95% confidence interval				
				Lower	Upper			
Pre-merger Post-merger	-.1444	.38871	.05018	-.24486	-.04403	-2.878	59	.006

Source: Primary Data.



H0: There is no significant change in the attitude of employees after merger.

To test the above hypothesis, we use paired t-test and the result is exhibited in Table 1. From the table, it is clear that the significant value is .006, which is below .05, so we reject null hypothesis. So it can be concluded that there is significant change in the attitude of the employees after merger.

Table 2: A Comparative Analysis of the Attitude towards the Workload and Responsibility of Employees under Pre and Post Merger Situation

Pre-Merger		Post-Merger	
A. Workload	B. Responsibility	A. Workload	B. Responsibility
Mean: 2.3667	Mean: 2.4000	Mean: 2.7667	Mean: 2.7883
Minimum:2.00	Minimum:2.00	Minimum:2.00	Minimum:2.00
Maximum:3.00	Maximum:3.00	Maximum:3.00	Maximum:3.00

Source: Primary Data

The mean statistics of workload under pre-merger situation is 2.3667 and that of post-merger situation is 2.7667. Hence, it can be concluded that the workload of employees has increased from pre-merger to post-merger situation. Similarly, the mean statistics of responsibility under pre-merger situation is 2.4000 and that of post-merger situation is 2.7883. So, we conclude that the responsibility of employees has also increased from pre-merger to post-merger situation. This shows that as the company's economies of scale increases as a result of merger, the workload and the responsibilities of the employees also increases.

Both these analysis validate the rejection of H₀ ie there is significant change in the attitude of the employees after merger. The change is absolutely the increase in various work-related factors from pre-merger to post-merger situation.

Adaptability of Employees

The variables identified for finding out the adaptability of employees towards merger includes working hours, grievance handling, promotion, transfer, supervision, compensation, relationship with superiors and relationship with peers.

Table 3: Adaptability of Employees

Factors	Unstandardised Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Working hours	.125	.000	.239	61407849.669	.000
Grievance handling	.125	.000	.205	69507273.954	.000
Promotion	.125	.000	.202	47425208.940	.000
Transfer	.125	.000	.252	81393108.666	.000
Supervision	.125	.000	.200	41998471.568	.000
Compensation	.125	.000	.267	83113121.241	.000
Relationship with superiors	.125	.000	.137	33696710.835	.000
Relationship with peers	.125	.000	.172	47088355.141	.000

Source: Primary Data

To test the adaptability of employees, we use correlation analysis. The coefficient brings out the significant value of factors influencing adaptability. In this case, the significant values of all these factors are 0.000 level of significance indicating that independent variables have significant influence on the adaptability of employees after merger. So it can be concluded that the employees are adaptable with the merger.



Conclusion

The present study was intended to examine the attitude and adaptability of employees towards mega merger of SBI. The study revealed that there is change in the attitude of employees from pre-merger to post-merger phase. The employees are of the opinion that the workload and responsibility they have to bear have increased after the merger. Even if there are slight changes, they are adaptable with the new working environment. This is because of the great support given by SBI management.”In any merger, the biggest challenge is always integration of human resources because the people who are coming in have a lot of apprehension”-Arundhati Bhattacharya, former SBI Chairman. At the end of this study, it can be concluded that SBI have succeeded in earning the confidence of its employees.

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