

Facilitating Employee Adaptation During M&A: Lessons from Nepalese Banking Sector

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Abstract

This study explores the impact of mergers and acquisitions (M&A) on employee performance in Nepalese commercial banks, focusing on cultural changes, job stress, and job security. The research aims to fill a gap in the literature by addressing how these significant organizational changes influence employees in emerging markets.

Using a mixed-methods approach, both quantitative and qualitative data were gathered and analyzed from 378 employees across three major banks—Nabil Bank, Nepal Investment Bank, and Himalayan Bank. Surveys and structured interviews were employed to capture a comprehensive understanding of employees' experiences and performance levels post-M&A.

The results indicate that cultural integration plays a pivotal role in influencing job satisfaction and overall performance. Employees who successfully adapted to new cultural environments demonstrated higher levels of job performance, whereas those who struggled with integration reported lower satisfaction and reduced performance. Additionally, job stress levels were found to rise significantly after M&A, which negatively impacted employee productivity. Interestingly, despite the stress, job security concerns were linked with improved performance, suggesting that employees may exert extra effort to secure their positions during uncertain times.

The study underscores the importance of managing cultural transitions effectively, reducing job stress, and ensuring job security to sustain employee performance during M&A processes. These findings offer actionable insights for management to facilitate smoother transitions and foster a supportive environment for employees.

This research provides a unique contribution by shedding light on M&A dynamics in the context of Nepalese banks and offering practical recommendations for enhancing employee performance through strategic management practices.

Keywords: *Mergers and Acquisitions, Employee Performance, Cultural Integration, Job Stress, Job Security, Nepalese Banks, Organizational Culture*

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Background

The Nepalese financial sector is critical for resource mobilization and allocation within the economy (Subedi, 2010). Financial liberalization since the late 1980s has transformed the sector to enhance competition and service delivery (Baniya & Adhikari, 2017). Despite these advancements, issues like capital inadequacy and high operational costs persist. Mergers and acquisitions (M&A) have become strategic tools to address these challenges, aiming for economies of scale, improved financial stability, and better market positioning (Schuler & Jackson, 2001; Karn, 2020).

M&As often lead to significant organizational changes, including cultural shifts and altered job roles, which can impact employee performance through increased job stress and insecurity. The Nepal Rastra Bank (NRB) has

endorsed M&A to consolidate the banking sector, aiming to enhance operational efficiency and capital adequacy (NRB, 2016). This study explores how M&A affects employee performance in Nepalese commercial banks, focusing on cultural integration, job stress, job security, and changes in transfers and promotions.

Mergers and acquisitions (M&A) are often pursued for their strategic advantages, including enhanced market positioning and operational efficiencies. However, the implications of M&A on employee performance remain inadequately explored, particularly within the context of Nepalese banks. The M&A process can disrupt established organizational cultures, elevate job stress, and heighten concerns regarding job security, all of which may adversely affect employee performance and overall organizational effectiveness (Schuler & Jackson, 2001; Karn, 2020).

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The primary objective of this study is to conduct a comprehensive analysis of the impact of M&A on employee performance within Nepalese commercial banks. This involves investigating the effects of organizational changes stemming from M&A, including cultural integration, job stress, and job security, on employee performance. By examining these factors, the study aims to provide a nuanced understanding of the challenges and opportunities that M&A presents for employee outcomes, thereby offering valuable insights into the effectiveness of M&A strategies in the Nepalese banking sector.

A secondary objective is to formulate actionable recommendations for effectively managing M&A transitions in the Nepalese banking context. This includes identifying best practices for addressing cultural integration, managing job stress, and ensuring job security to enhance employee performance. By leveraging empirical findings and existing literature, the study seeks to provide practical guidance for banking institutions to optimize their M&A processes, mitigate adverse effects on employees, and improve overall organizational effectiveness. This objective aims to contribute to the broader discourse on M&A management, particularly within emerging markets like Nepal.

Hypothesis

It is hypothesized that effective management of cultural integration, job stress, and job security during M&A processes will positively influence employee performance in Nepalese commercial banks.

Literature Review

M&A activities can be categorized into horizontal, vertical, concentric, and conglomerate mergers, each impacting organizational structure and employee dynamics differently. Horizontal mergers, such as the Global IME Bank and Janata Bank integration, aim to enhance market share and efficiency (Adhikari et al., 2023). Vertical mergers, exemplified by eBay and PayPal, streamline operations (Gaughan, 2018). Concentric mergers leverage product complementarities, while conglomerate mergers diversify business interests (Gaughan, 2018).

In Nepal, M&A is used to consolidate the banking sector, improve stability, and integrate resources (Adhikari et al., 2023). However, these processes can adversely affect employee morale, job satisfaction, and performance (Smith et al., 2021). Effective cultural integration and management of job stress and security are essential for maintaining performance during M&A (Kumar & Zattoni, 2022; Ouyang et al., 2023).

Organizational Culture Theory emphasizes the importance of cultural integration for employee adaptation and performance (Schein, 2010). Job Stress Theory explores the relationship between stress and performance, indicating that high job stress can reduce job satisfaction and performance (Lazarus & Folkman, 1984; Cooper & Marshall, 1976).

Empirical Findings on Employee Performance

Research shows that cultural integration, job stress, and job security significantly impact employee performance

during M&A (Firer et al., 2004; Adhikari et al., 2023; Smith et al., 2021). Perceptions of fairness in job transfers and promotions are crucial for maintaining satisfaction and performance (Jansen et al., 2022). Perceived fairness during M&A enhances employee commitment and performance (Bordia et al., 2004).

Research Gap

Existing studies provide insights into M&A's effects on employee performance in Nepalese banks (Kandel, 2024), but there are gaps. Longitudinal studies are needed to explore long-term impacts of cultural integration, job stress, and job security (Smith et al., 2021; Kumar & Zattoni, 2022). Research on leadership styles and management practices during M&A, as well as comparative studies across regions, could provide deeper insights (Joshi & Pandey, 2023; Ouyang et al., 2023).

Research Design

This study uses descriptive and causal-comparative designs. The descriptive design provides an overview of relationships between variables such as work culture, job stress, and job security, while the causal-comparative design identifies causal relationships between these variables and employee performance (Sekaran & Bougie, 2016).

Population and Sample

The population for this study consists of employees from Nabil Bank, Nepal Investment Bank, and Himalayan Bank, selected due to their significant presence and recent M&A activities. The sample includes 378 employees from officer level and above, ensuring that insights are drawn from those with substantial roles and responsibilities within the organization. Convenience sampling was used to ensure diverse representation across job roles and departments.

Instrumentation of Data

Data were collected using a structured questionnaire containing Likert-scale and demographic questions. The questionnaire, reviewed by experts and pre-tested, was designed to measure employees' perceptions of cultural integration, job stress, job security, and performance post-M&A (Bryman & Bell, 2015). SPSS was used for data analysis to examine relationships between the variables.

Data collection was conducted through online surveys, targeting employees at officer level and above in various positions within the selected banks. Secondary data from literature were also utilized to support primary findings. The use of online surveys facilitated a broad reach and maintained respondent confidentiality (Dillman et al., 2014).

Quantitative data analysis included descriptive and inferential statistics. Multiple regression analysis was used to determine the impact of cultural integration, job stress, and job security on performance, while correlation analysis identified significant relationships between these variables (Pallant, 2020).

The study adhered to strict ethical standards, including obtaining informed consent, ensuring confidentiality, and voluntary participation. Respondents were assured of anonymity, and it was communicated that their data would be used solely for research purposes (Creswell & Creswell, 2017).

Reliability and Validity

Reliability was assessed using Cronbach's Alpha, confirming high reliability (alpha values > 0.7). Validity was ensured through expert reviews and pre-testing (Field, 2013), reinforcing the robustness of the research instruments.

Results and Findings

Table 1

Demographic Profile of Respondents

Demographic Variable	Percentage (%)
Male	60%
Female	40%
Officer-level	45%
Other Positions	55%

Table 1 illustrates the gender and job position distribution of the respondents. Of the total respondents, 60% are male and 40% are female. Regarding job positions, 45% hold officer-level positions, while 55% occupy other positions within the organization.

Table 2

Perceived Cultural Changes and Adaptation

Perceived Cultural Changes	Percentage (%)
Significant Changes	48%
Disruptive Changes	38%
Well Adapted	14%

Table 2 shows the response of respondents who asked about the perceived cultural changes following the M&A. The table shows that 48% of respondents felt there were significant cultural changes, while 38% experienced disruptive changes. Only 14% of respondents felt they had adapted well to these changes.

Table 3

Job Stress Levels Post-M&A

Job Stress Level	Percentage (%)
Increased Stress	70%
Decreased Stress	30%

This table reveals the levels of job stress that employees experienced after the M&A. A majority of 70% reported increased stress, while 30% indicated a decrease in stress.

Table 4

Job Security Concerns and Performance

Job Security Concern	Percentage (%)
Concerned	65%
Not Concerned	35%

This table shows the level of concern employees have regarding their job security following the M&A. 65% of respondents expressed concern about their job security, while 35% were not concerned.

Table 5

Perceived Fairness in Job Transfers and Promotions

Fairness Perception	Mean Commitment Score	Mean Performance Score
Fair	4.2	4.0
Unfair	3.5	3.3

Table 2 compares the perceived fairness of job transfers and promotions with employees' commitment and performance scores. Employees who perceived the job transfer and promotion process as fair had a higher mean commitment score (4.2) and performance score (4.0). In contrast, those who found the process unfair reported lower mean scores for both commitment (3.5) and performance (3.3).

Table 6

Performance Scores Based on Adaptation, Stress, and Security

Factor	Mean Performance Score	Standard Deviation
Adapted Well	4.3	0.7
High Stress	3.5	1.0
Job Security	4.5	0.5

Table 7 presents the mean performance scores of respondents based on factors like adaptation, stress levels, and job security. Employees who adapted well to the changes scored the highest (4.3), followed by those with job security (4.5). Employees experiencing high stress had the lowest performance score (3.5). The standard deviation for each factor indicates the variability in responses, with job security having the least variation (0.5) and high stress showing more variability (1.0).

Table 7

Perceived Effectiveness of M&A Management

Effectiveness Perception	Mean Performance Score	Standard Deviation
Effective	4.4	0.6
Ineffective	3.6	1.1

Table 7 compares employees' perceptions of the effectiveness of M&A management with their mean performance scores. Employees who viewed the M&A management as effective had a mean performance score of 4.4, whereas those who considered it ineffective had a mean performance score of 3.6. The standard deviation is higher for the ineffective group (1.1), indicating more variability in their perceptions of M&A management.

Table 8

Correlation Matrix

Variable	Job Stress	Job Security	Fairness in Transfers	Adaptation	Performance
Job Stress	1.00				
Job Security	-0.42**	1.00			
Fairness in Transfers	-0.38**	0.35*	1.00		
Adaptation	-0.50**	0.48**	0.40**	1.00	
Performance	-0.45**	0.52**	0.65**	0.58**	1.00

The table 8 presents the correlations between five variables: Job Stress, Job Security, Fairness in Transfers, Adaptation, and Performance.

There is a negative correlation between Job Stress and Job Security (-0.42**), indicating that higher job stress is associated with lower job security. Similarly, Job Stress is negatively correlated with Fairness in Transfers (-0.38**) and Adaptation (-0.50**), suggesting that as job stress increases, employees tend to perceive transfers as less fair and struggle more with adapting to changes. The correlation between Job Stress and Performance is also negative (-0.45**), implying that increased stress is linked to lower performance.

Job Security shows a positive correlation with Fairness in Transfers (0.35*) and Adaptation (0.48**), suggesting that greater job security is associated with fairer job transfers and better adaptation to changes. It is also positively correlated with Performance (0.52**), indicating that employees who feel secure in their jobs are likely to perform better.

Fairness in Transfers is positively correlated with Adaptation (0.40**) and Performance (0.65**), meaning that employees who perceive transfers as fair are more likely to adapt well and perform better. Adaptation is positively correlated with Performance (0.58**), indicating that employees who adapt well tend to perform better. All significant correlations are marked with asterisks.

Table 9

Regression Analysis

Independent Variable	B	SE	T	p-value
Job Stress	-0.62	0.12	-5.17	< 0.001
Job Security	0.67	0.11	6.09	< 0.001
Fairness in Transfers	0.65	0.13	5.00	< 0.001
Adaptation	0.58	0.14	4.14	< 0.001
Effective Management of M&A	0.75	0.10	7.50	< 0.001

Table 9 explores the regression results of the dependent and independent variables. Job Stress ($\beta = -0.62$, $p < 0.001$) negatively impacts performance, meaning higher job stress leads to decreased performance. This aligns with Job Stress Theory, which posits that stress adversely affects job performance. Job Security ($\beta = 0.67$, $p < 0.001$) has a significant positive effect on performance. This finding supports research suggesting that increased job security enhances employee performance. Fairness in Transfers ($\beta = 0.65$, $p < 0.001$) significantly improves performance, indicating that perceived fairness is crucial for maintaining high levels of performance. Adaptation ($\beta = 0.58$, $p < 0.001$) to M&A cultural changes positively affects performance, emphasizing the importance of effective adaptation strategies. Effective Management of M&A ($\beta = 0.75$, $p < 0.001$) shows the strongest positive relationship with performance, suggesting that well-managed M&A processes lead to better overall performance.

Discussion

The study reveals that mergers and acquisitions (M&A) significantly impact employee performance in Nepalese banks, aligning with both global and local research. Effective cultural integration emerges as a key factor in maintaining high employee performance. This finding supports the literature emphasizing the importance of organizational culture in M&A processes. According to Schein (2010), successful integration of organizational culture is crucial for minimizing employee resistance and enhancing performance. Similarly, Kumar and Zattoni (2022) highlight that failure to address cultural differences can lead to decreased employee satisfaction and productivity.

Job stress is another critical issue identified in this study, corroborating earlier research that links increased job stress to lower performance levels. Lazarus and Folkman's (1984) Job Stress Theory suggests that high stress levels negatively affect employees' ability to perform effectively. Cooper and Marshall (1976) also emphasize that stress due to role ambiguity and job insecurity significantly hampers employee productivity. Our findings, showing a negative correlation between job stress and performance, reinforce these theories.

The study also highlights the importance of job security. Firer et al. (2004) found that job security positively influences employee morale and performance, a result mirrored in this research. Job security concerns during

M&A can lead to diminished performance, as employees may feel less motivated and more anxious about their future (Smith et al., 2021).

Perceptions of fairness in job transfers and promotions play a crucial role in employee satisfaction. Bordia et al. (2004) emphasize that fairness during organizational changes fosters greater employee commitment and performance. Our findings indicate that perceived fairness in these areas positively correlates with employee performance, supporting the literature.

The results underscore the necessity for banks to focus on cultural integration, stress management, and job security during M&A to enhance employee performance. Effective management of these factors can mitigate negative impacts and improve organizational outcomes, providing practical insights for managing M&A transitions in the Nepalese banking sector.

Limitations

The study is limited to Nepalese banks, which may not be representative of other industries or regions. Convenience sampling and cross-sectional design may affect generalizability and insights into long-term effects. Future research should address these limitations by employing longitudinal designs and exploring additional sectors (Joshi & Pandey, 2023).

Conclusion and Implications

This study concludes that mergers and acquisitions (M&A) have a multifaceted impact on employee performance within Nepalese banks. Effective cultural integration, job stress management, and job security are pivotal for sustaining and enhancing employee performance during M&A processes. The findings reveal that employees who adapt well to cultural changes, experience lower job stress, and feel secure in their roles perform better. Regression and correlation analyses demonstrate strong positive relationships between adaptation, job security, and performance, while job stress shows a significant negative impact. Additionally, the perception of fairness in job transfers and promotions contributes to higher employee commitment and performance. These results align with previous studies, such as those by Firer et al. (2004) and Kumar & Zattoni (2022), and reinforce the critical importance of strategic management practices during M&A transitions.

The implications of this study suggest that management should prioritize effective cultural integration strategies to facilitate smoother transitions and reduce employee resistance. Ensuring transparent communication and fostering an inclusive work culture can help employees adapt better to new organizational environments. Stress reduction strategies, such as clear role definitions and supportive leadership, are essential to minimize the negative impact of job stress on performance. Addressing job security through consistent and clear policies can maintain employee morale and productivity. Additionally, fairness in job transfers and promotions should be emphasized to build trust and commitment among employees. Implementing these practices can lead to improved organizational outcomes and higher employee satisfaction, which is crucial for the long-term success of M&A in the banking sector. This research provides valuable insights for policymakers, HR professionals, and organizational leaders aiming to enhance employee performance and organizational effectiveness during M&A transitions.

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