BOOSTING EMPLOYEE MORALE THROUGH EFFECTIVE PERSONNEL MANAGEMENT OF SELECTED BANKING AND INSURANCE FIRMS IN NIGERIA

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Abstract

The ISA 2007 should also be changed to include notice of trade unions or their representatives in the case of large mergers, just as in the case of intermediate mergers, since legislation is a continuous process. This will help to preserve the goodwill of interested workers, who are the backbone of any organization during a merger or personnel management process. Regulatory bodies must guarantee that enough shareholders are kept informed and unsurprised throughout the merger and personnel management proceedings to avoid these business dealings becoming monopolistic. Based on this discovery, the research concluded that most Nigerian financial institutions were involved in very few strategic integration initiatives, particularly vertical integration. It is consequently recommended that Nigerian insurance and financial institutions improve the level of customisation offered to their clients to retain current clients and draw in new ones.

Keywords: Employee Morale, Personnel Management, Banking and Insurance, Firms.

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1. INTRODUCTION

The world economy has become more dynamic as a result of increasing globalization. Several market-driven reforms have been introduced in many developing economies. This has led to the emergence of growth drivers such as the search for new markets, the high rate of competition in local markets and the increasing interest of investors in emerging markets. To enhance such growth and overcome competition, mergers and personnel management are being perceived as an acceptable strategy by firms to ensure rapid penetration into new markets while reducing entry risk and cost. Mergers and personnel management are used by firms to strengthen and maintain their positions in the market.
In recent times, we have seen so many examples of mergers and personnel management in the Nigerian banking industry. The most striking activities in mergers and personnel management in Nigeria were undoubtedly the 2005 mergers and personnel management that took place in the banking sector. In the year 2004, the Central Bank of Nigeria (CBN) took steps to increase the minimum capital requirements of banks by advising local banks operating in the country to consider mergers, inter-bank personnel management or enlistment on the stock market as ways of raising enough capital to meet the CBN's capital base requirement of 25 billion naira as against the previous two-billion-naira requirement. According to the then governor of the Central bank, Professor Charles Soludo, Nigerian banks lacked the capacity and size to compete in the emerging world global banking and the Nigerian banking system was very marginal relative to the potentials of the economy and in comparison, to another country even in Africa (Financial Standard, August 29, 2005). Given the low financial base of these banks, they were encouraged to merge. Consequently, out of the 89 banks that were in operation before the reform, more than 80 per cent (75) of them merged into 25 banks while 14 that could not finalize their consolidation before the expiration of the deadline were liquidated (Elumilade, 2010; Afolabi, 2004).

Mergers and personnel management have become common in many emerging markets including Argentina, Brazil, and Korea, as banks try to become more competitive and better able to bear the shocks and challenges of the new globalized banking system. The current situation in the Nigerian banking sector is a serious one considering the problems posed by rapid changes in the last few years by sophisticated information technology, liquidation, persistent increase in shareholders' funds, personnel management, mergers, changes in management, competition, and several formidable environmental constraints.

Given this, there is a need to explore ways and means by which the banks could cope or adapt to the changes that occur continually. In the past few decades, there has been increased interest among employers of labour and researchers as regards the commitment of employees to their employing organisations. Studies have shown that productive efficiency which determines the attainment of organisational goals will fluctuate with variations in employee commitment, and morale; low levels of employee commitment led to a decrease and poor performance of the affected work organisations.

In general, personnel management can be horizontal, vertical or conglomerate. Horizontal personnel management takes place between two firms in the same line of business.
example, the personnel management of the Nigerian Soft Drinks Company Limited (NSDC), bottlers of the Schweppes range of soft drinks by the Nigeria Bottling Company, and bottlers of the Coca-Cola soft drink. In contrast, vertical personnel management entails expanding forward or backwards in the chain of distribution, toward the source of raw materials or the ultimate consumers. For example, an Auto parts manufacturer might purchase a retail auto part store. A conglomerate is formed through the combination of unrelated businesses.

The impact of mergers and personnel management on employees has received little attention in the research literature and this is especially the case for personnel management in Nigeria. Moreover, assessing post-personnel management attitudes towards employee commitment in a personnel management scenario is limited. Mergers and personnel management by their sheer size and number carry strategic importance for organizations, their members, and the economy. So many organizations today are beginning to see mergers & personnel management as an option for survival in the dynamic world, yet post-merger and personnel management issues have posed serious challenges to many organisations in areas of employee commitment to organizational objectives and corporate existence, putting into consideration post-merger and personnel management satisfaction, organization support and perceived fairness on the part of the employees. The study seeks to examine the effect of personnel management on integration into the organisations in the environment of Nigerian financial institutions.

The Problem

Personnel management has become very popular in the Nigerian corporate environment. While reasons have been given for personnel management and these reasons range from meeting the legal capitalization requirement, gaining more market share, and diversification, to following the example of foreign parent companies, gains from personnel management have not been measured and adequately explained by writers on these popular business concepts. A pragmatic approach to personnel management is the concern of the present study.

Objectives

1. To establish the relationship between satisfaction with personnel management and firm employee morale.
2. To assess the relationship between organizational support and firm employee morale
3. To ascertain the relationship between perceived fairness and firm employee morale

**Hypotheses**

H$_{01}$: There is no significant relationship between satisfaction with personnel management and firm employee morale.

H$_{02}$: There is no significant relationship between organizational support on firm employee morale.

H$_{03}$: There is no significant relationship between perceived fairness and firm employee morale.

**2. LITERATURE UNDERPINNING**

**Concept of Personnel Management**

Regardless of what strategic objective an organization has, the value of personnel management depends on the management's ability to handle the personnel management process (Cartwright & Schoenberg, 2006; Gomes et al., 2013; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b). The personnel management process theory focuses on the personnel management process and proposes that the eventual outcome of the personnel management is determined by activities and factors in the personnel management process (Jemison & Sitkin, 1986b). Moreover, the personnel management process is used to understand how to create value in personnel management instead of determining the value of a company (Haspeslagh & Jemison, 1991).

The personnel management process is seen as two major underlying sub-processes, which are the pre-personnel management process and the post-personnel management process (Gomes et al., 2013; Haspeslagh & Jemison, 1991; Hubbard, 2001; Jemison & Sitkin, 1986b; Lasserre, 2003). The pro-personnel management process contains the decision-making issues related to personnel management, which includes the rationales for justified personnel management such as screening, analyzing and strategically evaluating personnel management prospects (Haspeslagh & Jemison, 1991). The post-personnel management process includes the implementation phase of the acquired company such as integrating processes, cultures, values and products, which are capabilities that contribute to the value of personnel management (Haspeslagh & Jemison, 1991; Pablo et al., 1996).
Pre-Personnel management process

Essential in the pre-personnel management process is the importance of finding the right personnel management target, analyzing and evaluating the target, and assessing the degree of fit to the acquiring organization (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b; Lasserre, 2003). The pre-personnel management process builds on Jemison and Sitkin's (1986b) and Haspeslagh and Jemison's (1991) strategic approach, which identified that the pre-personnel management process was supposed to facilitate the decision-making, including evaluations of strategic fit and organizational fit. Lasserre (2003) contributed to the modelling of the pre-personnel management process based on the theoretical framework of Haspeslagh and Jemison (1991) with the categorization into value creation, target selection, and due diligence and valuation. During the pre-personnel management process, fundamentals for the outcome of the personnel management are built and serve as a base for how the process will proceed (Gomes et al., 2013; Haspeslagh & Jemison, 1991; Hubbard, 2001; Jemison & Sitkin, 1986b). The pre-personnel management process is influenced by different phases and factors, supposed to facilitate personnel management, which Jemison and Sitkin's (1986b) paper on the process perspective made a still valid contribution to (Gomes et al., 2013; Harrison, O'Neill, & Hoskisson, 2000; Hubbard, 2001; Jemison & Sitkin, 1986b; Lasserre, 2003).

Personnel management occurs when one company takes over another completely and establishes itself as the new owner. These two organizations are not equal in terms of size and finances. From a legal point of view, the target company ceases to exist, as the buyer "swallows" the business and the buyer's stock continues to be traded. He further defined this concept as being like a merger but is considered a more aggressive type of organizational combination process. Equally, the fusion between the two organizations is called a merger, even though one may be larger than the other. Personnel management on the other hand implies a takeover, where the acquiring firm takes over an acquired organization, with no belief on the part of the acquiring firm's leadership that there is any equality involved in the combination process (Gaughan, 2002).

Firm (Forward) Integration

Strategic management involves where managers choose a set of strategies for their organizations (Brassington & Pettitt, 2003; Kotler & Keller, 2014). According to Andrews (2000), strategy is an organization's pattern of decision-making that establishes and makes clear
the company's objectives, purpose, and goals; establishes the main policies and plans for accomplishing those goals; and specifies the range of goods and services the company will offer, its intended organizational type, and the kind of contribution it hopes to provide to its constituents. According to Bats & Eldredge (2004), strategy is the organization's guiding ideology when it comes to allocating resources to achieve or meet its objectives.

Different definitions of strategy exist for both its general and corporate applications. Even though corporate strategy is relatively recent, most of its theories and guiding concepts came from military strategy, which itself was based on ideas advanced by Alexander the Great, Julius Caesar, and Sun Tzu's famous treaties, which were published in 360 B.C. Corporate, business, and functional levels of strategy are the three typical scopes of strategy (Ezigbo, 2011). According to Olayinka & Aminu (2006), corporate strategy is the process of planning, carrying out, and managing cross-functional decision-making to make sure the company meets its goals. Integration strategies, intense tactics, diversification strategies, and miscellaneous techniques are the four basic groups into which David (2001) separated strategies.

Satisfaction with personnel management and Firm Employee morale

Personnel management is sometimes used as a mode of diversification. Licensing, alliances, partnerships and joint ventures are less intense forms of diversification (Schuler & Jackson, 2001) Personnel management is arguably the easiest way to grow among all modes of diversification. Research however argues that less than half of all personnel managements are successful (up to 60% failure rate) and fall short of their stated goals and objectives (Cartwright & Cooper, 1995; Epstein, 2004; Pablo 1994). This shows that neither practitioners nor academicians perfectly understand the personnel management process (Larsson & Finkelstein, 1999; Nahavandi & Malekzadeh, 1998).

Considerable research attention has been given to the development of affective commitment. The primary process in the development of affective commitment is the fulfilment of personal needs. The notion here is that employees will develop an affective commitment to their organizations to the extent that their needs are being satisfied, their expectations are being met, and their goals are being achieved (Meyer & Allen, 1997). In other words, employees become emotionally attached, and involved in the organization when the three conditions are perceived by the employee to be met by the organization. In a merger or a personnel management context, affective commitment will develop when employees' experiences are fulfilling or rewarding.
For example, if employees' expectations about their organization after the personnel management are confirmed, their emotional attachment, identification with, or involvement in their new organization will increase (Chang, 1999). In merger and personnel management literature, for example, Cartwright and Cooper (1992) interviewed and surveyed 600 English managers and employees of several merged companies. They reported that the managers' and employees' loyalty decreased. Loyalty here is the attachment the employees feel toward their employer, which refers to affective commitment. They also found that the employees expressed that their organization did not honour their hopes. Therefore, the employees no longer maintained their identification with their organization.

Obligation is a function of this fusion, for example, emphasizes the appropriateness of continued service (organizational socialization), when they receive benefits (such as investments in education or training) (Meyer, Allen, & Topolnytsky, 1998), or when the organization provides a work environment that allows the employee to develop their careers (Meyer & Smith, 2000). These factors translate into an obligation for employees to reciprocate (Meyer et al., 1998). Employees who are satisfied with the personnel management would perceive that the new organization, for instance, provides them with a work environment that affords them to develop their careers and, therefore, would reciprocate by committing themselves to the firm. Drawing on the example above, satisfied employees would not perceive that their psychological contract has been violated by the personnel management and, therefore would report a higher level of normative commitment than dissatisfied employees.

**Perceived organizational support and Firm Employee morale.**

Perceived Organizational Support (POS) is commonly defined in the literature as the extent to which individuals believe that their employing organisation values their contributions and care for their well-being (Eisenberger, 2000)

Organizational support has a positive relationship with employees' sense of perceived self-obligation to care for the organization's well-being in making sure that it reaches its goals. This level of self-felt obligation builds a relationship between organizational support and organizational commitment (Eisenberger et al., 2001 in Latif and Guzir, 2011). O'Driscoll and Randall, (1997) in Latif and Guzir (2011) proved that there is a strong positive relationship between organizational support and organizational commitment. Wayne et al, (1997) also supported their research with similar results.
Support plays a role in increasing affective and normative commitments. Meyer and Smith (2000) argued that employees are more likely to become committed to an organization if they believe that the organization is committed to them. They report that perceived organizational support has been linked to affective commitment. Although no empirical evidence has been published linking normative commitment with organizational support, normative commitment has been found to correlate positively with related constructs such as organizational dependability and management receptiveness. Accordingly, it is possible that employees would feel a greater sense of obligation to remain if they believe their new organization is supportive. Indeed, normative commitment might be one manifestation of employees' response to organizations that are perceived to provide support as part of the psychological contract with employees (Meyer & Smith, 2000).

**Perceived fairness and Firm Employee morale**

The organizational justice theory provides important theoretical insights regarding how mergers affect the satisfaction and in turn the productivity of surviving employees. Greenberg (1987) introduced organizational justice as how an employee judges the behaviour of the organization and the resulting attitudes and behaviour that come from this. According to Greenberg (1987), employees may pay particular attention to how choices are made and how they (the employees) are treated in terms of distributive and administrative injustice during the transitional phase of a merger process. Workers' perceptions of injustice throughout the merger process may have a detrimental impact on their dedication, contentment, and trust, which may then hurt their productivity in the new company (Dailey & Kirk, 1992; McFarlin & Sweeney, 1992).

The idea of ethically correct behaviour or making decisions is known as justice or fairness. This concept can be described in terms of ethics, religion, equity, fairness, or the law. Humans are inherently aware of the fairness of the circumstances and occurrences in their daily lives, in a range of settings. (Tabibnia, Satpute, & Lieberman, 2008). Individuals react to actions and decisions made by organizations every day. An individual's perceptions of these decisions as fair or unfair can influence the individual's subsequent attitudes and behaviours. Fairness is often of central interest to organizations because the implications of perceptions of injustice can impact job attitudes and behaviours at work. Justice in organizations can include issues related to
perceptions of fair pay, equal opportunities for promotion, and personnel selection procedures. When employees perceive themselves as being treated fairly, they are more likely to support the M & A (Seo and Hill, 2004).

Source: Research Model, 2023

3. THEORETICAL FOUNDATION

Agency theory

Personnel managements can end up destroying value rather than creating synergies even though managers act fully rationally. The literature of agency theory throws light on how managers’ interest in maximizing their own utility can lead to decisions that are not in the interest of the shareholders. However, the decisions are fully conscious and are a result of opportunism rather than irrational behavior (Bjarke and Peter, 2010).

Agency theory originated from economics, specifically information economics (Kivisto, 2007). According to Moe (1984), the theory was initially developed to investigate more general questions of incomplete information and risk sharing. Moe (1984), mentioned the work of Spence and Zeckhauser (1971), Rose (1973) and Arrow (1971) as the originators of agency theory. Their work which focused on property rights and addressed issues concerning contracts, shirking and monitoring of team production was expanded by Jensen and Meckling (1976).

Jensen and Meckling (1976), define the agency paradigm as: “... a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers, there is good reason to believe
that the agent will not always act in the best interest of the principal. To Jensen and Meckling (1976), Agency Theory is specifically directed at the ubiquitous agency relationship in which one party (the principal) delegates works to another (the agent), who performs that work. The central idea is that the Principal is always too busy to do a given job and so hires the Agent and pays the agent’s wage. But being too busy also means that the Principal cannot monitor the Agent perfectly. The Agent receives the wage but also takes costly decisions for the firm. The agency theory assumes full rationality for both the owners and managers (Thomsen, 2008). Conflict of interest between the two parties will in agency theory be analyzed with an opportunistic behavioral assumption. Hence, the agent will always work for his personal interest and will take advantage of the superior information to own-benefit, as in what Gorton, Kahl and Rosen (2005) referred to as eat or be eaten mergers decisions to protect managers’ job. The policy thrust of the agency theory is that most if not all mergers and personnel managements bids are not to the benefits of shareholders and business owners and may not yield any synergies since managers always have superior information of the business prospects and would take advantage of every opportunity to satisfy their personal interest.

4. METHODOLOGY

The study adopted a cross sectional design survey, data for the study were collected from employees of two acquired commercial banks selected from Delta State with the aid of a structured questionnaire, a five - point Likert scale to show the respondents' level of agreement with the questions asked in the questionnaire. Response choices ranges from (1) strongly disagree to (5) strongly agree. The banks include Access Bank and Ecobank Plc. The population of the study is 20,000 employees comprising of all employees from these two financial institutions. Participants in the study included both supervisory and non-supervisory personnel of every department, a sample size of 400 employees was drawn from the population. Using the Taro Yamane's formula, These 400 employees were drawn from the two commercial banks using a combination of purposive and simple random sampling techniques. The data collected was analysed using the simple linear regression technique through the Statistical Package for the Social Sciences (SPSS) Software.
5. TEST OF HYPOTHESES

Decision Rule

The decision rule for the test of hypotheses stated that if the p (probability) value calculated is greater than the critical level of significance which was set at 0.05 (5%), the null hypothesis will be accepted but where the p (probability) value of 0.000 is less than the critical value (0.000 < 0.05), the null hypothesis will be rejected in favour of the alternate given that there is a statistical significance (Gujarati & Porter, 2009) in the given parameter.

Hypothesis One: There is no significant relationship between satisfaction and firm employee morale

Table 1: Showing the Result for the Test of Hypothesis One

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.520</td>
<td>.501</td>
<td>3.032</td>
<td>.003</td>
</tr>
<tr>
<td>Satisfaction with personnel management</td>
<td>2.864</td>
<td>.050</td>
<td>.963</td>
<td>57.791</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm Employee morale


Table 1 shows that the exact level of significance (0.000) is less than the critical value of 0.05. Therefore to the null hypothesis which stated that no significant relationship exists between satisfaction with personnel managements and firm employee morale was rejected. This is because the beta value of 0.963 which is close to 1 indicates that a statistically significant relationship exists between satisfaction with personnel managements and employee commitment.
Hypothesis 2: There is no significant relationship between organizational support on firm employee morale.

Table 2: Showing the Result for the Test of Hypothesis Two

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-3.073</td>
<td>.795</td>
<td>-3.866</td>
<td>.000</td>
</tr>
<tr>
<td>Organizational support</td>
<td>3.363</td>
<td>.080</td>
<td>.933</td>
<td>41.861</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm employee morale

Table 2 shows that the exact level of significance (0.000) is less than the critical value of 0.05. The beta value of 0.933 led to a rejection of the null hypothesis (which stated that there is no significant relationship between organizational support and Firm employee morale after an personnel management) in favour of the alternate hypothesis. This therefore means that a statistical significant relationship exists between organizational support and Firm employee morale to an organization after an personnel management (β =0.933 <0.01).

Hypothesis 3: There is no significant relationship between perceived fairness and firm employee morale

Table 3: Showing the Result for the Test of Hypothesis Three

<table>
<thead>
<tr>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
</tr>
<tr>
<td>Perceived unfairness</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Dependent Variable: Firm employee morale
Table 3 shows that the exact level of significance (0.000) is less than the critical value (0.05). Since, the beta value is 0.938; it means a significant relationship exists. Therefore, the null hypothesis was rejected because a significant relationship exists between perceived fairness and Firm employee morale in the organization after personnel management.

6. DISCUSSION OF FINDING

Before there could be a form of personnel management between two companies, there must be concrete and adequate reason(s) upon which such a strategic approach to external growth would stand.

Many reasons have been identified for embarking on mergers and personnel management. These reason include diversification, increase in the market share, personnel management of needed technology and synergy (Aborode 2005). Akinsulire (2002) gave the motivating factors for personnel managements as: Operating economies (purchasing and marketing), management personnel management, diversification, finance and production.

Cherunnilam (2002) posits that the most important objective of personnel management is to fill the growth gap i.e. the gap between the company’s sales potential and its current actual performance. Umukoro (2001) gives five reasons for mergers and personnel management. These are to facilitate the raising of finance; to react to technological development; to react to developments in the market; to strengthen management and to achieve economies of scale.

It has been observed that the writer’s views on the reasons for mergers and personnel management are similar. Therefore, these factors would be explained together as follows: - Diversification is one of the reasons for personnel management. Clark (1999) defines diversification as the extension of the range of goods or services offered into new areas, either material or geographical. Diversification can, therefore, be achieved through mergers and personnel management.

Increase in market share is also one of the reasons for mergers and personnel managements. This increase in share of market is that of an existing market. In other words, the emerging (new) company would want to remain a market leader and also increase its market share.
Technology is changing in this dynamic environment of ours. Akele (2004) asserts that the increased pace of mergers and personnel managements activity has been instrumental in effecting changes in the world economy and also that these changes have been in such areas as acceleration of technology, among other areas. To acquire modern technology, a company might decide to go for merger or personnel management as an external growth strategy.

Moreover, Okwor (2005) asserts that the bigger a company is, the more funds it will have. Such a company would be able to use the funds for investment opportunities. Such a big size can be achieved through merger or personnel management.

For various reasons, proposed mergers and personnel managements may fail. It is therefore important that certain factors be considered before the proposal is actually accentuated.

Legal consideration is one of the factors. The Nigerian Economic Society (NES) in its “Newsletter” of April 2005 asserts that the only legal modes of consolidation allowed are mergers and outright personnel management/takeover. This is in connection with the ₦25 billion bank capitalization requirement. The legality of any transaction has to be taken seriously. In other words, the steps required under sections 100-122 of the investment and securities Act Cap 1 24 LFN 2004 must be followed strictly.

Writing on mergers and personnel managements in the Nigerian Banking Industry, Nwude (2005) opines that mergers and personnel managements can cause union of incompatible individuals which would be calamitous to the progress of the bank.

Akinsulire (2002) gives certain factors as factors to be considered in mergers and personnel management. Among these factors are consideration of valuation, attitude of the target company’s shareholders, taxation implication, age of assets and new dividend policy after merger, among other factors.

7. RECOMMENDATIONS

1. That to prevent monopolistic tendencies, which are bad for both the economy and consumers because monopolies only impede economic growth and development by holding consumers at bay by giving them fewer options, the government should create an environment where businesses can thrive by offering incentives or bailouts to struggling businesses.
2. The ISA 2007 should also be changed to include notice of trade unions or their representatives in the case of large mergers, just as in the case of intermediate mergers, since legislation is a continuous process. This will help to preserve the goodwill of interested workers, who are the backbone of any organization during a merger or personnel management process.

3. It is imperative for regulatory bodies to guarantee that enough shareholders are kept informed and unsurprised throughout the merger and personnel management proceedings to avoid these business dealings becoming monopolistic.

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