EMPLOYEES' ASSESSMENT ON PROCEDURAL JUSTICE AFTER A BANK'S MERGER AND ACQUISITION VIS-À-VIS THEIR TRUST TOWARDS MANAGEMENT

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Abstract - The study aimed to assess the employees' assessment on procedural justice after the process of bank merger and acquisition and its effects on their trust towards management. The locale of the study were all fourteen bank offices in Pampanga, Philippines. The respondents were comprised of employees who are in the rank and file and managerial levels. To achieve the purpose of the study, the researcher used the descriptive-correlational research design. The respondents of the study were 97 bank employees of the acquired bank. The findings revealed that the employees' assessment on procedural justice after the bank M&A had a significant relationship with their trust towards management. Furthermore, the negative assessment of the employees on the procedural justice after the M&A, consequently, affects their trust towards the management. Thus, procedural justice is a predictor of trust towards the management. Hence, when employees have negative assessment on procedural justice after an M&A, it is less likely that they will trust the management.

Index Terms - Financial institutions, procedural justice, merger and acquisition,trust

I. INTRODUCTION

Mergers and acquisitions (M&A) worldwide is expanding drastically because of organizations trying to augment incomes, acquire assets, and make national and international market initiative positions. According to Kemal (2011), in the present globalized economy, M&A are being utilized for enhancing competitiveness of organizations through widening the portfolio to lessen business hazard, increasing more market share, for entering new markets and territories, and benefiting from economies of scale among other. As stated by Schweizer (2005), M&As can allow the acquiring organizations to gain attractive market positions, distribution channels, products, and technologies.

In the Philippines, the banking industry has encountered expanded merger activity amid the first quarter in the 1990s (BSP, 2000). This was because of the expanded incentives given for by government agencies for M&As in the said financial sector. Recently, the Bangko Sentral ng Pilipinas (BSP), the central bank which conducts monetary policies and supervision of the financial system of the country, has additionally enhanced the incentive framework for mergers which might be because of: (1) the ASEAN integration, and (2) a lot of local level banks in proportion to the overall number of banks. The central bank of the country believes that M&A undertakings might bring about more sturdy players in the market that will support balance out the financial sector (BSP, 2000). One bank M&A in the Philippines happened in April 2014 which brought forth a bigger, better and stronger institution with regards to its financial position: P500 billion worth of entire resources; joint banking experience of 133 years; 654 local branches; 803 ATMs; and 83 foreign branches, offices, and subsidiaries covering North America, Middle East, Europe, and Asia (Bank's Annual Report, 2014). Evidently, the new bank is sure that it is presently on a superior position to give more value to its partners and clients.

It was apparent in the M&A of the two banks boosted its financial capabilities. Be that as it may, when endeavoring to consolidate two organizations, negative results can happen. Mishandling M&As ordinarily begins from the initial phase of the decision to merge an organization when the acquirer concentrates exclusively on financial related facets disregarding the human issues which may bring about negative employee attitudes of the change procedures and results. As indicated by Mirvis and Marks (2001), undesirable attitudes and reactions of employees will eventually lead to an unsuccessful M&A. It might happen that employees from the acquired organization feel doubtful about how the M&A will influence their employment (Marks and Cutcliffe, 1988); their job security (Saunders and Thronhill, 2003); and their identity in the organization (Bartels, Douwes, De Jong, and Pruyn, 2006). These elements make employees feel debilitated by, and unreceptive towards M&As. Another outcome of M&As is that numerous employees may not anymore trust the management (Searle and Ball, 2004). As a result, Van, Wagner and Lemmer (2004) emphasized that these attitudes and reactions may cause decreased job satisfaction and increased turnover intention.

As Cartwright and Cooper (1994) affirmed, M&As represent vast scale and offer abrupt organizational change, and make significant uncertainty among employees. They sense that the old method for overseeing regular work and self-governance no longer occur, employees may choose to leave, there is additional work to be done, the nature of the work

may vary from their previous work, and so forth. In this manner, trust is critical in M&As where employees feel that risk is included. Trust is the readiness of an individual to be vulnerable to the behavior of another person based on the anticipation that the other person will carry out a certain behavior crucial to the said individual (the trusting individual) (Mayer, Davis and Schoorman, 1995). Being vulnerable suggests that something imperative is to be lost and in this manner the trusting person is ready to take a risk. Costigan, Ilter, and Berman (1998) stated that without the readiness of a person to take risks, then there will be no trust. Thusly, without trust, a change in the organization is probably not going to be successful. In M&As, doubt and pressure are made because of changes in employees' role relationships, functions, and positions (Blumberg and Wiener, 1971). As revealed by Buono, Bowditch, and Lewis (1985), layoffs in a M&A brought about mistrust towards management and the organization. Employees in this manner assess what is essential to the organization in light of the management's conduct, and fittingly change their attitude.

Conversely, many studies have likewise been connecting the setting of organizational change with organizational justice. Organizational changes can have serious impact on employees in the organization, evoking solid responses that can extremely hamper the change event, and in the long run, influence both organizational results and employees' welfare (Piderit, 2000). Justice observations may assume an essential part in these responses. Employees' view of the justice of the decisions and of the execution of a change may influence both their participation with the change and their assessments of the parties in charge of the change (Brockner, Konovsky, Cooper Schneider, and Folger, 1994; Mishra and Spreitzer, 1998). Organizational justice refers to the conditions of business that persuade employees that they are being dealt justly or unjustly (Folger and Cropanzano, 1998). Colquitt, Conlon, Wesson, Porter, and Ng (2001) implied that organizational justice is a critical determinant of organizational results, for example, employee withdrawal, organizational commitment,retaliation behaviors, organizational citizenship, and job satisfaction. There are two facets of organizational justice: distributive justice and procedural justice. Distributive justice, according to equity theory, depends on assessment that employees make between their perceived ratio of outcomes (e.g., compensation, professional stability, a fascinating employment) to inputs (e.g., training, work understanding, aptitudes), with their perceived ratio of referent others' outcomes to inputs. According to Cherry, Ordonez, and Gilliland (2003), one such referent is often employee's own input/output ratio as it was before the change. Then again, Brockner, DeWitt, Grover, and Reed (1990) characterized procedural justice as the adequacy of instruction and information as to the procedures and processes used to actualize a change. That is, the procedures and processes used to accomplish the desired result, and an organization's explanations for the procedures, processes and new guidelines (Armstrong-Stassen, 1998).

In this study, the researcher focused on the latter dimension of organizational justice and its effects on employees' trust towards management.

Statement of the Problem

This study sought to answer the following problems: a) how may the employees' assess procedural justice after a bank M&A?; b) how may the employees assess the effects of bank M&A on their trust towards management?; c) does employees' assessment on procedural justice after a bank M&A and their trust towards management have a significant relationship? and d) does employees' assessment on procedural justice after a bank M&A and their trust towards management have a significant effect?

II. METHODOLOGY

This study utilized descriptive correlational method of research to assess the employees' assessment on procedural justice after a bank's M&A vis-à-vis their trust towards management. The research study was conducted on all fourteen (14) branch offices of a universal bank situated in the province of Pampanga, Philippines. It involved 97 employees of the acquired bank who were transferred to the acquiring bank after the merger and acquisition. The researcher chose this particular bank since it experienced M&A. The target population of the study consisted of rank and file and managerial level employees of the acquired bank. The study was conducted five months after the M&A. Purposive sampling technique was used in the selection of actual respondents.

The research instrument has two parts namely Procedural Justice Scale, and Trust towards Management Scale. Procedural justice scale was adapted from Tikanmaki (2001) which measures the information ordataspecified to employees amid the change period, explanations given to the changes, training received, appreciation of the implementationprocedures, management care-taking, and the sufficiency and lucidity of the information. The items were intended to collect the fairness or perceived equity of the implementation processes. Trust towards management scale was adapted from Cook and Wall (1980) which comprises of six items that measures faith and confidence in management. Cook and Wall (1980) identify these two measurements of trust. Faith in the reliability and honesty of others and confidence in the capacity of others, for example, ability and dependability. Participants were asked to respond to the questions/

statements on a modified Likert Scale from 4 to 1. The gathered data were encoded, analyzed, and interpreted using frequency distribution,fourth year students of CBS. college of Business Stutaken while distributing the questionnaire to ensure customers are third and arithmetic mean, Pearson's r or Coefficient Correlation, and Linear Regression Analysis.

III. RESULTS AND DISCUSSION

1. It can be noted that the respondents "Disagree" on the following indicators: sufficiency and lucidity of information on the new bank concept; sufficiency and lucidity of the training received; training received on the daily practices and new concept; information on the new proceduresand practices; clearness of how the shifting or transition were carried out; clear understanding of the bank's new practices and procedures; sufficiency of clarificationsregarding the modifications in daily practices; and management support throughout the change event. It is noteworthy to know that one indicator was given "Strongly Disagree" rating, i.e., consideration of their feelings and needs during the transition. This indicates that the respondents have a negative assessment on how their feelings were regarded during the M&A. The computed overall mean of 2.05 indicates that the respondents "Disagree" on the manner in which the implementation of the changes in procedures and processes were executed. This shows that they have negative assessments on the fairness and clarity of the process used in the implementation of the bank's M&A.

2. In terms of trust towards management, data shows that the employees "Disagree" on all statements: confidence on the sincerity of the bank in its attempt to consider the employees' point of view; confidence in the bank's future that it can attract better managers; confidence that the management can make sensible decisions for the bank's future; faith that the management can do an efficient job; faith that the bank will treat its employees fairly; and faith that the management will not deceive its employees in its position to gain an advantage. The overall mean of 2.11 reflected that the employees generally "Disagree" in relation to their trust towards the management after the M&A event. This means that the respondents have no confidence and faith in management. This is a negative indicator for the bank since trust is a key factor for establishing and maintaining relationships between them and the management. As stated in the study of Morgan and Hunt (2005), positive trust in the management producesteamwork and cooperation. Hence, trust plays a significant role in whether employees decide to cooperate or not.

3. In the test of relationship between the employees' assessment on procedural justice of the bank's M&A and their trust towards the management using Pearson-r, results revealed a significant relationship. The computed r-value of 0.702 (Sig. = 0.000) indicates that there is a strong positive correlation between employees' assessment on procedural justice of the bank M&A and their trust towards the management. This specifies that employees do not trust the new management after the M&A. This is in accordance with the study of Cartwright and Cooper (1993) that confirmed that M&As represent vast scale and offer abrupt organizational change, and make significant uncertainty among employees. Leaders mustprosper to convey in change when its workers who emulate organizational aspirations and values trust them (Costigan et al., 1998).

Items	Bank Trust	
Procedural Justice	Pearson r	0.702
	Significance	0.000
	Decision	Reject Ho

Table 1. Pearson-r test of significant relationship of the employees' assessment on procedural justice of the bank's M&A and their trust towards the management

4. The result of the test of the significant effect with a p-value of 0.000 as reflected in table 2, implies that there exists a significant effect between the employees' assessment on procedural justice of the bank's M&A and their trust towards the management. This figure indicates that procedural justice is a predictor on their trust towards management, thus, when employees have negative assessment on procedural justice in M&A, the less likely that they will trust the management. This is actually in support with the literature, which declared that an outcome of M&A is that numerous employees may no longer trust the management (Searle and Ball, 2004).

Independent Variable	Dependent Variable	Unstandardized Coefficients		Standardized Coefficients	t	p-value	Decision
		B	Std Error	Beta			
Procedural Justice	Trusttowards Management	0.595	0.062	0.702	9.595	0	Reject Ho

Table 2. Linear regression analysis of the significant effect of the employees' assessment on procedural justice of the bank M&A and their trust towards management

CONCLUSION

1. Employees disagreed with the way the management executed the changes in the procedures and processes.
2. In terms of trust, employees disclosed that they have little confidence and faith towards management after the M&A event.
3. There is a strong positive correlation between employees' assessment on procedural justice of the bank M&A and their trust towards the management.
4. The employees' assessment on procedural justice after the bank M&A significantly affect their trust towards management. These findings indicate that procedural justice is a predictor of trust towards the management. Thus, when employees have negative assessment on procedural justice in M&A, it is less likely that they will trust the management.

RECOMMENDATIONS

1. Communication is very essential in each phase in the M&A. Management should disseminate information to its employees prior, during, and after the M&A. This will lessen rumors which may cause adverse emotions and reactions.
2. Banks must have a joint decision-making process. A strategy where employees and management mutually decide on matters that concerns both parties.
3. For employees to understand the M&A, the management should inform them of the disadvantages of the current organizational structure, and more importantly, the advantages of the new organizational structure. Furthermore, management should explain the specifics of the procedures and processes essential to achieve the target objective. This may boostemployees' involvement and commitment in the M&A process. It is necessary that there is employees' participation at the primary stage of the process.
4. Counselling and training on M&A management, which may include coping approaches, may help alleviate M&A negative reactions such as stress and fear. Moreover, since M&A offer dissimilar opportunities for employment mobility, counselling may lead employees' energies towards new employment opportunities and strengthen employees' organizational commitment.
5. Consultation should be done after bank M&A. It is a method by which the organization considers the views of employees pertaining to the post effects of the M&A.
6. An accurate preview of the M&A reflecting job expectations affected by the process will give the employees a realistic view of the new job demands. This will benefit theacquired organization's employees.

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