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ADDIS ABABA UNIVERISTY
COLLEGE OF BUSINESS AND ECONOMICS
PROGRAM OF MBA

The impact of post merger satisfaction of former Construction and Business Bank employees on organizational commitment and turnover intention: the case of Commercial Bank of Ethiopia

A Thesis submitted to partial fulfillment of the requirement for the Degree of
Masters of Business Administration

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Addis Ababa

Declaration

*I, Tewodros Demsachew, hereby declare that the thesis entitled **The impact of post merger satisfaction of former Construction and Business Bank employees on organizational commitment and turnover intention: the case of Commercial Bank of Ethiopia** is the outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the requirement for the degree of Masters of Business Administration*

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Certification

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This is to certify that the thesis prepared by **Tewodros Demsachew** entitled: *The impact of post merger satisfaction of former Construction and Business Bank employees on organizational commitment and turnover intention: the case of Commercial Bank of Ethiopia* and submitted in partial fulfillment of the requirements for the degree of *Masters of Business Administration* complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

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Tewodros Demsachew

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List of Acronyms

M & As	Merger and Acquisitions
CBE	Commercial Bank of Ethiopia
CBB	Construction and Business Bank
PLS	Partial Least Square
SEM	Structural Equation Modeling
OCQ	Organizational Commitment Questionnaire
HSB	House and Saving Bank
SPSS	Statistical Package for the Social Sciences
AMOS	Analysis of Moment Structure
M&A's	Merger and Acquisitions

ABSTRACT

This study examines the impact that employee's post-merger satisfaction has on employee organizational commitment and turnover intentions. The survey conducted on the employees of former construction and business bank (CBB) employees after 10 months since the merger took place with Commercial Bank of Ethiopia (CBE). This study was conducted based on the data gathered from former Construction and Business Bank (CBB) employees. To conduct the survey questionnaire was used that have been distributed to 215 former Construction and Business Bank (CBB) employees. The analysis of the data was done with the help of the SPSS and AMOS. Partial Least Squares (PLS) approach to structural equation modeling (SEM) (e.g., Wold, 1982) provided evidence for the relationship between satisfaction with a merger and the affective and normative components of organizational commitment. The research results found employee satisfaction with a merger had a significant positive impact on affective and normative commitments, and that normative commitment has significant negative impacts on turnover intentions. The study recommended providing its new former employees of Construction and Business Bank (CBB) the opportunity to undertake important and challenging work, to learn new skills, to develop as a person, and to meet and interact with people could lead to the development of commitment.

Keywords: *post-merger satisfaction, organizational commitment, turnover intention, Commercial Bank of Ethiopia (CBE), Construction and Business Bank (CBB) , Partial Least Square (PLS), Structural Equation Modeling (SEM)*

Chapter one

1. Introduction

1.1 Background of the study

The merger of separate entities into one firm (corporate combinations) or the acquisition of one firm by another entity have become an increasingly common reality of organizational life, but estimates of mergers and acquisitions (M&As) failure range from a pessimistic 80% to a more optimistic, but still disappointing, 50% (Cartwright & Cooper, 1994). Despite these unsatisfactory rates, (M&As) Continuing to grow. Mergers between companies have become famous strategic move of organizations to stay strong and even to achieve greater success. The goal of most mergers and acquisitions is to improve company performance and shareholder value over the long-term. It offers opportunity of improving management effectiveness, increase in market share, increase in goodwill, and so on. (Cartwright & Cooper, 1994). The primary reason cited for M&As is to achieve synergy, commonly described as the "2 + 2 = 5" effect (Cartwright & Cooper, 1993a; Weber, 1996) by integrating two or more business units in a combination that will increase competitive advantage (Porter, 1985).

Historically, merger failures were only discussed with financial and strategic explanations. Recently there has been growing acceptance among researchers that the human dynamics or the human-resource issues during and following the actual merger or acquisition of two or more organizations are significant determinants of merger success or failure (Buono& Bowditch, 1989; Cartwright & Cooper, 1993a; Marks & Mirvis, 1992; Schraeder, 2001). A study by Davy, Kinicki, Kilroy, and Scheck (1988) cited examples of the human dynamics, which included decreases in job satisfaction, organizational commitment, performance, and employee motivation.

Two reasons have been cited for the failure of M&As with regards to human-resource issues or problems. First, the macro level is the issue of culture compatibility between the merging organizations (Ashkenas et al., 1998; Cartwright & Cooper, 1993a). Second, a micro level, is the role of individuals or employees in the merger process. Employees are often forgotten or disregarded (Cartwright & Cooper, 1993a).

M&As have come to be associated with lower morale and job dissatisfaction, unproductive behavior, acts of sabotage and petty theft, increased labor turnover and absenteeism rates, and worsening strike and accident rates, rather than increased profitability (Armstrong-Stassen, Cameron, Mantler, &Horsburgh, 2001; Newman &Krzystofiak, 1993; Schweiger&DeNisi, 1991). All of these factors may influence the competitiveness of the new organization (Weber, 1996). Employee problems do not only block the creation of synergy (Cho, 2002; Larsson & Finkelstein, 1999), but also directly cause the failures of M&As (Cho, 2002). The merger between Commercial Bank of Ethiopia (CBE) and Construction and Business Bank (CBB) has been undertaken in the form of takeover where CBB has been absorbed by the CBE effective of April 01, 2016. Following the takeover, the CBB has officially been dissolved and all its current resources (including human resource) have been engaged to realize the CBE's vision. Likewise, CBE shall also be responsible for CBB's liabilities.

Unless we give a special attention for the post merger restructured environment and conduct a research we can't even know whether the merger hit or misses its target. Well understanding of employee's post merger attitudes and implementation of factors to increase organizational commitment would also improve the success of the merger. On the other hand by analyzing the post merger employee's satisfaction impacts on organizational commitment and turnover intention it would give an insight to managers and supervisors of the organization to make the right decision.

The central aim of conducting this research paper is to examine the impact of post-merger satisfaction on organizational commitment and turnover intentions so as to help management of the organization in developing effective model that would further satisfy and enhance the performance of the organization and assist employees in fulfilling what they are requiring from their work lives in the new restructured environment.

1.2 Statement of the problem

In a competitive and dynamic business nature now a day's organizations seek close follow up on changes in their business environment to maintain strength and avoid weaknesses. Sometimes they may even closely follow up their competitor's change to exploit the advantage they can get from it. M&As, by their sheer size and number, carry strategic importance for organizations, their members, and the economy as a whole (Hartog, 2002).

While most organizations may provide lip service to the idea that people are an organization's greatest asset, research indicates that the human-resource considerations play a relatively small role in M&A decisions (Marks & Mirvis, 1992). So as when the government of Ethiopia passed a decision to merge the Construction and Business Bank (CBB) with the Commercial Bank of Ethiopia (CBE) it leads to a change in the business environment specially to the human aspect. The former employees of Construction and Business Bank (CBB) restructured and start working as an employee of Commercial Bank of Ethiopia (CBE).

The objective of the government is creating a sound financial system that will ensure efficient allocation of financial resources and strongly support the overall economic growth of the country. It has also an intention to address the existing duplication of efforts and mandate redundancy between the two banks. (CBE project exit report, 2016)

It is assumed that the merger & acquisitions phenomenon to the most give emphasis on strategic and financial objectives. But it is possible that employees would be adversely affected. This adverse effect is a critical factor if the new organization seeks to remain competitive.

Knowledge of post-merger employee's attitudes is very essential for the management of an organization. However assessing post-merger attitudes towards organizational commitment and turnover intentions in a merger scenario is limited. (Armstrong-Stassen et al. 2001; Cartwright & Cooper, 1992; Newman & Krzystofiak, 1993). There have been a number of valuable studies in the area of Mergers and Acquisitions over the years back in North America, Europe, Asia-pacific and some from African countries such as South Africa, Nigeria. Researcher's such as (Mowday et al., 1982), (Tett & Meyer, 1993), (Whitener and Walz, 1993) contribute in the areas of Mergers and Acquisitions. However studies on Merger and Acquisitions have been given little attention in literatures in Ethiopia. As per the researcher knowledge there is no study conducted with regards to the impact of post merger employee's satisfaction on organizational commitment and turnover intention. This study therefore aims at filling that gap by shedding light on issues that influence on employees organizational commitment and turnover intention.

Interchangeably the term merger and amalgamation was used to the government of Ethiopia decision but the term merger is more appropriate, because they are legally different transactional terms. A merger occurs when two or more organizations combine their assets to form a new entity but amalgamation is when the combining companies survives as a legal entity; a completely new entity is formed to house the combined assets and liabilities of both

companies. (Hogan &Overmyer-Day, 1994). Using the definition stated above, this study looks at a merger.

Most times mergers and acquisitions neglect the human dynamics rather focuses on strategic and financial targets of the merger. This study appears to investigate post-merger attitudes toward organizational commitment and turnover intention in the restructured environment of (Construction and Business Bank) CBB. As it is new to Ethiopia and the Ethiopian banking industry there are no sufficient studies on mergers and acquisitions. Therefore, the research problem of this study can be stated as assessing post merger employees satisfaction impacts on organizational commitment and turnover intention.

1.3 Research Questions

To achieve the intended purpose as well as based on the above research problem, the researcher has designed the following research questions as follows:

- What is the strength of association between post-merger satisfaction and employee's affective organizational commitment?
- What is the strength of association between post-merger satisfaction and employee's normative organizational commitment?
- What is the strength of association between post-merger satisfaction and employee's continuance organizational commitment?
- What is the strength of association between post-merger satisfaction and employee's intention to leave the organization?
- Are there strengths of associations between post-merger satisfaction, the components of organizational commitment and turnover intentions among the restructured environment employees of Construction and Business Bank (CBB)?

1.4 Objective of the study

1.4.1 General objective of the study

The general objective of this study is to assess factors that may link employee post-merger satisfaction, with organizational commitment and turnover intentions in the restructured environment of Construction and Business Bank(CBB).

1.4.2 Specific objectives of the study

- To assess post-merger satisfaction impact's on employee affective organizational commitment
- To evaluate post-merger satisfaction impact's on employee normative organizational commitment
- To identify post-merger satisfaction impact's on employee continuance organizational commitment
- To investigate post-merger satisfaction impact's on employee's intention to leave the organization
- To inspect strengths of associations between post-merger satisfaction with, the components of organizational commitment and turnover intentions among the restructured environment employees of Construction and Business Bank (CBB).

1.5 Significance of the study

The fast growing trend of the organizations, corporate combination (the merger of separate entities into one firm) or (the acquisition of one firm by another entity) have become an increasingly common reality of organizational life. There has been a significant revival of interest in the human aspect of the phenomenon and its role in determining merger outcomes.

Since April 01, 2016 the merger between CBE and CBB undertaken in the form of takeover had been effective, the CBB has officially been dissolved and all its current resources (including human resource) from the respective city branches and outline branches merged with CBE. It is possible that employees would be adversely affected. This adverse effect is a critical factor if the new organization seeks to remain competitive. These suggestions imply that organizational post merger success depends heavily on employee's satisfaction, and managers must understand employees post merger attitude (satisfactions with the merger), in order to know the levels of organizational commitment. Understanding the concept of satisfaction, organizational commitment and strength of association between them could assist incompetent and inexperienced managers, in terms of identifying employee post merger attitudes and what are the impacts on organizational commitment and turnover intention.

Therefore, finding of the study at country level will give to organizations an insight that post merger employee satisfaction impacts on employee's organizational commitment, and turnover

intention. Likewise for banks in the same industry if they will experience merger for the future it will give them a great input on how they will deal with the human side implication of merger beyond financial and strategic view point. The most importance of the study is for the targeted organization, CBE and it would give an insight to managers and supervisors of the organization that post-merger employee satisfaction impacts on employee's organizational commitment, and turnover intentions. Recommendation of the study might help management in developing an effective model that would further satisfy and enhance the performance of the organization. Well understanding of employee's post merger attitudes and implementation of factors to increase organizational commitment would also improve the success of the merger. Finally, it could also assist employees in fulfilling what they are requiring from their work lives in the new structured environment.

1.6 Scope of the study

The study was mainly focus to assess factors that may link employee post-merger attitudes (i.e., employee post-merger satisfaction), with organizational commitment and turnover intentions for the restructured CBB employees. And the scope of this study is limited in terms of coverage and method. With regard to coverage, it is limited to former Construction and Business Bank (CBB) that currently merged with Commercial Bank of Ethiopia (CBE). It covers the time period of 2016-2017 G.C. Thus the result of this study will affect only the experience of former CBB employees in Addis Ababa.

1.7 Limitation of the study

The researcher faced some problems when conducting the research. These problems influenced to certain extent. Primarily the limitation of the study is the lack of previous studies in Ethiopia around the impact of post-merger satisfaction on organizational commitment and turnover intention. And also it was not possible to include all post merger employee attitude factors that affect organizational commitment and turnover intention.

The following conditions have exerted certain limitations on the process of implementing this research study, which should be considered when interpreting the results.

Only one selected point during the merger process was studied, the post-merger phase. Attitudes are not always consistent across time, and although organizational commitment has been shown to be a stable attitude in comparison to others, it can be influenced by the day's or week's operations in the financial sector. The survey could have taken place during a special week. It will not be appropriate to logically extrapolate findings to other time periods such as the pre-merger phase.

The scope of the study was limited to the selected variables, satisfaction with merger, organizational commitment and turnover intentions. Additionally, the data for this study were collected from a single organization and the sample was random. Therefore, it cannot be assumed that the results of this study will explain to all CBE employees. It only explains the experience of former CBB employees who are now employees for CBE after the merger. More over post-merger satisfaction across different institutions, locations, company size, and cultures didn't incorporate in the study.

1.8 Organization of the Paper

The paper consists five chapters. The first chapter deals with the introduction part that consists of background of the study, statements of the problem, objectives of the study, significances of the study, scope of the study. Chapter 2 contains a review of the related literature. The research design and methodology is presented in chapter 3. In chapter four, the results and findings of the study is discussed. Finally, the last chapter deals with the conclusions and recommendations that are forwarded based on the result obtained from the research.

Chapter two

2. Review of related literature

2.1 Background of the organization

Mergers between companies have become famous strategic move of organizations to stay strong and even to achieve greater success. The goal of most mergers and acquisitions is to improve company performance and shareholder value over the long-term. It offers opportunity of improving management effectiveness, increase in market share, increase in goodwill, and so on. (Cartwright & Cooper, 1994). Considering these advantages of mergers, the government of Ethiopia passed a decision to merge the Construction and Business Bank (CBB) with the Commercial Bank of Ethiopia (CBE) with an objective of creating a sound financial system that will ensure efficient allocation of financial resources and strongly support the overall economic growth of the country.

The Construction and Business Bank S.C. (CBB) was a state owned bank. It was the successor of the Housing and Savings Bank (HSB), which was established in 1975 through the merger of the Imperial Savings and Home Ownership Association and Savings and Mortgage Corporation of Ethiopia. The Bank was established with the objective to grant long-term loans for construction and purchase of residential and commercial buildings. It also provides loans for renovation of buildings using financial resources mobilized through ordinary savings, time deposits and long-term borrowings.

The market-based economic policy and reform programs that was initiated in 1992 forced the HSB to be reconstituted as the Construction and Business Bank (CBB). As a result, the CBB was re-established in September 1994 by regulation No. 203/94 with an authorized capital of Birr 71.8 million. This regulation gave the CBB the mandate to provide universal banking services. In line with this, the CBB has ventured into commercial banking operations stage by stage maintaining construction financing as its core business. In September 2000, the CBB was converted into a share company in accordance with the Ethiopian Commercial Code with a total capital of Birr 79.0 million and continues its operation as universal bank.

The merger between Commercial Bank of Ethiopia (CBE) and Construction and Business Bank (CBB) has been undertaken in the form of takeover where the CBB has been absorbed by the CBE effective April 01, 2016. Following the takeover, the CBB has officially been dissolved and

all its current resources (including human resource) have been engaged to realize the CBE's vision. Likewise, CBE shall also be responsible for CBB's liabilities.

2.2 Merger and Acquisitions

One plus one makes three: this equation is the special alchemy of a merger or an acquisition. The key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies. Two companies together are more valuable than two separate companies, that's the basic reason behind M&A. Synergy, is the magic force that allows for enhanced cost efficiencies of the new business. Synergy takes the form of revenue enhancement and cost savings. By merging, the companies hope to benefit from the following:

This rationale is particularly alluring to companies when times are tough. Strong companies will act to buy other companies to create a more competitive, cost-efficient company. The companies will come together hoping to gain a greater market share or to achieve greater efficiency. Because of these potential benefits, target companies will often agree to be purchased when they know they cannot survive alone. (Marks and Mirvis, 1992)

2.3 Distinction between Mergers and Acquisitions

Although they are often uttered in the same breath and used as though they were synonymous, the terms merger and acquisition mean slightly different things. When one company takes over another and clearly established itself as the new owner, the purchase is called an acquisition. From a legal point of view, the target company ceases to exist, the buyer "swallows" the business and the buyer's stock continues to be traded. In the pure sense of the term, a merger happens when two firms, often of about the same size, agree to go forward as a single new company rather than remain separately owned and operated. This kind of action is more precisely referred to as a "merger of equals." Both companies' stocks are surrendered and new company stock is issued in its place. In practice, however, actual mergers of equals don't happen very often. Usually, one company will buy another and, as part of the deal's terms, simply allow the acquired firm to proclaim that the action is a merger of equals, even if it's technically an acquisition. (Marks and Mirvis, 1992)

Being bought out often carries negative connotations, therefore, by describing the deal as a merger, deal makers and top managers try to make the takeover more palatable. A purchase deal

will also be called a merger when both CEOs agree that joining together is in the best interest of both of their companies. But when the deal is unfriendly - that is, when the target company does not want to be purchased - it is always regarded as an acquisition. (Marks and Mirvis, 1992)

A purchase is considered a merger or an acquisition really depends on whether the purchase is friendly or hostile and how it is announced. In other words, the real difference lies in how the purchase is communicated to and received by the target company's board of directors, employees and shareholders.

Varieties of merger

From the perspective of business structures, there is a whole host of different mergers. Here are a few types, distinguished by the relationship between the two companies that are merging:

- **Horizontal Merger** - Two companies that are in direct competition and share the same product lines and markets.
- **Vertical Merger** - A customer and company or a supplier and company. Think of a cone supplier merging with an ice cream maker.
- **Market-extension merger** - Two companies that sell the same products in different markets.
- **Product-extension merger** - Two companies selling different but related products in the same market.
- **Conglomeration** - Two companies that have no common business areas.

Acquisitions

Acquisition may be only slightly different from a merger. In fact, it may be different in name only. Like mergers, acquisitions are actions through which companies seek economies of scale, efficiencies and enhanced market visibility. Unlike all mergers, all acquisitions involve one firm purchasing another - there is no exchange of stock or consolidation as a new company. All mergers and acquisitions have one common goal: they are all meant to create synergy that makes the value of the combined companies greater than the sum of the two parts. The success of a merger or acquisition depends on whether this synergy is achieved. (Marks and Mirvis, 1992)

2.4 Satisfaction with merger

Employee attitudes toward a merger can't be explained without understanding attitudes in general. Much power has been ascribed to attitudes because it accomplishes a great deal for an individual. It guides perception, information processing, and behavior (Pratkanis, 1989). Eagly and Chaiken (1993; 1) defined attitude as "a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor". Furthermore, Armenakis and Bedeian (1999) argued that employee attitudes could also indicate or serve as "markers" for tracking the likelihood of employees enacting behaviors necessary for achieving desired changes. Extending this logic to the present study, it is likely that employees with positive attitudes would tend to be more supportive of their newly merged organization, while those with less positive attitudes would be more likely to be dissatisfied with the merger. Social scientists such as, Katz and Stotland (1959) and Rosenberg and Hovland (1960, cited in Eagly&Chaiken, 1993) have assumed that the attitude construct has three types of antecedents: cognitive, emotional, and behavioral; and that attitudes are formed either through the cognitive, emotional, or behavioral processes. These assumptions have been proposed in contemporary research and discussions on attitudes (e.g., Breckler, 1984; Greenwald, 1968; Insko&Schopler, 1967, cited in Eagly&Chaiken, 1993). This study assesses the emotional dimension of attitudes after the merger has occurred, also known as employee satisfaction with a merger.

Buono, Bowditch, and Lewis (1985; 1988), from an organizational culture perspective, studied employee perceptions about various facets of organizational life such as organizational commitment, job satisfaction, interpersonal relationships, and job security, and the effect it had on the processes and outcomes of a merger between two equal-sized banks from the period of 1979 to 1985. They sought to compare the attitudes of employees of the two banks using a longitudinal case-study approach. Their aim was to formulate an empirically based model of the merger process that underscores the types of problems and difficulties that can emerge during a large-scale change. They assessed expectations of employees at the pre-merger phase, evaluated how the change was handled during the merger phase, and determined the levels of employee satisfactions at the post-merger phase. Their findings showed that employees' expectations were not met and employees who felt their culture was suppressed reported a significantly lower satisfaction with the merger. The Buono et al. (1985) study explained the human factors involved in a merger from an organizational culture perspective, or a macro level. This current study adds to the literature by explaining the impact of mergers on employees from an individual

perspective. Also, Buono et al. (1988) focused on mergers that occurred from 1979 to 1985. This period marked the commencement of horizontal mergers (Cartwright & Cooper, 1992). Organizations were amalgamating in the same area of business activity, in contrast to the conglomerate era, where organizations in completely unrelated fields of businesses were coming together (Cartwright & Cooper, 1992). This current study, therefore, builds on the work of Buono et al. (1988) by extending research related to the impact of horizontal mergers on employees. Covin et al. (1996) examined employee satisfaction with an acquisition or post-acquisition attitudes of target and acquiring company employees and the potential impact of these attitudes on several facets of individual and organizational effectiveness, such as job satisfaction, satisfaction with pay, communication, teamwork, etc. Their findings revealed that target-firm employees reported significantly higher levels of dissatisfaction with the merger than the acquiring employees.

2.5 Organizational commitment

Organizational commitment is important to a firm that is rebuilding itself after a Merger and acquisitions (M&A's) because committed and loyal employees provide many benefits for their organizations (Niehoff, Moorman, Blakely, & Fuller, 2001). Employees put forth extra effort in their work, serve as positive public-relations representatives outside the organization, and go above and beyond the norm in doing the little things that help the organization function effectively (Niehoff et al., 2001; O'Reilly & Chatman, 1986; Organ, 1988). The organization, therefore, would have a competitive advantage with employees who want to maintain involvement with the organization and are willing to work extra hard on behalf of the organization (Mowday, Porter, & Steers, 1982). The concept of organizational commitment seems to hold the interest of so many researchers due to the powerful implications it has on the organization and its members (Becker, 1992), and the perceived relationship to many organizational outcomes. From an organizational perspective, for example, lower turnover and absenteeism, and higher productivity are manifestations of strong employee commitment. In commitment research, there are two common perspectives: the behavioral perspective and the attitudinal perspective.

❖ **Behavioral commitment**

Behavioral commitment is a process by which individuals become locked into a certain organization, and how the individuals or employees deal with the problem.

❖ **Attitudinal commitment**

Attitudinal refers to the process by which individuals come to think about their relationship with the organization (Meyer & Allen, 1997). This suggests that organizational commitment can be thought of as a mind set in which individuals consider the extent to which their own values and goals are congruent with those of the organization (Meyer & Allen, 1997).

Behavioral view contributors proposed that organizational commitment results from the process in which the employees become committed to the implications of their own actions. The focus of the behavioral commitment approach was that individuals were committed to a particular course of action rather than to an entity, in this case their organization. The goal, therefore, has been to identify the conditions under which an act, once taken, would be likely to continue (Meyer & Allen, 1997). However conditions the more the individual perceived that the behavior could not be reverted without high costs, the higher the degree of commitment. If the employee perceived that an individual of significant status (e.g., a supervisor) was aware of the employee's action, commitment increased. Finally, commitment also increased with the volition, or free will or choice, of the employee's actions.

The attitudinal commitment approach focuses on the process by which employees come to regard their relationship with the organization. The attitudinal approach is the most studied type of organizational commitment. Some of the earliest work was done by Porter, Steers, Mowday, and Boulian (1974). Some of the earliest works were examined commitment as though it were uni-dimensional, hence, developing measures that would produce one composite score representing commitment.

Furthermore, committed employees were described as: (a) having the desire to remain in the organization, (b) willing to exert effort on the organization's behalf, and (c) believing in and accepting the values of the organization. An individual who demonstrated these characteristics was considered committed to the organization. This led to the development of a 15-item scale, known as the Organizational Commitment Questionnaire (OCQ). Since the creation of the OCQ, it has become one of the most widely used measurements of commitment (Becker, 1992).

One of the problems with this approach is that different researchers defined this composite view of commitment in very different ways. This indicated that commitment was more complex than originally thought.

Evidently commitment as assessed by OCQ is not uni-dimensional but has at least two dimensions. The two different conceptualizations were eventually termed affective commitment (i.e., Porter's view) and continuance commitment (i.e., Becker's view) by Meyer and Allen (1997) and Meyer, Paunonen, Gellatly, Goffin, and Jackson (1989). Meyer and Allen (1991) therefore go beyond the existing distinction between attitudinal and behavioral commitment and argue that commitment, as a psychological state, is not restricted to value and congruence of organizational goals (i.e., feelings or beliefs or both concerning the employee's relationship to the organization). Commitment can also be a reflection of a desire, a need, or an obligation to maintain membership with the organization. This assertion, then, falls out of the traditional social psychological definition of an attitude (Meyer & Allen, 1991; 1997). A three-component conceptualization was then articulated leading to the development of the Three Component Model. The model postulates that an employee simultaneously experiences commitments to the organization based on emotional attachment (affective, i.e. Porter et al., 1974), a feeling of obligation (normative, Meyer et al., 1989), and perceptions that the social and economic costs of leaving the organization are prohibitively high (continuance, Becker's [1960] Side-Bet Theory).

❖ **Affective commitment**

Affective commitment refers to employees' feelings of belonging and attachment to the organization (Hartmann & Bambacas, 2000; Meyer & Allen, 1991; 1997). Affective commitment stems from the work of Kanter (1968; 499) who defined commitment as the "willingness of social actors to give energy and loyalty to the organization". Several writers including Buchanan (1974) and Porter et al. (1974) directed attention to a sense of belonging and the experience of loyalty.

❖ **Continuance commitment,**

Unlike affective commitment, continuance commitment relates to perceived costs of leaving the organization, both financial and non-financial (e.g., accrued pensions) and perceived lack of alternatives (e.g., high unemployment rates) (Becker, 1960; Hartmann & Bambacas, 2000; Meyer & Allen, 1991; Meyer & Allen, 1997). Continuance commitment is based on the costs and

benefits of continued membership, and has its roots in Becker's (1960) Side-Bet Theory of Commitment. This theory posits that employees make certain investments or side-bets (e.g., tenure toward pension, promotions, and work relationships) that become sunk costs that diminish the attractiveness of external employment opportunities. In the commitment literature, continuance commitment has been shown to be related to employees' perceptions about skill transferability (Allen & Meyer, 1990), such that employees who assumed their training skills were less transferable to other similar organizations expressed stronger continuance commitment (Meyer & Allen, 1997). Whitener and Walz (1993) also found that investments such as job security, status, and retirement funds were positively correlated with continuance commitment. Age, tenure, education, position, career satisfaction, and pay have been the common approach for testing side-bets.

The conceptualization of continuance commitment describes an individual-organizational interaction, and alteration of investments over time (Mathieu & Zajac, 1990). During a merger or acquisition, individuals would tend to favor the consolidation because they cannot "afford" to separate themselves from the organization. This might be due to both lack of alternatives (e.g., I feel that I have too few alternatives to consider leaving the organization), and personal sacrifice subdimension (e.g., too much of my life will be disrupted if I do not support the change). The development of continuance commitment has received less research attention because adequate measures for this construct are fairly recent to the commitment literature (Meyer & Allen, 1997).

❖ **Normative commitment**

Normative commitment is concerned with the moral obligation employees feel about remaining with their organization (Hartmann & Bambacas, 2000; Meyer & Allen, 1991; Meyer & Allen, 1997; Wiener, 1982). This is based on the earlier work of Weiner (1982). He proposed that individuals internalize norms and behave as they do because they feel it is moral. Weiner (1982) stated that normative commitment is formed on the basis of a collection of pressures that individuals feel from family and culture during their early socialization and during their socialization as newcomers to the organization. It has been hypothesized that normative commitment develops on the basis of a "psychological contract" between the employee and the organization (Meyer & Allen, 1997). Psychological contract is the mutual obligation between the employee and employer; this relation can be explicit (e.g., pay) or implicit (e.g., favors) in nature (Anderson & Schalk, 1998). The relationship is characterized by the employer managing the

career development and employee well-being. In return for this sense of security and well-being, the employee continues to work hard and remain loyal to the employer (Anderson & Schalk, 1998). Many reviews report consistent negative correlations between affective and normative commitment, however, not for continuance commitment. Most of the correlations are stronger for affective commitment and turnover intention.

2.6 Turnover

Reducing turnover in merged organizations is essential for productivity and to maintain a stable corporate image and reputation. Employee turnover has been a popular topic among behavioral and management researchers for decades (Shaw, Delery, Jenkins Jr., & Gupta, 1998).

Turnover consequences high cost for organizations. Excessive turnover can have significant direct and indirect costs for corporations when they are required to recruit, train, and socialize new staff (Lee & Mitchell, 1994; Mitchell, Holtom, Lee, Sablynski, & Erez, 2001).

Turnover intention is the employee's general tendency to leave the organization and refers to the individual's own estimated probability (subjective) that he or she will permanently leave the organization at some point in the near future (Jaros, 1997).

Research on employee turnover is largely concerned with employees who leave an organization voluntarily. Mobley (1982; 10) defines voluntary turnover as "a cessation of membership in an organization by an individual who receives monetary compensation for participating in the organization".

Starting with March and Simon's (1958) pioneering work, research interest in the causes of individual level turnover attempted to develop models that link several organizational, environmental, individual, and process variables to turnover. Now there exists an abundance of such models. Researchers (e.g., Lee & Mitchell, 1994; Porter & Steers, 1973) have examined the possible determinants of turnover from three perspectives: (a) external correlates, such as unemployment rates and union presence; (b) work-related attitudes, such as pay and overall job satisfaction; and (c) personal characteristics such as age, gender, education, and marital status. The strength and direction of the relationship between the determinants and turnover varied depending on the individual variables and studies (Liou, 1998).

Shore and Martin (1989) noted that voluntary turnover is linked to turnover intentions. That is, turnover intentions have been stated as an appropriate dependent variable to actual turnover. Hom and Hulin (1981) reported a correlation of 0.71 between these two variables.

This study assesses turnover intention for two reasons. First, one important commonality among affective, normative, and continuance commitments is the notion that each component has an influence on an employee's decision to leave their organization (Jaros, 1997) especially after a merger. Second, while it is generally known that the rate of voluntary turnover increases after Merger & Acquisitions because of employees leave for relatively stable organizations, (Cartwright & Cooper, 1993a).

2.7 Empirical Findings

Empirical studies conducted on organizational commitment represent a collection of findings with respect to consequences such as feelings of belonging and attachment, goal and direction, and longer tenure at an individual level of analysis (Mowday et al., 1982). At the organizational level of analysis, employee commitment results in increased effort on the job, higher performance, and reduced absenteeism and turnover (Mowday et al., 1982). Although there is a clear correlation between organizational commitment and turnover, studies have illustrated that the relationship is affected by several cognition and behavioral intentions, such as thoughts of quitting and intent to search for alternative employment (Tett & Meyer, 1993). There is even a higher correlation between turnover intentions and organizational commitment than turnover itself (Shore & Martin, 1989). Various aspects of the work environment may instigate withdrawal cognitions (i.e., thoughts of leaving, intent to search, intent to quit) and decision processes that may be linked to the employee's likelihood of turnover (Tett & Meyer, 1993). Empirically, researchers, such as Whitener and Walz (1993) used structural equation modeling to explore the independent relationship between affective and continuance on intention to quit. The finding indicated that affective commitment had a significant negative impact on intention to quit; however, continuance commitment had no influence Meyer, Allen and Smith (1993) performed regression analysis using the Allen and Meyer (1990) scales and revealed that affective commitment had a strong negative effect on intent to leave the organization ($p < .01$) while normative commitment had a weaker but significant effect ($p < .05$). Continuance commitment had no significant effect on intent to leave. Somers' (1995) study collaborated Meyer et al. (1990) findings.

Many reviews report consistent negative correlations between affective and normative commitment, however, not for continuance commitment. Most of the correlations are stronger for affective commitment and turnover intention.

2.8 Conceptual Framework and Hypothesis

Satisfaction with a merger and affective commitment

Considerable research attention has been given to the development of affective commitment. The primary process in the development of affective commitment is the fulfillment of personal needs. The notion here is that employees will develop 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, identify with, and become involved in the organization when the three mentioned conditions are perceived by the employee to be met by the organization. In a merger context, affective commitment will develop when employees' experiences are fulfilling or rewarding. Thus, employees who are satisfied with the merger will perceive the post-merger experience as a positive one and will desire to continue membership with the organization because they *want* to (Meyer & Allen, 1991) and will therefore, report a higher level of affective commitment than employees who are dissatisfied with the merger. Therefore, hypothesizing that:

H1: Satisfaction with the merger is positively related to affective commitment.

Satisfaction with a merger and normative commitment

Normative commitment develops on the following three bases: (a) through a socialization experience (i.e., employees learn and internalize what is of value to their organizations and the appropriateness of being loyal to their organization); (b) when organizations invest in employees in a manner that makes it difficult for the employees to reciprocate (e.g., employing a family member or providing tuition payments); and (c) with the development of a psychological contract between employee and employer (Meyer & Allen, 1997). Satisfied employees would not perceive that their psychological contract as been violated by the merger and, therefore would report a higher level of normative commitment than employees who are dissatisfied. Hence, hypothesizing that:

H2: Satisfaction with the merger is positively related to normative commitment.

Satisfaction with a merger and continuance commitment

Existing research suggests that strong continuance commitment develops on the basis of investments and lack of alternatives (Meyer & Allen, 1997). With respect to the development of continuance commitment, neither investments nor alternatives would have an effect on continuance commitment unless or until the employees are aware of them or their implications (Meyer & Allen, 1997). Unlike affective and normative commitments that reflect a global attitude, continuance commitment is more local to specific needs, situations or desires. Consequently, continuance commitment levels in employees would not increase or decrease due to their satisfaction with the merger. Thus, the researcher will not propose a direct link between satisfaction with a merger and continuance commitment.

Satisfaction with a merger and turnover intentions

Researchers have studied employee response to major restructurings such as mergers (e.g., Buono & Bowditch, 1989; Cartwright & Cooper, 1992; Schweiger, Ivancevich, & Power, 1987). Their findings have stressed the negative effects these restructurings have had on employees' intentions to remain with their organization. Satisfied employees would not contemplate leaving the organization as a result and would wish to remain with the new organization. Consequently, employees who have gone through a merger are likely to think of leaving the organization if they perceive the post-merger experience negatively. Therefore;

H3: Satisfaction with the merger is negatively related to turnover intent.

Affective and normative commitment and turnover intentions

Researchers such as Allen and Meyer (1990), and Meyer et al. (1993) found that affective commitment and normative commitment had inverse relationships with intention to leave the organization, while continuance commitment had no effect. Moreover, Somers (1995) used regression to examine the relationships between affective, normative, and continuance commitments and one facet of turnover intentions, intent to remain. He found that affective and normative commitments were significant predictors, but continuance commitment did not contribute to the prediction of turnover. Herscovitch and Meyer (2002) argue that employees who want to remain out of desire (affective commitment) are likely to attend work regularly,

perform tasks to the best of their ability, and take more discretionary acts. Also, employees who remain out of obligation (normative commitment) may do the same, if they see it as a part of their tasks or as a means of reciprocating for benefits received, which in turn reduces their intentions to leave the organization. Thus, the following two hypotheses are proposed,

H4: Affective commitment is inversely related to turnover intention

H5: Normative commitment is inversely related to turnover intention

Continuance commitment and turnover intentions

Prior research findings for continuance commitment report mixed results. In the Meyer et al. (1993) study, continuance commitment had no significant effect on intent to quit. Somers (1995) found that continuance commitment did not predict intention to leave. In addition, Whitener and Walz (1993) supported the findings of Meyer et al. (1993). On the contrary, Hackett et al. (1994) found that continuance commitment had a significant and negative correlation with intention to quit. However, employees would remain with their organization mainly to avoid costs. Moreover, while research on continuance commitment is inconclusive about the relationship between continuance commitment and turnover intentions, this researcher would take a positivist approach, and would hypothesize that continuance commitment will impact turnover negatively. Hence the following hypothesis is suggested

H6: Continuance commitment is inversely correlated with turnover intentions.

Based on the existing theories and ideas in the literature, the research formulated an inclusive research framework (**Figure 2.1**).

This framework illustrates the interaction between the independent variable, mediate variables and the dependent variable.

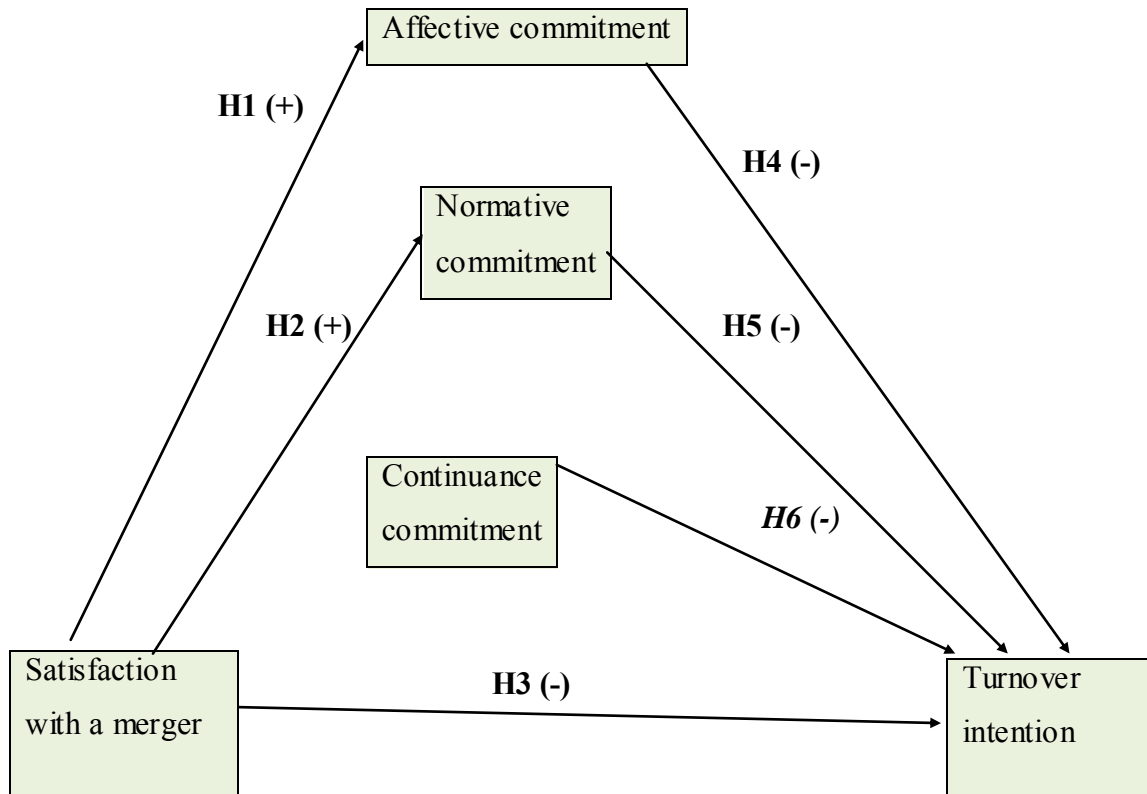


Figure 2.1 Proposed research theoretical model / the conceptual framework

Chapter three

3. Research Methodology

This chapter discusses the processes and techniques that were used in carrying out the study. It also gives a description of the respondents including information on the study population, the number of respondents and how they were selected. It also provides an outline of research design and the instruments for data collection. The methods adopted in the administration of the research instrument, data collection procedure, data analysis and measures used to ensure validity of the instrument used. A research methodology is „a model which entails theoretical principles as well as a framework that provides guidelines about how research is done in the context of a particular paradigm“ (Sarantakos, 1998; 32).

3.1 Research Design

The purpose of this study is to assess the relations between employee post-merger satisfaction and organizational commitment and turnover intentions using CBB employees. There are three approaches that inform the gathering of data in any research, namely the quantitative approach, the qualitative approach, and mixed methods approach (Tashakkori and Teddlie, 1998; Creswell and Plano Clark, 2007). This study utilized a quantitative method by using a primary data source. Quantitative approach uses statistical methods in describing patterns of behavior and generalizing findings from samples to population of interest, and employs strategies of inquiry such as experiments and surveys (Creswell 2003).

Survey questionnaires designed and issued to the study group to gather factors that are most important to investigate post merger satisfaction and organizational commitment. .

3.2 Sampling Design and technique

The total number of CBB employees at Addis Ababa under four district was 463 and; of which 137, 119, 67 and 140 employees was located at North, South, East and West district office respectively. Stratified random sampling method was used to select samples from total population. In stratified random sampling, the strata are formed based on members' shared attributes or characteristics. In our case the four district offices are used as a stratum. A random

sample from each stratum (district) is taken in a number proportional to the stratum's size when compared to the population. Samples will represent the total population 463.

The sample size is calculated based on Yamane's formula (Yamane, 1967).

Where,

n = the sample size

N = the size of population

E = the error of 5 percentage points.

$$n = \frac{N}{1 + N e^2}$$

$$n = \frac{463}{1 + 463 * (0.05)^2}$$

$$n = 214.600$$

n = approximately 215 sample taken for the study.

District	No of employees	Samples taken using stratified sampling technique	
West	140	= (215/463) * 140	65
North	137	= (215/463) * 137	64
South	119	= (215/463) * 119	55
East	67	= (215/463) * 67	31
Total	463	215	215

Table. 3.1 Sample size calculation using stratified random sampling technique

3.3 Data Collection Method

Initial contact regarding the study was made with the Vice President of Human Resources of CBE. The purpose and the benefits of the study were discussed and proposal was submitted. The

proposal stated the purpose and benefits of the study, and contained samples of the scales used to measure satisfaction with the merger, organizational commitment, and turnover intentions. Structured survey questionnaires were used to collect data from primary sources. Sufficient copies of the survey questionnaires were distributed to the selected branches and collected. The purpose of the study was clearly communicated to the respondents to mitigate the risk of biasness among population of the study. The researcher covered all costs associated. The researcher reviewed secondary sources of the organization including complete project exit report to gather further information.

3.4 Description of instrument

The questionnaire included the Satisfaction with a Merger scale (adapted from Buono et al., 1988), The Three-Component Model of Commitment scale, the revised version (Meyer et al., 1993), Turnover Intention scale (Jaros, 1997), and the General Job Satisfaction scale (JDS, Hackman & Oldham, 1975), which was used for theoretical reasons and background information.

3.4.1 Satisfaction with merger scale.

The Satisfaction with Merger Questionnaire was developed by Buono et al. (1988). The scale consists of 10 items that assessed the employees' global perceptions regarding merger-related issues, including satisfaction. Covin et al. (1996) adopted four items from the merger scale mentioned above. This study utilizes the four items used in the Covin et al. (1996) study to assess satisfaction with the merger and its impact on organizational commitment and turnover intentions. This scale is used because it measures the construct "satisfaction with a merger." The Buono et al. (1998) scale measured other dimensions, such as organizational culture.

3.4.2 Organizational commitment scale.

Affective, normative, and continuance commitment were measured using the Three-Component Model of Commitment scale developed by Meyer and Allen (1991). The Meyer et al. (1993) revised version was used. The scale consists of 18 items, and responses to the items were made on a seven-point scale with anchors labeled 1 for strongly disagree and 7 for strongly agree. This scale has been used in the field and has reliabilities, assessed using Cronbach alphas, across many studies of 0.85 for affective commitment, 0.73 for normative commitment, and 0.79 for

continuance commitment (Allen & Meyer, 1996). Overall, there is some evidence regarding construct validity of the three measures (Allen & Meyer, 1996; Meyer & Allen, 1997).

3.4.3 Turnover intention scale.

Turnover intentions were assessed using three items from Jaros (1997). In previous studies, Cronbach alpha coefficients have exceeded 0.80. The three items in the survey measured the employee's tendency to continue as an organization member (Jaros, 1997). Each item was represented with a seven-point Likert response scale, which was labeled 1 for strongly disagree and 7 for strongly agree.

3.4.4 General Job satisfaction scale.

Hackman and Oldham's (1975) General Job Satisfaction is part of the Job Diagnostic Survey (JDS). It assessed the employees' overall satisfaction before the merger. This scale is an overall measure of the degree to which the employees are satisfied and happy with their jobs. The measure comprised five items; with seven-point responses from strongly disagree to strongly agree. The reliability coefficients in previous studies exceeded 0.76.

3.5 Data Analysis Technique

This study utilized a quantitative method with a cross-sectional survey design. As a result, inferences made about employees' satisfaction with a merger and the impact it has on their commitment to their employing organization as well as their turnover intentions.

Descriptive statistics used to describe the sample. Frequencies, means, and standard deviations will be calculated for each demographic variable and model constructs. Structural Equation modeling (SEM) will be used to evaluate the effects of merger satisfaction on organizational commitment and intent to turnover

3.5.1 Structural Equation Modeling (SEM)

The data were analyzed using Structural Equation Modeling (SEM). SEM is a technique which uses various types of models to depict relationships among observed variables with the goal of testing a theoretical model hypothesized by a researcher. This allows various theoretical models to be tested in SEM to understand how sets of variables define constructs and how these constructs are related to each other (Schumacker and Lomax, 2004). The early development of

SEM are derived from the work of Karl Jöreskog and his associates and regarded as one of the most important and influential statistical revolutions (Cliff, 1983). SEM was adopted in this study for four reasons. First, SEM is able to estimate and test the relationships among constructs. Second, SEM is capable of assessing and correcting for measurement error. Ignoring measurement error could lead to bias in estimating parameters (Stage, 1988). Third, SEM allows for the use of multiple measures to represent constructs. Fourth, SEM takes a confirmatory, rather than an exploratory, approach to the data analysis (Byrne, 2001; Schumacker and Lomax, 2004). Analyses were run using the Analysis of Moment Structures (AMOS) software program. In SEM, there are two main types of variables: *latent variables* and *observed variables*. Latent variables are variables that cannot be measured or observed directly but inferred from measured variables. They are also known as factors, constructs or unobserved variables. Example of latent variables in this study is turnover intention. Observed variables are a set of variables that are used to define or infer the latent variables. They are also known as measured variables, indicators or manifest variables. Examples of observed variables in this study are satisfaction with merger, affective, normative and continuance components of commitment. In addition, latent variables can be classified as either *exogenous variables* or *endogenous variables*. An exogenous variable is a variable that is not influenced by any other variable in the model. An endogenous variable is a variable that is influenced by another variable in the model. In this study, there is one exogenous variable (satisfaction with merger) and four endogenous variables (affective commitment, normative commitment, continuance commitment and turnover intention). As recommended by Jöreskog (1993), Castaneda (1993), and Anderson and Gerbing (1988), a two-step structural equation modelling procedure was employed in estimating parameters: a measurement model followed by a structural model. The measurement model, which is a confirmatory factor analysis, specified the relationships between observed variables and latent variables. It provided an assessment of reliability and validity of observed variables for each latent variable. The structural model specified the relationships among latent variables (Schumacker and Lomax, 2004). SEM begins with the specification of a model to be estimated. A model is a statistical statement about the relations among variables. Models are specified based on a theory or prior research. Model specification is probably the most important and difficult steps because a misspecified model may result in biased parameter estimates (Cooley, 1978; Byrne, 2001). In this study, the model is based on Tinto's theory and shown in There are two types of relationships among variables: directional and

nondirectional. Directional relationships represent hypothesized linear directional influences of one variable on another. Non-directional relationships represent hypothesized correlational associations between variables (MacCallum, 1995). After specifying and identifying a model, the next step is to estimate model

Parameters. The parameters of SEM are regression coefficients and variance/covariances of exogenous variables. The most commonly used estimation approaches are: Maximum Likelihood (ML). ML is the most commonly used approach in SEM. It assumes multivariate normality. However, it has been found that ML estimates are quite robust to the violation of normality (Browne, 1982; Anderson and Gerbing, 1984; Muthen and Kaplan, 1985, 1992; Chou, Bentler, and Satorra, 1991; Hu, Bentler, and Kano, 1992; Hoyle, 1995; Mueller, 1997). Therefore, the ML was used to estimate parameters in the model in this study. Once model parameters are obtained, the next step is to test how well the data fit the model. If the fit is good, then the specified model is supported by the sample data, while if the fit is poor, then the model needs to be re-specified to achieve a better fit. Maximum likelihood (ML) is (an iterative procedure) attempts to maximize the likelihood that obtained values of the criterion variable will be correctly predicted. Two procedures were used to test the fit of the model: the fit of individual parameters and the fit of the entire model. To test the fit of the individual parameters, two steps were used. The first step was to determine the feasibility of their estimates values. The assessment focused on whether their estimates values are in the admissible range or not. These include negative variance, correlation exceeding one, and non-positive definite correlation matrix (Byrne, 2001). None of these problems were found. The second step in assessing the fit of individual parameters was to test their statistical significances. Parameters are considered statistically significant when their t-values ≥ 1.96 at a level of $\alpha = 0.05$. Therefore, non significant parameters should be deleted from the model (Holmes-Smith, 2001).

In evaluating the fit of the model, The AMOS program provides a number of fit indices. However, this study used the following major indices as recommended by Byrne (1998). These were Goodness-of-Fit index (GFI) and Adjusted Goodness-of-Fit Index (AGFI).

Chapter four

4. Data analysis and interpretation

4.1 Introduction

In this chapter the results of the study are presented. Demographic data describing the sample are provided. The remaining analyses are separated into two parts. First, the results of the analyses related to the measurement model are presented and second, the results of analyses related to the hypotheses and research questions are offered.

The data were normally distributed. All data analyses were performed using the Statistical Package for the Social Sciences (SPSS) and Analysis of Moment Structure (AMOS) software packages.

4.2 Demographic characteristics of respondents

As shown in table 4.1 below, 127 respondents were male which represent 59.1 % of the total respondents, while the 88 were females which are 40.9 of the total respondents. Considering the age groups of the respondents, the higher number of respondents was in the age of less than 30 years, which represent 79.1%, followed by age group between 30 and 40 years, between 40 to 50 years, which represent 18.1%, and 2.8% respectively. According to table 4.1 , the higher number of the respondents were employed representing majority of the respondents with 92.6 % of the total response were degree qualified while 5.5% were masters degree holder and remaining 1.9% were diploma holders. Considering experience the majority of the respondents 84.2 % were 1-5 years. 5-10 years, 10-15 years and more than 15 years represent 13%, 1.9%, and 0.9 % respectively. For the last variable the higher number of respondents 78.1 % of total responses were replied they did not promoted after merger while 21.9 % of respondents confirm they do promoted after merger.

Variable	Category	frequency	percent
Gender	Male	127	59.1 %
	Female	88	40.9 %
Age	Less than 30	170	79.1 %

	30-40	39	18.1 %
	40-50	6	2.8 %
	50-60	Nil	nil
Qualification	Diploma	4	1.9 %
	Degree	199	92.6 %
	Masters degree	12	5.5 %
	PhD.	Nil	nil
Experience	1-5 years	181	84.2 %
	5-10 years	28	13.0 %
	10-15 years	4	1.9 %
	More than 15 years	2	.9 %
Promotion	Yes	47	21.9 %
	no	168	78.1 %

Source: Analysis of Survey data 2017, using SPSS 20

Table 4.1 Demographic characteristics of respondents

The following descriptive result was obtained as presented in the table below regarding the exogenous and endogenous variables of the survey.

4.3 Satisfaction with a merger

This study utilizes four items questioner used in the Covin et al. (1996) study to assess satisfaction with the merger. Satisfaction with a merger measured using a seven-point scale ranging from 1 (Strongly Disagree) to 7 (Strongly Agree). When asked all things considered, the merger between CBB and CBE should not have taken place 27.9% of the respondents disagreed and when asked there is a lot of friction between former CBB and CBE employees 17.7 % were strongly disagreed. In addition when they were further asked CBB has been strengthened by the merger with CBE 21.4 % of respondents agreed. As for the question that the majority of the employees have come to accept the merger between CBB and CBE as a good idea 25.1 % of the respondents agreed.

	Statement to evaluate	Rating point							Remark
		1	2	3	4	5	6	7	
Satisfaction with a merge									
SWM	All things considered, the merger between CBB and CBE should not have taken place	14.4%	27.9%	14.0%	17.7%	8.4%	10.7%	7.0%	Disagree
SWM	There is a lot of friction between former CBB and CBE employees	17.7%	14.4%	11.6%	16.7%	14.0%	17.2%	8.4%	Strongly disagree
SWM	CBB has been strengthened by the merger with CBE	11.2%	14.2%	8.4%	14.0%	16.7%	21.4%	14.0%	Agree
SWM	A majority of the employees have come to accept the merger between CBB and CBE as a good idea	13.5%	10.2%	7.4%	17.2%	17.2%	25.1%	9.3%	Agree

Source: Analysis of Survey data 2017, using SPSS 20

Table. 4.2 Summary of Survey Findings for satisfaction with a merger

4.4 Affective Commitment

This study utilizes Three-Component Model of Commitment scale developed by Meyer and Allen (1991) to assess Affective, normative, and continuance commitment. The scale consists of 18 items, and responses to the items were measured using a seven-point scale with anchors labeled 1 for (Strongly Disagree) and 7 for (Strongly Agree). When asked they would be very happy to spend the rest of their career with their present organization (CBE) 21.4% of the respondents strongly disagree and when asked they really feel as if their present organization's problems are their own 19.5 % were agree. In addition when they were further asked they do not feel like "part of the family" at their present organization 28.4 % of respondents strongly disagreed. As for the question they do not feel "emotionally attached" to their present organization 25.6 % of the respondents disagreed. And 24.7 % neither disagreed nor agreed that their present organization has a great deal of personal meaning to them. Also from the total respondents 25.6% disagreed they do not feel a strong sense of belonging to their present organization.

	Statement to evaluate	Rating point							Remark
		1	2	3	4	5	6	7	
Affective Commitment									
AC	I would be very happy to spend the rest of my career with my present organization (CBE)	21.4%	20.5%	6.5%	14.0%	12.1%	13.0%	12.6%	Strongly Disagree
AC	I really feel as if my present organization's problems are my own	13.0%	19.1%	10.2%	17.2%	10.2%	19.5%	10.7%	Agree
AC	I do not feel like "part of the family" at my present organization	28.4%	16.0%	11.2%	14.0%	9.3%	2.8%	8.4%	Strongly disagree

AC	I do not feel “emotionally attached” to my present organization	14.4%	25.6%	19.5%	15.8%	8.8%	7.4%	8.4%	Disagree
AC	My present organization has a great deal of personal meaning to me	7.4%	16.3%	14.9%	24.7%	8.4%	11.2%	17.2%	Neither disagree Nor agree
AC	I do not feel a strong sense of belonging to my present organization	20%	25.6%	12.6%	21.4%	9.3%	5.6%	5.6%	Disagree

Source: Analysis of Survey data 2017, using SPSS 20

Table. 4.3 Summary of Survey Findings for affective commitment

4.5 Normative Commitment

When asked they do not feel any obligation to remain with their current employer 21.4% of the respondents disagreed and when asked Even if it were to their advantage, they do not feel it would be right to leave their present organization now 25.6 % were disagreed. In addition when they were further asked they would feel guilty if they left their present organization now 33.5 % of respondents strongly disagreed. As for the question their present organization deserves their loyalty 23.7 % of the respondents neither disagreed nor agreed. And 21.9 % disagreed that they would not leave their present organization right now because they have a sense of obligation to the people in it. Also from the total respondents 25.1% neither disagreed nor agreed they owe a great deal to their present organization

	Statement to evaluate	Rating point							Remark
		1	2	3	4	5	6	7	
Normative Commitment									
NC	I do not feel any obligation to remain with my current employer	11.6%	21.4%	10.2%	12.1%	17.7%	20.5%	6.5%	Disagree
NC	Even if it were to my advantage, I do not feel it would be right to leave my present organization now	16.7%	25.6%	11.2%	16.3%	14.9%	6.5%	8.8%	Disagree
NC	I would feel guilty if I left my present organization now	33.5%	20.5%	10.2%	14.9%	11.2%	4.7%	5.1%	Strongly disagree
NC	My present organization deserves my loyalty	11.2%	7.4%	7.4%	23.7%	14.0%	13.0%	23.3%	Neither disagree nor agree
NC	I would not leave my present organization right now because I have a sense of obligation to the people in it	14.9%	21.9%	6.5%	18.6%	13.0%	13.5%	11.6%	Disagree
NC	I owe a great deal to my present organization	9.8%	13.0%	5.6%	25.1%	14.0%	18.1%	14.4%	Neither disagree nor agree

Source: Analysis of Survey data 2017, using SPSS 20

Table. 4.4 Summary of Survey Findings for normative commitment

4.6 Continuance Commitment

When asked if It would be very hard for them to leave their present organization right now, even if they wanted to 21.9% of the respondents disagreed and when asked Too much of their life would be disrupted if they decided they want to leave their present organization right now 28.4 % were strongly disagreed. In addition when they were further asked Right now, staying with their present organization is a matter of necessity as much as desire 18.1 % of respondents slightly agreed. As for the question they believe that they have too few options to consider leaving their present organization 21.4 % of the respondents agreed. And 24.2 % agreed that one of the few negative consequences of leaving their present organization will be the scarcity of available alternatives. Also from the total respondents 21.9% agreed If they had not already put so much of themselves into their present organization, they might consider working elsewhere.

	Statement to evaluate	Rating point							Remark
		1	2	3	4	5	6	7	
Continuance Commitment									
CC	It would be very hard for me to leave my present organization right now, even if I wanted to	18.6%	21.9%	10.2%	15.8%	11.6%	8.4%	13.5%	Disagree
CC	Too much of my life would be disrupted if I decided I want to leave my present organization right now	28.4%	24.2%	12.1%	13.0%	13.0%	5.6%	3.7%	Strongly disagree
CC	Right now, staying with my present organization is a matter of necessity as much as desire	14.4%	15.8%	14.4%	16.7%	18.1%	13.0%	7.4%	Slightly agree

CC	I believe that I have too few options to consider leaving my present organization	15.8%	16.7%	7.4%	12.1%	12.1%	21.4%	14.4%	Agree
CC	One of the few negative consequences of leaving my present organization will be the scarcity of available alternatives	16.2%	14.0%	11.2%	14.0%	10.2%	24.2%	10.2%	Agree
CC	If I had not already put so much of myself into my present organization, I might consider working elsewhere	9.3%	14.9%	9.3%	20.0%	11.2%	21.9%	13.5%	Agree

Source: Analysis of Survey data 2017, using SPSS 20

Table. 4.5 Summary of Survey Findings for continuance commitment

4.7 Turnover intention

This study utilizes three items from Jaros (1997), The three items in the survey measured the employee’s tendency to continue as an organization member (Jaros, 1997). The responses to the items were measured using a seven-point scale with anchors labeled 1 for (Strongly Disagree) and 7 for (Strongly Agree). When asked whether they often think about quitting their present organization 20.0 % of the respondents agreed and when asked they would likely search for a position with another employer 27.0 % were agreed. In addition when they were further asked It is likely that they will leave their present organization in the next year 26 % of respondents neither disagreed nor agreed

	Statement to evaluate	Rating point							Remark
		1	2	3	4	5	6	7	
Turnover Intention									
TI	I often think about quitting my present organization	15.8%	12.1%	9.3%	10.7%	14.0%	20.0%	18.1%	Agree
TI	I would likely search for a position with another employer	11.6%	13%	5.6%	14.0%	11.2%	27.0%	17.7%	Agree
TI	It is likely that I will leave my present organization in the next year	18.1%	16.7%	6.5%	26.0%	8.4%	14.0%	10.2%	Neither disagree nor agree

Source: Analysis of Survey data 2017, using SPSS 20

Table. 4.6 Summary of Survey Findings for turnover intention

4.8 Assessment of structural model

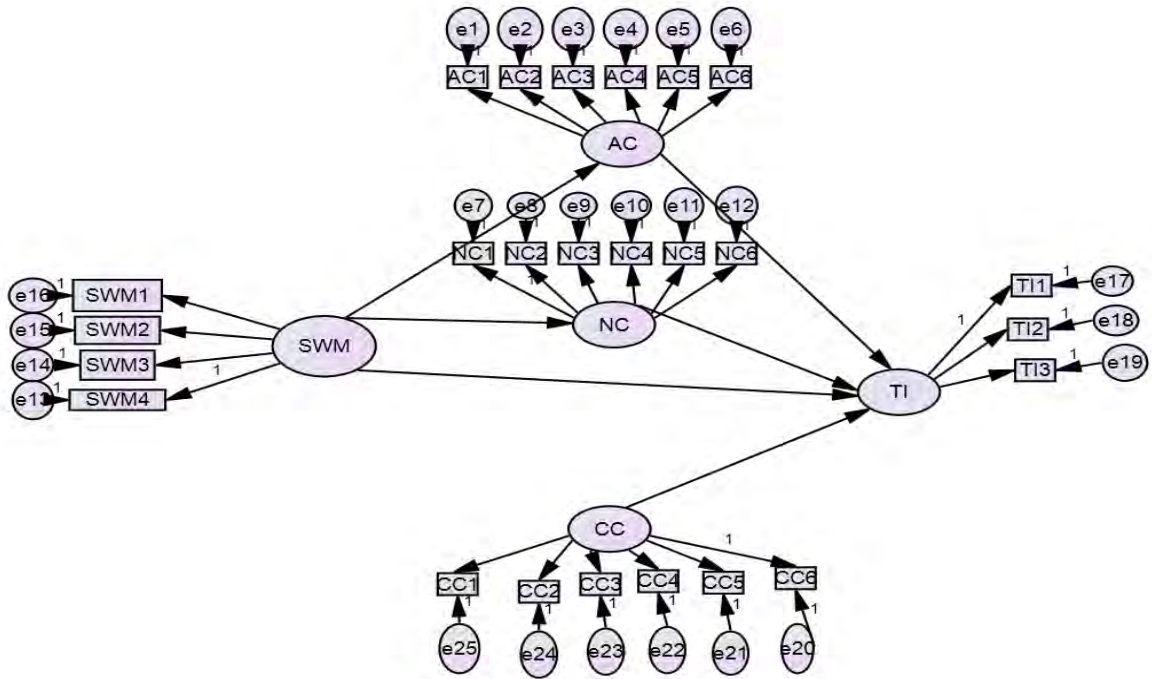


Figure 2.2 The Research Specification Model shows construct variables

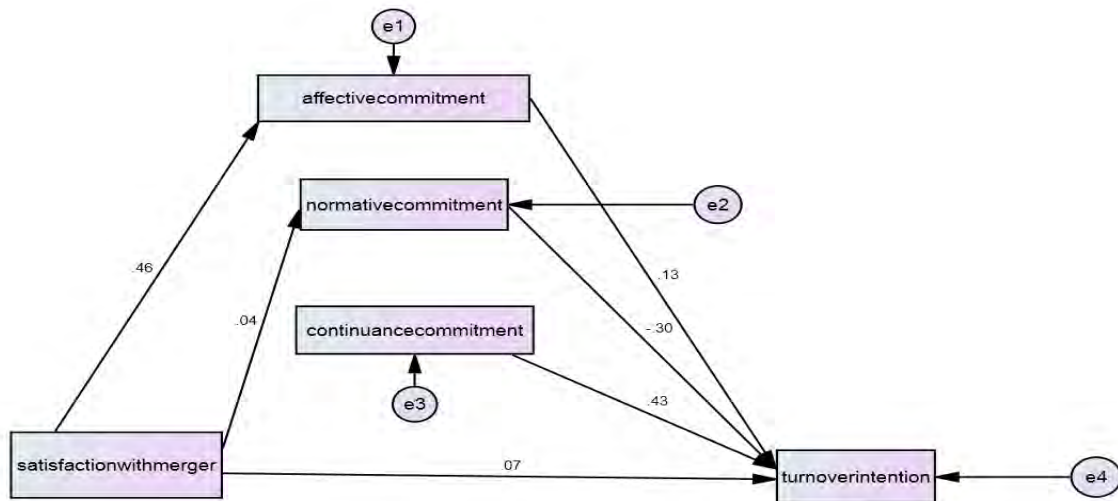


Figure 2.3 Result of Research Model

4.9 Test of hypothesis for research questions

Hypotheses	Path Coefficient β	t-value for path (C.R)
Satisfaction → Affective Commitment	0.46	7.652 ***
Satisfaction → Normative Commitment	0.04	0.600
Satisfaction → Turnover Intention	0.07	1.087
Affective Commitment → Turnover Intention	0.13	2.019
Normative Commitment → Turnover Intention	- 0.30	-5.157
Continuance Commitment → Turnover Intention	0.43	7.468

Source: Analysis of Survey data 2017, using AMOS

Table 4.7 path coefficient and t value for the research question

Path significance levels

*** P< .001

** P< .01

* P< .05

Maximum Likelihood Estimates

Standardized regression weights	Estimate
Normative commitment <--- Satisfaction with merger	.041
Affective commitment <--- Satisfaction with merger	.464
Turnover intention <--- Satisfaction with merger	.070
Turnover intention <--- Affective commitment	.131
Turnover intention <--- Normative commitment	-.296
Turnover intention <--- Continuance commitment	.428

Source: Analysis of Survey data 2017, using AMOS

Table 4.8 standardized regression weights

GFI, AGFI

Model	RMR	GFI	AGFI	PGFI
Default model	.120	.974	.903	.260
Saturated model	.000	1.000		
Independence model	.267	.836	.754	.558

Source: Analysis of Survey data 2017, using AMOS

Table 4.9 Assessment of model fit

The GFI and AGFI are similar to squared multiple correlation. They indicate the relative amount of sample variance and covariance explained by the model. The AGFI differs from the GFI in that it adjusts for the number of degree of freedom in the specified model. Both indices range from zero to one, with values exceeding .90 indicating a good fit model (Byrne, 2001). The CFI compares the fit of the hypothesized model to an independent model or null model. Its value ranges from zero to one, with values above .90 indicating a good fit (Hu and Bentler, 1999). GFI, the goodness of fit index, tells you what proportion of the variance in the sample variance-covariance matrix is accounted for by the model. This should exceed .9 for a good model. For the saturated model it will be a perfect 1. AGFI (adjusted GFI) is an alternate GFI index in which the value of the index is adjusted for the number of parameters in the model. The fewer the number of parameters in the model relative to the number of data points (variances and co-variances in the sample variance-covariance matrix), the closer the AGFI will be to the GFI.

Chapter five

5. Conclusion and Recommendation

5.1 Summary of major findings

Hypothesis 1 proposed that there is a significant positive relationship between satisfaction with the merger and affective commitment. The results of the AMOS analysis indicated that satisfaction with a merger did predict a significant positive relationship with affective commitment ($t = 7.652, p < .001$). This indicates that employees who reported a high satisfaction with the merger score reported a high affective commitment score or employees dissatisfied with the merger reported low affective commitment. Consequently, Hypothesis 1 was supported.

Hypothesis 2 proposed that satisfaction with the merger would be positively related to normative commitment. The analysis provided support for a significant positive relationship between satisfaction with a merger and normative commitment ($t = .600, p < .05$). Here the implication is that the more satisfied employees are, the higher their level of obligation to remain with the organization. Hypothesis 2 also supported.

Hypothesis 3 stated that satisfaction with the merger would be negatively related to turnover intent. This hypothesis was not confirmed ($t = 1.087, p > .05$).

Hypothesis 4 proposed that affective commitment would be inversely correlated with turnover intentions and Hypothesis 5 proposed that normative commitment would be inversely correlated with turnover intentions. The t-values of 2.019 at $p < .05$ and -5.157 at $p < .05$, hypothesis 4 was not confirmed but hypothesis 5 was supported.

While Hypothesis 6 proposed that continuance commitment would inversely correlate with turnover intention, the hypothesis was not confirmed.

The hypothesized model provided partial support for the research questions. The two research questions inquire as to whether merger satisfaction had an effect on the two components of organizational commitment and turnover intentions of former CBB employees. The results show that affective and normative commitments are significantly predicted by satisfaction with a merger in this financial institution, while turnover intention was not confirmed. Affective and normative dimensions of organizational commitment appear to be important factors after a merger. Since these two forms of commitment to organizations are not mutually exclusive, each

employee can simultaneously experience the two types (Clugston, 2000) after a merger, and satisfaction or dissatisfaction with a merger could simultaneously heighten the levels of affective and normative commitments. This can have an effect on important organizational outcomes such as productivity. Regarding the effect of the three components of commitment only normative commitment effects on turnover intention supported, affective commitment and continuance commitment effect on turnover intention was not confirmed.

Hypotheses	Description	Test result
H1	Satisfaction with the merger is positively related to affective commitment.	Supported
H2	Satisfaction with the merger is positively related to normative commitment.	Supported
H3	Satisfaction with the merger is negatively related to turnover intent.	Not supported
H4	Affective commitment is negatively related to turnover intent.	Not supported
H5	Normative commitment is inversely related to turnover intention.	Supported
H6	Continuance commitment is inversely correlated with turnover intentions.	Not supported

Table 5.1 summary of Hypothesis testing

5.2 Conclusion

The condensation of this study is that employee post-merger satisfaction may be an important factor to consider after a merger. In addition commitment is arguably one of the most important factors involved in employees' support for change initiatives (Herscovitch & Meyer, 2002), such as M&A. Consequently, the most prevalent factor contributing to failed M&A's is the lack of commitment by the employees.

Primarily Affective commitment predicted it has a positive correlation with employee satisfaction. Evidence of this relationship is set forth in this study, and suggests that employee satisfaction with a merger is important in predicting employee affective commitment. Stated differently, the employees' emotional attachment, identification with, and involvement in their organization are significantly impacted because they are satisfied with the new organization. Past literature explains the finding that employees' affective commitment is enhanced when their personal needs are fulfilled (Meyer & Allen, 1997). Meyer et al. (1993) and Meyer et al. (1998) argue that affective commitment appears to be strengthened by work experiences. It can, therefore, be alleged that the relationship found between merger satisfaction and affective commitment is in large part a result of the employee work experiences after the merger. Employees' experiences within the new organization may be consistent with their expectations after the merger, and therefore developed a stronger emotional attachment to the new organization than those whose experience was less satisfying. Furthermore, employees who believed in the value and the importance of the change (Topolnytsky & Meyer, 2002), in this case the merger (for example, the employees may believe that the new organization provides them with a conducive environment to achieve their goals), identified with the organization, and became more involved in the organization. Therefore one may conclude that being satisfied with the merger increases the employees' level of affective commitment and being dissatisfied decreases their level of affective commitment.

Satisfaction with a merger demonstrates a significant positive relationship with normative commitment. The implication here is that employee satisfaction with the merger appears to be associated with the obligation the employees feel to remain with the new organization. Normative commitment is impacted after a merger when the employees experience either negative or positive socialization processes. Through a process of conditioning, where behaviors

are rewarded by management, or modeling, through observation and imitation of upper management (e.g., the CEO), the employees internalize and learn what is expected of them by their new organization. Employees who are satisfied with the merger may believe it is appropriate to be loyal to the new organization.

After the merger the organization may have provided the employees with significant investments, such as training and tuition reimbursements. These kinds of investments will create an imbalance between the employee/organization relationships, which may cause the employees to feel as though they should reciprocate to eliminate their debt to the new organization.

Another implication of satisfaction with a merger is the effect it has on the employee psychological contract. For example, it is possible that employees view the provision of benefits that the new organization provides as part of the employer's obligation within their psychological contract (Rousseau, 1995). When this contract is perceived to be fulfilled, it creates an obligation on the part of the employee to reciprocate. Employees' attempts to fulfill their part of the contract may be one of the manifestations of normative commitment.

The findings that employee satisfaction with a merger had a significant positive impact on affective and normative commitments, and that normative commitment have significant negative impacts on turnover intentions, implies that CBE can do well by focusing on these two kinds of commitments. For example, organizational leaders can incorporate procedures in their human-resource management (HRM) practices, such as evaluations of career development practices. Meyer and Smith (2000) reported that of the HRM functions examined evaluations for career development practices were best predictors of affective and normative commitments.

Organizations that take an active role in helping employees to prepare them for advancement in the organization, and do so in a way that creates a perception of support, may foster a stronger bond to the organization among employees than those that do not. If management increases affective and normative commitments, there will be a reduction in, voluntary turnover as a result of focusing on work experiences that communicate that the new organization is committed to, and supportive of, its employees, and develops their sense of personal competence (Meyer & Allen, 1991; Meyer & Smith, 2000).

5.3 Recommendation

Based on the above findings, the following suggestions are pointed to improve post merger employee satisfaction to enhance affective and normative commitments of employee's.

The research findings may have some practical implications for the management of CBE. This research suggests that employee post-merger satisfaction seems to be strongly associated with affective and normative commitments. Consequently, by understanding the importance of post-merger satisfaction, management can take a variety of actions that may help create synergy, maintain competitiveness, and, above all, ensure merger success.

Understanding organizational commitment and turnover intentions in a post-merger restructured environment of CBB can have benefits for both employees and their employing organization CBE and also it is one of the avenues to ensure merger success. CBE should provide its new employees the opportunity to undertake important and challenging work, to learn new skills, to develop as a person, and to meet and interact with people could lead to the development of commitment, namely affective commitment, and in turn, the employees will exert extra effort on the behalf of the organization. This leads to important organizational outcomes such as productivity, organizational citizenship behaviors, and creativity, which are all critical factors for organizational competitiveness, employee retention, synergy creation, and effectiveness. A major implication of weak commitment, especially affective commitment, is turnover intentions (Meyer & Allen, 1997; Jaros, 1997); which leads to turnover, which is detrimental to the health of the new organization.

Another important area that may be considered by CBE that is contemplating a merger with CBB is recognizing former CBB employee's contributions to their new organization's goals and values.

After the merger CBE should provide to former CBB employees significant investments, such as training, tuition reimbursements and sponsorship. Employees view the provision of benefits that CBE provides to them as part of the employer's obligation within their psychological contract, which may cause the employees to feel as though they should reciprocate to eliminate their debt to the CBE. Employees' attempts to fulfill their part of the contract will significant to increase their normative commitment.

Normative commitment is believed to develop on the basis of pre-socialization and post-socialization entry experiences. So CBE should provide training or communicating appropriate behaviors that are promoting the former CBB employees' obligation to reciprocate and, therefore, diminishing their intent to leave the new organization.

Finally, CBE will be benefited with the merger of CBB if management ensures that organizational policies and procedures after a merger include assessing the needs of the former CBB employees. The recommendation suggested above shown will affect affective and normative commitments which are found significant in the study.

5.4 Directions for future study

The following are areas that could be considered for future research. Among various employee attitudes post merger employee satisfaction only focused on this study. Other factors of employee attitudes were not given much emphasis in this study, so future researchers may investigate other employee attitudes in related to the merger (engagement, organizational effectiveness, team work, etc.) Furthermore, this research was conducted on former CBB employees who are now working in Addis Ababa, Ethiopia. Further studies may also consider selecting respondents from outline areas of which former CBB employees are working, as well as incorporating additional factors in understanding post merger employee satisfaction effects on organizational commitment and turnover intention is possible.

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Appendix I

Questionnaire

ADDIS ABABA UNIVERISTY

Faculty of Business and Economics

PROGRAM OF MBA

Questionnaire for Employees of former Construction and Business Bank (CBB) employees

Dear Respondent,

The aim of this questionnaire is to examine the impact of post-merger satisfaction on organizational commitment and turnover intention. The result will help management of the organization in developing effective model that would further satisfy and enhance the performance of the organization and assist employees in fulfilling what they are requiring from their work lives in the new restructured environment. I would like to assure you that the information you provide will be used only for the Purpose of achieving academic award and the study will be kept strictly confidential. Throughout the questionnaire Commercial Bank of Ethiopia and Construction and Business Bank are stated in abbreviation as CBE and CBB.

Thank you for your participation

Best Regards,

Tewodros Demsachew

Email: teddysadez@gmail.com

Section A: Demographic Information

These questions only help me to compare the opinions of different groups of employees.

1. Gender? Male female

2. Age? Less than 30 30-40 40-50 50-60

3. level of education
 A. Diploma B. degree C. Masters degree D. PhD.

4. How long had you worked for the CBB before the merger?

A.1-5 years B. 5-10 years C.10-15 years D. more than 15 years

5. Did you receive a promotion as a result of the merger? Yes No

Section B:

Please indicate the extent of your level of agreement and disagreement with the following statement. Please write (x) your appropriate answer based on the following rating.

1= strongly disagree 2= disagree 3= slightly disagree 4= neither disagree nor agree 5= slightly agree 6 = agree 7= strongly agree

Q. No	Satisfaction with a Merger scale	Rating point						
		1	2	3	4	5	6	7
1	All things considered, the merger between CBB and CBE should not have taken place							
2	There is a lot of friction between former CBB and CBE employees							
3	CBB has been strengthened by the merger with CBE							
4	A majority of the employees have come to accept the merger between CBB and CBE as a good idea							
Affective Commitment scale								
5	I would be very happy to spend the rest of my career with my present organization (CBE)							

6	I really feel as if my present organization's problems are my own								
7	I do not feel like "part of the family" at my present organization								
8	I do not feel "emotionally attached" to my present organization								
9	My present organization has a great deal of personal meaning to me								
10	I do not feel a strong sense of belonging to my present organization								
Normative Commitment scale									
11	I do not feel any obligation to remain with my current employer								
12	Even if it were to my advantage, I do not feel it would be right to leave my present organization now								
13	I would feel guilty if I left my present organization now								
14	My present organization deserves my loyalty								
15	I would not leave my present organization right now because I have a sense of obligation to the people in it								

16	I owe a great deal to my present organization								
Continuance Commitment scale									
17	It would be very hard for me to leave my present organization right now, even if I wanted to								
18	Too much of my life would be disrupted if I decided I want to leave my present organization right now								
19	Right now, staying with my present organization is a matter of necessity as much as desire								
20	I believe that I have too few options to consider leaving my present organization								
21	One of the few negative consequences of leaving my present organization will be the scarcity of available alternatives								
22	If I had not already put so much of myself into my present organization, I might consider working elsewhere								
Turnover Intentions scale									
23	I often think about quitting my present organization								
24	I would likely search for a position with another employer								
25	It is likely that I will leave my present organization in the next								

	year								
General pre-Merger Job Satisfaction scale									
26	Generally speaking, I was satisfied with my previous job at CBB								
27	I frequently thought of quitting my previous job at CBB								
28	I was generally satisfied with the kind of work I used to do in my previous job at CBB								
29	Most people were satisfied with their previous job at CBB								
30	Most people at CBB often thought of quitting their jobs								

Thank you again,