The role of communication concerning employees in successful privatization: the case of Sanpaolo Bank's acquisition of Egypt's Bank of Alexandria

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"The Role of Communication Concerning Employees in Successful Privatization: the Case of Sanpaolo Bank’s Acquisition of Egypt’s Bank of Alexandria"

A Thesis Proposal Submitted to the Public Policy and Administration Department in partial fulfillment of the requirements of the degree of Master of Public Policy and Administration

By

Mahmoud Ahmed Mahmoud EL Agamy

Supervised by

Jennifer Bremer, Ph.D.
Public Policy and Administration Associate Professor and Chair, AUC

Laila El Baradei, Ph.D.
Professor of Public Policy and Administration, AUC

Hamid E. Ali, Ph.D.
Assistant Professor of Public Policy and Administration, AUC

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I dedicate this thesis to my parents specially my father. Without his support, patience, understanding, and most of all love, the achievement of this study would not have been done. (R.I.P, my precious, kindly and lovely father)
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This study would not have been achievable without the support of several people. I wish to express my gratitude to my supervisor, Prof. Dr. Jennifer Bremer, AUC who was in abundance cooperative and offered precious support, assistance and guidance. Deepest appreciation is also due to the members of committee, Prof. Dr. Laila El Baradei, AUC and Assoc.Prof.Dr. Hamid E.Ali, AUC devoid of whose knowledge and assistance this thesis would not be present. Special thanks also to all my graduate friends for sharing the literature and valuable support.
This research explores the role of communication in the privatization process. It presents a case study of Intesa Sanpaolo Bank’s acquisition of the Egyptian Bank of Alexandria. The challenges faced included labor retrenchment and job losses, benefit losses, and nationalization fears. The main sources for gathering the information were interviews with the managers and a survey instrument. The analysis examines employee opinions and fears and whether opinions changed as a result of the communication process during the privatization, based on data collected from senior bank officials and a survey of employees in a representative bank branch. A survey of 23 management-level employees was conducted to collect information on employee concerns and attitudes and their communication experience throughout the privatization process. The analysis found that the employees are generally satisfied with the communication process, but that managers did not convince them of privatization's value for the nation, for the bank, or for themselves. The survey showed that effective communication during privatization implementation contributed to the smooth operation of the privatized enterprise in the employees' view: those employees having positive feelings toward the culture of the incoming bank and the privatization process overall were more likely to find that the communications process addressed their fears. Good communications on the rationale for the privatization and its benefits can play an important role in improving post-privatization performance, helping employees to adapt to the new culture and to cross national cultural borders successfully. Employee concerns about their personal status after privatization were generally resolved, but employees had greater concerns about the impact on the bank. Many employees felt that the new bank’s culture was very different from their own. Most disagreed that privatization would benefit the bank or the country in the long term. These findings show that employees may be uncertain regarding the effects of the privatization on their institution and on themselves. New managers must respond to both concerns to shape employee’s perceptions of fairness and optimism within the organization. Understanding and responding to employee perceptions and opinions on the changes underway are both essential for improving employee performance in the post-privatization workplace.
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Introduction

In 1991, the privatization program was initiated in Egypt as it was a part of an economic reform. There were three approaches for implementing this reform. First, selling the shares of the State-owned enterprises (SOEs) within the local stock market. The second approach was selling the shares of strategic stakes to the foreign investors within public market. The last approach is to sell the companies to the shareholder union of employees. In addition, several firms were liquidated due to their huge obligation burdens. In 1994, the Egyptian government implemented the privatization program of the bank sector. However, there was no announcement from the Egyptian government about which bank would be merged or privatized until 2005.

There was much criticism coming from the Egyptian Parliament towards the governmental plan of selling the public banks through a framework of 8.7 billion U.S dollars of the financial sector strategy according to the ministry of investment; which had the support of many world organizations like the US Agency for International Development, the World Bank, the African Development Bank, and the International Monetary Fund.

According to the World Bank project for the Egyptian loan reform (2007), the original strategy of the privatization program was to merge the Cairo Misr bank, together within the restructuring of the new merged one, and to privatize the Bank of Alexandria. In October 2006, based on the Egyptian government plan, the Bank of Alexandria was sold to the Intesa Sanpaolo bank. However, the prime minister announced that the Misr bank and the National Bank were not going to be privatized.

In the case of Bank of Alexandria privatization, the effective communication between the employees of the two banks before and after the merger process at different levels
of authority had demonstrated the current sources of the pros and cons of the privatization process. The effective communication channels assisted the new management to avoid privatization failure. In addition, the effective communication had a positive effect on the employees’ performance. Moreover, the designing of an effective communication strategy increased the motives within the internal environment of the new privatized bank. Effective communication increased feedback in every stage: from the beginning of the merger process until the end of it and should clarify the stability of the performance of the employees in the merged bank. On the other hand, the absences of developed communication lead to countless negative results after being privatized, especially in the quality of their performance.

This thesis discusses the role of communication between employees in a successful privatization case. It provides a case study for Intesa Sanpaolo Bank acquisition of Egyptian Bank of Alexandria. It aims to define how the different cultures of the two organizations affected the communication between their employees before and after the merge. In addition, it aims to identify the extent to which the employees have adapted and cooperated together.

The Egyptian revolution of 25 January has affected the implementation of the privatization strategy for the public sector. For any future privatization, the acquiring bank and the Egyptian government should use a transparent approach to presenting information to stakeholders during the privatization process. This will assist the success of any acquisition process. The employees of the acquired company will be more motivated to achieve the vision of the new merged bank.
Research Question

This thesis aims to study acquisition case of Intesa Sanpaolo Bank for Alexandria bank. It attempts to define and evaluate the communication impact on the privatization process.

- To what extent the communication process engaged during the privatization process of Alexandria Bank was effective?

The investigative questions include:

- How effectively did the acquiring bank’s managers communicate with the bank’s public sector workforce in the transition period?

- To what extent did effective communication during privatization processes contribute to the smooth operation of the privatized enterprise?

- To what extent did communication affect the successful transition of the bank’s personnel to the new situation from the employees’ perspective?

The success of this privatization case may encourage the government to consider the privatization strategy to reform the financial sector. In addition, it might reduce the public resistance towards the privatization strategies in general.

This thesis is divided into chapters. Chapter one provides background information on the privatization process. Chapter two discusses the transformation process. Then, in chapter three, we define the problems and issues that faced by the employees, including; labor retrenchment and job losses, preservation benefits, workers’ union, and nationalization fear. Chapter four presents opinions and views cited in the literature that highlighted the importance of effective communication in the acquisition
of privatization process. Then, chapter five defines the methodologies used. Chapter six shows the data analysis, description and its limitations. Next, chapter seven provides the discussion of the collected data. Chapter eight presents the correlation between factors. Finally, chapter nine shows the conclusion; followed by chapter ten where we present the recommendation.

**Case Study of Sanpaolo Bank’s Acquisition of Egypt’s Bank of Alexandria**

**Chapter One-Background**

This section details the privatization process of the Bank of Alexandria. It provides an overview of Sanpaolo Bank and Bank of Alexandria’s history.

**Intesa Sanpaolo Bank**

In 1931, Istituto Mobiliare Italiano (IMI) was founded for management autonomy. The chairman at that time was Teodoro Mayer. After World War II, the IMI aimed to restructure the Italian financial sector through managing the financial assets coming from the international aid. It was responsible for the management of the first and essential loan, which was granted by the U.S. In May 1947, the U.S declared the IMI as a single national partner in Italy. In 1983, the first merging case in Italy between the network of banks of the IMI and Banca Fideuram occurred. Then, in 1998, the merger between Sanpaolo Bank and IMI took place, which created a new organization called Sanpaolo IMI bank ("IMI- Istituto" 2010).

In 2000, the bank of Sanpaolo IMI had a vision for growing nationwide by obtaining Bank Napolie, which led to the Sanpaolo IMI bank controlling and monitoring the Italian banks and institutions. In 2006, there was management of assets for the
integration of Eurizon Capital SGR into Eurizon Financial Group. This group was acquired Intesa Sanpaolo ("History," 2010).

In January 2007, the Intesa Sanpaolo bank was established as a result of merging Sanpaolo IMI and Banca Intesa. It is one of the main leaders in the Italian market and focuses on the Mediterranean and Eastern Europe region. In addition, the bank initiated a nationwide network in these two regions, which consist of 1,900 branches serving 8.5 million customers by operating commercial banks in 13 countries, as well as within countries that have Italian businesses such as China, the United States, Russia and India. ("History," 2010)

The Intesa Sanpaolo Bank has one of the biggest market capitalizations at 34.7 billion Euros. It is one of the top banks within the banking industry worldwide. The Italian Bank has 6,000 branches within its network and offers services for more than 11.2 million clients. The Italian Bank enhanced its growth strategy in the Mediterranean region by increasing its acquisition operations, such as the acquisition of the third largest bank in Egypt, the Bank of Alexandria (BOA) in 2006 ("History" 2010).

**Bank of Alexandria**

In 1857, the Greek citizens, specifically the merchants, established the Bank of Alexandria, in order to satisfy the needs of the Greek society. In 1864, The Anglo Egyptian Bank was founded as an alternative for it by the British. Next, in 1924, it was merged with the National Bank of South Africa and The Colonial Bank to form Barclays Bank. In 1957, The Egyptian government nationalized Barclays bank to be the Bank of Alexandria; in order to manage Egyptian transactions and to be one of the Egyptian stock companies. After the nationalization, the Bank of Alexandria took control over Nile bank and Bank of Import and Export. Finally in 2006, the Italian
bank, Intesa Sanpaolo, merged with the Bank of Alexandria by paying 1.6 billion U.S dollars and acquiring 80% of the shares of Alexandria Bank; which was the first privatized governmental bank in Egypt ("Bank of Alexandria").

Before privatization, there were 6,984 employees in the Alexandria Bank. However, after the privatization, there are 5,600 employees working in the bank, which has more opportunities; including, promotion, improved compensation schemes, increasing salaries, and incentive programs. In addition, those who have continued with the bank have gained new skills and experience. Moreover, according to the corporate Social Responsibility (2008), the employees became more creative, which affected positively the quality of the services provided. (Corporate Social Responsibility, 2008).

The Bank of Alexandria became the fifth largest bank in Egypt after being privatized. Its retail network includes 190 branches, which is very large compared to other Egyptian banks. The bank is an important supplier of credit and financial services to Egypt’s industrial and commercial organizations ("Bank of Alexandria, Technology").
Chapter Two- The Transformation Process

In 2006, the merge occurred when the Egyptian government announced the privatization program for the public sector (ministry of investment), especially in the banking industry. In the case of Bank of Alexandria, the aim of the privatization program was to develop the services and increase the efficiency of its system; in order to be able to compete against international banks. In September 2004, the Prime Minster announced his willingness to sell the shares of the Bank of Alexandria. He assigned in the banking industry and setting the value of the bank. The coordinator of the merger process was the former minister of the Ministry of Investment, Minster Mahmoud Mohieldin. He organized a committee that included representatives from the Ministry of Finance, the Central Bank of Egypt, and BOA. The role of this committee was to monitor and supervise the whole merger process and procedures of the technical and financial bid aspects (Italy's Sanpaolo IMI, 2006).

The privatization of Bank of Alexandria started by the bidding process; which was divided into three phases for the bid of the BOA: preparation of the bank offerings, supporting of the submission and receipt of practical bids, and assessment and estimations by strategic investors, as well as receiving the final bids. As for the preparation phase, there were several targets for the top management, such as restructuring the organization, initiating an assessment committee, offering new personnel for risk and credit management, resolving bad debts and calculating new credit. In order to achieve these targets, the system of the BOA branches should have been developed and improved by updating the IT system. In addition, the BOA offered an early retirement for restructuring the hierarchy of the networks and initiating new marketing departments in order to enhance the quality of services offered and
performance of employees. The restructuring process took place over four years and cost one billion EGP including 450 million EGP for supporting and financing the early retirement that has been offered to the employees (Italy's Sanpaolo IMI, 2006).

In addition, KPMG Hazem Hassan office was responsible for monitoring the restructuring process and for creating new budgets in accordance with internationally accepted accounting principles. In September 2005, Citigroup became the sales advisor for the merge. The strategy used for selling the BOA was by offering 75-80 percent of shares to foreign investors, 5 percent for the employees of the public bank and 15-20 percent offering in the stock exchange market after completing the sales. This strategy ensured the development and improvement of the bank performance. In addition, the employees’ shares ownership served as an incentive to increase the efficiency and quality of their performance. In addition, the percentage of shares offered in the stock exchange market would assist the expansion of the stock market ("Sales deal, Unprecedented").

On March, 2006, the decision to sell BOA shares was announced in both local and international newspapers in order to increase the pool of foreign investors. In addition, many advertising and promotional campaigns were designed to enhance exposure to foreign investors in several cities around the world, such as Dubai and London. These events were attended by representatives from the Egyptian Ministry of Investment, and Ministry of Finance, in order to promote the strengths of the Egyptian economy.

Following the announcement, a total of 13 representatives from different financial institutions were invited to participate in the bid of the BOA. After studying their offers, the central bank short listed six financial institution bids only; including, the Commercial International Bank (CIB), BNP Paribas, Al Mashreq Bank and Dubai
The committee, which included representatives from the ministries of Investment, Ministry of Finance, and governor of the Central Bank of Egypt, met to study the offers presented and to select the buyer. After discussing the offers, the Intesa Sanpaolo bank won the bid. The offered price was $12.60 U.S dollars per each share of the Bank of Alexandria. The Intesa Sanpaolo Bank bought a total of 80 percent of the BOA public shares with a total of $ 2 billion U.S dollars, which is equivalent to 11.6 billion EGP, (Sanpaolo IMI acquires, 2006).

After privatization, the BOA restructured its system. It updated the used technology with the latest IT and network system. It started working on the development of the ethical standards of the organization through improving HR system. In addition, the bank initiated a new SME financial and retail division and restructured the risk management division. Moreover, they offered new training program for enhancing skills, increasing salaries, developing the personnel appraisal reform, and early pension program for employees. Rescheduling the debts with the private and public banks, the BOA was able to make substantial profits as well as eliminate 6.9 billion EGP from its debts (WB, IMF, 2007).

In conclusion, the aim of the privatization program was to improve the services offered by BOA and to increase the efficiency of its system. However, the privatization process faced some problems and challenges that are going to be discussed in more details in the next chapter.
Chapter Three- Problems and Issues with the Bank of Alexandria Employees during the Privatization Process

Many problems and issues occurred during previous privatization process in Egypt like absence of sufficient management and increasing losses rather than decreasing it. These issues were result due to political tension, lack of effective information to the acquiring company that assist in the adaptation between the two organizations, and absence for sufficient promoters for the merger case.

In case of Alexandria Bank, several challenges and issues that due to the privatization process, and different cultures of the two organizations challenges included: Labor retrenchment and job losses, Employees losing benefits, the absence of role of labor union, and fear of foreign dominance.

Labor Retrenchment and Job Losses

According to Tai cheng study, one of the main goals of the privatization theory was to increase the production level by enhancing the performance of workers. However, this does not exist in all privatization cases, as the new owners of the privatized firm retain only some of the public employees and usually work by firing the rest. In case of the Bank of Alexandria privatization, the acquiring Bank had an agreement with the Egyptian government for maintaining their employment strategy for a specific period of time and for certain managerial level.

Base on the current Egyptian law, the laid off employees should receive training programs. Accordingly, these conditions required the Egyptian government to accept the lower prices offered. This was applied in this merger case. (Bakir, 2005). In addition, privatization process created hardship to be endured after losing their job and
Employees Losing of Benefits
Based on interview with a consultant who was involved in the privatization process, the privatization strategy became a new phenomenon that created new challenges among employees who were involved in it. One of the major worries among the public employees was losing their current benefits that were guaranteed by the Egyptian law and by the old contract of the public organization. To illustrate, in case of the bank of Alexandria, many employees were worried about losing their benefits or from being transferred to another department or branch. Their main concern was keeping their benefits package, which included their basic salaries and their promotions’ plan. These concerns have negatively affected the way they perceived the privatization process. They were concerned more about the bonuses and incentives, without any regards to their perceived performance. Moreover, public employees are not used to match their work outcomes with the benefits they receive and they are not used to being innovative in achieving their tasks. In most cases, they are accustomed to do their routine work and receive their monthly salary. Thus, sometimes, worrying about their benefits affects them negatively (Ex consultant who was involved in the privatization process)

The absence of a role for the labor union:
The absence of the role of labor union creates another challenge. It deteriorates the power and influence of the worker in their organization. This leads to them reorganizing within the new firm, in order to have a powerful union to represent themselves. The existence of this union is very essential for the workers, as it
represents the workers needs and ways to voice problems to their company and government. Moreover, it helps the organization put an end to any unexpected problem dealing with negotiations about employees and workers within their union (Ex consultant who was involved in the privatization process).

**Fear of foreign dominance:**
Many people believe the strength of the economic occupation is more than the military occupation, which creates much opposition for any merging case in the public sector. The main reason for the privatization strategy is the absence of the local capital that attracts more foreign direct investment (FDI) for the new private firms. For the developing countries, the fear of privatization will affect the strategy and the culture of the public employees due to the stereotype of being occupied by the foreigners’ investors.

At the macroeconomic level, privatization means higher unemployment, as the foreign ownership will eliminate many job opportunities by decreasing the salary range for the existing employees. Furthermore, these negative effects at high unemployment and uncertainty will increase the weakness of the national economy. These types of effects will put an end for any future privatization efforts of national enterprises. Also it increases the backlash against the foreign ownership for the national organizations (Ex consultant who was involved in the privatization process).

Privatization has many benefits for the public employees in their public organizations despite the challenges it faces. The threat of bankruptcy and take over was a key motivator for the manager of the new privatized organization to enhance its performance and efficiency of services provided. In addition, there are many factors that positively affect the performance of the employees, such as: strong competition,
better incentives, and private ownership accompanied by limitation of government intervention. Thus, the performance of the employees would be positively affected as a result of controlling the internal system; through organizational charts, internal management, and communication systems. (Ex consultant who was involved in the privatization process)
Chapter Four- Literature Review

Introduction
This literature review presents and discusses different viewpoints of authors and researchers regarding the privatization process in developing countries. The articles reviewed cite different reasons for using privatization in developing countries. In addition, these sources identified how to increase the efficiency of merger. They argue that the different cultures of the merging companies involved play a critical role in the success of privatization process and that therefore, a good understanding of the different organizations' cultures will facilitate the transition.

Researchers and policy analysts have both supported and criticized privatization. Kikeri and Kolo (2005), for example, explain that among the reasons for privatization in developing countries is a desire to enhance the productivity of public organizations, which they found to be only one-third that of private organizations.

Hinds and Kiesle (1995) stated that there are three types of mergers: extension merger, collaborative merger, and redesign merger. Extension merger means that any difference in the cultures of both merged company can be accepted and considered non-essential. Collaborative merger was defined as an exchange of technology or experience between the companies. Finally, a redesign merger is a type of merger which depends on introducing a wide scale of changes from the acquiring company to the targeted one. This last model is the one that most closely matches the Alexandria Bank case.

Within this context, the literature review focuses on four issues: the importance of effective communication in the privatization process; cultural barriers that may face the merger; ways to improve the communication process and, finally, the relationship
between the human resource management function and organizational performance as it affects the performance of the employees.

**Importance of effective communication**

Several authors highlighted the importance of effective communication in minimizing the gap between the acquiring firm and the workforce in the company acquired.

According to Web and Camere (2003), a key strategy to increase the efficiency of the merger process will be through the creation of shared ideas and information. These would help in facing any cultural conflicts arising during the privatization and merger and limit future ones. In addition, they investigated the effects of merging and acquisition negotiation on the top management of the targeted company. Moreover, they examined the parties included in the process and the transactions that occur between them.

According to Jemsion and Skin (1986), one of the main challenges of any acquisition is the way in which transitional support to the employees is handled. The lack of a well-planned transitional support system for current employees can lead to career uncertainty and absence of co-worker trust. In their study, they linked the level of success achieved in the merger to whether dysfunctional communications are avoided between the employees, either before or after the merger. Their argument was supported by Walsh's (1989) study, in which he mentioned that the lack of well planned transitional support would negatively affect the internal communication and the acquisition process of the firms. This in turn would negatively influence the level of productivity during the merger process.
The policies and procedures for improving the communication process should be implemented carefully. The new performance standard desired in the new merged organization must be taken into consideration. The policies and procedures set must ensure the transparency and reliability of the communication process. All stakeholders involved in the merger should be involved in order to reach the best result. (Arnett, Ronald, 1988)

Messer and White (2006) defined the acquisition process as a change in the environment for the employees of the merged companies that created uncertainty in the workforce. Every employee is uncertain about the effects of the merging process either professionally or personally. These emotions directly and indirectly affect the performance and service delivery of the employees who were involved in the merging process. In the study, they defined emotions as complex organized reactions among feelings, impulses and physical reactions. These emotions tend to become negative after any merging case, which created many problems that in turn affected the organizational change.

**Cultural Barriers**

Weber and Camerer (2003) identified differences in organizational cultures as one of the main reasons for merger failure. The difference between the employees’ cultures in both organizations may hamper the manager's ability to guide and lead the merger's implementation. They mentioned that one of the key success indicators of the merger was how well the cultures of the organizations being merged could be combined and fitted together. Moreover, Shane and Singh (1998) stated that the existing culture of both companies would determine the success of the merger and acquisition outcomes. Their study reviewed the methods that were implemented to improve the cross-border
acquisition performance. One such method was by supporting values and attitudes which are rooted in the national culture of the targeted firm.

Cartwright and Cooper (1993) identified the effects of national cultural distance on cross border acquisition performance and the relationship between them. They found that cultural separation can affect the success of the merger. Moreover, they demonstrate that the effects of cultural distance between the acquiring firm and the target can carry forward beyond the merger period into the post acquisition period more broadly. According to Cartwright and Cooper (1993), there are four main organizational cultures: power, role, person/support and achievement/task. These different cultures create different psychological environments for the employees.

**How to improve the communication process**

Cannella and Hambrick (1993) stated that successful strategic management of the firm acquired needs full understanding on the part of the acquiring firm of the target firm's values, traditions and process. This understanding would help the organizations to positively and successfully manage the merger. For example, the executive managers in the target firm should not be changed immediately after the merger, as the incoming managers might not be able to adapt to the new situation after the merger, because they lack the background knowledge of the target firm's values and processes. Too rapid change in the executive team might create challenges for the new upper management team of the merged company. The managers carried over from the target firm will, however, need time to adapt to the new environment and to the different management approach of the acquiring firm.

In addition, the sudden change of executives might increase the tension and uncertainty for the lower-level employees in place, which could negatively impact the success of
the integration process. The employees involved in the privatization process always look toward their current executive in order to face the stressful issues and challenges. The change of executives, according to Arnett (1988), might harm the performance of the acquired firm and affect the success of the post acquisition performance.

According to Arnett (1998), the three processes that should be implemented to initiate effective organization communication are: science, decision making, and myth. Science is an action of selection and decision making regarding the method to deal with problems that might occur between employees in either the acquiring or the targeted organization. Decision making is a process that enables decision makers to evaluate the effects of their decisions, as well as how they should work on improving the relationship between them and the top managers. The decision making process depends on the definition of the problems and the different personal attitudes toward the problems.

The last process, myth, includes increasing ways for information gathering. The myth process assumes that everyone lives with his own perception of reality within the organization. Thus, increasing the information gathered would enable the new management to understand the ways that continuing employees see the bank and their role in it and thereby to enhance the achievement of organization goals and positively influence the acquisition process. (Arnett, 1988)

Feelings of tension often exist between managers and employees throughout the acquisition process, especially for the acquired firm. This feeling of tension comes from being afraid of negative judgments from top managers during the period of the merging process. Besides that, the acquiring organization is always concerned to build value and achieve synergies through its management strategies, in order to avoid costs...
of integration, while at the same time implementing their vision for the newly merged organization (Arnett, 1988). High levels of tension may undermine these objectives.

In managing the merging process, the acquiring firm should motivate the top managers to shift from competitive strategies to cooperative ones; in order to increase the success of the integration between the two organizations and to solve any problems that might emerge. There are two ways, according to Shane and Snigh (1998), to enhance the performance of the organization being required, namely, learning and specialization. The first way, learning, can be carried out by improving the existing routine and culture of the acquired firm. The second one, specialization, would include hiring employees from the national culture of the target firm. These new hired employees will be familiar with the common tasks and jobs in the local business environment due to their prior experience. Thus, it would save time and money compared to bringing in managers from outside. In addition, it will be less costly to bring in local managers to perform tasks that are consistent to and compatible with their national culture, beliefs and values.

Gutknecht and Keys mentioned that reducing the uncertainty for newcomers and helping the employees to cope with their new jobs would positively affect the merger. The managers should already have the basic information for the tasks and duties of their jobs. Enhancing the transparency of the merger will make employees more satisfied with their new positions. In addition, it will reduce the stress that might result from the uncertainty associated with the merger as well as reinvigorate commitment to the new organization. Hence, measures to reduce stress and uncertainty should be taken for the employees who are facing a merger in order to put an end to any false ideas during the acquisition process and to prepare them for any required actions.
Relationship of human resource management to employee and organizational performance

The examination of the relationship between the human resource management and the organizational performance has proved very essential. This relationship determines the performance and output of the employees. Improving the relationship will motivate the majority of non-managerial employees to share their experience with the new managers and to be involved in substantive decisions. It will thus enhance the communication process and improve performance (Bartel, 2004). Moreover, according to Christine and Kinicki (2000), enhancing the communication process provides positive incentives for the workers and employees, who feel more valued and more fully included in the merger, which in turn encourages the success of the merging process. The effectiveness of the communication depends on the extent to which managers succeed in incorporating human resource concepts, advanced technology and other assets of the organizations into the process.

Messer and White (2006) measured the influences of the employee’s perceptions of fairness and managers’ optimism on organizational behavior. They used it to identify strategies to improve the performance of employees in the workplace. In the study, the authors mentioned that the employees’ moods affect the way they deal with each other; In addition, moods influence their performance of relevant tasks, as well as the way information is gathered and interpreted in order to achieve the organization’s main target. Negative moods badly influence organizational behaviors and the judgment of the employees, worsening their performance.
On the other hand, employees with a positive mood were more beneficial to the organization. They worked more efficiently and effectively than employees with negative moods. The positive feeling/optimistic employees tended to look for coworkers needing help in order to assist them with their work. They were more concerned about demonstrating organization citizenship behavior (OCB) than employees with a pessimistic attitude. Thus, effective communication during the merger, according to Sheck and Kinicki (2000), would motivate employees to adapt better to the changes and accept new procedures.

Gutknecht and Keys (1993) discussed the methods for reducing negative emotions, including stress and anxiety during the merging process. They suggested improving the communication through holding meetings with the employees of both companies; developing accurate and effective communication strategies with local communities and stakeholders, and producing factual press releases. Since all stakeholders involved in the merger process would benefit from reducing negative emotions; organizations must enhance the communication during the merge. By controlling negative emotions, good communication increases the integration between the employees and their top managers. Thus, the study stressed the importance of improving the communication and the interaction between the top management and employees. This could be achieved, for example, by discussing the organization's future plans or moves with the current employees.

Messer and White (2006), explain that the employees who were treated fairly would have positive attitudes towards their supervisor and their work performance. Negative emotions will make the employees who were unfairly treated negatively affect the Organizational Citizenship Behavior (OCB). On the other hand, those who were
treated fairly would increase the OCB in order to contribute to the success of the system. Indeed, not every employee was sure about the effects of the merging process whether professionally or personally, so fair treatment during the process could reassure them of the ultimate benefit of the process.

Schweiger and Denisi showed that the acquiring company should carefully consider the reasons for changing the targeted company’s top management. The reasons must be based on what the managers could add and based on results and outcomes. Managers needed to be shown how to manage their resources in an effective way to enhance and increase the quality of their performance after being merged. It was mentioned that the management staff of the acquired firm should avoid negative communication with their employees during the merging and integration process; where negative communication may motivate employees to leave the company before being merged, instead of adapting to the new management and culture (Schweiger and Denisi, 1991).

**Methodologies used in the studies cited**

Different methodologies have been used by the different authors cited in the literature. Bartel (2004) used survey tool for gathering information to measure the positive relationship between the employees and their department after being merged. While Jemison and Sitkin (1986) conducted an extended literature review to extract the various processes used to guide acquisition between the organizations. Morosini and Singh (1998) examined a sample of 52 cross border mergers between 1987 and 1992 to discover the positive relation between corporate cultures and performance after the merger process. Moreover, Cannella and Hambrick (1993) conducted a survey of executives from 96 acquisitions and used regression analysis to explore the link between performance after the acquisition process and manager departure.
examination by Messer and White (2006) examined the effects of the mood and fairness for the organization citizenship (OCB) behavior among a sample of 138 employees from different five large firms within providing their services.

**Summary of the Literature Review**

All the authors’ views showed how the path chosen to increase the efficiency of the merger and the difference between the cultures of the two firms each play a role in the success or failure of any merging case. They examined the relationship between the human resource management and organizational performance, which affected the entire group of employees and their output efficiency. They investigated the effects of change management and communication during the acquisition process, which affects the top management of the target company to be acquired and the retention of the employees.

The acquiring company should carefully weigh costs and benefits before turning over the top management of the target company. The clarification of these reasons demonstrated that the successful strategic management needs full understanding of the acquired organization and its values, traditions, and process, in order to have the needed resources for fitting and integrating the two companies together. Employees, whether new or old, need time to become familiar with the new environment, to gain a feel for it and what is expected of them from their new management chain.

Another topic discussed by the authors was emotions and their effect on the performance of the employees who were involved in the merging process, particularly where the employees were uncertain as to how they felt about the effects of the merging process, and how it affected them on a professional and personal level. The authors measured what influences the employee’s perceptions of fairness and optimism
within the organization. Studying employee behavior was essential for identifying the strategies of improving their performance in the workplace.
Chapter Five- Methodology

There are two ways that will assist demonstrating this essential information to the internal and external environment before and after the merging case for the target company. The main sources for gathering this information were interviews and conducting a survey for the senior managers and employees who were involved in the acquisition process.

There is certain information that should be clarified in order to overcome any future problem for the success of the integration process. This needed information includes certain aspects such as a communication path between the involved organizations and the hierarchy of authority of both of two banks Moreover, the way of understanding the new ethics and policies for the new organization for achieving their main targets within establishing new mission. On the other hand, the identification of the external environment before and after the acquisition process and during it especially, is essential to the steps of negotiation between the two parties and their communication channels between their top management levels.

The demonstration of the effects of the top management decision is very essential for the employees of the target and acquiring company. The clarification of these effects will show to what extent these employees cooperate together during the integration procedures and work on the success of the acquisition case. However, the aspects of the internal environment within the new organization and its employees should be clarified. The way of understanding and sharing the information with their supervisors and colleagues within their departments will be very beneficial to review. Do the managers and supervisors communicate in an effective way with their employees or not? The level of the communication will affect the employee’s performance, which
depends on their perception of their new duties and responsibilities due to the new vision and mission.

**Interview with the Managers**

Interviewing the managers was an effective action that checked their methods within their managerial system. This showed the extent of the managerial systems’ establishment and effectiveness at accomplishing their visions and whether or not they are sufficiently ethical managers towards their employees.

The interviews targeted 20 the senior managers and employees. The interview and questionnaire took place in one of the Alexandria branches, as there were no other approaches or subjects available due to limited access. The selection of this branch depended on the researcher’s personal contacts, but the branch is believed to be representative. Moreover, the selection of these employees depended on their seniority within the bank, as the target groups were employees who had been at the bank from the beginning of the merger process and who remained at the bank after it as well. However, the final number of completed interviews was limited to three employees. This selection occurred by the manager of the branch according to his evaluation and history of each employee other than his personal opinion. His experience in dealing with each employee will decide who is best qualified to hold an interview with. The senior managers and employees discussed many aspects, like the performance of employees, the behavior of employees, and challenges that were faced during the merger process. Moreover, there were several issues and levels of the acquisition process that were discussed, including the negotiations as well as the main problems that they faced and how they were solved.
The interview process was in the form of a face to face personal interview that consists of questions about the main points and conditions of the acquisitions agreement between the management staff of the two companies and its effects for the internal and external environment, whether positive or negative. It demonstrated and explained the transition process from being publicly owned to privately own.

The benefits of the interview method were to explore accurate information about the main steps and its details of the integration process from the main participants of the bank staff. On the other hand, the negative points of using the interview approach was the inability of gathering all desired information, or getting the complete view of the situation due to the sensitive nature of the topic and the interviewees’ subjectivity.

There was a limitation to the number of the employees who was interviewed as there was a fear of exploring confidentially issues that could get employees in trouble. Indeed, there were some details that should be clarified by the employee when conducting an interview, but would probably be overlooked or not mentioned due to the policy and the ethics of the bank. They mentioned that this information cannot be clarified due to its confidentiality.

Because of these limitations, the interview approach was used primarily as an exploratory method preparatory to developing the survey tool. It assisted in clarifying the questions of the survey in order to collect effective information about the acquisition process before and after being merged. Consequently, the limited number of the interviews and potential bias in selection did not affect the findings of the study.
**Survey Instrument**

One of the most essential and efficient methods of research and information gathering is to conduct surveys and questionnaires. The subjects were the involved employees in this merger process, in order to know their opinions and recommendations about the internal and external system. The distribution of the surveys included 23 senior managers and employees, selected on the basis of seniority level and the extent of their involvement and participation before and after the integration process. The selection process took place by the manager and depended on his/her opinion. These employees shared their opinions, depending on their experience before and after the merging process and to what extent they were adapting with their colleagues, especially the recent ones.

The answers of the distributing of surveys took only 5-10 minutes as it consisted of 39 questions exploring their opinion within their experience. The questions main aspects included communication, culture, emotions and attitude. There were positive and negative effects of this approach, where the positive points assisted in exposing the employee’s opinions and mentalities towards the new merged organization. However, the negative points include the time duration of filling the surveys, due to the employee’s busy schedule. On the other hand, there was a limitation of exploring their opinion in terms of a survey, as several aspects were in need to be answered which explained by normal discussion. The reliability of the information was very sufficient as it was gathered from the main participants of the acquisition process.

The gathered data had been analyzed in order to compare the situation of the bank before and after the merging case. The collection of data demonstrated the case of every employee before and after the acquisition process and during the negotiation
path. Indeed, it had shown the effectiveness of the communication procedures between the employees and the top management as well as their way of dealing and sharing the decision process with them. Finally, it showed whether there are positive or negative effects for being privatized for the internal and external environment.

**Data Description**
A total number of 23 surveys were collected who are involved before and after the process, which are a sample from 50 employees who are working through the selected departments within the selected branch. We have tried to distribute them within another branch but the manager refused. The data collection process took 10 days.

The surveys were conducted within four departments of the new merged bank. It aimed to define the employees’ opinions and attitudes toward the new managerial environment of the merged bank. The variation of the selected departments helps us for collecting enough and accurate information for the whole acquiring process

**Limitation:**
There was a nature obstacle for using the survey instrument which was the lack of the survey culture in the majority of the public organizations. There was not face discussion. Many of the selected employees were surprised by distributing these surveys. Moreover, gathering information within different department was so difficult due to the absence of this culture beside these department are located in different hierarchy levels in the new top management of the merged bank
Chapter Six - Data Analysis and Discussion

The results of the surveys are displayed in the tables below. Each group of questions is presented, followed by a brief discussion of the results.

<table>
<thead>
<tr>
<th>Questions (n=23)</th>
<th>Strongly Agree</th>
<th>Tend to Agree</th>
<th>Neither Agree or Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Not Sure</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The privatization program increases the efficiency of the public organization.</td>
<td>17%</td>
<td>22%</td>
<td>0</td>
<td>31%</td>
<td>30%</td>
<td>0</td>
<td>3.3</td>
</tr>
<tr>
<td>The Merger benefits the bank in the short term</td>
<td>0</td>
<td>17%</td>
<td>0</td>
<td>22%</td>
<td>61%</td>
<td>0</td>
<td>4.3</td>
</tr>
<tr>
<td>The Merger benefits the bank in the long term</td>
<td>39%</td>
<td>0</td>
<td>0</td>
<td>31%</td>
<td>30%</td>
<td>0</td>
<td>3.1</td>
</tr>
<tr>
<td>The Merger benefit Egypt in the short term</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>5.0</td>
</tr>
<tr>
<td>The Merger benefit Egypt in the long term</td>
<td>17%</td>
<td>22%</td>
<td>0</td>
<td>31%</td>
<td>30%</td>
<td>0</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: based on the author’s survey

Table 1 shows employee opinions on the economic impact of the merger between the two banks. The majority of these employees did not believe that the merger process would increase the efficiency of the public organization, or benefit the bank whether in the short or long term. 100% had the same opinion regarding short-term benefits to Egypt as shown in the table. There were some employees on the opposite side regarding long-term benefits. They thought it will increase the efficiency for the bank. A similar minority believed that it will be beneficial for Egypt in the long term.
<table>
<thead>
<tr>
<th>Questions (n=23)</th>
<th>Strongly Agree</th>
<th>Tend to agree</th>
<th>Neither Agree or Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Not Sure</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The management culture of Intesa Sanpaolo is consistent with our culture</td>
<td>0%</td>
<td>17%</td>
<td>0</td>
<td>0</td>
<td>61%</td>
<td>22%</td>
<td>4.3</td>
</tr>
<tr>
<td>The new management is doing a satisfactory job of managing the bank.</td>
<td>26%</td>
<td>13%</td>
<td>0</td>
<td>61%</td>
<td>0</td>
<td>0</td>
<td>3.0</td>
</tr>
<tr>
<td>I feel comfortable working with the new ethics and policies</td>
<td>26%</td>
<td>13%</td>
<td>0</td>
<td>61%</td>
<td>0</td>
<td>0</td>
<td>3.0</td>
</tr>
<tr>
<td>I feel comfortable working with the new top management</td>
<td>26%</td>
<td>13%</td>
<td>31%</td>
<td>30%</td>
<td>0</td>
<td>0</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: based on the author’s survey

The second part of the questions as shown in table 2 discusses the effects of the culture of the Intesa Sanpaolo bank. 61% of the employees believed the new culture is not consistent within the environment of their work. There is a similar thought for the performance of the new management for managing the merged bank. On the other side, there are 39% of them who are satisfied with the performance of the new management.
of the new merged bank. They are comfortable within the new ethics and policies brought in by the new top management.

<table>
<thead>
<tr>
<th>Questions (n=23)</th>
<th>Strongly Agree</th>
<th>Tend to agree</th>
<th>Neither Agree or Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Not Sure</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Communication with my supervisor before the privatization process was satisfactory</td>
<td>61%</td>
<td>22%</td>
<td>0</td>
<td>0</td>
<td>17%</td>
<td>0</td>
<td>1.9</td>
</tr>
<tr>
<td>The Communication with my supervisor within the privatization process was satisfactory</td>
<td>0</td>
<td>70%</td>
<td>0</td>
<td>30%</td>
<td>0</td>
<td>0</td>
<td>2.6</td>
</tr>
<tr>
<td>Communication with my supervisor after the privatization process was satisfactory</td>
<td>39%</td>
<td>31%</td>
<td>0</td>
<td>30%</td>
<td>0</td>
<td>0</td>
<td>2.2</td>
</tr>
<tr>
<td>The Communication with my colleagues in the other department before being privatized was satisfactory</td>
<td>83%</td>
<td>17%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.2</td>
</tr>
<tr>
<td>The Communication with my colleagues in the other department after being privatized was satisfactory</td>
<td>22%</td>
<td>52%</td>
<td>0</td>
<td>26%</td>
<td>0</td>
<td>0</td>
<td>2.3</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>The way of dealing with the customers and supervisors during the acquisition process was satisfactory</td>
<td>0</td>
<td>18%</td>
<td>0</td>
<td>52%</td>
<td>30%</td>
<td>0</td>
<td>4.0</td>
</tr>
<tr>
<td>The opportunity of sharing my opinion through the merging procedures was sufficient</td>
<td>0</td>
<td>18%</td>
<td>0</td>
<td>0</td>
<td>82%</td>
<td>0</td>
<td>4.5</td>
</tr>
<tr>
<td>My concerns about the privatization were generally addressed by the communications process during the transition.</td>
<td>17%</td>
<td>0</td>
<td>30%</td>
<td>0</td>
<td>22%</td>
<td>31%</td>
<td>3.1</td>
</tr>
<tr>
<td>I had a chance to express my concerns and receive information related to them during the transition process.</td>
<td>17%</td>
<td>0</td>
<td>0</td>
<td>52%</td>
<td>0</td>
<td>31%</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: based on the author’s survey

The third part of the survey shows the strength of the communication process between the manager and the employees, as shown in table 3. The majority of employees were satisfied within communication with their colleagues and supervisors before and after the merging process. Despite this generally good communication process, 82% of the employees were not satisfied with the overall way that the public bank dealt with the
customer and their supervisor. They did not have the opportunity for sharing their opinions and concerns within the merger process with their supervisors. There was an effective communication between them and the other departments after the privatization process, however.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Strongly Agree</th>
<th>Tend to agree</th>
<th>Neither Agree or Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Not Sure</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel that there was good cooperation between me and my managers when we were in the public sector.</td>
<td>61%</td>
<td>0</td>
<td>0</td>
<td>39%</td>
<td>0</td>
<td>0</td>
<td>2.2</td>
</tr>
<tr>
<td>I feel there was good cooperation between the employees in my unit and the Bank Intesa managers during the transition.</td>
<td>0</td>
<td>39%</td>
<td>0</td>
<td>30%</td>
<td>0</td>
<td>31%</td>
<td>2.9</td>
</tr>
<tr>
<td>I have good cooperation with private managers now</td>
<td>18%</td>
<td>52%</td>
<td>0</td>
<td>30%</td>
<td>0</td>
<td>0</td>
<td>2.4</td>
</tr>
<tr>
<td>I have good cooperation now with the</td>
<td>17%</td>
<td>83%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.8</td>
</tr>
</tbody>
</table>
The fourth group discusses cooperation between the employees and others they deal with in the bank. The majority of the employees agreed that there was sufficient cooperation between them and their manager before and after being privatized. They indicated that the communication deteriorated during the transformation process. 100% of employees expressed satisfaction with communications with the newly hired employees after being privatized as shown in table 4. Opinions were divided as to whether there was effective cooperation between them and the managers of the foreign bank during the privatization process, with approximately equal numbers agreeing, disagreeing, and expressing uncertainty on this point.
<table>
<thead>
<tr>
<th>Questions (n=23)</th>
<th>Strongly Agree</th>
<th>Tend to agree</th>
<th>Neither Agree or Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Not Sure</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government had sufficient reasons for merging Alexandria bank with the foreign</td>
<td>0%</td>
<td>40%</td>
<td>0</td>
<td>30%</td>
<td>30%</td>
<td>0</td>
<td>3.5</td>
</tr>
<tr>
<td>bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The turnover of the supervisors and direct managers improved the control of the</td>
<td>22%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>61%</td>
<td>17%</td>
<td>3.9</td>
</tr>
<tr>
<td>bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>It would have been very difficult to increase the quality of the bank services</td>
<td>48%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30%</td>
<td>22%</td>
<td>2.6</td>
</tr>
<tr>
<td>while it was a public sector bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The merger increased the quality of the services of Alexandria bank</td>
<td>18%</td>
<td>22%</td>
<td>0</td>
<td>30%</td>
<td>0</td>
<td>30%</td>
<td>2.6</td>
</tr>
<tr>
<td>The senior employees</td>
<td>22%</td>
<td>30%</td>
<td>0</td>
<td>18%</td>
<td>0</td>
<td>30%</td>
<td>2.2</td>
</tr>
</tbody>
</table>
have been treated as well as the new ones

<table>
<thead>
<tr>
<th>Junior employees receive more money than senior ones</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>100%</th>
</tr>
</thead>
</table>

Source: based on the author’s survey

Table 5 clarifies that the majority of the employees thought that the reasons of applying the privatization approach were not sufficient. The turnover of the supervisors and direct managers did not improve controls in the new bank. There were different opinions about increasing the quality of the bank services before and after the merging process. The same difference appeared in the evaluation of the treatment of the senior employees. None of the employees were sure if the junior employees receive more money than the senior ones.
<table>
<thead>
<tr>
<th>Questions (n=23)</th>
<th>Strongly Agree</th>
<th>Tend to agree</th>
<th>Neither Agree or Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Not Sure</th>
<th>Average score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 6a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I was very worried about losing my job</td>
<td>83%</td>
<td>0</td>
<td>0</td>
<td>17%</td>
<td>0</td>
<td>0</td>
<td>1.5</td>
</tr>
<tr>
<td>I was very worried about difficult procedures</td>
<td>83%</td>
<td>0</td>
<td>0</td>
<td>17%</td>
<td>0</td>
<td>0</td>
<td>1.5</td>
</tr>
<tr>
<td>I was very worried about pension plan</td>
<td>83%</td>
<td>0</td>
<td>0</td>
<td>17%</td>
<td>0</td>
<td>0</td>
<td>1.5</td>
</tr>
<tr>
<td>I was very worried about benefit package for the new management system</td>
<td>83%</td>
<td>0</td>
<td>0</td>
<td>17%</td>
<td>0</td>
<td>0</td>
<td>1.5</td>
</tr>
<tr>
<td>Group 6b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Did the communication process resolve the concern of losing your job</td>
<td>17%</td>
<td>70%</td>
<td>0</td>
<td>13%</td>
<td>0</td>
<td>0</td>
<td>2.1</td>
</tr>
<tr>
<td>Did the communication process resolve the concern of difficult procedures</td>
<td>18%</td>
<td>39%</td>
<td>0</td>
<td>13%</td>
<td>0</td>
<td>30%</td>
<td>2.1</td>
</tr>
<tr>
<td>Did the communication process resolve the concern of pension plan</td>
<td>18%</td>
<td>39%</td>
<td>0</td>
<td>13%</td>
<td>0</td>
<td>30%</td>
<td>2.1</td>
</tr>
<tr>
<td>Did the communication process resolve the concern of benefit package of the new system</td>
<td>18%</td>
<td>39%</td>
<td>0</td>
<td>13%</td>
<td>0</td>
<td>30%</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Source: based on the author’s survey
The last group consisted of two parts. The first group of questions demonstrates that the majority of employees were worried about losing their jobs, difficult procedures, impacts on the pension plan and benefit package of the new management system. As shown in the second group of questions, these employees believed that the communication process resolved their concerns about losing their job. There are different situations about the effectiveness of the communication process for resolving the other concerns. Many employees remained unsure as to whether these concerns had been adequately resolved by the communication process as shown in the table.

**Correlation Analysis**
Table 8 below shows the correlations among each group of questions as a measure of the interactions among the main employee concerns and opinions explored through the survey. There is a strong and significant correlation between the culture factor and attitudes towards privatization. The employees, who have negative attitudes toward the privatization strategy, have more challenges to adapt to the different culture. The correlation between the communication process and culture is also highly correlated and significant. The employees, who cannot adapt to the new culture, have poor communication with each other and their managers. The same case exists for the employees who have negative attitude toward privatization. The quality of the cooperation among employees is also highly correlated with culture, the communication process, and attitudes toward privatization, indicating that these factors reinforce each other, whether in a positive or negative direction. A slightly less strong relationship also exists between the impacts of the acquisition process for the employees and the four earlier factors.
The low and insignificant correlations between employees’ fears prior to the privatization and the first five factors are somewhat surprising. This indicates that their fears are independent of their attitudes toward privatization or their experience during the process itself. Those who were more positive toward the privatization and more comfortable with the culture of the acquiring bank were more likely to feel that the communication process resolved their fears. As might be expected, the greater the employees’ fears beforehand, the less likely they were to feel that the communications they received resolved their fears.

One of the main points emerging from this correlation analysis is the absence of a connection between the fears of employees and their attitudes toward the privatization process and the new owners.
Table 7

Correlation factors

<table>
<thead>
<tr>
<th>Attitude towards privatization</th>
<th>Culture of the acquiring bank</th>
<th>Communication process</th>
<th>Cooperation between employees and others</th>
<th>Impacts of the acquisition process for the employees</th>
<th>Concerns before being privatized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>Group 2</td>
<td>Group 3</td>
<td>Group 4</td>
<td>Group 5</td>
<td>Group 6a</td>
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<tr>
<td>1</td>
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<td>0.884**</td>
<td>0.801**</td>
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<tr>
<td></td>
<td>1.000</td>
<td>0.866**</td>
<td>0.857**</td>
<td>0.484*</td>
<td>0.244</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.000</td>
<td>0.985**</td>
<td>0.749**</td>
<td>-0.179</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.000</td>
<td>0.692**</td>
<td>-0.234</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td>1.000</td>
<td>-0.370</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>1.000</td>
</tr>
</tbody>
</table>

High scores indicate negative attitude toward privatizations

<table>
<thead>
<tr>
<th>Interpretation of group scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>High scores indicate negative attitude toward privatizations</td>
</tr>
<tr>
<td>High scores indicate more different culture</td>
</tr>
<tr>
<td>High scores indicate poor communication</td>
</tr>
<tr>
<td>High scores indicate poor Cooperation between employees and others</td>
</tr>
<tr>
<td>High scores indicate bad effects of the privatization process</td>
</tr>
<tr>
<td>High scores indicate low fear</td>
</tr>
</tbody>
</table>

** indicates that the correlation is significant at the 1% level; * indicates significance at the 5% level.

Discussion

Table 7 shows the average score for each group of questions. This section discusses each group of questions in turn to draw the overall results of the survey, where, as above a score of 3 represents the neutral position and lower scores indicate greater agreement.
Group one clarifies that the employees are neutral on average regarding the economic impacts of privatizing the bank. They could not predict the effects of applying this approach for the long term for the bank sector and for the country. On the other hand, several employees mentioned during the interview that the bank sector was in need of the privatization process in order to decrease losses. They believe that they will learn new techniques from the new management of the foreign bank. Overall, however, employees were not sure that the merger process will lead to positive effects or not for the short term for the bank or Egypt.

This shows that there are pros and cons from the employees' perspective towards the merging process. The bank management should increase attempt to improve performance rapidly as soon as possible in order to enhance the feelings of confidence of the employees regarding the short term benefits.

The second group of questions shows that the employees are willing to work with the new management, but are still unsure regarding the suitability of new procedures, ethics, policies, and overall culture. This suggests that the new managers need to do more to win over the employees so that they can make progress on their vision, build a new ethic, and establish new policies and procedures to promote better services in the bank. Although employees are gaining experience from their new managers, they feel that they are not satisfied with the polices and ethics of the new bank. Continuation of the perceived gap between employees' culture and ethics and those of the new management will undermine efforts to enhance the level of performance of the new merged bank. Other problems may be easier to address once these cultural issues are resolved.
Many employees expressed a fear of being unable to adapt to the new culture of the foreign bank due to differences between it and their existing culture. Helping them to overcome this fear will make it easier to motivate them to take an active approach to resolving other problems. Others are already convinced that they should adapt to the new situation. They are ready to understand the differences between the two sets of management procedures and how they should handle issues that arise in the introduction of the new policies and ethics. This attitude will assist in achieving the vision of the new merged bank and in satisfying the need of its employees. By accepting the need to adapt, the employees of the new bank will be in a better position to gain from the new experiences they face through cooperating to resolve problems as they arise.

The third group of questions indicates that the employees were generally satisfied with the communications with supervisors and colleagues at each stage of the process. Overall, however, communications have deteriorated in their view relative to the situation before privatization. After the merger process, they have somewhat negative feelings towards the treatment of customers and supervisors, whether their concerns over privatization were dealt with, and their opportunities to express opinions.

The fourth group shows that the level of cooperation was generally good before and after privatization, but deteriorated somewhat during the privatization and has only partially recovered since. About a third of employees consistently rated cooperation as unsatisfactory at each stage, indicating a need for management to address cooperation issues remaining after privatization.

The fifth group demonstrates that, overall, employees were not convinced that the privatization was justified or that it benefitted the bank, its customers, or its employees. While some
employees agreed that there were benefits in each area, the majorities disagreed or were unsure of the benefits.

The last group shows that there were many fears before the privatization process for the public employees. These fears have generally disappeared as the result of adequate communication on personnel issues during the privatization and satisfaction with personnel management subsequently.
Chapter Seven: Conclusion and Recommendations

Conclusion:
This part presents the conclusion and study findings with regards to the research questions identified earlier, based on the data collected and analyzed. The first question aimed to define how effectively the acquiring bank’s managers communicated with the bank’s public sector workforce in the transition period. Based on the data analysis, we find that the employees are generally satisfied with the communication process. They had positive communications with their colleagues and their supervisor at every stage of the process. However, the managers did not successfully convince them of the value of the privatization process for the nation, for the bank, or for themselves. The employees did not feel that they had sufficient opportunities to express their opinions nor did they feel that they and the bank’s customers were well treated during the process.

Regarding the extent to which effective communication during privatization implementation contributes to the smooth operation of the privatized enterprise, we found that these employees having positive feelings toward the culture of the incoming bank and the privatization process overall were more likely to find that the communications process addressed their fears, which would contribute to their performance as employees. This indicates that good communications on the rationale for the privatization and its benefits for the organization can play an important role in improving post-privatization performance, helping employees to adapt to the new culture and to cross national cultural borders successfully.

The final research question asked to what extent communication affected the successful transition of the bank’s personnel to the new situation from the employees’ perspective. We
found that, while most employees had concerns about what their personal status would be after the privatization, the communications process generally resolved these fears. An important minority, over 40%, indicated that their fears were not resolved or that they were still not sure how it would work out for them.

Employees had greater concerns about the short-term impact of the privatization on the bank than they did about its long-term effects, but their opinions on both issues were quite polarized, with the majority of respondents disagreeing that the privatization would benefit the bank or the country in the long term.

Many employees expressed a belief that the new bank’s culture was very different from their own, which would be expected to increase their fear of being unable to adapt to the new ownership.

The privatization process in developing countries has been made more difficult by the complex human resource management issues it raises, including employee fears of negative effects on them personally. As discussed in the literature review, the methods are to aid in crossing from one national culture to another have not always been effective.

Emotions and their effects on the performance of employees involved in the privatization are important considerations in implementing such programs. The employees may be equally uncertain regarding the effects of the privatization on their institution and on themselves, both professionally and personally. New managers must respond to both types of concerns to shape employee’s perceptions of fairness and optimism within the organization. Understanding and responding to employee perceptions and opinions on the changes underway are both essential for
identifying effective strategies to improve employee performance in the post-privatization workplace.

**Recommendations**

The research reported in this thesis has identified a number of valuable lessons that can improve employee support for the privatization process and their willingness to accept the changes it requires of them.

First, the top management level should carefully design the communication tools and messages used during the privatization process to communicate with the existing employees in ways that address their concerns. Their opinions on the process and its benefits and the managers’ willingness to listen to those opinions are as important as employees’ concerns for their own situation. While the survey reported here focused on the public sector employees making the transition to private sector operations, this point may be expected to apply as well to new employees. This approach will be beneficial for the creation of a positive working environment and therefore for the performance of the newly merged bank. The new management should clearly communicate to the employees not only the substance of its ethics and policies but also the rationale for supporting them to overcome the difference between the cultures of the two banks, public and private. This will improve the cooperation between the employees and their department within the new management structure.

By convincing employees of the value of these new policies, rather than only explaining them, the managers can use communication as an effective tool to support adaptation to the new culture of the foreign bank. This will help the units of the two merged organizations to collaborate more effectively. The new management should work on improving the performance of the HR
department, as it plays an important role in directing the attitude of employees towards the new organization and putting them on the right track, functions that were not previously performed under public sector management. An active HR unit can make the employees feel that they are part of the new merged bank and affect their performance in a positive way. This will be very beneficial not just for the employees, but for the new bank and the quality of its services as a merged entity.

The activation of the HR role as an intermediary between the employees and the new management will help to overcome political and cultural concerns, such as fear of foreign domination. This positive outcome can be achieved by clarifying the reasons for the merger and the positive outcomes expected from this transaction for the bank’s customers and for the nation as a whole, not just for the bank or its employees. By building this broader understanding among employees, the new management can encourage employees of the new bank to adopt an enthusiastic spirit toward achieving the main targets of the bank set by its new top management. This in turn will enhance the benefits of the merger for the bank and its performance and support the overall privatization process. Encouraging positive attitudes among the public sector employees toward the privatization’s benefits for the country will contribute to improving the services of the privatized bank, overcoming the negative stereotypes associated with foreign acquisitions.

For any future merger process, it is recommended that the acquiring company study and understand the beliefs and attitudes of the workforce, and then act accordingly. This will help to overcome cultural obstacles and barriers that derive from differences in organizational and managerial styles. It will increase the ease of adaptation and smooth the integration of the
employees of the two organizations into a single workforce as they work with each other during and after the merger process. By better communicating the objectives, company culture and reasons for the merger, the acquiring bank can better express and transfer its vision toward the bank being acquired. By being able to improve communication between the top management of the acquiring company and the public sector employees, the managers can make the merger an easier and more effective process for both parties and enhance the cooperation between the employees of the two companies. This will help the new merged organization to achieve its main goals for the short and long term.
Works Cited


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__________. (2010, April 01). Retrieved from [http://group.intesasanpaolo.com/scriptIsir0/isInvestor/eng/chi_siamo/eng_home_chi_siamo.jsp](http://group.intesasanpaolo.com/scriptIsir0/isInvestor/eng/chi_siamo/eng_home_chi_siamo.jsp)


Appendix 1:

*Interview guidelines*

How is the performance of the employees before and after the privatization process?,

What the effects of the merger process for the behavior of the employees,

What are the challenges that faced them within the merger process?

Do you agree for the merger process or not? Why?
## Appendix 2

### Survey Instrument

Note: 5-point agree-disagree Liker-scale omitted for formatting reasons.

**Privatization Strategy**

<table>
<thead>
<tr>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The privatization program increase the efficiency of the Public organization</td>
</tr>
<tr>
<td>The Merger benefits the bank in the short term</td>
</tr>
<tr>
<td>The Merger benefits the bank in the long term</td>
</tr>
<tr>
<td>The Merger benefit Egypt in the short term</td>
</tr>
<tr>
<td>The Merger benefit Egypt in the long term</td>
</tr>
</tbody>
</table>

**Culture of the acquiring bank**

<table>
<thead>
<tr>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The management culture of Intesa Sanpaolo is consistent with our culture</td>
</tr>
<tr>
<td>The new management is doing a satisfactory job of managing the bank</td>
</tr>
<tr>
<td>I feel comfortable through working with the new ethics and policies</td>
</tr>
<tr>
<td>I feel comfortable through working with the new top management</td>
</tr>
</tbody>
</table>

**Communication process**

<table>
<thead>
<tr>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Communication with my supervisor before the privatization process was satisfactory</td>
</tr>
</tbody>
</table>
The Communication with my supervisor within the privatization process was satisfactory

Communication with my supervisor after the privatization process was satisfactory

The Communication with my colleagues in the other department before being privatized was satisfactory

The Communication with my colleagues in the other department after being privatized was satisfactory

The way of dealing with the customers and supervisors during the acquisition process was satisfactory

the opportunity of sharing my opinion through the merging procedures is effective was sufficient

My concerns about the privatization were generally addressed by the communications process during the transition.

I had a chance to express my concerns and receive information related to them during the transition process.

### Relationship between the HR management and the organization performance

<table>
<thead>
<tr>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel that there was good cooperation between me and my managers when we were in the public sector.</td>
</tr>
<tr>
<td>I feel there was good cooperation between the employees in my unit and the Banco Intesa managers during the transition.</td>
</tr>
<tr>
<td>I have good cooperation with private managers now</td>
</tr>
<tr>
<td>I have good cooperation now with the employees hired after the merger</td>
</tr>
</tbody>
</table>

### Impacts of the acquisition process for the employees

<table>
<thead>
<tr>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government had sufficient reasons for merging Alexandria bank with the foreign bank</td>
</tr>
</tbody>
</table>
The turnover of the supervisors and direct managers improved the control of the bank

It would have been very difficult to increase the quality of the bank services while it was a public sector bank

The merger increased the quality of the services of Alexandria bank

The senior employees have well treated as well as the new one

Did junior employees receive more money than the senior one

### Concerns before being privatized

<table>
<thead>
<tr>
<th>Statement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I was very worried about losing my job</td>
<td></td>
</tr>
<tr>
<td>I was very worried about difficult procedures</td>
<td></td>
</tr>
<tr>
<td>I was very worried about pension plan</td>
<td></td>
</tr>
<tr>
<td>I was very worried about benefit package for the new management system</td>
<td></td>
</tr>
<tr>
<td>Did the communication process resolve the concern of losing your job</td>
<td></td>
</tr>
<tr>
<td>Did the communication process resolve the concern of difficult procedures</td>
<td></td>
</tr>
<tr>
<td>Did the communication process resolve the concern of pension plan</td>
<td></td>
</tr>
<tr>
<td>Did the communication process resolve the concern of benefit package of the new system</td>
<td></td>
</tr>
</tbody>
</table>

How many years of experience that you have in sector of banks?
- 5 yrs -10 yrs
- 10 yrs -15 yrs
- 20 yrs -25 yrs

How many years of experience that you have in Alexandria bank?
- 5 yrs -10 yrs
- 10 yrs -15 yrs
- 20 yrs -25 yrs
What is your position?