IMPACT OF RECRUITMENT AND SELECTION ON THE CULTURAL INTEGRATION PROCESS OF POST MERGED ORGANIZATIONS IN KENYA

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Impact of recruitment and selection on the cultural integration process of post merged organizations in Kenya

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In Kenya, mergers and acquisitions are becoming a prominent feature particularly in the banking sector. Nevertheless, Kenya has witnessed a mix of dismal performance by some merged banking institutions and very positive performance by others. This cast doubts on the reliability of mergers and acquisitions as a tool of making decision. The purpose of the study was to examine effect of recruitment and selection on the cultural integration process of post merged organizations in Kenya. The study adopted a mix of research design which included quantitative, exploratory, and descriptive research designs to identify, analyze, and describe the role of recruitment and selection in post merger cultural integration of organizations in Kenya. The entire target population constituted 36 licensed institutions registered with the central bank of Kenya which underwent either mergers or acquisitions. However, only the institutions which underwent mergers and acquisition in the last 5 years were considered. This is because the cultural integration process is not an immediate activity but also not a long term activity. This means that only institutions whose mergers and acquisitions are approved from 2009 were considered which translated to 3 institutions out of the 36 institutions. These institutions according to the sampling frame are Kenya Commercial Bank Limited, Jamii Bora Bank limited and Equatorial commercial bank limited. A sample size of 30 respondents was selected through random sampling. Results indicated that there was adequate awareness within the company’s management team that skilled newcomers are a culturally diverse and skilled labour pool, there was general acceptance and commitment from the management towards the practice of recruiting and hiring newcomers and there was awareness of the value and transferability of international training, skills and credentials considered during recruitment. Results further indicated that the company recruitment process had undertones that supported practices that promote diversity, anti-discrimination and anti-harassment and the company was committed to hold all staff accountable for cultural fit during any recruitment processes. It was possible to conclude that the companies had put into place strict management policies and internal operating procedures approved by the senior management on recruitment and selection of employees. The policies are well written down and roles and responsibilities clearly defined and communicated to human resource management department. The study recommends that the organization is urged to ensure that employees’ are satisfied on recruitment and selection systems, compensation package and job security.

Key words: Mergers and acquisitions, recruitment and selection, cultural integration

INTRODUCTION

Background and research problem
Organizational founding is typically associated with entrepreneurs, but many firms arise out of existing firms through spin-offs or Mergers and acquisitions (M&As). What sets the former apart from the latter is inheritance: the skills that endow an M&A-based firm originate from the parents, while de novo firms have to build capabilities from scratch. Whether new firms formed by the fusion of two existing firms benefit from previously acquired assets hinges partly on the combination and commingling of previously separate bundles of resources. The question that we should ask is, under what conditions will the combining of such bundles of skills yield distinct benefits for the new firm? (Phillips, 1994).
Any M&A combines divergent cultures, strategic orientations, and practices into a new configuration and thus creates intra-firm variations. Friction between existing factions is prone to occur (Phillips, 1994). Even M&As that took place many years or decades ago, like those leading to the creation of RJR-Nabisco and Royal Dutch-Shell still appear to encompass multiple cultures and practices. The magnitude of tensions at these corporations might be a function of the dissimilarity of cultures and practices of their parent firms.

Integration of employees is one of the most critical issues for smooth organizational transition towards a new firm (Buono and Bowditch, 1989). It is particularly crucial in knowledge-intensive firms, including technology based as well as accounting firms. In a study of large firms’ acquisitions of small technology-based firms, Granstrand and Spolander (1990), for instance, reported that in 60% of cases where key R&D personnel (for example, the general manager) left the firm, the acquisition resulted in subsequent divestments or other manifestations of failure. The possibility of successful integration depends on the pair’s structural and cultural similarities, since the integration of like cultures faces lower resistance from organizational members.

An organization can change its culture through its recruitment strategy of replacing managers with those from outside, restructuring the organization, downsizing the workforce, training programmes, new reward strategies, and performance management to alter employee behaviours or reinforce emergent ones. After the economic liberalization, Organizations were under pressure to change from low-cost, indigenous, less efficient and outdated technology to high-cost modern technology and prepare people to use it. This was done to develop and maintain their competitive edge in the larger business environment (Khan, 1999). The potential value of the employees is to be increased by collectively enhancing and linking their skills and capabilities in tune with the contemporary requirements of the market, and to be faster than the competitors. The success of the HRM will be determined by its ability to harness the intelligence and spirit of people by creating a learning climate.

One of the significant ways in which leaders change an organization culture and embed their assumptions is through the process of selecting, retaining, and promoting people in the organization. In most organizations this embedding mechanism is subtle, because it operates unconsciously (Schein, 2004). Founders and leaders establish this culture base in the organization by hiring and advancing those they perceive as having the values they want, and by eliminating those they consider as having undesirable value base. (Pfau and Kay, 2002) argue that companies with a formal recruiting strategy enjoy a financial advantage. Failing to link recruitment efforts to a strong business ethics and moral can spell disaster for an organization. The criteria for recruiting and promoting subordinates assume the best people are hired by assigning characteristics that justify their being hired. Any criteria used should consider the personality, integrity, style and the competence of the person involved. This process also should consider the cultural aspects of the organization in the selection and dismissal process.

In 1999, global mergers and acquisitions accounted for 2 percent of world-wide GDP (UNCTAD 2000). The financial performance of corporate takeovers is one of the most researched areas in industrial economics and financial economics. Despite this, the question of whether takeovers improve corporate performance is controversial (Bild, Guest, Cosh & Runsten, 2002). Mergers and acquisitions (M&As) have become the dominant mode of growth for firms seeking competitive advantage in an increasingly complex and global business economy (Adler, 1997). Nevertheless, M&As are beset by numerous problems (Newbury and Zeira, 1997), with 50 per cent of domestic acquisitions – and 70 per cent of cross-border acquisitions – failing to produce intended results (Capron, 1999).

In Kenya, while becoming a prominent feature in Kenya’s banking industry, the Central Bank of Kenya and shareholders of banking institutions in Kenya have a positive inclination to mergers and acquisitions. However, Kenya has witnessed a mix of dismal performance by some merged banking institutions and very positive performance by others. This has left stakeholders in the banking industry wondering whether mergers and acquisitions should be encouraged in the industry (Muniu, 2013), thus casting doubt over whether mergers and acquisitions are explicitly reliable.

In theory, organizations are known to be bound by fully functional cultural properties as is the case with communities, and they breed meanings, perceptions, myths, and beliefs based on these cultural characteristics (Galpin & Herndon, 2007). Empirical studies (Buono & Bowditch, 2003; Roger, 2000) shows that one of the underlying reasons why mergers and acquisitions often fail to achieve the level of operational and financial performance is the conflicts and tensions that emerge when companies try to combine disparate and frequently dramatically different culture. This is further echoed by the findings by (Galpin & Herndon, 2007) that failure to integrate the two cultures definitely translates into failure for the merger process since employees will be pulling in separate directions. It is imperative for business leaders to develop frameworks that will endeavour to integrate the two cultures of the merging organizations into one (Carleton & Lineberry, 2004).

However, most of the existing research within the HRM field relies on anecdotal evidence of personnel issues in M&As, resulting in little systematic theory (Hunt and Downing, 1990; Buono and Bowditch, 1989; Marks and Mirvis, 1998) that focuses HRM. The failure to account for HRM issues is somewhat surprising since HRM has the potential to play an important role in M&A integration,
for example, by managing personnel conflict and reinforcing the new corporate culture. Yet, the literature does not tackle from a theoretical point of view how HRM systems and practices create value by helping to realize potential post-merger synergies. More so, any empirical evidences on mergers and acquisition studies of organizations in Kenya from the HRM perspective are not available. This study therefore examines the role of recruitment and selection in post merger cultural integration of organizations in Kenya.

Research objective
To determine the effect of recruitment and selection on the cultural integration process of post merged organizations in Kenya.

RESEARCH METHODOLOGY
This study adopted a mix of research design which included quantitative, exploratory, and descriptive research designs to identify, analyze, and describe the role of recruitment and selection in post merger cultural integration of organizations in Kenya. The study used this descriptive survey design to identify whether there was any empirical proof that can support the research hypotheses. Descriptive research describes data and characteristics about the population or phenomenon being studied. According to Cooper and Schindler (2008) descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. The exploratory design is preferred due to the facts that it meets the criteria described by Nicholus (2011) which indicates that the research design investigates the full nature of the phenomenon (of examining the role of recruitment and selection in post merger cultural integration of organizations in Kenya). The results of exploratory studies are not necessarily generalizable to larger population but provide a better understanding of the sample being examined (Nicholus, 2011; William, 2010; Blaxter, 2006).

The population of this study was the business organizations in Kenya which have gone through corporate mergers and acquisitions as registered by the Central Bank of Kenya. The entire target population constituted 36 licensed institutions registered with the central bank of Kenya which underwent either mergers or acquisitions. However, only the institutions which underwent mergers and acquisition in the last 5 years were considered. This is because the cultural integration process is not an immediate activity but also not a long term activity. This means that only institutions whose mergers and acquisitions are approved from 2009 were considered which translated to 3 institutions out of the 36 institutions. These institutions according to the sampling frame are Kenya Commercial Bank Limited, Jamii Bora Bank limited and Equatorial commercial bank limited. A sample size of 30 respondents was selected through random sampling.

The study used primary data. Primary data was collected by using the questionnaire as the main research instrument. Since this study involved relationships between variables, the study utilized correlation and regression analysis to determine the relationship between recruitment and selection and cultural integration process. To address the research question, the study checked whether the regression coefficient of management structures ($\beta_4$) was positive (+) and significant (p value of < .05) in line with theory and study expectations.

The Statistical Package for the Social Sciences (SPSS) was used to effectively process the data collected. The relationship in the research questions was determined using the following regression model.

$$Y = \beta_0 + \beta_1X_1 + \mu$$

Where

$Y$ = Cultural Integration process

$X_1$ = Recruitment and Selection

In the model, $\beta_0$ = the constant term while the coefficient $\beta_1 = 1$ was used to measure the sensitivity of the dependent variables ($Y$) to unit change in the predictor variables. $\mu$ is the error term which captures the unexplained variations in the model.

FINDINGS AND DISCUSSION
The first objective of the study was to find out the effect of recruitment and selection on the cultural integration process of post merged organizations in Kenya. The respondents were asked to indicate their level of concern on recruitment process for new merged jobs after the merger/acquisition of their organizations. Results indicate that 53% of the respondents disagreed that the end of the merger/acquisition process, all vacancies were internally advertised somehow. 56.7% agreed that there was adequate awareness within the company’s management team that skilled newcomers are a culturally diverse and skilled labour pool and 60% agreed that there was a general acceptance and commitment from the management towards the practice of recruiting and hiring newcomers. Furthermore, 33.3% of the respondents agreed that there was awareness of the value and transferability of international training, skills and credentials considered during recruitment, 53.4% agreed that the company recruitment process has undertones that support practices that promote diversity, anti-discrimination and anti-harassment while 40% agreed that the company was committed to hold all staff accountable for cultural fit during any recruitment processes and 46.7% disagreed that the management was fully aware of how stereotyping, prejudice, and personal bias affect recruitment of the best candidates. Finally 53.3% of the respondents disagreed that there was a strong recruitment philosophy based specifically on skills, regardless of where the skills were developed and 43.3% were neutral that the HR department constantly reviewed the job recruitment and avoided trends in past
recruitments. The mean score for the response for this section was 3.15 which indicates that majority of the respondents agreed that recruitment was a key determinant of cultural integration.

The study findings agree with those of Pfau and Kay (2002) who argued that companies with a formal recruiting strategy enjoy a financial advantage. Failing to link recruitment efforts to a strong business ethics and moral can spell disaster for an organization. The criteria for recruiting and promoting subordinates assume the best people are hired by assigning characteristics that justify their being hired. Any criteria used should consider the personality, integrity, style and the competence of the person involved. This process also should consider the cultural aspects of the organization in the selection and dismissal process.

The respondents were asked to indicate their opinions on issues concerning the selection process alignment and activities after the merger/acquisition of their organization. Results indicate that 50% of the respondents agreed that the selection process after acquisition/merger is the one that reflects the culture of the organization and provides a foundation on which all company initiatives are based, 60% agreed that the selection process differentiates between the skills needed and the ones the company is willing to train for and 43.3% agreed that employees who have embraced the culture of the company well are included in the selection process or interview panel.

Furthermore, 56.7% of the respondents disagreed that there was a prior culture assessment exercise conducted in readiness for employee selection, 53.3% disagreed that employee selection exercises were geared towards co-creating a personal on boarding plan with each new employee while 50% agreed that the selection process adequately manages first impressions both ways and 50% agreed that the selection process in this organization creates conditions for new employees to work well early on with those who were most helpful.

In addition 73.3% of the respondents agreed that the management emphasizes on giving the new employees the resources and support they need to deliver better results faster, 36.7% agreed that the selection procedure caters for follow through to ensure ongoing adjustments and success while 36.6% disagreed that during the interview the management normally makes the offer and closes the sale in a way that reinforces your leadership message. The mean score for the response for this section was 3.10 which indicates that majority of the respondents agreed that selection was a key determinant of cultural integration process.

The study findings corroborate with those of Prakash (1994) who asserted that selection in organizations is based on non-job related criteria like attractiveness, goal orientation, and interpersonal skills: a general lack of concern for value congruence. The dominant emphasis has been on the universal practice of identifying and improving on existing performance strategies. This practice would require a complete reversal where congruencies of values should find a place in selection and training. Only then would it possible to achieve linkages with the values of the wider socio-cultural context in India. In order to make an organization effective, the values of the society and the cultural milieu should be synthesized with those of the organization and it’s functioning.

Regression analysis was conducted to empirically determine whether recruitment and selection were a significant determinant of cultural integration process. Regression results indicate the goodness of fit for the regression between recruitment and selection and cultural integration process was satisfactory. An R squared of 0.620 indicates that 62% of the variances in the cultural integration process are explained by the variances in the recruitment and selection practices in the HR department. The correlation coefficient of 78.7% indicates that the effect of the predictor variable has a strong and positive correlation with cultural integration process (table 1).

The overall model significance was presented in table 2. An F statistic of 45.705 indicated that the overall model was significant. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). The model applied

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient</th>
</tr>
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<tbody>
<tr>
<td>R</td>
<td>0.787</td>
</tr>
<tr>
<td>R Square</td>
<td>0.620</td>
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<tr>
<td>Std. Error of the Estimate</td>
<td>0.6715</td>
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</table>

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>Regression</td>
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<td>1</td>
<td>20.609</td>
<td>45.705</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>12.626</td>
<td>28</td>
<td>0.451</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>33.235</td>
<td>29</td>
<td></td>
<td></td>
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</table>

Table 1: Model summary for recruitment and selection

Table 2: ANOVA for recruitment and selection
Table 3: Coefficients of recruitment and selection

<table>
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<tr>
<th>Variable</th>
<th>Beta</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>Constant</td>
<td>-0.009</td>
<td>0.468</td>
<td>-0.018</td>
<td>0.986</td>
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<tr>
<td>Recruitment and Selection</td>
<td>0.978</td>
<td>0.145</td>
<td>6.761</td>
<td>0.000</td>
</tr>
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</table>

can significantly predict the change in the cultural integration process of post merged organizations in Kenya. The study, therefore, rejected the null hypothesis $H_0$ at 95% confidence interval, meaning there was a significant relationship between recruitment and selection and cultural integration process.

The recruitment and selection coefficients are presented in table 3. The results show that recruitment and selection contributes significantly to the model since the $p$-value is 0.000. This implies that recruitment and selection is statistically significant in explaining cultural integration process of post merged organizations in Kenya.

**CONCLUSION AND RECOMMENDATIONS**

Recruitment and selection was a key driver to cultural integration process of post merged organizations in Kenya. It was possible to conclude that recruitment and selection were statistically significant in explaining cultural integration process.

It was possible to conclude that the companies had put into place strict management policies and internal operating procedures approved by the senior management on recruitment and selection of employees. The policies are well written down and roles and responsibilities clearly defined and communicated to human resource management department. The study further concludes that recruitment and selection affect cultural integration; if the practices are well governed and executed they affect cultural integration positively.

Following study results, it is recommended that employee satisfaction practices be emphasized in the organization as it has an effect on the overall achievement of strategic competitive advantage. Therefore the organization is urged to ensure that employees' are satisfied on recruitment and selection systems, compensation package and job security.

**REFERENCES**


