



‘Culture Feeds Strategy When Aligned Properly’ – An Exploratory Case Based Study on Amalgamation of Corporation Bank and Andhra Bank with Union Bank of India

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Abstract: Public sector banks in India, barring State Bank of India, carry the legacy of their inception before India became a republic nation. The legacy, though did wonders towards steering the nation’s economy into a consistently developing economy, was often alleged to be having an inherent culture of being too stubborn to changes. However, these public sector banks have successfully transformed their business models and practices from conventional modes to high tech financial institutions of modern day. An initial resistance and hiccups are common for any change to become effective which is largely due to the culture of the respective organization. Such resistance had delayed the progression of several merged entities in the past. This exploratory study provides an overview on how the 5th largest public sector bank in terms of assets in India – the Union Bank of India had efficiently tackled the frictions arising out of human integration and handled organizational cultural issues which usually arose during amalgamation time when the erstwhile Corporation Bank and the erstwhile Andhra Bank were amalgamated with it.

Index Terms – Union Bank of India, Amalgamation, Organizational Culture, Human Resources Integration

I. INTRODUCTION

Banking industry in India are predominantly occupied by the public sector undertakings which are having its majority stake held by the government of India. Since 1969, 53 banks were merged with the latest major merger activity in banking industry culminating in consolidation of 27 public sector banks into 12 large banks with effect from 01st April 2020. Mergers and Acquisitions, in general, are bound to create friction amongst the entities merged particularly with respect to its employees. The people-to-people merger which is the toughest of all the factors to be merged, decides whether the merger will receive needed push towards growth as progressive tailwinds or the merged entity will face uncomfortable challenges as regressive headwinds.

It was a challenge for the erstwhile banks to strategize and make the mergers successful when the Government of India announced the merger in August 2019. Each anchor banks along with the merged banks have formulated the way ahead for one of the biggest mergers in the history of Indian banking. While the strategies have worked for all the merged entities, a bank which stood out and set a benchmark for the future is the bank which adopted its vision statement from the words of none other than ‘The Father of the Nation’ Mahatma Gandhi – the Union Bank of India. Standing by its byline ‘Good People to Bank with’ the staff of the bank had developed rich culture of adaptability when it comes to either technology or human resources.

On one hand, the amalgamation had to be completed within a record time and on the other, the activities planned were disrupted heavily by force de majeure COVID19 pandemic. While the entire world faced difficulty sailing through the time, Union Bank of India had rolled out the merger so well so that 81% of respondents from employees of all the three merged entities expressing high level of satisfaction for an anonymous survey conducted on 08th October 2020 after merger. While years were consumed in integrating the cultural aspects and human capital in many past merger and acquisition experiences across the globe, how the bank could do human resources integration in a short span of time and how this impacted on the profitability of the bank are analyzed in this exploratory study with emphasis on organizational culture.

II. LITERATURE REVIEW

Mergers and acquisitions are relatively easy as pie on paper. But it's a hard nut to crack when it comes to enforcement and enactment. Amalgamating culture, employees, and utmost essentially the values is surely an uphill battle. When an organization gets acquired or when entities merge the decision is predominately constructed on market fit and betterment of products. The procedure of merger

brings with it various challenges especially the employee differences and the value, which often get mocked, and violated (Antima Gulia, Dr. Surabhi Goyal, 2021).

A host of questions related to transfers, promotions, placement and disciplinary proceedings keep coming up among the staff of the merging banks. The finance minister has claimed that there will not be staff retrenchment, post-merger. The State Bank of India experience contradicts such a claim. As per reports, the headcount in State Bank of India after the merger of its associate banks has actually come down from 2,64,041 in March 2018 to 2,57,252 in March 2019.

The merger move in PSBs is a welcome step taken by the government but care must be taken to avoid emergence of any negative result at this crucial period when the whole world is expecting recession in their economies and Indian GDP has dropped substantially. (Devarajappa, 2012; Tamragundi, 2016). A Study on Recent Wave of Mergers in Public Sector Banks in India revealed that nearly half of the employee surveyed feel that problem of amalgamation will be increased due to mergers. (Ditipriya Paul; Amit Majumdar, 2020).

There exists the traditional cost of efficiency theory based on the notion of economies of scale and scope, as well as the resource – based on enhanced utilization of core competences resources (Prahalad and Hamel 1990). In India, the effect and defects of the merger process have been experienced. One example is the joint venture between Proctor and Gamble and Godrej which collapsed due to the lack of Human Resource synergies in the two organizations. When Sify's e-business division was merged with Satyam, the merger created technical confusion, which were because of differing employee views on issues related to technology integration and development practices. While investors pay adequate attention towards compliance of the provisions of changing business scenarios and turnover arising out of such mergers and acquisitions, little attention is paid towards emotional and psychological aspects of the employees at all levels. The human resources department has a critical role to play in maintaining transparency in communication regarding the need for merger and acquisitions and its effect on working and service conditions of the employees. (Md Sahanur Islam, Partha Pratim Sengupta et al., 2012).

The expectancy of change and survival in the future triggers stress rather than the actual change itself and several psychological effects result from merger and acquisition like A) Low Trust, B) Identity Loss, C) Agitation, Hostility, Frustration, Stress, Distress, D) Poor Communication, E) Uncertainty And Anxiety, F) Job Dissatisfaction, G) Role Ambiguity, H) Cultural Conflicts. (Mangundjaya, 2012). Merger mostly has a negative impact on the behavior of the staff and workforce which consequently lead to low morale, job dissatisfaction, absenteeism, discriminatory and biased practices. Management's capability to achieve employee's trust and faith is an utmost important parameter affecting the success of the acquisition. (K.A. Goyal & Vijay Joshi, 2011).

III. EMPIRICAL STUDIES

Post merger analysis of Indian banks have revealed that banks are merged only on papers. Their people and culture are difficult to change. It is a recipe for disaster as it leads to poor culture fit not ideal for the organization or the economy which can be seen with regional banks. (CS Amit Kumar, Dr Neha Wadhwan et al., 2021)

With respect to the amalgamation activity of Bank of Baroda, the bank had issued public notices of its intention to close some of the former Vijaya Bank branches. More than the likely staff cut down, what worries the staff is the almost certain dislocation. Once the merger is completed, as in the case of Dena Bank's headquarters in Mumbai, the corporate office loses much of its role and logically, the staff there become redundant. Redeployment of redundant employees and a fresh scheme of voluntary retirement (VRS) become imperative (thewire.in, 2020).

Amalgamation is the opportunity to capitalize this to lead towards bigger family, happier workforce & workplace, more bigger balance sheet with aspiration of bigger bottom line (profit). And all this can be made possible if the most important pillar of this mega step i.e., the human resources are dealt with carefully and taken care the most. The success of any amalgamation depends upon how proactively and positively human resource issues are handled. In case, they are passively taken, it may result into negatively impacting the core business and will futile the very purpose of any amalgamation. Organization must not ignore the value of organizational culture in which people are embedded. Ask the people of these banks as to what it means to work there, and most employees would say that besides the monetary benefits that they earn, their organization gives them an identity and a sense of belongingness. The expected synergies may not be created if human capital is not dealt with proper care and concern. Cultural transformation is a long-term activity which should be properly nurtured in due course of time to take the integrated entity to the newer height. Thrust should be given through culture-based training while designing the program on the harmony, symphony, synergy among the workforce of integrated organization. Such programs can be preferably led by the external experts to avoid the biasness, preconceived notions, limiting beliefs etc. (S K Shukla, Sachin Bansal, 2020)

IV. OBJECTIVES

1. To study the measures taken by top management of Union Bank of India for cultural integration of the banks amalgamated with the anchor bank
2. To study the success of the human resources integration by measuring the post amalgamation impact on financial performance of the bank

V. RESEARCH METHODOLOGY

The methodology adopted for this study is descriptive and based on secondary data sources. Secondary data available across various internet websites, research publications, journals and articles regarding the merger happened in 2020 were utilized for the study. Annual reports of erstwhile Andhra Bank, erstwhile Corporation Bank, and Union Bank of India were used to gather information to derive findings on performance of amalgamating Banks.

VI. DISCUSSION & FINDINGS

6.1. 'Culture Eats Strategy For Breakfast'; But Not Always

'Culture eats strategy for breakfast' – A famous phrase, surfaced during 20th century attributed to Dr. Peter Ferdinand Drucker and was popularized by Mark Fields of Ford Motor Company. Dr. Drucker was a legendary management consultant and scholar who helped shape modern industry management practices. Through the famous quote, he points out the significance of human behaviour i.e., the attitudinal aspects of the employees, in impacting the growth journey of an organization. According to him, an organization cannot succeed if the organizational culture is not aligned with the strategical vision of the management. Even a well-planned, carefully designed, solid strategy can also fail if the people of the organization executing it do not share appropriate culture. No matter how strong the strategic plan is, its efficacy will be held if teams do not share the proper culture. The phrase did not conclude that strategy was unimportant. Rather it emphasizes that a powerful and empowering culture will lead strategical decisions enroute to organizational success. It was well understood by the leaders of the erstwhile bank and utmost care was given to align the strategies ahead for amalgamation with the organizational culture of the merged banks.

6.2. Culture defying 'That's how things are done around here'

When it comes to the culture of any organization, the experiment done with few monkeys is often told about. In the experiment, five monkeys were placed in a cage and a ladder with bananas on its top rung was kept inside. Whenever a monkey tried to climb the ladder, the experimenter sprayed all the other monkeys with icy water. Eventually, each time a monkey started to climb the ladder, the other ones pulled him off and beat him up so that they could avoid the icy spray. Soon, no monkey dared to go up the ladder. The experimenter then substituted one of the monkeys in the cage with a new monkey. When the new monkey tried to climb, other monkeys started beating though icy spray was not given now. The new monkey learned the norm that this behaviour would not be tolerated by the other monkeys though it did not know the reason. One by one, each of the monkeys in the cage was substituted by new monkey until none of the original group of monkeys remained. Every time a new monkey went up the ladder, the rest of the group pulled him off, even they had never been sprayed with the icy water. By the end of the experiment, the five monkeys in the cage had learned to follow the rule (do not go for the bananas), without any of them knowing the reason why (we'll all get sprayed by icy water).

If we could have asked the monkeys why they stopped going for bananas, their answer would probably be: "I don't know, that's just how it's always been done." This culture can be attributed to organizational culture where people strongly oppose the new changes brought in simply because of the mob culture. It is pertinent to deny and defy the attitude of being non-adaptable to the changes taken up by management. This quality was naturally existent within the employees of Union Bank of India who is now a leading digitally strong public sector bank with more than 2 crore mobile banking customers.

6.3. Culture is Prime in an Organization

Culture is the way of how employees think, how they behave among themselves and with others, or how they work in an organization. Simply put: culture is the way of how things are being done. Culture resides in the hearts and minds of the people. Culture is a business driver.

Organizational Culture happens every day. It includes code of behavior, organization workstyle, decisions made, focus points, what is measured, what is rewarded, how leaders and employees work, how they communicate and engage with each other, etc. on a daily basis. Organizational Culture is driven by processes, programs, tools, policies, environment, and all the things that influence employee every day.

Organizational culture is an environment in which strategies either thrive or die. It is the secret sauce that keeps employees motivated. It differentiates a best organization from the rest. A well-defined, inclusive, and positive corporate culture is the glue that binds an organization and its employees.

Building appropriate organizational culture starts by identifying the cultural attributes that will feed strategy. Feeding strategy requires conscious decisions about culture – but the resulting high-powered partnership is so worth it. Senior management of Union Bank of India was well aware of that and they have ensured that the organizational culture which is inherent to three different banks do not overshadow one another and in lieu, they had strived to make the cultures complement each other.

In understanding the existing cultures of individual banks, one-to-one interviews and targeted focus group interviews were carried out to get feedback from the employees. Several surveys were conducted which engaged large number of employees from erstwhile bank employees before the amalgamation. Surveys were taken up after amalgamation also in order to understand their sentiments and feelings. This exercise gave the confidence to the erstwhile banks' employees that their voice was being heard by the management.

6.4. Cultural Integration Started from the Top

A leader and the top management define, create, live, and propagate culture of an organization, either knowingly or unknowingly. A good leadership recognizes that they are 'a voice' around the table, and not 'the voice.' They had to make sure that the employees who are communicating with them should feel validated for their opinions, and their opinions are taken into account while taking decisions. The able leaders strengthen their role as influencers of their organizational culture.

The bank's top management had committed themselves to the cultural integration, employee engagement and has taken the lead in helping organizational culture to support the strategies to be followed for amalgamation. The top management had regularly communicated proactively with the field functionaries and to every staff. Regular email updates were sent to let the people know what was happening thereby kept the employees abreast of the developments.

Townhall meetings were conducted in several cities where in the customers were also invited and top management had participated to keep the customers also confident about the developments related to amalgamation. Such townhall meetings were livestreamed also to reach larger audience. Video series of Managing Director and Executive Directors were released which created trust, bonding and raised the confidence level of the workforce. Triveni Sangam Meets were conducted in which the employees from all the three erstwhile banks were called and they were given functional and culture-based trainings.

The townhall meetings and triveni sangam meets held across the country lead to an openness of exchange and an appreciation of opposing opinions from different sects of the employees. These initiatives have laid to strong foundations for the belief that however different we are, we will be stronger as together.

6.5. An Amalgamation During Testing Times

When the amalgamation was announced by Government of India in 2019 August, little did anyone guess that there was a big challenge ahead – the COVID19 outbreak. By March 2020, countrywide lockdown was announced which halted all the pre-planned initiatives and mandated that the new approaches to be followed to sail through the tough times. The amalgamation related activities were also slowed down; however, the merger was made effective from 01st April 2020. Post-merger processes were handled with due care not to burden the employees who were already depressed by the pandemic and its consequences. Yet, with lesser number of employees being called to office units including branches, the rolling out was taken ahead meticulously although creating customer awareness about the products and services was facing difficulty due to the restrictions imposed due to COVID19 pandemic.

6.6. Promoted Cultural Integration among Employees

Bank management was aware that cultural integration among the employees from all the erstwhile banks was pivotal and had taken various initiatives in this direction. Few of the notable initiatives were Buddy Branch Concept, Friendship Cup Cricket Matches etc.

Buddy Branch was a novel concept of handholding of erstwhile Corporation bank and erstwhile Andhra bank employees by Union Bank of India employees. The Union Bank of India had supported the colleagues from merged banks by alleviating their doubts with respect to works, managing behavioural and social needs. This had fostered a greater sense of belonging for the erstwhile Corporation Bank and erstwhile Andhra Bank employees.

Friendship Cup Cricket Matches were held for both male and female employees respectively across the zones and regions. The teams were formed with members from all the three banks thereby eliminating the differences and helped to promote sense of friendship among the employees.

The management had taken care of even the micro level details viz. allocation of non-explicit random PF numbers for amalgamated banks' employees. This ensured that the employees could not be identified as belonging to one particular erstwhile bank so that biasness did not pop up.

6.7. The Amalgamated Entity – Union Bank of India 2.0

The amalgamation processes of the banks were followed by heavy investments in digitization, analytics capability, and performance management. Cross functional committees were formed and it was ensured that the best policies and practices from the erstwhile banks were chosen for the amalgamated entity. The cultural integration was given paramount importance besides strategies which made the amalgamation a success.

The human resource management system portal was made available for the employees from erstwhile banks also from the day one of merger effective date to rule out any people related concerns. While having re-jigged the products, processes, technology and scaled-up digital offerings to provide better experience to customers, cultural integration of employees were well taken care of. The amalgamated entity Union Bank of India is the outcome of the synergy of organizational culture and strategy. The organization is an ideal example of being agile and adaptive to the changing milieu.

Best products and procedures out of the existing pre amalgamation banks were chosen and were developed to suit the new amalgamated entity. Whilst the technological and product/ procedural aspects were taken care of, best amenities among the pre amalgamation banks were picked for the amalgamated entity. Translocating the officials were also done carefully wherever critically necessary to avoid putting pressures on them during the times of COVID19 pandemic.

Past merger activity of the public sector banks had seen a reduction in staff strength post amalgamation as evident from amalgamation of State Bank of India with its associates in 2018-19. The cumulative staff strength of all the three banks pre amalgamation was 76,168 as on 31.03.2020 which stood at 78,202 as on 31.03.2021. The numbers reveal that the staff were sticking on to the bank post amalgamation and it can be attributed to the satisfied workplace and culture created in the amalgamated entity.

Culture is not built overnight. It needs conscious decisions to be made on regular basis to keep the employee motivated and keep their culture in sync with the organizational strategy. Union Bank of India is carefully scripting every change and makes sure that the organizational culture remains the best as always. The recent change of logo with only the amalgamated entity's name is also a step towards cultural integration among the employees and to not let the people keep the differences in their minds about their parent organizations, if any.

6.8. Measuring the Success of Amalgamation

Success of an amalgamated entity is measured with its performance post amalgamation. Government of India announced amalgamation of public sector banks with the objective of strengthening the balance sheets of the bank besides various other parameters. A study on the performance of the erstwhile three banks vis-à-vis the amalgamated entity is carried out as below to find whether the amalgamation was yielding the desired outcomes.

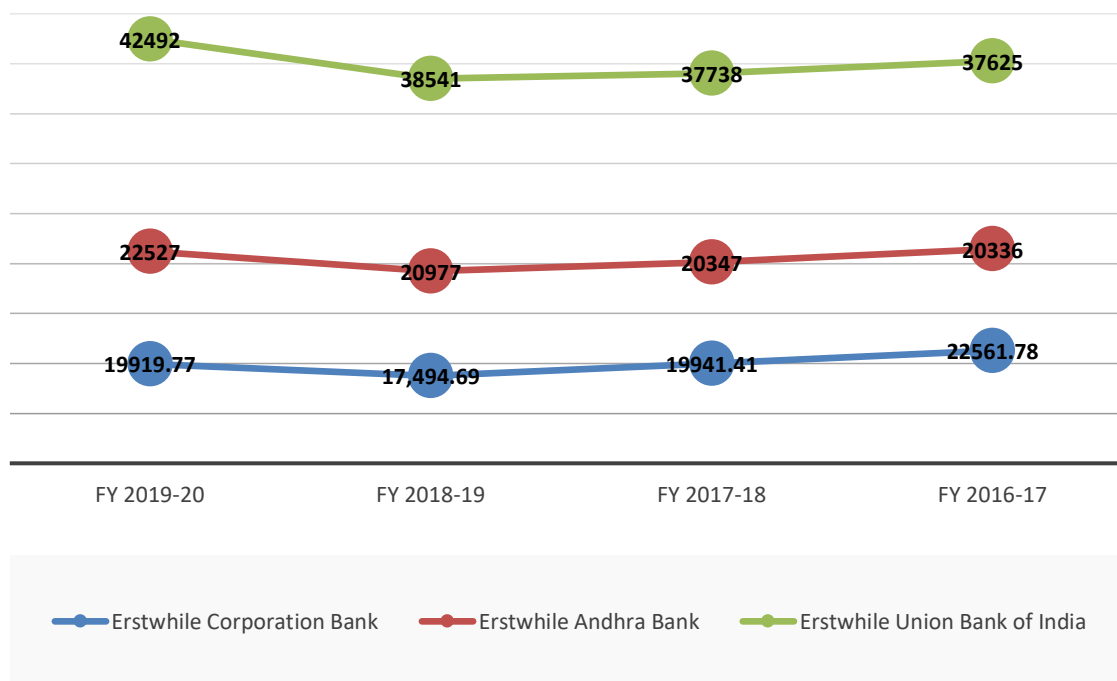


Exhibit 1. Total Income (in Cr) of the erstwhile Banks before amalgamation

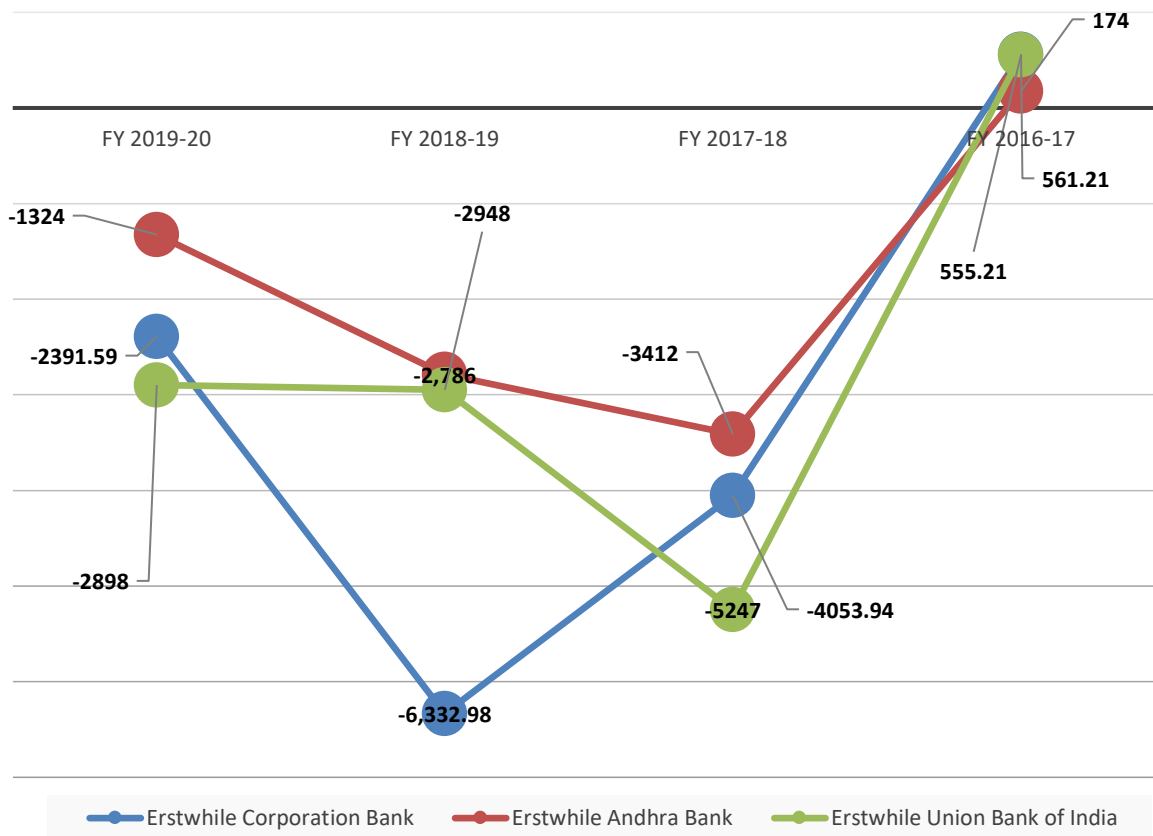


Exhibit 2. Net Profit/ Loss (in Cr) of erstwhile Banks Before Amalgamation

For the study purpose, the total incomes are extrapolated individually for the erstwhile banks by taking the average growth percentage year on year for the financial years FY2016-17, FY2017-18, FY2018-19 and plotting the extrapolated data for FY2020-21 and FY2021-22. The chart thus obtained is as follows:

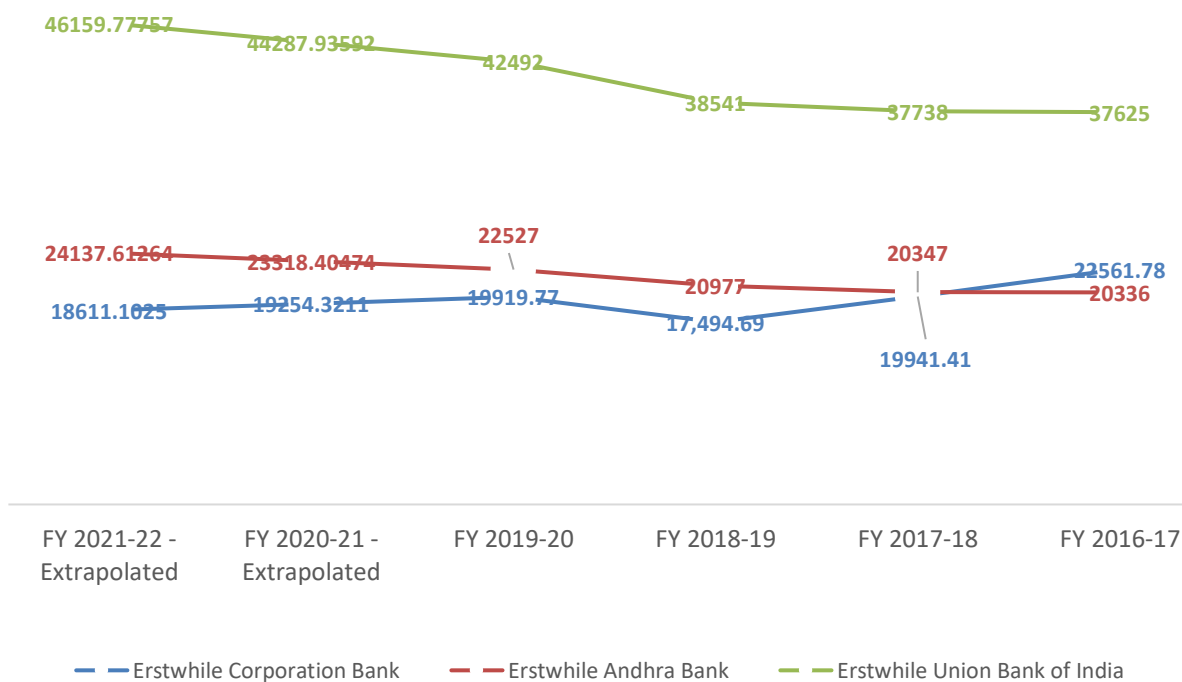


Exhibit 3. Extrapolated Data of Total Income (in Cr) of erstwhile Banks for FY2020-21 & FY2021-22

Applying the same method as above for Net Profit/ Loss, the chart obtained is as below:

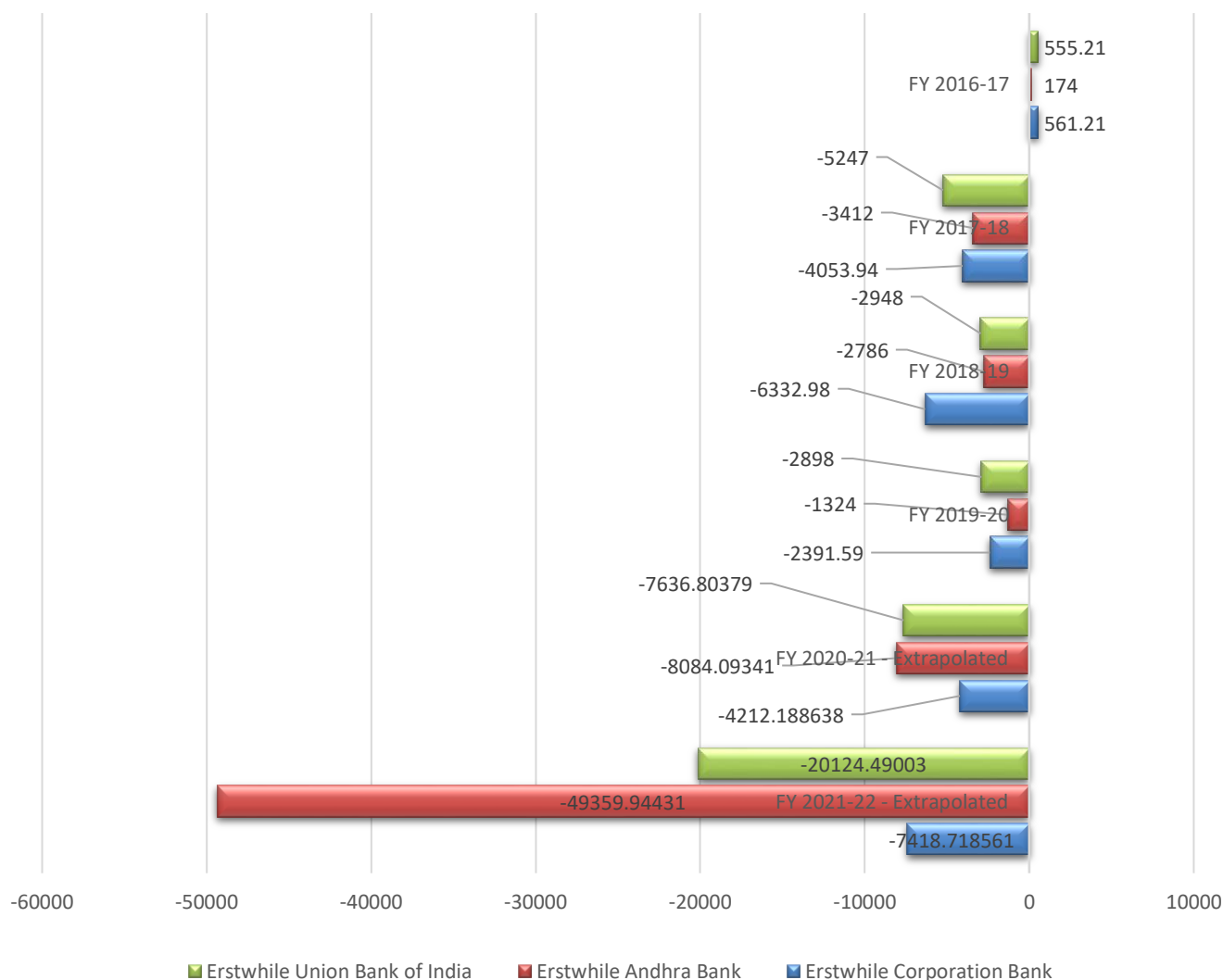


Exhibit 4. Extrapolated Data of Net Profit/ Loss (in Cr) for FY2020-21 & FY2021-22 for Erstwhile Banks

To measure the effectiveness of successful human integration and synergized performance, it is to be found that whether amalgamation positively impacted the business by increasing income and attaining greater profits. To compare the total income generated by the amalgamated entity with the erstwhile banks, a sum of the extrapolated incomes of erstwhile banks were taken and plotted against the actual figures achieved by the amalgamated entity for FY2020-21 and FY2021-22. The chart obtained is given below:

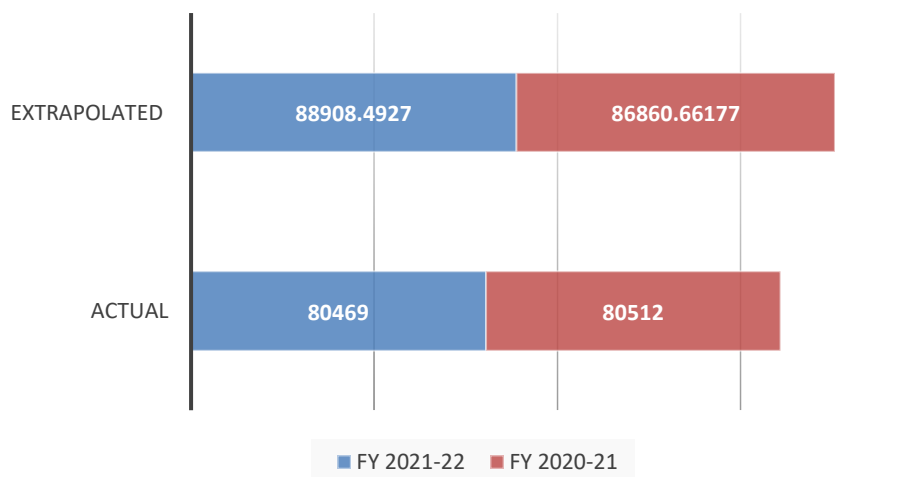


Exhibit 5. Post Amalgamation Comparison of Total Income (in Cr)

Likewise, the net profit/ loss comparison chart obtained on comparing the actuals with the extrapolated data would be:

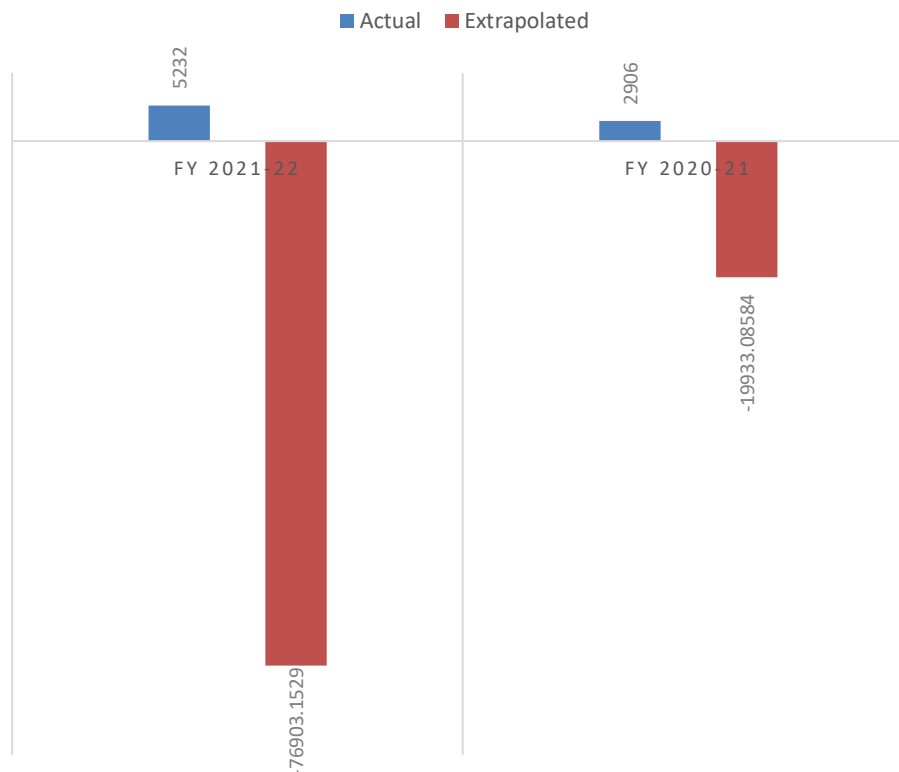


Exhibit 6. Post Amalgamation Comparison of Net Profit/ Loss (in Cr)

It is evident from the above chart that though the income actually generated is lesser than the extrapolated data generated with the average growth in total income over the past years, the profit generated were huge for both the recent financial years and were on the higher side when compared to the extrapolated profit data. Hence, it can be summed up from the analysis that the amalgamation proved to be very successful and the efforts taken for human cultural integration for the erstwhile banks have yielded the desired results.

VII. CONCLUSION

Proper organizational culture supplements the organization's strategy instead of failing it. A well-defined, inclusive, and positive organizational culture is highly significant since it is where the strategy thrives. Organization's strategy flourishes when a culture is built that really nourishes it. It is the leadership of an organization who defines, creates, lives, and propagates their organizational culture.

The amalgamation journey of Union Bank of India is the perfect example for what happens when culture and strategy are aligned to synergize. The well-developed organizational culture of the bank aided the strategies adopted for amalgamation and had strengthened the combined legacy of 300+ years. The amalgamation journey of Union Bank of India was completed successfully and a benchmark for future amalgamations in the sector was set. When culture complements strategy, strategy will nurture empowering culture and the Virtuous Cycle Repeats.

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