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EFFECTS OF MERGERS AND ACQUISITIONS ON EMPLOYEE MORALE IN THE KENYAN INSURANCE SECTOR

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ABSTRACT

The purpose of the study is to assess the effects of mergers and acquisitions on employee morale in the insurance sector in Kenya. Morale is an essential ingredient of organizational success. It reflects the attitudes and sentiments of an individual and group towards the organizational objectives. High morale can help enhance job performance, job satisfaction and employment stability in any organization irrespective of its nature. On the other hand, low morale is manifested in; increase in costs, absenteeism from job, refusal of providing services, strike and murmur, lack of motivation and interest, decrease in creativity and innovation, lack of inter-organizational collaborations, preventing the satisfaction of organizational objectives and finally reducing efficiency. The study adopted a descriptive research design to collect data from the targeted insurance companies. Purposive sampling technique was used to select the insurance companies that have undergone merger or acquisition in the sector. A total of 12 companies was selected which translated to a sample size of 23%. Further simple random sampling was used to identify respondents from within the insurance companies. Self-developed semi structured questionnaires was used to collect data from the target respondents in the insurance companies. Data was analyzed using descriptive statistics by means of SPSS, a statistical software package to generate percentages and means. This study will add to the available literature on mergers and acquisitions and will provide evidence on the effects of mergers and acquisitions on employee morale in the insurance sector in Kenya. The study found out that mergers and acquisition had great impact on employee morale of insurance companies. Most of the firms studied showed improved work environment and job satisfaction after merger or acquisition. This could be due to reduced cost of operation brought about by economies of scale. The study also found out that mergers and acquisition was not the only contributor to job satisfaction; other factors did also contribute towards increased job satisfaction. In regard to work environment, there was a strong correlation between mergers and acquisition and work environment in markets. It was established that M&A helped companies acquire virtuous work environment at the same time enhance job satisfaction, which in turn translates to increased employee morale.

Key Words: *Work Environment, Job Satisfaction, Mergers & Acquisition, Employee Morale*

INTRODUCTION

In today's globalize economy, mergers and acquisitions (M&A) are being increasingly used world over for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalizing on economies of scale among other (Kemal, 2011). The reasoning behind any corporate merger is that two companies are better than one because they increase shareholder value over and above that of the two separate firms (Sharma, 2009).

Merger is the combination of two or more entities by purchase acquisition whereby the identity of one of the entities remain while the others are being dissolved (Fatima & Shehzad, 2014). The term "acquisition" is used to refer to any takeover by one company of the share capital of another in exchange of cash, ordinary shares, or loan stock (Halpern, 1983). M&A have played a critical role in the success of many modern organizations. Their role in boosting the size of start-ups and increasing their market capitalization allow them to compete with much larger and well established companies (Badreldin & Kalhoefer, 2009). Other benefits and goals of M&A include market penetration, vertical expansion to control supply and distribution sources, market entry, identifying asset potential and economics of scale (Eccles, Kersten & Wilson, 2001).

During the past decades, the insurance industry has experienced a wave of mergers and acquisitions. Traditionally, the insurance industry has been known for its high-cost distribution system and lack of price competition, but insurers are increasingly faced with more intensive competition from non-traditional sources such as banks, mutual funds, and investment firms. The increased competition has narrowed profit margins and motivated insurers to seek ways to reduce costs. Technological advances in sales, pricing, underwriting, and policyholder services have forced insurers to become more innovative; and the relatively high fixed costs of the new systems may have affected the minimum efficient scale in the industry. These developments suggest that financial synergies and potential efficiency gains may provide a major motivation for the recent mergers and acquisitions in the insurance industry, enhancing the efficiency of the target firm and/or the combined post-merger entity (Poposki, 2007).

Global markets have continuously experienced increased mergers and acquisitions over the last decade as they continue to be a highly popular form of corporate development. In 2004, 30,000 acquisitions were completed globally, equivalent to one transaction every 18 minutes. The total value of these acquisitions was $1,900billion, exceeding the GDP of several large countries (Cartwright & Schoenberg, 2006). Unsurprisingly, the United States remains the most active region globally. This is despite myriad challenges, including slow insurance market growth, poor insurance pricing and insurance catastrophes such as Superstorm Sandy. Meanwhile, there has recently been a notable rise in deal activity in emerging markets, particularly in Latin America and Asia Pacific. Insurers are increasingly drawn to high growth markets in search of returns. Conversely, insurers in emerging countries have shown a greater interest in acquiring companies established in mature economies (Thornton, 2014).

Over the last decades, the insurance industry in the US experienced a large number of merger and acquisition (M&A) transactions (Poposki, 2007). The economic rationales for these operations in the US insurance industry include the insurers' will to increase their geographical reach, their products' range and benefit from scale and scope economies. Furthermore, insurers could have initiated these transactions in order to benefit from financial synergies or reduce the riskiness and/or improve the amount/timing of their cash flow streams. According to Thomson Financial, M&A transactions in the US insurance industry over the 1990-2001 period account for the third of the transactions worldwide in terms of number (639 compared to 2101), and for almost 45% in terms of value (218.1$ US billion compared to 480.8$ US billion). Interestingly, the US insurers do not limit their M&A activity to the domestic market, and engage more and more often in cross border operations, enhancing a worldwide consolidation movement in the insurance industry.

Africa is progressively gearing itself towards a brighter future. Economic growth rates remain strong in sub- Saharan African economies. While the continued pressure on South African economic growth is starting to impact local insurers, there is hope in other key sub-Saharan markets that are enjoying strong growth rates (PwC, 2015). In recent years, mergers and acquisitions (M&A) activities have become an important channel for investment in Africa for both global and local market players. M&A deals have allowed companies to consolidate their positions in African markets, contributing to better market access and competitiveness. Nevertheless, the African M&A market is still very small compared with other regions in the world. There are also regional disparities within the continent as the market is essentially dominated by deals in Northern and Southern Africa.

Kenya saw an increase in mergers and acquisitions activity during the period 2011 to 2012. Since the Competition Authority (established as autonomous public institution under the Competition Act) became operational in 2011, it has determined more than 50 merger applications. This is in comparison to the six-year period between 2005 and July 2011 during which there were 68 mergers notified to the Monopolies and Prices Department, the predecessor of the Competition Authority. The activity has been in a wide array of sectors including banking, insurance, engineering and construction, floriculture, information, communication and technology (ICT), and mining, among others.

Mergers and acquisition (M&A) is a critical vehicle in facilitating corporate growth and productivity. The reasons a firm may go the merger and acquisitions are many and diverse.

They range from tax planning efforts to expansion in a bit to enjoy economies of scale. The need to achieve legal compliance especially in capital intensive sectors like telecommunications industry and the financial sector the other major reasons. There is also the factor of business considerations like is the case in a business environment where the one competitor has large capital outlay as compared to the other scores of small competitors. The small firms may merge in a bit to wrestle market share from the large company. Whatever reason, the common denominator of all M&As is the focus on bottom line of the companies involved. M&A may be aimed at improving bottom line through increased efficiency or sustaining the same by staying afloat (Musyimi, 2007). The prevalence of financial synergies is the main motive for merger and acquisition activity in the insurance industry (Poposki, 2007).

The Effect of Mergers and Acquisitions on Employee Morale

Mergers and acquisitions ensure tremendous profit in terms of financial gains and work performance. However employees on the other hand, often cope with the uncertainty surrounding a merger by reducing levels of commitments and instead use the energy either to cope with anxiety and confusion or try to find new employment opportunities (Fulmer & Gilley, 1998).

Morale is an essential ingredient of organizational success. It reflects the attitudes and sentiments of an individual and group towards the organizational objectives. Morale can be understood as a group of phenomenon, it refers to the operation of the group. It is the way the group thinks, feels and acts. High morale can help enhance job performance, job satisfaction and employment stability in any organization irrespective of its nature. On the other hand, low morale is manifested in; increase in costs, absenteeism from job, refusal of providing services, strike and murmur, lack of motivation and interest, decrease in creativity and innovation, lack of inter-organizational collaborations, preventing the satisfaction of organizational objectives and finally reducing efficiency. Decenzo *et al* (2010), notes that morale suffers as employees that survive layoffs feel fear and resentment.

Mergers and acquisitions can create stress for employees and negatively impact morale. The effects of mergers and acquisitions on employee morale can be significant if the reorganization of the business is not handled effectively. During any merger or acquisition effort, there are at least two groups of employees involved, often coming from organizations with distinctly different cultures and styles. Learning a new culture can be challenging, but is especially so when employees are faced with uncertainty about what the future may hold and whose job is on the chopping block. Change is often difficult for employees, especially if they were not directly involved in decisions that impact their jobs. During mergers and acquisitions, change can be especially difficult and can lead to stress which can have a negative impact on morale if not handled effectively. Communication is critical during these times. To the extent possible organizations should strive to share as much information about what is happening and, most importantly, how the changes will affect individual employees, as they possibly can.

Statement of the Problem

The initial headlines announcing mega-corporate mergers and acquisitions typically focus on appreciation for improved finances, less duplication of services and staff, the ability to grow a company faster, and the anticipation of higher returns for shareholders (Strategic management, 2005). These potential synergies may seem achievable during the planning stage, but actually realizing and exploiting them can be significantly more difficult than anticipated. Mergers and acquisitions represent the ultimate in change for a business. No other event is more difficult, challenging, or chaotic as a merger and acquisition.

In Kenya, mergers and acquisitions are becoming a prominent feature particularly in the banking and insurance sector (Muriithi, Guyo & Muturi, 2014). Nevertheless, Kenya has witnessed a mix of dismal performance by some merged institutions and very positive performance by others. According to Marks & Mirvis (2001), and Hunt & Downing (2006), the success rate of M & A vary from a pessimistic twenty three percent (23%) in the United States (US) to a more optimistic fifty percent (50%) in the United Kingdom (UK). Recent research has indicated that in more than half of merger failures the root cause is a failure to attend to the people factors (Arora & Kumar, 2012).

Ignoring the human capital element of an organization is a clear example of the short-sighted and self-serving view invariably taken by advisors, analysts, executive directors and intermediaries. The reality is that, in the long-term, an organization's intangible assets (especially its human capital) add to an organization's future worth (Purse, 2013). Organizations fail to realize that people have the capability to make or break the successful union of the two organizations involved.

Whether they are mega-corporations or smaller mom-and-pops, company acquisitions and mergers have the potential to wreak havoc on employee morale. The stress and anxiety at the prospect of blending two cultures or even job loss, feelings of being unvalued, helplessness betrayal and changing environmental conditions lower employee morale. Lack of information, no clear direction and confusing messages, all boil down to uncertainty, which is destructive. Additionally, leadership has an effect on a company's most valued asset – its people, and is hence extremely important to the success of the organization (Marr, 2004).

Mtapuri (2010) asserts that continuing to disregard research findings and their recommendations on employee issues in post-merged institutions will perpetuate the failures. There is thus a need to do research on the post-merged insurance institutions to determine the effect M & As may have had on the employees of the two merged institutions focusing mainly on employee morale. The human aspects of mergers and acquisitions should be accorded the same emphasis and attention that is usually given to financial, legal and strategic concerns.

Research Objectives

The main objective of this study was to establish the effect of M & As on employee morale in the Insurance companies in Kenya. The specific objectives were:-

- To find out the effects of work place environment on employee morale after mergers and acquisitions.
- To analyze the effects of job satisfaction on employee morale after mergers and acquisitions.

LITERATURE REVIEW

Theoretical Review

System Theory

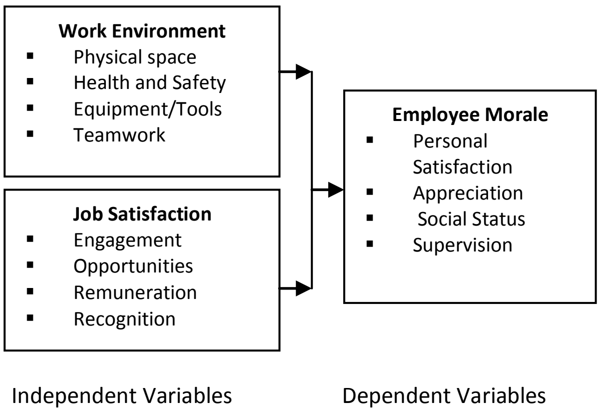
System theory is applicable because a workplace is a system which could be influenced by numerous factors and could on the other hand influence the morale of employees. System theory is a framework by which one can analyze and/or describe any group of objects that work in concert to produce some result (Hammersley, 2006; Mackenzie & Knipe, 2006). Generally system theory is concerned with the structure of complex systems, with special emphasis on how individuals relate to each other and to the whole system i.e work place as a whole and the effect these have on employees.

In the present study, this amounts to employee retention, teamwork, workplace conditions and other administrative systems within insurance companies. The system theory will be employed in order to understand the interrelations between employees and systems in the workplace.

Maslow's Hierarchy of Needs

The complexity of job satisfaction becomes apparent when one realizes that a variety of aspects regarding the job can result in negative or positive feelings thus affecting performance. The renowned Maslow's hierarchy of needs theory identifies five levels of needs that every individual wants to satisfy. These are: physiological needs, security/safety, social needs, self-esteem needs and self-actualization (Maslow, 1956). Most of us want the satisfaction that comes from being accepted and recognized as people of worth by our friends and work associates. Money is only a small part of this social recognition. This theory confirms the importance of being aware of the effect of job satisfaction on employee morale.

Conceptual Framework



The work place environment in a majority of industry is unsafe and unhealthy. These includes poorly designed workstations, unsuitable furniture, lack of ventilation, inappropriate lighting, excessive noise, insufficient safety measures in fire emergencies and lack of personal protective equipment. Chandrasekar (2011) carried out an analysis of the working environment at different public sector organizations and the research done to understand the performance level of the employees due to the work environment. The research also aimed at suggesting few interactions to provide better work environment at Public Sector Organizations. The findings of the study state that creating a work environment in which employees are productive is essential to increased profits for your organization, corporation or small business. The relationship between work, the workplace and the tools of work, workplace becomes an integral part of work itself.

Plemons (2014) used focus groups to identify themes among support staff in selected Registrar's Offices in the Southeastern region of the United States. The researcher asked participants to discuss their perceptions on current morale levels in the office and how different work responsibilities affect morale. Since the Office of the Registrar is key to the institution, the researcher also asked participants how the office's perceived morale affected the fulfillment of the office's mission.

According to the study, a staff with high morale will improve customer service experiences and create a dynamic workforce willing to go beyond the requirements of the position. The office with the lowest morale had different divisions within its structure which operated similar to individual silos. The office provided limited cross-training, and turnover caused uncertainty and tension. The offices with the highest morale defined the work environment as a family, was cross-trained, and non-management staff addressed the task of boosting morale. Happy employees will work together, assist students, and propel the Office of the Registrar to a model within the university.

Bryson (2004) conducted a survey in the United Kingdom to determine causes for low morale among research and teaching faculty. Results identified trends research that included: decreased pay, lack of advancement opportunities, undefined job roles, work overload, fear of losing position, individualized work environment, failure to see vision, and leadership. The highest priority among all faculty members was family and relationships outside of work. Heavy workloads prevented time with from family and affected morale. In addition, lack of opportunity to advance was a prominent factor impacting morale. The study indicated a slower decline in morale, and had obvious limitations, including the educational systems in the United Kingdom. The results cannot be generalized to institutions in the United States, since the structure may not be similar.

As changes have occurred in UK's higher education system, the survey should be revisited to determine if morale is improving in the identified areas.

Job Satisfaction

In focusing on the financial issues and the creation of synergic values, such as firm performance, corporate leaders have overlooked the role of people in M&A transactions. Consequently, M&As have come to be associated with lower morale and job dissatisfaction, unproductive behaviour, acts of sabotage and petty theft, increased labor turnover and absenteeism rates, and worsening strike and accident rates, rather than increased profitability (Armstrong-Stassen, Cameron, Mantler, & Horsburgh, 2001).

Researchers (Chambers and Honeycutt, 2009) examined the impact on employee morale and turnover intention related to a megamerger between two telecommunications conglomerates. The survey results indicated that the merger impacted morale in a negative way and hence job dissatisfaction. Low morale can be assured to be caused by insecurity about their jobs, changes in processes, management, a new pay structure and most importantly the labor contract. This post-merger study stresses the importance of involving human resources in the pre-merger integration stage, to address and manage the two diverse and distinctive cultures and management styles, in an effort to make the transition smoother.

To investigate job satisfaction and morale among employees, (Islam, Mohajan & Datta, 2011) carried out a study of the commercial banks in Bangladesh. The study determined that morale and job satisfaction plays a vital role in overall performance of the employees in the workplace. The study also determined that social status, supportive colleagues and feeling secure about the job were the top three best reasons for working in the banks. It was also determined that pay, decision making authority, and promotional policy were the three top priorities for improving the work environment.

Sanda and Benin (2011) carried out a study to understand the degree to which employees' satisfaction with merger-induced organizational changes impact on their productivity and the merged-firm performance. The results showed that human resource issues are important aspects of mergers which, if it is not well handled, may impact negatively on employee satisfaction with consequent repercussions on productivity and the success of the merger. It is concluded that employee satisfaction to a merger-induced organizational changes could be enhanced by instituting effective two way communication system and using participatory approaches in job redesign processes. By implication, merger-induced change has human factor challenges that merging firms need to understand.

To gain an understanding of the relationship between organizational mergers and/or acquisitions and job satisfaction, (Rathogwa, 2008), carried out a study on the effects of mergers and acquisitions focusing on employees of Smartcom in Vodacom SA. The results found that employees were dissatisfied as result of M&A. It was concluded that when an acquisition is made, management should not only focus on the bottom-line, but also pay attention to the human factors that can lead to the failure or success of the acquisition.

Covin *et al*. (1996) examined employee satisfaction with an acquisition or post-acquisition attitudes of target and acquiring company employees and the potential impact of these attitudes on several facets of individual and organizational effectiveness, such as job satisfaction, satisfaction with pay, communication, teamwork, etc. Their findings revealed that target-firm employees reported significantly higher levels of dissatisfaction with the merger than the acquiring employees.

Employee Morale

Morale is defined as the total satisfaction that a person derives from his job, the prevailing atmosphere and the factors that appeal to his individual propensities. It's a summary of attitudes and feelings that constitute a reserve of physical and mental strength including factors like self - confidence, optimism and a positive mental attitude. Morale is almost like an invisible element which determines the success or failure of an organization. Human Resource is considered to be the valuable resources of any organization. It may be defined as an attitude of satisfaction with the desire to strive for the goals of a particular group. Morale is purely emotional. It is not a static thing it changes depending upon working conditions. It is the vital ingredient for the organization success. Employee morale is directly associated with employee retention because the employees who feel a high level of job satisfaction tend to remain and work for the organization (Vasantham, 2014).

Employee morale plays a very important part in the organization success. High morale leads to success and low morale brings to defeat. In an organization if the employees possess high morale then their attitude to stay in the organization will increase otherwise the vice versa. The play of morale is not less important for an Industrial undertaking. The success and failure of the Industry depends on the morale which the employees have towards their organization. The Organization needs employees with high morale and moreover morale is a psychological factor and measures can be adopted to build a high level of morale in an employee's mindset.

Employee morale is a very complex phenomenon and is influenced by many factors. The factors include: Objectives of the organization; Organizational design; Personal factors; Rewards; Good leadership and supervision; Work environment; Compatibility with fellow employees; Job Satisfaction and Opportunity to share profit.

RESEARCH METHODOLOGY

The study adopted a descriptive research design in order to determine the relationship between M&As and employee morale within the Insurance sector in Kenya. The target population was the insurance companies in Kenya comprising 53 registered companies. According to the Competition Authority of Kenya (2015) Annual Reports, 12 insurance companies out of the 53 registered insurance companies had undergone merger or acquisition. The sampling frame was the list of fifty three (53) registered insurance companies in Kenya. For the purpose of this study, purposive sampling was used to select the insurance companies. This sampling technique allows the use of cases that have the required information with respect to the objectives of the study (Cooper & Schindler, 2006). A semi structured self-designed questionnaire was used as the survey instrument for this study based on the anticipated large sample population. Further, the researcher used the Purdue Teacher Opinionaire to assess the level of morale among the employees.

Prior to data collection, approval to conduct the proposed study was obtained from the University and Management of the selected Insurance Companies. The questionnaire was pretested to a selected sample of 15 respondents from Madison Insurance Co. to estimate the amount of time it took to complete the study and to check whether all the questions are relevant and address the research objectives. Since the questionnaire was semi structured, both quantitative and qualitative data were generated. Descriptive statistics analysis method was applied to analyze numerical data gathered using closed ended questions.

RESEARCH FINDINGS AND DISCUSSIONS

The researcher distributed 119 self-administered questionnaires to the sampled respondents, 104 questionnaires were returned, representing 87.39% response rate which the researcher found sufficient to proceed with data analysis.

The tests were conducted using SPSS. From the findings, the study revealed that majority of the respondents were males whereas thirty nine percent were females. This is an indication that both males and females were involved in this study, indicating that the findings were free from gender bias.

Based on the level of experience and the number of years of the respondents based on served in the organization.

It was found out that a sizeable number of respondents have been in the organization for more than three years; this indicates that the information given was reliable as they had vast knowledge which could be relied upon for this study. Most of the respondents had more than 3 years working experience in their current positions. These were 61.56% of the respondents, particularly 4 to 6 years who were 26%, followed by 18.26% who had been in their current positions for a period of between 7 to 9 years, while those with over 10 years' experience accounted for 17.3%. This shows that the largest population of the respondents had been in the insurance sector for a considerable period of time and are able to understand issues related to employees' morale in the Kenyan insurance sector. On nature of corporate action, 76% of all corporates studied were mergers while 24% were acquisition. On whether they worked in the organization at the time of the Merger and/or Acquisition, 63% of the respondents agreed while 37% declined. This implied that most companies that merged together were within the same insurance industry.

Work Environment

Respondents were asked to provide answers on each item that was measured by a five point Likert scale ranging from 1 (very high) to 5 (very low). From Table 1, mean and standard deviation were used to test respondent ideas where Standard deviation is the square root of the variance. It measures the spread of a set of observations. The larger the standard deviation is, the more spread out the observations are, while mean is the arithmetic mean across the observations, it is the most widely used measure of central tendency. It is commonly called the average.

Table1: Work Environment

Statements	Mean	Std. Deviation
This is a really good place to work.	3.2000	0.36986
I enjoy my work space and the overall working conditions are good.	3.3750	0.40484
I feel safe at my place of work.	3.1000	0.51611
I feel like I am part of a team.	3.0000	0.41611
I get on well with my co-workers.	3.3750	0.40484
I have the resources, equipment and tools necessary to do my work.	3.2500	0.43972
I want to continue working for this organization in the future.	3.0120	0.41611

From the findings, the statement that I enjoy my work space and the overall working conditions are good and I get on well with my co-workers were rated as the most significant factors of work environment both were supported with a mean of 3.3750. Other significant factors were the statement that, I have the resources, equipment and tools necessary to do my work with a mean of 3.25 and the work environment is a really good place, supported with a mean of 3.2. However, the least supported statement was, the statement that I want to continue working for this organization in the future, which was supported with a mean of 3.0. These findings are in line with Chandrasekar (2011) who carried out an analysis of the working environment at different public sector organizations and the research done to understand the performance level of the employees due to the work environment. His study posits that, a staff with high morale will improve customer service experiences and create a dynamic workforce willing to go beyond the requirements of the position. The office with the lowest morale had different divisions within its structure which operated similar to individual silos.

Job Satisfaction

Table 2: Job Satisfaction

Factors Under Consideration	Mean	Std. Deviation
My job is interesting.	3.9628	0.37372
The amount of work I am given to do is reasonable.	3.3465	0.44548
My workload ensures I am able to meet the set deadlines.	2.9302	0.23269

I get informal praise and appreciation when I do things well.	3.0000	0.28680
Recent restructuring has created more training opportunities. for employees	4.0372	0.37097
My contribution to the organization is valued and appreciated.	3.7442	0.48961
The reward system of the organization is satisfactory.	3.4419	0.33356
The restructuring created more advancement opportunities for employees.	3.1628	0.47372

From the research findings, recent restructuring has created more training opportunities for employees had the highest mean score at 4.0372. This signifies that it is the most important factor that determines job satisfaction. Other significant factors are my job is interesting (measure = 3.9628) and my contribution to the organization is valued and appreciated (m=3.7442). Less significant factor was my workload ensures I am able to meet the set deadlines (m=2.9). This contravenes a research by Chambers and Honeycutt, (2009) who examined the impact on employee morale and turnover intention related to a megamerger between two telecommunications conglomerates. The survey indicated that the merger impacted morale in a negative way and hence job dissatisfaction. Low morale can be assured to be caused by insecurity about their jobs, changes in processes, management, a new pay structure and most importantly the labor contract.

Employee Morale

Table 3: Employee Morale

Factors Under Consideration	**Mean**	**Std. Deviation**
My work gives me a great deal of personal satisfaction.	3.7	0.47
The work of individual departmental members is appreciated and commended by our supervisor.	4.0	0.51
My work gives me the social status in the community that I desire.	4.2667	0. 67
I do not hesitate to discuss any problem with my supervisor.	3.0333	0.53
I enjoy good morale in the company.	4.3667	0.40

From the research findings, respondents strongly agreed that; they enjoy good morale in the company with a mean of 4.36. My work gives me the social status in the community that I desire m=4.2667 and the work of individual departmental members is appreciated and commended by our supervisor with a mean score of 4.0. The least significant factor however, was the statement that I do not hesitate to discuss any problem with my supervisor, as supported with a mean of 3.0333. Vasantham, (2014) posits that employee morale plays a very important part in the organization success. High morale leads to success and low morale brings defeat. In an organization, if the employees possess high morale then their attitude to stay in the organization will increase otherwise the vice versa.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of the Findings

The study established that there was a positive correlation between M & As and employee morale in the Insurance companies in Kenya. The study found out that respondents of the study enjoyed their work space and the overall working conditions are good. They also get on well with co-workers. These were rated as the most significant factors of work environment.

Restructuring created more training opportunities for employees and their contribution to the organization is valued and appreciated. The survey thus indicated that the merger and acquisitions impacted morale in a positive way and hence job satisfaction.

Conclusion

Mergers and Acquisitions in the insurance industry is increasing globally as shareholders seek alternative ways to boost revenue growth, build economies of scale and ultimately increase profitability. In the Kenyan insurance industry a number of factors have influenced M&A decisions; these include the changes in regulation, technology and distribution. Statutory demands for a stronger capital base and solvency margins will see mergers and acquisition as the only viable strategic option to Kenyan insurer who want to remain competitive and profitable in the long–run. The study established that indeed mergers and acquisition had a positive influence on employee morale in Kenyan insurance companies. Data findings showed that the two factors in question, that is, work environment and job satisfaction had an effect on employee morale. Most of the firms studied showed improved work environment and job satisfaction after merger /or acquisition. This could be due to reduced cost of operation brought about by economies of scale. The study also found out that mergers and acquisition contributed to job satisfaction as the restructuring created more training opportunities for employees. Their jobs are interesting and their contributions to the organization is valued and appreciated, hence increased job satisfaction.

Recommendations

Based on the findings and conclusions made, the study makes the following recommendations; there is need for insurance companies to adopt merger/acquisition as a strategic approach to external clientele. The merger and acquisition strategy is a sure way to enhance external reputation of insurance firms in Kenya. However, correct choice of the target must be identified to allow generation of synergies that will foster corporate growth and improve profitability.

A comfortable, safe and conducive work environment should be adopted by the insurance companies. This would allow employees a sense of belonging and enable personal accomplishment through achievement and advancement in performing their duties. Being part of a team and flexibility in work hours would also encourage people to remain in their jobs and lead to job satisfaction.

To realize meaningful employee morale players, the insurance industry should only adopt merger and acquisition as a means to improve efficiency, achieve synergy and grow market share. The purpose of M&A should not be to meet regulatory requirements rather, the purpose for M&A should be business environment driven.

Suggestion for Further Studies

The study was limited to the insurance companies that have undergone mergers/acquisition. However, there is need for more studies in other sectors to evaluate the effect of mergers and acquisition on operation and performance of these companies. A comparison study also needs to be undertaken to investigate the effect in different sectors as a result of mergers and acquisition. Further studies can be done using other variables such as attitude, productivity, incentive system, welfare measures, social activities, training, and worker’s participation in management among others.

Since majority of the merger/acquisition transactions were done recently i.e. between 2013 and 2015. It would be important if a similar study is done in future to confirm if the current findings will still hold given change in time.

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