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Effects of Trust on Job Satisfaction and Mediatory Role of New Identification between Trust and Job Satisfaction in Mergers

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Abstract: *Companies aim growth and increase market share via mergers. However contrary to the expectations, the financial success rate is less then 50 percent. The main reason for this is management's focusing on financial figures rather than human factors. Employees' identification with the new merged company and job satisfaction are important factors effecting success of mergers. This study aims to find out the effects of trust on job satisfaction and to investigate the mediating role of new identification in this effect. In this research, with the sample of 143 employees of the new 'merged bank' after Fortis and TEB banks merger, the bootstrap analysis was used to investigate this. The results indicate that trust effect the job satisfaction and the employees' new identification after the merger positively. The new identification after the merger has a mediating role between the relationship of job satisfaction and trust.*

Keywords: *Mergers, Bank Mergers, Identification, Trust, Job Satisfaction, Bootstrap Analysis Method, Mediation.*

1. Introduction

This research aims to investigate the effect of trust on job satisfaction. Furthermore to investigate the indirect (mediating) effect of the new identification after the merger on the relationship between trust and job satisfaction. This research is based on the unpublished dissertation of the author.

Employees' identification with their organizations effect their job satisfaction positively. In mergers, the employees' job satisfaction depending on their identification after the merger with the new merged company is effected positively or negatively. In other words identification has an indirect effect on job satisfaction. The aim is to investigate the indirect (mediating) effect of the new identification after the merger on the relationship between the employees' job satisfaction and trust to the management in bank mergers.

The answers to the following questions are investigated among the employees of the new 'Merged Bank' after the merger ;

a) Does the trust to management effect employees' job satisfaction?
b) Does the trust to management effect employees' new identification after the merger ?
c) Does the new identification after the merger effect the employees' job satisfaction?
d) Does the employees' new identification after the merger indirectly effect (mediate) the relationship between the trust to management and job satisfaction?

2. Mergers

Success rate of mergers are reported as 50% or even less. The main reason for failures of mergers is focusing on economic and technical features than the human factors [1].

The primary factor of mergers success or failure is the human, that is the employees themselves[2]. To succeed in mergers, management must investigate the failure reasons. To avoid failure, management

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must focus on employees' job satisfaction and new identification after merger and factors like trust effecting job satisfaction.

The results of this research done with the sample of 143 employees consisting of (TEB and Fortis banks) after the merger, show that the new identification after the merger effects employees' job satisfaction positively and at the same time mediates the relationship between the trust and the job satisfaction. These results are in compliance with other researchs in the literature.

The legal requirement of confidentiality in the banking sector makes it more difficult to make research in the banking sector comparing to other sectors. The relationship between trust, new identification and job satisfaction are investigated and the bootstrap analysis was used to investigate mediating effect of new identification between the relationship of trust and job satisfaction.

Ambiguity and stress due to uncertainty are given as main reasons for mergers failure. Organizational changes like merger, creates ambiguity and distrust in employees[3]. Especially anxieties like 'will I lose my job, will I be able to protect my position, will I be sent to a different position? etc creates stress effecting employees and even lead them to withdraw their work power[4]. Therefore management must provide an environment where the employees can cope with stress and ambiguity to succeed in mergers [5].

Other than the ambiguity and related stress reasons, new identification after merger is another important factor for failure of success in mergers. Some researches claim that even with 50-50 percent mergers are not actually different from acquisitions and that the difference is only on paper, especially for the less powerful partner, there is no difference between a merger and an acquisition. Sometimes even at the best terms, mergers might change the orientation and the structure of the partners or one of the partner so that the employees' assimilation in the merged company might take five to seven years[6].

Some researches show that it might take years for the employees to adopt and get used to the new merged company's effects after the merger [7].

The effect of trust on job satisfaction is investigated in a case study of banking sector. Furthermore, the mediatory role of the new identification after merger on the relationship between job satisfaction and trust.

The hypothesis and the model is defined as follows;

Hypothesis: *Trust to management effects job satisfaction positively, and the employees' new identification after the merger has an indirect effect on this relationship between trust and job satisfaction.*

- *Trust effects new merger identification after merger positively.*
- *Trust effects job satisfaction positively.*
- *New identification after merger effects job satisfaction positively.*
- *New identification has an indirect effect on the relationship between trust and job satisfaction.*

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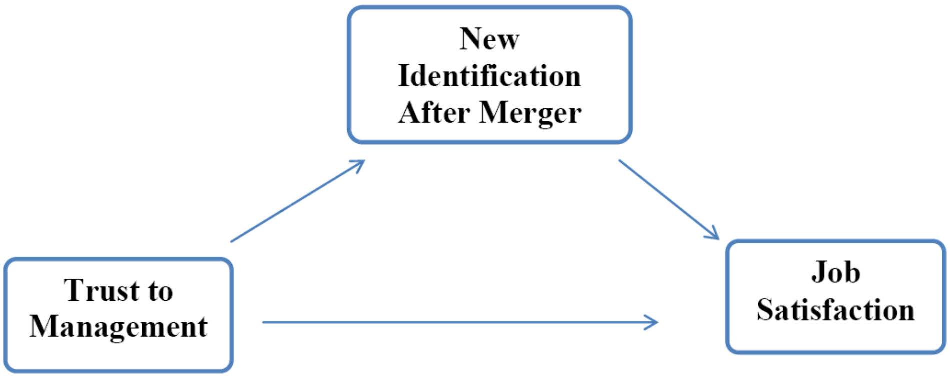

Figure1.*"Trust to management effects employees' job satisfaction and the new identification after the merger effects this relationship indirectly."*

2.1. Identification and Mergers

As per the social identity theory, employees identification is created after a process of comparison of the individuals, with others than classifying himself with 'us' and others. The social identity which is different than the individual identity of which now the individual experiences the success and failures of the social group, where phychologically he is a member. In other words the individual identifies himself via his social identity with the company he works. Employees must re-classify themselves with the new company after merger. While social identification tries to find replies to 'Who am I?' or 'Who are we?' identification is defined as 'whether the organization is successful or not, to belong the organization, to be with the organization'[8] .

As the extended families, neighbourhood relations, political institutions and religious beliefs are disappearing or weakening day by day, the employees' identification with his organization has become a more important aspect with his own perception. Management must seriously consider and motivate employees' identification with the organization because during mergers and acquisition process, the employees' loyalty is usually lost [9].

Mergers process effect identification levels tremendously because mergers are big organizational changes with uncertainty[10].

Employees' identification with his company is something special, specific to that company and when the identified company disappears or merges with another company and a new merged identity is created, the employee feels like a real loss when seperated from the previous identified company[11].

Mergers have phychological effects on employees like attachment to company is broken, uncertainty, identification is threatened, decrease in effectiveness, increase in intention of leaving[12].

Employees' positive identification with the new merged company after merger plays a very important role at the restructuring process of the merger[13].

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The advantages of identification after the merger are as follows:

Identification

- enables the individual to participate in the success of which he can not achieve on his own[14].
- motivates higher job performance [15].
- effects employees' efforts positively[16].
- reduces the tendency to leave the company[17].
- reduces intergroup prejiduce[18].
- reduces ambiguity[19].
- helps employees to feel better [20].

The more the employee identifies himself with his company, the more will think and act to reflect the company's identity[21].

Employees define their self through their identification with their companies, they become 'phychologically attached' to the company and share the success and the failure of the company via identification [22].

Identification effects trust and collaboration positively and motivates employees to work to achieve their goals[23].

2.2. Trust and Mergers

Trust has a positive effect in mergers.

Merger process is a period where there is ambiguity and stress arising from ambiguity. Trust especially effects attitudes positively in uncertainty and complicated situations. Trust and employees' tolerance to changes after merger are effected from uncertainty. During the merger process usually because of the negative reactions, ambiguity and the tension, the employees of two different companies, create a barrier between themselves and perceive each other differently. Trust is very important for employees of two different companies and is critical in mergers. Therefore although it is quiete difficult, the management must try to create trust among the employees after merger [24].

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It is inevitable that trust decrease during important changes, like mergers, new management and restructuring periods. The management's capacity to implement the changes after the merger effects trust as well[25].

As big changes are implemented during the merger process, trust is effected negatively in this period. Distrust to management and 'us versus them' among the partners of mergers and acquisitions continues for five-to ten years after merger. Furthermore even the entegration efforts might provide closeness among partners, it is usually tentatively. As trust decreases during the merger process, to be able to create trust is important at the beginning of the relationship, for success of mergers[26].

Trust advantages are;

- Trust can provide coordination and effective work[27].
- If there is trust, there is less anxiety among remaining employees even people are dismissed from work[28].
- Trust enables employees' to accept change process positively and makes it easier to manage the complicated the merger process [29].

Our results show that trust, effects new identification positively and effects job satisfaction indirectly in mergers.

Similar to our findings,

trust effects job satisfaction positively[30] and

trust increases new identification in mergers[31] .

Trust enables working environment to enable the employee to adopt to change, and increases conformity[32].

Identification effects employees' trust[33].

new identification after merger effects job satisfaction positively[34] and

when the expectation of the employees' are not covered in other words in case of dissatisfaction, turnover, no show increases which might damage merger process negatively[35].

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3. The Research Methodology

In this research, new identification after merger, trust to management and job satisfaction relations are investigated in bank mergers. The employees' new identification after the merger, trust to management's effect on employees' job satisfaction is investigated in a case study. Furthermore the mediatory role of the new identification after the merger on the relationship between job satisfaction and trust is also investigated.

The case study of merger in banking sector was conducted in the new 'Merged Bank' of TEB and Fortis banks merger. TEB had 335 branches and 5646 employees before the merger, the branch number has increased to 603 and the employees' number has increased to 9.945 after the merger on 14.February.2011, as per their activity report dated 31.03.2011[36]. 'The Merged Bank' new TEB continued with 544 branches and ten thousand employees as per their end of year report of 2013.

After literature review, the question form was created with questions from different sources. The survey was used for the date base. All the scales and the demographic differences (like gender, age group, seniority and education) were all used in one question form of the survey.

This is a cross sectional research, unlike the longitudinal (follow-up) researches where more than once tha data is gathered in the T period, here all the data is gathered in a short time only once [37].

5 point Likert type scale is used [38], in which the participants express their attitudes/opinions to each statement in the survey as 1-Strongly disagree, 2-Disagree, 3-Nor Agree, Nor Disagree, 4-Agree, 5-Strongly agree.

3.1. The Research Variables and the Scales

There are three groups of variables, the independent variables' effect to dependent variable and the mediatory role of the mediator variable is investigated.

In this context the variables defined and the scales used are as follows;

- **Independent Variable: Trust to Management Scale,** there are various scales used to measure trust in literature like, organizational trust scale by Nyhan and Marlowe[39], Organizational Trust Inventory scale by Bromiley and Cummings[40], Trust Inventory by Daboval, Comish, Swindle and Gaster[41] and Interpersonal Trust Scale by McAllister[42], the five statements used given below are based on Mayer and Davis[43] and Rotter[44].

a) Top management is known to be successful at the things it tries to do.

b) Top management has much knowledge about the work that needs done.

c) I feel very confident about top management's skills.

d) Top management has specialized capabilities that can increase our performance.

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- **Dependent Variable: Job Satisfaction Scale,** two statements were based on Hackman and Oldham[45]

a) Generally speaking, I am very satisfied with this job.

b) I am satisfied with the feeling to do something meaningful with my job.

- **Mediatory Variable: New Identification After Merger scale,** three statements were based on Knippenberg and et al [46] scale.

a) I identify myself with my new bank.

b) When someone criticizes my new bank, it feels like a personal insult.

c) I feel strong ties with my new bank.

3.2. The Research Population and Sample

The population of the research consists of all the employees who have experienced the TEB and Fortis bank merger. The research sample consists of 200 employees who work at the head office of the 'merged bank' in three different departments. 200 surveys were distributed to the employees and except the ones who were absent for vacation, meeting, training etc. the ones who were accessable at the time and of whom who volunteered to reply the survey, 147 question forms were returned. As 4 of them have started working after the merger, the 4 forms were not evaluated.

As mentioned, especially in banking sector, comparing to other sectors, it is really difficult to get consent for the research, the participants were reached by convenient sampling procedure on the day of the consent and the 143 question forms are acceptable for sampling[47].

3.3. The Research Variables-Reliability and Validity Analysis

3.3.1. The Research Variables-Reliability Analysis

Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group, in other words it is considered to be a measure of scale reliability. The coefficient of reliability Cronbach Alpha values of the variables are in within the range of 0.67 of 0.91 as follows;

- New Identification After The Merger Scale : 0.678,
- Job Satisfaction Scale : 0.691,
- Trust to Management Scale : 0.899.

3.3.2. The Research Variables-Validity Analysis

The validity of the model, in other words whether the scales used are measuring the aimed variable is not done by statistical analysis only. The validity analysis must be used by content validity and construct validity [48] as well.

The Research Variables-Content Validity

The variables and the scales to measure the variables used in the research model are based on scales in international literature from different sources.

To clarify the statements used in question forms preparation process, the statements were first translated to Turkish and then translated to English again. The two English texts were compared with each other and was tested with a group of banking employees and after making necessary minor changes arising from translation to enable the participants to understand easily, the forms were used after consulting the academicians.

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45 Hackman, J. Richard, and Greg R. Oldham. **Work redesign**. (1980).

46 Van Knippenberg, Daan, et al. "Organizational identification after a merger: A social identity perspective." **British Journal of Social Psychology** 41.2 (2002): 233-252.

47 Altunışık, Remzi, et al. **Sosyal bilimlerde araştırma yöntemleri: SPSS uygulamalı**. Sakarya Yayıncılık, 2010.

48 Carmines, Edward G., and Richard A. Zeller, eds. **Reliability and validity assessment**. Vol. 17. Sage, 1979.

The Research Variables–Construct Validity

Factor analysis is a statistical method which helps to reduce the variables which measures the same construct[49], helps to observe a group of variables correlated to each other by evaluating the relationships among variables mainly used for data reduction. To test the sample adequacy of factor analysis, the KMO (Kaiser-Meyer-Olkin-Measure of Sampling Adequacy) which is a measure of both overall and for each variable and Bartlett Test of Sphericity is used [50].

To verify that the data set is adequate the KMO (Kaiser-Meyer-Olkin-Measure of Sampling Adequacy) value must be greater than 0,50[51] and the (Bartlett Test of Sphericity) showing that there is high correlation among at least in some of the variables in the correalation matrix means that the data set is appropriate for factor analysis[52].

In this research SPSS 21 package program is used for factor analysis.

For sample adequacy, KMO (Kaiser-Meyer-Olkin-Measure of Sampling Adequacy) and Bartlett Test of Sphericity is used. KMO (Kaiser-Meyer-Olkin-Measure of Sampling Adequacy) value greater than 0,50 and the 0,05 significance level and total variance explained level over 0,50 is accepted.

3.4. Research Analysis Results

3.4.1. Normality Analysis of Distribution

The statistical tests vary as per the date's normality distribution, and the data's normality analysis can be determined with Kolmogorov-Smirnov and Shapiro-Wilks tests. If the sample is less than 50, Shapiro Wilks test result is better. As a result of this test if the p value is statistically not significant that is ($p>0,5$) than the data is distributed normal, if the p value is significant that is ($p < 0,5$) than the data is not normally distributed[53]. If the data is distributed normally parametric tests must be used if the data is not distributed normally then non-parametric tests must be used.

For the normality analysis of the research data, as the sample size is bigger than 50 Kolmogorov-Smirnov test is applied. As per the result of the normality distribution test show that the data distribution is not normally distributed ($p<0.05$), the analyses are done by using non-parametric techniques.

3.4.2. Descriptive Statistics Analysis Results

Following TEB-Fortis bank mergers, the analysis results of the 143 participants of the 'Merged Bank' demographic breakdown are as follows;

- Gender: 55.9% Female, 39.9% Male,
- Age Group: 51% is between 31 and 40, 32.2% is between 20 and 30 age.
- Marital Status: 56.6% is married.
- Education: 70.6% has Bachelor Degree, 11.9% has Master Degree.
- Pre-Merger Bank Experience: 47.6% has experience between 1 to 5 years.

3.4.3. Spearman Correlation Results

As the data set is not normally distributed, Spearman Correlation test is used to measure the strength and direction of the relationship between the variables.

Spearman correlation analysis results show that there is a significant relationship between trust, job satisfaction and the new identification after the merger.

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3.4.4. Indirect (Mediating) Effect of New Identification After Merger on Trust and Job Satisfaction Relationship

"Trust to management effects employees' job satisfaction positively via (indirectly) new identification after the merger "

to test the indirect effects, the bootstrapping is used to generate a confidence interval around the indirect effect. By default PROCESS[54] uses 1000 bootstrap samples. The confidence intervals 95% contain the true value of a parameter in 95% of samples[55].

The mediatory (indirect effect) role of the mediator variable (new identification after the merger) on the relationship of the independent variable (trust to management) and the dependent variable (job satisfaction) is investigated[56] and as a result the mediatory role of new identification after the merger is found on the relationship between trust and the job satisfaction.

The bootstrapping results below show that the hypothesis is accepted.

Trust effect on new identification after merger (Model 4) bootstrap analysis simple regression results indicate that new identification is predicted from trust and that there is a positive relationship between trust and the new identification with the merged company of the employees.

(b:0.64, t:7.17, p: 0.00).

b value is positive which indicates that the relationship is positive that is as the trust to management increases, the new identification with the merged organisation increases as well.

R^2value shows that trust explains 27% of the variance in relationship the new identification of the merged company and that as the b value is positive indicates that the relationship is positive i.e. as the trust increases, the new identification of the new merged company increases (and vice versa).

Trust and new identification's (after merger) effect on job satisfactionbootstrap analysis results (output job satisfaction dependent variable) indicate that job satisfaction predicted from both trust and new identification. It indicates that trust significantly predicts job satisfaction even with new identification in the model,

b:0.51, t:5.65, p: 0.00;

new identification also significantly predicts job satisfaction

b: 0.17, t:5.66, p: 0.00.

The positive b for new identification shows that as the new identification increases, the job satisfaction increases as well (and vice versa) and the positive b for trust indicates that as the trust increases, the job satisfaction increases also. These relationships are in the predicted direction.

R^2value, shows that the model explains the 33% of the variance in job satisfaction.

Total effect (the effect of the predictor on the outcome when the mediator is not present in the in the model) of trust (without the mediator) on job satisfaction (bootstrap) analysis results indicate that trust (when the new identification of the merged company is not in the model) significantly predicts the job satisfaction

(b:0.62, t:7.88, p:0,00).

R^2value shows that the model that is trust on its own (without the mediator, i.e. new identification with the merged company after the merger) explains 30% of the variance in job satisfaction. As in the case when new identification is in the model has a positive relationship with job satisfaction (as shown by the positive b-value).

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The most important part of the results;trust's total, direct and indirect (via new identification) effect on job satisfaction bootstrap regression analysis that is the **indirect effect of new identification after the merger on the relationship between trust and job satisfaction.** (i.e. the effect via relationship new identification after the merger) results indicate that;

The indirect effect, which in this case is the indirect effect of trust on job satisfaction.

An estimate of this effect (b=0.1084) where 95% confidence intervals contain the true value of a parameter in 95% of samples, therefore it is assumed that the sample isn't one of the 5% that does not contain the true value and use them to infer the population value of an effect. In this research, assuming the sample is one of the 95% that 'hits' the true value, the true b-value for the indirect effect is in between 0.0316 and 0.2539. This range does not include zero and as b=0 would mean 'no effect whatsoever' therefore, the fact that the confidence interval does not contain zero means that there is likely to be a genuine indirect effect. In other words new identification after the merger is a mediator of the relationship between trust and job satisfaction.

Effect size covers various forms of indirect effect and the indirect effects are accompanied by a bootstrapped confidence interval, as long as the confidence intervals don't contain zero then it shows that true effect size is different from 'no effect'. In other words, it shows that there is a mediation.

The most useful effect size measure is the standardized b for the indirect effect, its value is as follows:

b= .0968, 95% BCa CI [.0271 .212] and

similarly the

κ^2 Kappa Square value is as follows;

κ^2 = .100, 95% BCa CI [.296, .204].

as κ^2 as is bounded to fall between 0 and 1, it is interpreted as the indirect effect of the new identification after the merger on job satisfaction and the trust relationship is about 10% of the maximum value.

The results are summarized in the following figure.

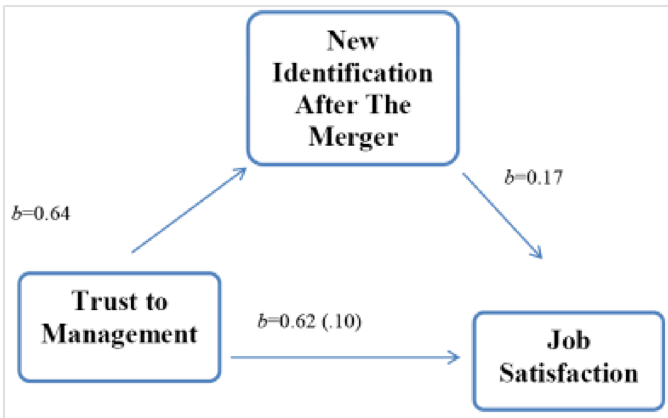

Figure2. *Results*

- There is a positive and statistically significant (meaningful) relationship between trust and the employees' new identification after the merger (b:0.64, t:7.17, p:.00).
- There is a positive and statistically significant (meaningful) relationship between trust and employees' job satisfaction (b: 0.62, t:7.88, p:.00).
- There is a positive and statistically significant relationship between employees' new identification after the merger and their job satisfaction (b:0.17, t:2.31, p:.02).
- The indirect (mediating) effect is shown as (.64) * (.17) = 0.10 in the figure.
- The indirect (mediating) effect of employees' new identification after the merger, on the relationship between trust on job satisfaction is 0.10 %, within 95% confidence intervals .031 and .253 and as the confidence intervals range does not contain zero which means that the true effect size is different from 'no effect' in others words there is mediation. That is new identification after the merger is a mediator of the relationship between trust and job satisfaction of the employees.

4. DISCUSSION

Banks prefer mergers to increase their market share and competition advantage in the market. However the companies who prefer mergers aiming growth, nearly half of them could not succeed. One of the most important reasons for failure is that the management focusing on financial factors and not giving importance to the human factor.

Bank mergers are important and common in banking sector. In Turkey, due to the crisis, the banking sector is one of the sectors who has experienced mergers severely. In 2001 crisis, as per the Bankers Association report, after 12 bank mergers, the bank number has decreased from 79 to 55 at the end of 2001.

As the research was done after the merger and during the time passed due to the events and (information covering before the merger process) and positive memories or not well remembered events the replies might have been effected limitation is a fact however as long as the research has been done within a few years after the merger there is no correct or prejudice problem[57].

In this research, trust's effect on new identification is investigated. At the same time, trust and new identification after merger 's effect on job satisfaction is investigated.

It is expected that the growth aim will be realized by the success of mergers, with the increase in employees' job satisfaction and the factors effecting job satisfaction.

To achieve the goals in bank mergers and to succeed in mergers, during the merger process, the bank managers must find out the interaction between the job satisfaction and the trust relationship and the new identification of the merged bank's indirect effect in this relationship.

The purpose of this study is to investigate the effect of the new identification on job satisfaction, and the relationships between trust to management, job satisfaction and the new identification. Especially the new identification after the merger, which is an important factor in mergers, is added to the model as a mediator variable.

Field research in bank mergers is very important however at the same time very difficult comparing to other sectors because of the sector's specification.

To measure the mediatory role (indirect effect), there must be a statistically significant relationship between the independent, dependent and mediator variables. Furthermore the relationship between the dependent and independent variable must be effected by the mediator variable.

The variables in the research are based on the researches in the related literature. The independent, dependent and mediator variables data are evaluated in this context.

Employees' new identification after the merger which effects their job satisfaction and the trust, effecting their new identification research results in mergers will contribute to the literature. Furthermore, researches not only after the merger but covering before the merger effecting employees' job satisfaction and new identification after the merger and trust and other factors effecting the job satisfaction in bank mergers and in other sectors will show other aspects in future.

In this study, the findings of the new identification after the merger 's indirect effect and the percent of this effect makes this study distinctive among others.

5. CONCLUSION

As a result of the research, it is found that there is mediation effect of new identification after the merger on the relationship between trust and job satisfaction.

In TEB-Fortis banks (case study) merger, it is found that trust to management effects employees' job satisfaction and furthermore the mediatory role of the new identification after the merger between the trust and job satisfaction is shown.

Information sharing in banking sector is comparing to the other sectors, is limited by law, therefore to overcome this limitation it is especially mentioned that the necessary consent have been obtained and the data will not be used with any third party what so ever other than research purposes in the cover form of the survey.

[57]Gutek, Barbara A. "On the accuracy of retrospective attitudinal data." **Public Opinion Quarterly** 42.3 (1978): 390-401.

This research consists of the employees of the new 'Merged Bank' of old Fortis and TEB bank. In merger literature it is rare to find out researches covering both pre-merger and after-merger as this case is also done after the merger.

Our research verifies that to sustain the success of the mergers, one of the most important factors is employees' job satisfaction and that the management must consider factors effecting job satisfaction in bank mergers with scientific methods.

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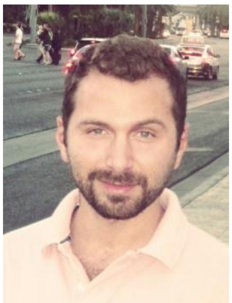

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