

Challenges, Strategies and Outcomes of Transformational Leadership in Acquisition: The Case of Bank Islami Pakistan Limited

Amina Rizwan¹, Dr. Shabana Naveed², Dr. Hafiz Zafar Ahmed³

Corresponding author email: amina.rizwan@ucp.edu.pk

Cite this paper: Rizwan, A., Naveed, S., & Ahmed, H. Z. (2020). challenges, strategies and outcomes of transformational leadership in acquisition: the case of bank Islami Pakistan Limited. *Paradigms, SI(1)*, 57-65.

Lecturer, Faculty of Management Studies, University of Central Punjab, Lahore, Assistant Professor, Faculty of Management Studies, University of Central Punjab, Lahore, Assistant Professor, Hailey College of Commerce, University of Punjab, Lahore

The study aimed to examine the transformational role of leadership on employee behavior during a cross culture acquisition of Bank Islami with KASB Bank. Qualitative data is collected through semi-structured interviews with eight respondents from top leadership of both banks including CEOs and regional managers. The data is collected from the leaders who were involved in integration process and were witnesses of all decision making. The study found several leadership challenges, during and after the acquisition, including employee negative emotions, demotivation, cultural differences and institutional pressures. Using transformational leadership strategies (including employee gelling, mentoring, open communication and retention policies), the leaders were able to influence employee performance and creativity but played less role for employee resilience and engagement. The study inferred that there is an effective role of transformational leadership in the acquisition of bank Islami and KASB. Transformational strategies enabled the leadership to effectively manage the cultural differences of Islamic and conventional banking environment, which resulted in positive outcomes.

Keywords: Creativity, Transformational Leadership, Resilience, Bank Islami

INTRODUCTION

Leadership is imperious and potent than technologies and associated with integrator of intellectual capital (Sosik, & Jung, 2018). Leadership is the ability of a leader to guide and lead others (Skye, 2019). "Leadership appears to be, like power, an 'essentially contested concept'" (Gallie, 1955). According to Martin, (2017) Both leaders and followers desire a change that stimulates a more than anticipated outcome. Thus, leadership is imperative to bring a change towards a desirable future. By enabling the employees, leaders lead their employees to creativity and intrinsic motivation (Karanja, & Mwaura, 2017).

Employee turnover is a critical problem associated with the people especially in mergers and acquisitions (Degbey, Rodgers, Kromah, & Weber, 2020). A study by Ahmed, Manwani,

& Ahmed, (2018) revealed that employee turnover is larger in that organization which is involved in mergers and acquisitions. While working in an organization after a merger and acquisition employees found that there is a need to establish a working relationship with an acquirer. During a cross-culture merger, there is stress to adapt to an unfamiliar culture during adverse environment conditions. A cultural shock can be observed that begins with the physiological and physiological experiences of disarticulation and coercion Hassett, Reynolds, & Sandberg, (2018).

There is evidence of an increasing level of physiological and physical efficacy in a new environment after mergers and acquisitions. The outcome of deculturation and acculturation leads to an internal transformation directed towards the mainstream culture of an acquirer. In the adaptation process, effective communication and continuous engagement are more effective to practice the norms and values of host culture Kim, (2017).

According to Gole, (2017) an Islamic culture spells out modernity generate new ideas and raising some questions reading modernity. Islamic movements are far reaching and aimed towards evolutionary change and social evolution. But the relation between modernity and tradition is still blurred and redrawn even in the presence of radicalization of Islam.

Another inter-related storyline has developed around cultural differences and their performance impact (Morosini, Stahl & Voigt, 2008; Teerikangas & Very, 2006; Vaara, Sarala, Stahl, 2012; Sarala, Vaara, & Junni, (2019). According to the practice view, cultural analyses should take the micro-level social and socio-material practices seriously to understand better why and how specific cultural differences become relevant and how cultural dynamics emerge. In this view, individuals create and recreate cultures, and it is their interpretations and reactions that ultimately determine which kinds of cultural dynamics are central and which are not.

Reflecting the tendency in international business theory building to over-emphasize negative dynamics and outcomes (Stahl & Tung, 2015); Toomey, & Dorjee, (2018) the portrayal of cultural differences and employee resistance in M&As has most often been negative; this has limited our understanding of the multifaceted socio-cultural influence mechanisms in M &As.

In fact, seemingly adverse responses may be based on good intentions (Piderit, 2000) and result in positive outcomes (Georgalis, Samaratunge, Kimberley & Lu, (2015); Rothman, Pratt, Rees, & Vogus, (2017). such as innovative solutions and learning triggered by conflict (Neill, Hoffart, McLarnon, Woodley, Eggermont, Rosehart, & Brennan, 2017). Also, while the narratives around cultural differences have brought much-needed attention to the importance of values and attitudes in M&As, there is a risk that cultural differences will become a

simplistic “structural” explanation for the entire socio-cultural side while excluding individual actors and their rich social and cultural dynamics in M&As (Sarala, Vaara, & Junni, 2019).

Transformational leadership embraces motivation to inspire, stimulate and considerate at the individual level. Intellectual stimulation would be an imperative feature. It emphasizes that how leadership is taught and adopted by members of an organization. Leaders would have an idea that what they want to take combine action for an organization while they are oriented to do best for the organization (Rodriguez, Green, & Hinojosa, 2017). Transformational leadership is how the members of the organization contribute towards the goal by adopting a new situation that shows the visionary role of a leader rather than the direct role. Creation of a creative environment and clarity of goal clarity are related to transformational leadership (Raziq, Borini, Malik, Ahmad, & Shabaz, 2018).

The Carleton, Barling, & Trivisonno, (2018) explained the transformational leadership into diverse areas, an idealized influence that is making an image and self-confidence-based respect between the subordinates. Inspirational motivation helps the employees to a positive view of the future and motivate them towards the organizational goals.

Intellectual stimulation emphasizes on generating creativity and inventions by using the novel way to do work. Individualized consideration relates to leader attention and consideration on employees and treating them in the best way (Cai, Lysova, Khapova, & Bossink, 2019). Zhang and Bartol (2010) emphasize that when leaders enable their employees that led to more intrinsic motivation and creativity. Leadership styles are significantly related to creativity. Resilience is explained as an aptitude to fight back from frustration, difficulty, and trouble and is indispensable for an effective leader.

The companies do mergers and acquisitions for improving the financial position of companies. By increasing the resources by mergers, the production of the companies will increase that leads towards expansion and growth. The efficiency of firms increases due to mergers and acquisitions (Ahmed, Manwani, & Ahmed, 2018). Goyal (2011) accessed that the major cause of merger and acquisition is to access a larger and new market.

KASB Bank was a Pakistani bank that had a head office in Karachi. It started working in 1994. It worked under KASB group. The business of banks to provide financial services to People of Asia. Due to weak KASB Bank was a Pakistani bank that had a head office in Karachi. It started working in 1994. It worked under KASB group. The business of banks to provide financial services to People of Asia. Due to weak financial position, it was later merged with Bank Islami. It was previously working with the name of Platinum Commercial Bank (Khan, 2016). weak financial position, it was later merged with Bank Islami. It was previously working with the name of Platinum Commercial Bank (Khan, 2016).

Bank Islami started its operations on April 7, 2006, with its first branch in, Karachi. It had 10 branches at the end of 2006, one in Quetta and nine Karachi and one in Quetta. It was declared as a scheduled bank by The State Bank of Pakistan on March 17, 2006. In 2008 it expanded its network to 102 branches in

different cities. Recently Bank Islami has 213 branches in 80 cities of Pakistan. The amalgamation of KASB on the 7th of May 2015, KASB had 114 branches become part of Bank Islamic. Bank Islami has now become the 11th largest banking network with having 317 branches (Ansari, & Gould, 2019).

KASB Bank was in trouble since 2009, it was unsuccessful to meet the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR). It became complicated when a Chinese company took an interest in buying the bank, but the demand was turned down by the SBP. BankIslami stated on Thursday that all customers and branches of the former KASB Bank will be considered as BankIslami's. It was also informed that KASB was suffering from operational losses since 2009 which almost streaked out the equity of the bank. The paid-up capital of the bank was only Rs 0.958 billion against the requirement of Rs 10 billion on September 30, 2014. CAR ratio of the bank was -4.63 and losses were 12.397 billion (Shahid, 2015).

The purpose of this article is to highlight the central themes that reflect critical areas of prior “human-side” M&A of Bank Islami and KASB bank. This paper emphasis research on the understanding of the “human side,” which requires an understanding of cross-culture M&As processes by asserting problems, strategies, and impact of transformational leadership in Bank Islami. This body of research emphasizes the role of employees, human resource management (HRM) practices, social processes, and culture in M&As in ultimately determining the extent to which important strategic goals such as synergy realization and knowledge transfer can be realized (Sarala et al., 2016).

Problem Statement

Mergers and acquisitions process create behavioral, physical and psychological changes and these changes create stress, trauma, tension, insecurity, and demotivation among employees. In such a situation, the management and leadership need to manage these uncertain situations during the M&A process with effective leadership styles (Bari & Meng, 2016). Post-Merger Acquisitions and cultural differences between two or more organizations may cause problems towards the newborn organization and its management (Soundarya, Lavanya, & Hemalatha, 2018). Leaders, by their statements and actions, inspire a shared sense of purpose, coherence, community, and trust, enable employees to focus on creativity and to remain highly engaged during M&As and post-merger integration.

In the case of Pakistan acquisitions and mergers, though at a very low level compared to recent global activity. Pakistan is one of those developing countries have problems like law and order and economic conditions are not ideal so firms might go in the activity of mergers and acquisition to improve financial performance. The wave of mergers and acquisitions that currently swept through the banking sector started after the announcement by the state bank of Pakistan, that banks in Pakistan should beef up their minimum capital adequacy ratio should according to bank risk-weighted assets or set by SBP. From the year 2007-2015, there were more than 350 mergers which are mainly from the financial sector (Ahmed, Manwani, & Ahmed, 2018).

M&A performance in the context of Pakistan banking industry is imperative because of the high reliance on employees in the service industry, weak corporate culture, lack of management practices and uncertain economic, political and judicial environment. In this scenario, leadership practices related to M&A in the banking industry of Pakistan are crucial for M&A performance. There is a not substantial body of literature on the merger between Islamic and conventional banks (Bari, Fanchen, & Baloch, 2016) and needs researcher's attention.

The literature on transformational leadership is dominated by quantitative researches. Context specific and in-depth exploration is required to study the influence of leadership style in a cross-cultural environment at the time of merger and acquisition which is rarely addressed in the literature. Such in-depth exploration can provide practical implications that are relevant to that context.

Objectives

Objectives of the study are as follows:

- To explore the leadership challenges in the change process of mergers/acquisitions.
- To describe the transformational leadership strategies in the change process of mergers/acquisitions
- To explore the influence of transformational leadership on employees' behavior.

LITERATURE REVIEW

Researchers have dedicated significant attention to the effect of national and organizational differences on mergers and acquisition performance (Graebner, Heimeriks, Huy, & Vaara, 2017). Many case studies explained that there are cultural differences in cross cultural mergers and may lead towards the anticipated or maybe unexpected clashes and tried to develop some methods to understand these issues (Mooij, 2018; Usunier, Herk, & Lee, 2017); Wallensteen, 2018).

According to different Authors, management styles but not evaluation and reward systems have a negative impact on the performance of acquisition (Schoar, & Zuo, 2017; Ahammad, Tarba, Liu, & Glaister, 2016; Papa, Dezi, Gregori, Mueller, & Miglietta, 2018). In local acquisitions, there is a negative association between commitment and corporation and organizational cultural differences but a positive and significant relation in the case of international mergers (Graebner, Heimeriks, Huy, & Vaara, 2017). Although some of the researches argued that cultural differences cause underperformance, but still other studies claimed that cultural differences have the potential to create value (Graebner et al, 2017; Gay, 2018; Howard, 2019).

Most researches argued that cultural differences may affect performance. Several researchers like (Graebner et al, 2017; Gay 2018; Jackson, Johnson, Hecht, & Ribreau, 2019). Bauer, Matzler, & Wolf, (2016) concluded that cultural differences are a source of value creation. They consider merging companies as a source of stocks through their capabilities, routines, and repertoires.

Transformation leadership theory is named as neo-charismatic leadership theories. It is defined as a relationship between a follower and leader that is based on perceived behavior of

subordinates such as motivational inspiration, individual consideration, exhibiting idealized influence and intellectual stimulation (Esubonteng, 2018; Dopson, Ferlie, McGivern, Behrens, & Fischer, 2016; Hashemi, 2019). Broad research showed evidence that the transformation role of leaders improves the subordinate satisfaction of employees and perception about the effectiveness of leadership (Howell and Shamir, 2005; Lord, Day, Zaccaro, Avolio, & Eagly, 2017; Frieder, Wang, & Sue, 2018). Transformational leadership is a more philanthropic leader that took efforts to motivate based on goodwill, higher moral value, that mutually benefit of stakeholders, employees and followers mutually (Alrowwad, Obeidat, & Aqqad, 2017). A study by Robert, (2011) suggested that to enhance the recognition of transformational leadership is a successful element of the workgroup in mergers and acquisitions. A transformational leader works at an advanced level of motivation and work cooperatively and brought a change in goals and pretensions of subordinates.

Studies like Hetland, Hetland, Bakker, & Demerouti, (2018); Farahnak, Ehrhart, Torres, & Aarons, (2019); Chai, Hwang & Joo, (2017) concluded that the leaders who followed the transformational leadership were able to realign the employees for personal and organizational changes that lead towards the performance expectations. Ali, Singh, Nahyan, & Sohal, (2017) suggested that the organizational culture showed that how people respond to change and innovation is designed significantly by the behaviors of the leader.

Thothela, (2018) analyzed the transformational leadership in mergers and acquisitions in emergent economies by using the case of a merger in the construction industry. Mergers and acquisitions characterized strategies for increasing dominance in old markets. Acquisition and mergers are a transformational process, so the transformational role is imperative. Both qualitative and quantitative research is conducted to identify the aspects of emergent economies. Mergers and acquisitions are more steadfast and prevalent international operations in a strategic market. Theoretically it is done to achieve goals like creating performance and intrinsic value. Top management can be helped by integrating an organizational culture in mergers and acquisitions and reduce consequences (Remanda, 2016).

Transformational leaders strengthen the creative self-concept of their employees (Wang and Zhu, 2011). Thus, workers feel more confident to try new approaches to work and therefore with new creative ideas. Creativity refers to the generation of new and useful ideas about products, services, processes and procedures in organizations (Fetrati, & Nielsen, 2018; Lu, Bartol, Venkataramani, Zheng, & Liu, (2019). Creativity is the production of novel and useful ideas (Amabile, 1988). Creativity is the foundation on which innovation relies (Argabright, McGuire and King, 2012). These ideas are either related to the organization's business, such as new products, or to the organization itself, such as new procedures (Gilson and Shalley, 2004). Jyoti and Dev (2015) explored the relationship between creativity and transformational leadership. By collecting data from Airtel and Aircel call center a two-step approach of structural equation modeling (SEM) was applied. By applying

confirmatory factor analysis, it was concluded that there is a positive relationship between transformational leadership and employee's creativity. Innovations, downsizing, mergers, and restructuring of organizations usually decrease employee performance. In Addition to the quantity, quality, changing location and time constraints can affect the work-life of employees. (Tavakolia, 2010; Daniel, 2019).

Jain & Jain (2016) suggested that supervisory and leadership behavior, social network, job context and coworker behavior has combined and independent effect on employee creativity. By conducting a qualitative study Munyzniwa and Nelson (2015) on leadership styles employed by hospitality managers during acquisitions and mergers. A sample of ten managers was taken from Africa and the USA. The respondents from both continents had issues regarding mergers and acquisitions that include stress, anxiety, loss of job and cultural shocks during M&As. Transformational leadership styles and positional thought were appropriate as an ideal to reduce the negative effects of mergers and acquisitions.

Howard and Irving (2013) established that leadership development is formed and designed through active engagement in hardship or complication. They debated that the competency of a person can be built successfully through overcoming the obstacles and hardships and bounce back from difficult situations. The study infers that organizations that there is an invaluable influence of leadership on building their employees' resilience capacity while reinforcing the resilience of the organization. Thus, organizations need to commit to fostering the resiliency of employees. Two paradigms identified by Remanda, (2016) an operational paradigm and cognitive paradigm should not be overlooked because their concept is incomprehensible and difficult to manage. So, the main objective of the leader learns the basic beliefs and should provide the identity to the entity.

A significant factor in building a leader's capacity for resilience is to guarantee a social network of support in times of hardships, usually common practice of how we grow them should be reassessed. Leaders should have time to access the colleagues and peers for interaction and to develop the transformational development and opportunities by avoiding isolation (Nishikawa, 2006; Beltman, Mansfield, & Price, 2011; Rockenbauch, & Sakdapolrak, 2017). Organizations should possess all essential aspects regarding recruiting and retaining resilient leaders. The literature established that there is a direct relationship between the leader's stresses and their ability to maintain resiliency in the face of prolonged contact with adversity (Ackerman & Ostrowski, 2002; Greene, 2003; Heifetz and Linsky, 2004; Ledesma, 2011; Green, (2019).

Maria and Arnold (2011) investigated that leadership styles and supervisors influenced the work engagement of employees. A multilevel study was conducted involving 42 employees and five consecutive days. The study concluded that transformational leadership is positively related to employee daily engagement that transformational leaders can foster employee work engagement.

Individuals before mergers who were still part of organizations were surveyed that whether there was a correlation between an individual's resilience and their commitment to the organization. Results supported the existence of a positive correlation between commitment resilience and suggested that organizations should pursue methods to foster resiliency in employees as a part of the M&A implementation (Shin, Taylor, Seo, 2012). Walsh (1998) conducted a study that showed that turnover will be much greater if employees are not properly engaged in an organization that creates inefficiencies and will decrease the company performance. There is a need to assess and evaluate all factors and strategies and how they affect employees during the integration period during acquisitions (Pamphilis, 2019).

METHODOLOGY

The purpose of the study to explore the transformational role of leadership during and after the acquisition and its outcomes on employee behavior. For this purpose, qualitative research was conducted with a semi-structured interview technique.

Qualitative data was collected for which an interview guide was used as an instrument of data collection. For checking the transformational role of leadership, a purposive sample was taken from the top managers including CEOs and regional managers. For this purpose, eight participants were selected from both banks who were part of the acquisition. They were key observers at the time of acquisition. Interviews were stopped after the saturation point where the information was repeated (Kuzel,1992; Onwuegbuzie and Leech (2005); Sandelowski, 1995; Onwuegbuzie and Daniel, 2003). Participants of this study were interviewed from May 5th, 2017 to May 12th, 2017. For convenience the interview held in the offices of respondents. With the approval of participants, the audio recording had done to ensure accurate audio recording. Handwritten notes are also taken to overview highlights of the ideas. Each transcript was reviewed while listening to audiotapes. For a better collection of data, adequate time was taken to collect data and meet people. For diversification, different departments were visited to interview people who belonged to both banks and who were the part of the bank at the time of acquisition.

Data was analyzed and interpreted through thematic analysis using NVivo software. First, codes were generated (free nodes), followed by merging them into categories (tree nodes) and then themes were generated through merging categories. Figure-1 depicts the coding process in the data analysis.

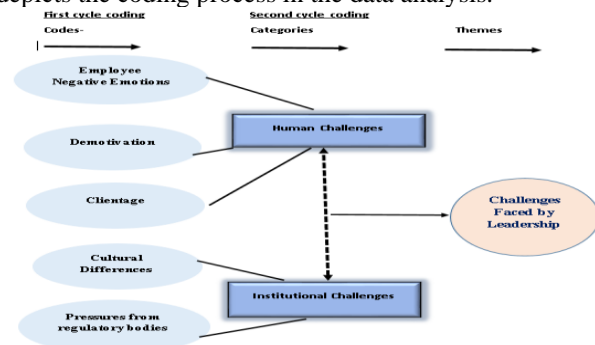


Figure 1: Coding process

Research Findings

Research findings are discussed with reference to the three major themes of the research study including (i) *challenges of leadership*; (ii) *strategies of transformational leadership*; and (iii) *outcomes of leadership on employee behavior*.

Leadership challenges in the change process of acquisition

The study found that leadership was faced with various challenges at the time of acquisition of KASB Bank and Bank Islami. Five codes were generated in this theme.

Employee negative emotions

The most critical challenge, faced by leaders, was employee negative emotions during the change process. Various negative employee emotions were explored during interviews with employees in the bank. The major negative emotions included job insecurity, the threat of salary reduction and fear from the upcoming policies. One of the respondents said,

“The threat was that how the acquiring entity will treat target bank employees. Employees had the fear that most employees will be fired or will face salary reductions.”

Another respondent shared,

“If the same position is for two persons, they will prefer their employees who acquired the bank.”

Moreover, employees also feared that their functional roles would cut down and they would have a less influential position in the bank.

Employee demotivation

Another critical challenge was the motivation level of KASB Bank employees. A manager replied,

“The biggest challenge which employees face was of demotivation; the morale of the employees was very low.”

Another manager explained,

“Employees of KASB Bank were struggling and sinking, they had no monetary benefits given to them which made the employees frustrated and demotivated”.

Bank’s Clientage

Bank’s clientage was highlighted as a very important challenge as explained by a respondent,

“We had threats regarding our clientage... clients feared whether they would get their money back or not...Management didn’t stop the money of the customers although people withdraw billions of cash. Leaders had to portray them as a role model, need to keep yourself composed, maintain contact with employees”.

There was too much negativity on the media about Bank Islami. Due to ambiguity, clients drew out their cash resulting in less clientage. It also created frustration among employees. However, the management handled this challenge by capturing every customer through a door to door visit.

Cultural differences

Cultural differences appeared as the most critical challenge at the time of acquisition of KASB Bank and Bank Islami as indicated in following excerpt,

“The main issue management faced was the culture of Bank Islami because it was an acquisition between a commercial Bank and Islami bank”.

In Bank Islami, women had to cover their heads as part of dress a code which was their major reservation as quoted by one respondent.

“Bank Islami had a conservative culture and it was not a very similar culture to the one practiced in KASB”.

A manager explained that the main challenge faced during acquisition was a hindrance to accumulate the different cultures of both banks. To deal with this challenge, the leaders played a proactive role to change the perspective of employees by highlighting positive aspects of the culture of Bank Islami as indicated in the following excerpt,

“The Majority of leaders are of the view that Bank Islami is a good platform for the girls and here the girls are respected, and their privacy is respected more, they show flexibility regarding girls working hours and environment.”

Pressures from regulatory bodies

There were pressures on leaders from the State Bank as identified by a manager from KASB bank,

“It was a hostile acquisition, so at the time of the acquisition, the target bank can’t play a role as they have to follow state bank regulations. Law states that you cannot fire people before three years, but they violate the law”

Another respondent said,

“We have to follow the Central Bank and the regulators. They need to ensure that rules are properly adhered”.

According to the regulations of State bank, the acquiring bank cannot reduce the salaries of employees without their consent and must ensure employee job security for at least three years. These institutional pressures enhanced leadership challenges at the time of financial crises and low clientage at the time of acquisition.

Transformational leadership strategies

The study explored the following transformational leadership strategies in the second theme.

Gelling of employees from both banks

The managers highlighted that they used the strategy of gelling of employees to handle the cultural differences and to reduce the resistance from employees at the time of acquisition of KASB Bank. A respondent said,

“The plan we had was that we would take our employees to their branches so that Bank Islami could gel in with their bank. Our work was to manage their operations work and whole of their task assignments.”

It is also evident from the following excerpts,

“HR team was sitting there just to tell them what they wanted to gel in but not to acquire” “I learned management lesson through the process that one should remain composed, up to mark, vigilant”.

Mentoring of employees

Most of the top management played an imperative role regarding motivation and mentoring of their employees because

it was tough for both target and acquirer to adjust. As explained by one respondent

“Key leaders need to visionary first and practical they need to be competent and they need to be honest mentally and intellectually and they need to be team player.”

A respondent added,

“Leaders has to portray them as a role model, need to keep composed, maintain contact with employees. A Leader has to guide employees, motivate them, pat on their shoulders and show them your moral support.”

Employees of KASB Bank were struggling and sinking, they had no monetary benefits given to them, which made the employees frustrated. In order to overcome the situation, leadership tried to make the employees understand that this is the part of life, make them mentally strong and ask them to be confident about their abilities and accept the challenges.

Open communication channels

The employees of the bank Islami conducted forums, open communications, and delegate tasks to their employees to visit branches and assist and motivate KASB Bank’s employees as said by the one respondent.

“We manage the operational activity, motivate them. Our bank leader head is from KASB Bank, Regional security head is from KASB Bank, Head of Risk is from KASB Bank. We try to gel in them”.

Their president covered every branch and held meetings and sessions with employees to address the issues. Even the low-level hierarchy person was able to ask the question from the top management. The senior management had official communications with the staff of the merging entity that their interest is being watched and will be looked after properly.

Employee retention

The leadership followed employee retention policy and provided job security to the employees to boost their morale. A respondent said,

“Many compromises and retain them even we don’t have certain positions available but acquirer bank creates those positions only to accommodate them.”

There was downsizing but there were still options given to employees to continue the job with low salaries as explained by one respondent

“There is a boy here who is deaf and dumb, and we still have that employee and he is working successfully here with us and we encourage him, and many others, who had financial problems, we retained them.”

Outcomes of transformational leadership

The strategies of transformational leadership resulted in the following outcomes:

Employee’s resilience

Transformational leadership strategies influenced the employee resilience. Due to the moral support, mentoring and open communication, the leadership was able to enhance employee’s resilience in the change process.

In the beginning, the top leadership held some meetings and they threw some ideas but there was some sought of

discrimination among the employees. Top leadership wanted to retain people and did not want them to go because of acquisition. Top leadership motivated employees, held meetings, provided trainings to employees after acquisition to make them part of culture. The employees showed high resilience in the change process. An example is quoted by one manager:

“As we discussed before there is a manager operation in Multan and his salary will be cut and I asked him what you will do. He just said I trust in God and he is the most positive person I have ever come across and the day we got his appointment letter I was very happy as he was hired at the same salary and he is the most highly paid manager we have. Emotional response is an example of this man.”

However, most of the employees felt job security issues. They did slash maximum salaries and excluded benefits, but the majority was retained. As said by one respondent:

“Whatever vibes you give to the universe it will come back to you. I was the first person they called and asked not to resign. Even the weakest link in the chain is the strongest”.

The study found mixed results on employee’s resilience. Respondents largely agreed that employee’s resilience was remarkable in the change process. Many employees were retained, and they accepted the norms of the culture of Bank Islami, which were quite different from the conventional banking environment. Still, many employees left the organization due to cultural change and deduction in salary.

Employee creativity

According to top leadership, there was enough room for creativity and learning from both ends. The major reason was cultural diversity, which enabled the employees to come up with creative ideas. During acquisition, the employees were highly depressed. The top management tried to motivate them which ultimately helped in reviving the creativity and innovation of employees. Bank Islami got some very good KASB clients that were beneficial for their accounts. As said by one of the leaders of bank Islami

“We have formal and informal gatherings, we send our team to outskirts areas and meet people over there, visit every branch. We take our team along, we grow them. Employee’s creativity and innovation increases during and after the acquisition, as they come across many instances where systems are better between the institutions where they can adopt for the betterment of the business, organization, experience.”

As one of manager said *“I did not perform any creativity at the time of acquisition. But after acquisition, I implemented new ways to complete tasks”.*

A respondent shares his creativity

“I have brought changes in the security system and administration. The branches at night are guardless, as I practiced this in KASB too. They are saving 5 to 7 crores per annum because of this”.

In Islamic point of view, there was creativity that after every 6 months they revised the Islamic Shariah policies. The

amalgamation of Islamic Bank and conventional Bank resulted in the creation of new policies and creative products for the clients.

CONCLUSIONS

Due to capital adequacy requirements, closing of foreign bank operations and extension in the network the banking industry in Pakistan experienced many mergers and acquisitions in the past ten years. The study selected two banks one was acquirer that is Bank Islami and other was KASB bank which operations were seized due to the inability of meeting capital Adequacy of State bank of Pakistan.

The study concluded that transformational leadership played an imperative role during and after the acquisition of KASB bank by Bank Islami. The main challenge faced the top management was employee demotivation, resilience and stress. Moreover, they were faced with low clientage and institutional pressures. There was a lot of interference from state bank but still, Bank Islami took responsibility to keep on motivating everyone by holding meetings and dinners and visiting various branches of the target bank. Employees of both banks were threatened and demotivated and majority didn't consider the acquisition as a good decision.

The leadership of both banks played an effective role to engage the employees. They used various transformational leadership strategies including employee gelling, mentoring, open communication and retention policies. Still, many employees left the organization. The employees who showed resilience and survived in the changing circumstances were contented that they did good decision by not leaving their jobs. Almost all employees agreed that the acquisition added value and creativity through leadership practices because it was an acquisition of Islami and conventional bank and employees and top leadership learned and played an effective role.

REFERENCES

Abdullayeva, M., Rasulev, A., Yakhshieva, M., Yusupov, R., & Otabouev, F. (2019). The role of islamic banking in the transformation of international corporations as a reflection of modern globalization and migration. *Архив научных исследований*.

Ahmed, F., Manwani, A., & Ahmed, S. (2018). Merger & acquisition strategy for growth, improved performance and survival in the financial sector. *Jurnal Perspektif Pembiayaan Dan Pembangunan Daerah*, 5(4), 196-214.

Alrowwad, A. A., Obeidat, B. Y., & Aqqad, N. (2017). The impact of transformational leadership on organizational performance via the mediating role of corporate social responsibility: A structural equation modeling approach. *International Business Research*, 10(1), 199-221.

Awan, A. G. (2009). Comparison of Islamic and conventional banking in Pakistan. *Proceedings 2nd CBRC, Lahore, Pakistan*, 1-36.

Ansari, S., & Gould, W. (2019). *Boundaries of Belonging: Localities, Citizenship and Rights in India and Pakistan*. Cambridge University Press.

Al-Ali, A. A., Singh, S. K., Al-Nahyan, M., & Sohal, A. S. (2017). Change management through leadership: the

mediating role of organizational culture. *International Journal of Organizational Analysis*.

Bari, M. W., Fanchen, M., & Baloch, M. A. (2016). Management practices and performance of mergers and acquisitions in Pakistan: mediating role of psychological contract. *SpringerPlus*, 5(1), 1527.

Beltman, S., Mansfield, C., & Price, A. (2011). Thriving not just surviving: A review of research on teacher resilience. *Educational Research Review*, 6(3), 185-207.

Belias, D., Trivellas, P., Koustelios, A., Serdaris, P., Varsanis, K., & Grigoriou, I. (2017). Human resource management, strategic leadership development and the Greek tourism sector. In *Tourism, Culture and Heritage in a Smart Economy* (pp. 189-205). Springer, Cham.

Bauer, F., Matzler, K., & Wolf, S. (2016). M&A and innovation: The role of integration and cultural differences—A central European targets perspective. *International Business Review*, 25(1), 76-86.

Bari, M. W., Fanchen, M., & Baloch, M. A. (2016). Management practices and performance of mergers and acquisitions in Pakistan: mediating role of psychological contract. *SpringerPlus*, 5(1), 1527.

Bindabel, W., Patel, A., & Yekini, C. O. (2017). The challenges faced by integrating Islamic corporate governance in companies of Gulf countries with non-Islamic companies across border through merger and acquisition.

Bumgarner, G. (2016). *Barnwell Jr, D. J. (2015). Strategies to Overcome Barriers to a More Effective Leadership Style (Doctoral dissertation, Walden University)*. Retrieved from Walden Dissertations and Doctoral Studies: <http://scholarworks.waldenu.edu/dissertations>

Cai, W., Lysova, E. I., Khapova, S. N., & Bossink, B. A. (2019). Does entrepreneurial leadership foster creativity among employees and teams? The mediating role of creative efficacy beliefs. *Journal of Business and Psychology*, 34(2), 203-217.

Chai, D. S., Hwang, S. J., & Joo, B. K. (2017). Transformational leadership and organizational commitment in teams: The mediating roles of shared vision and team-goal commitment. *Performance Improvement Quarterly*, 30(2), 137-158.

Carleton, E. L., Barling, J., & Trivisonno, M. (2018). Leaders' trait mindfulness and transformational leadership: The mediating roles of leaders' positive affect and leadership self-efficacy. *Canadian Journal of Behavioural Science/Revue canadienne des sciences du comportement*, 50(3), 185.

Dopson, S., Ferlie, E., McGivern, G., Behrens, S., & Fischer, M. D. (2016). The impact of leadership and leadership development in higher education: a review of the literature and evidence.

Degbey, W. Y., Rodgers, P., Kromah, M. D., & Weber, Y. (2020). The impact of psychological ownership on employee retention in mergers and acquisitions. *Human Resource Management Review*, 100745.

De Mooij, M. (2018). *Global marketing and advertising: Understanding cultural paradoxes*. SAGE Publications Limited.

- Daniel, C. O. (2019). Effect of Organizational Change on Employee Job Performance. *Asian Journal of Business and Management (ISSN: 2321-2802)*, 7(01).
- DePamphilis, D. (2019). *Mergers, acquisitions, and other restructuring activities: An integrated approach to process, tools, cases, and solutions*. Academic Press.
- Esubonteng, J. G. (2018). *The Dynamics of Religious Leadership and Governance in Some Charismatic Churches In Ghana 1978-2017* (Doctoral dissertation, University of Ghana).
- Elasrag, H. (2016). *Halal industry: Key challenges and opportunities*. Hussein Elasrag.
- Fetrati, M. A., & Nielsen, A. P. (2018). The association between creativity and innovation: A literature review. In *ISPIM Conference Proceedings* (pp. 1-14). The International Society for Professional Innovation Management (ISPIM).
- Farahnak, L. R., Ehrhart, M. G., Torres, E. M., & Aarons, G. A. (2019). The influence of transformational leadership and leader attitudes on subordinate attitudes and implementation success. *Journal of Leadership & Organizational Studies*, 1548051818824529.
- Frieder, R. E., Wang, G., & Oh, I. S. (2018). Linking job-relevant personality traits, transformational leadership, and job performance via perceived meaningfulness at work: A moderated mediation model. *Journal of Applied Psychology*, 103(3), 324.
- Gay, G. (2018). *Culturally responsive teaching: Theory, research, and practice*. Teachers College Press.
- Georgalis, J., Samaratunge, R., Kimberley, N., & Lu, Y. (2015). Change process characteristics and resistance to organisational change: The role of employee perceptions of justice. *Australian Journal of Management*, 40(1), 89-113.
- Graebner, M. E., Heimeriks, K. H., Huy, Q. N., & Vaara, E. (2017). The process of postmerger integration: A review and agenda for future research. *Academy of Management Annals*, 11(1), 1-32.
- Green, T. S. (2019). Resiliency of Students Who Failed the State of Texas Assessments of Academic Readiness Exam.
- Raup, G. H. (2008). The impact of ED nurse manager leadership style on staff nurse turnover and patient satisfaction in academic health center hospitals. *Journal of Emergency Nursing*, 34(5), 403-409.
- Hall, B. J., Covarrubias, P. O., & Kirschbaum, K. A. (2017). *Among cultures: The challenge of communication*. Routledge.
- Hyypia, M., & Parjanen, S. (2013). Boosting creativity with transformational leadership in fuzzy front-end innovation processes. *Interdisciplinary Journal of Information, Knowledge and Management*, 8, 21-41.
- Howard, T. C. (2019). *Why race and culture matter in schools: Closing the achievement gap in America's classrooms*. Teachers College Press.
- Hashemi, S. E. (2019). *The Relationship between Authentic Leadership and Emotional Intelligence with the Moderation Impact of Resiliency* (Doctoral dissertation, The Chicago School of Professional Psychology).
- Hassett, M. E., Reynolds, N. S., & Sandberg, B. (2018). The emotions of top managers and key persons in cross-border M&As: Evidence from a longitudinal case study. *International Business Review*, 27(4), 737-754.
- Hetland, J., Hetland, H., Bakker, A. B., & Demerouti, E. (2018). Daily transformational leadership and employee job crafting: The role of promotion focus. *European Management Journal*, 36(6), 746-756.
- Jackson II, R. L., Johnson, A. L., Hecht, M. L., & Ribeau, S. A. (2019). *African American communication: Exploring identity and culture*. Routledge.
- Jain, R., & Jain, C. (2016). Employee Creativity: A Conceptual Framework. *Management and Labour Studies*, 41(4), 294-313. *Sage Journals*, 41(4), 294-313.
- Jyoti, J., & Dev, M. (2015). The impact of transformational leadership on employee creativity: the role of learning orientation. *Journal of Asia Business Studies*.
- Karanja, P. M., & Mwaura, P. (2017). Influence of knowledge management enablers on KenGen performance: A case study of geothermal development, Naivasha. *International Academic Journal of Human Resource and Business Administration*, 2(3), 702-733.
- Kark, R., Van Dijk, D., & Vashdi, D. R. (2018). Motivated or demotivated to be creative: The role of self-regulatory focus in transformational and transactional leadership processes. *Applied Psychology*, 67(1), 186-224.
- Kim, Y. Y. (2017). Cross-cultural adaptation. In *Oxford Research Encyclopedia of Communication*.
- Khan, A. (2016). The Evolution of Regulatory and Supervisory Framework of Islamic Banks: A Growing Global Divergence. *International Journal of Information, Business and Management*, 8(4), 94.
- Ledesma, J. (2011). Narratives of longevity from the perspective of Seventh-day Adventist school administrators in North America: A multiple case study.
- Lord, R. G., Day, D. V., Zaccaro, S. J., Avolio, B. J., & Eagly, A. H. (2017). Leadership in applied psychology: Three waves of theory and research. *Journal of Applied Psychology*, 102(3), 434.
- Lu, S., Bartol, K. M., Venkataramani, V., Zheng, X., & Liu, X. (2019). Pitching novel ideas to the boss: The interactive effects of employees' idea enactment and influence tactics on creativity assessment and implementation. *Academy of Management Journal*, 62(2), 579-606.
- Martin, J. (2017). Personal relationships and professional results: The positive impact of transformational leaders on academic librarians. *The Journal of Academic Librarianship*, 43(2), 108-115.
- O'Neill, T. A., Hoffart, G. C., McLarnon, M. M., Woodley, H. J., Eggermont, M., Rosehart, W., & Brennan, R. (2017). Constructive controversy and reflexivity training promotes effective conflict profiles and team functioning in student learning teams. *Academy of Management Learning & Education*, 16(2), 257-276.
- Papa, A., Dezi, L., Gregori, G. L., Mueller, J., & Miglietta, N. (2018). Improving innovation performance through

knowledge acquisition: the moderating role of employee retention and human resource management practices. *Journal of Knowledge Management*.

Papa, A., Dezi, L., Gregori, G. L., Mueller, J., & Miglietta, N. (2018). Improving innovation performance through knowledge acquisition: the moderating role of employee retention and human resource management practices. *Journal of Knowledge Management*.

Rockenbauch, T., & Sakdapolrak, P. (2017). Social networks and the resilience of rural communities in the Global South: a critical review and conceptual reflections. *Ecology and Society*, 22(1).

Ramos, P., & Mota, C. (2014). Perceptions of success and failure factors in information technology projects: a study from Brazilian companies. *Procedia-Social and Behavioral Sciences*, 119, 349-357.

Rodriguez, R. A., Green, M. T., Sun, Y., & Baggerly-Hinojosa, B. (2017). Authentic leadership and transformational leadership: An incremental approach. *Journal of Leadership Studies*, 11(1), 20-35.

Raziq, M. M., Borini, F. M., Malik, O. F., Ahmad, M., & Shabaz, M. (2018). Leadership styles, goal clarity, and project success. *Leadership & Organization Development Journal*.

Rothman, N. B., Pratt, M. G., Rees, L., & Vogus, T. J. (2017). Understanding the dual nature of ambivalence: Why and when ambivalence leads to good and bad outcomes. *Academy of Management Annals*, 11(1), 33-72.

Sarala, R. M., Vaara, E., & Junni, P. (2019). Beyond acquisition syndrome and cultural differences: New avenues for research on the “human side” of global acquisitions and acquisitions (M&As). *Journal of World Business*, 54(4), 307-321.

Soundarya, M. B., Lavanya, S. M., & Hemalatha, S. (2018). Merger and Acquisition of Business Organization and Its Impact on Human Resources.

Sosik, J. J., & Jung, D. (2018). *Full range leadership development: Pathways for people, profit, and planet*. Routledge.

Schoar, A., & Zuo, L. (2017). Shaped by booms and busts: How the economy impacts CEO careers and management styles. *The Review of Financial Studies*, 30(5), 1425-1456.

Ting-Toomey, S., & Dorjee, T. (2018). *Communicating across cultures*. Guilford Publications.

Thothela, T. (2018). Motives for mergers and acquisitions in the South African construction industry (Doctoral dissertation, University of Pretoria)

Usunier, J. C., Van Herk, H., & Lee, J. A. (2017). *International and cross-cultural business research*. Sage.

Wallensteen, P. (2018). Understanding conflict resolution. SAGE Publications Limited.

ANNEXURE

Interview Guide

1. To what extent how leadership was practiced during and after the acquisitions and acquisition by developing the understanding of Leadership Practices by asking their current and prior role as leader and their difference?

2. To what extent they are the part of organization by collecting their demographic data, general introduction, experience and their ideas about leadership?
3. To develop and understanding of acquisition experience of Leadership by asking what challenges do leaders face in acquisitions?
4. To what extent a acquisition effects on leadership practices by asking the institutional context of acquisition whether constrain, facilitate or shape acquisition?
5. To what extent of Leadership practice influenced during and after acquisition by asking them lessons they learned and their general view about success or failure of acquisition?
6. The extent to which major events or activities during the post-acquisition period triggered significant emotional responses from the selected employees by understanding the positive and negative attitudes towards organization?
7. The extent to develop a relationship between transformation leadership and employee and resilience by asking their reactions and engagement?
8. The extent to establish a relationship a of leadership intellectual stimulation and employee creativity as asking their new ways of completing tasks and they help to innovate in a new environment?

Figure 2: Challenges of leadership

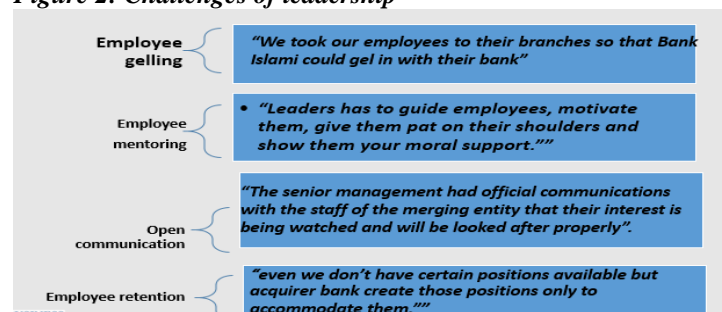


Figure 3. Outcomes of transformational leadership

