

## **BANK MERGERS AND ACQUISITIONS IN GREECE & THE STATE OF EMPLOYEES DURING THE ECONOMIC CRISIS**

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### **Abstract**

The economic crisis has caused great changes in Greek economy, which are obvious in the banking field as well. Under the light of these unpleasant circumstances, the banking system was (and maybe still is) in danger of collapsing, a possibility that would probably affect countries abroad. In order to avoid this collapse, the sustainable banks were further supported and the non-sustainable were purged. This strategy aimed to stabilize the financial system through bank mergers and acquisitions.

The strategy chosen to support and purge the banks was to proceed to mergers and acquisitions. These mergers and acquisitions are realized by the bank employees and they are highly related to them as they intend to stabilize the employees' uncertain future.

In October 2012 a field research was realized in order to record the employees' point of view when it comes to both their profession as it is now and the case of bank mergers and acquisitions.

After processing the findings of the research, we extract the following conclusion, among others: bank mergers and acquisitions have a negative impact on the majority of the employees that seem to be worried about the limitation of their professional perspectives, the emergence of bad working conditions and ultimately a possible discharge. The findings of the research confirm the growing anxiety and uncertainty among the bank employees.

In case of merger or acquisition, the employees prefer that either of these procedures will be held with another Greek bank rather than with a foreign bank.

There is a new "wave" of mergers and acquisitions coming in the banking field in Greece, confirming thus the general sense shared by the community and the outcomes of the economic crisis.

**Keywords:** M&A, Bank, Greece, State of Employees, Economic Crisis

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### **1 The Banks in Greece**

A huge fiscal shortfall caused the dept crisis that was first introduced in Greece in 2009. The Greek economy was deeply damaged by the crisis. The real annual GDP was reduced by 20% and it keeps on falling. Unemployment (originally 8%) was raised by 25% and it keeps on rising. The standard of living collapsed and it keeps on collapsing.

The banking field is not an exception to the changed brought by the economic crisis. The Greek banking system used to be internationally competitive and was characterized by healthy base units. However, the government dept crisis highly influenced the function of Greek banks. The banks found themselves in the middle of significant deposit outflow, severance from the international markets and huge losses from PSI. Consequently, the banks lost part of their funding which in turn led to a chain of negative events that ultimately

damaged the financial system and the real economy of the country.

Under the light of these unpleasant circumstances, the banking system was (and maybe still is) in danger of collapsing, a possibility that would probably affect countries abroad. In order to avoid this collapse, the sustainable banks were further supported and the non-sustainable were purged. This strategy aimed to stabilize the financial system through bank mergers and acquisitions.

More particularly:

- Recapitalization (50 bil. Euros from the Loan Agreement)
- Wide consolidation of strengths in the banking field. Six banks have been purged, including ABG which is the most important example of purge so far in Europe. The rest of the banks are in a merging state.

- Supervision of Credit and Related Financial Institutions Department upgrade  
The next step is full recapitalization of systematic banks.

## 2 The empirical research

The administrations of the Greek banks took critical decisions and proceeded in a wide range of strategic moves, completely changing the banking landscape as we knew it in Greece. However, the general recession climate has overshadowed the fundamental role of the bank employees, who have significantly contributed to the realization of these procedures by exposing their own opinions. Moreover, they did not have the opportunity to express their point of view when it comes to both their profession as it is now and the case of bank mergers and acquisitions.

### 2.1 The methodology of the research

In October 2012 a field research was realized in order to record the employees' point of view when it comes to both their profession as it is now and the case of bank mergers and acquisitions.

In order to meet the needs of the research, we created a questionnaire with three units. The first unit includes five questions and concerns the demographic characteristics of the bank employees that participated in the research. The second unit includes eight side questions about the participants'

viewpoint of their own profession. Finally, the third unit includes seven questions that concern the participants' viewpoint of the bank mergers and acquisitions.

The questionnaires were completed through personal interview with employees in the following banks in different cities of Northern Greece: Agricultural Bank of Greece, National Bank, Emporiki Bank, Eurobank, Marfin Bank, Hellenic Postbank, Piraeus Bank, Bank Of Cyprus, Attica Bank.

110 questionnaires were completed.

### 2.2 The findings of the research

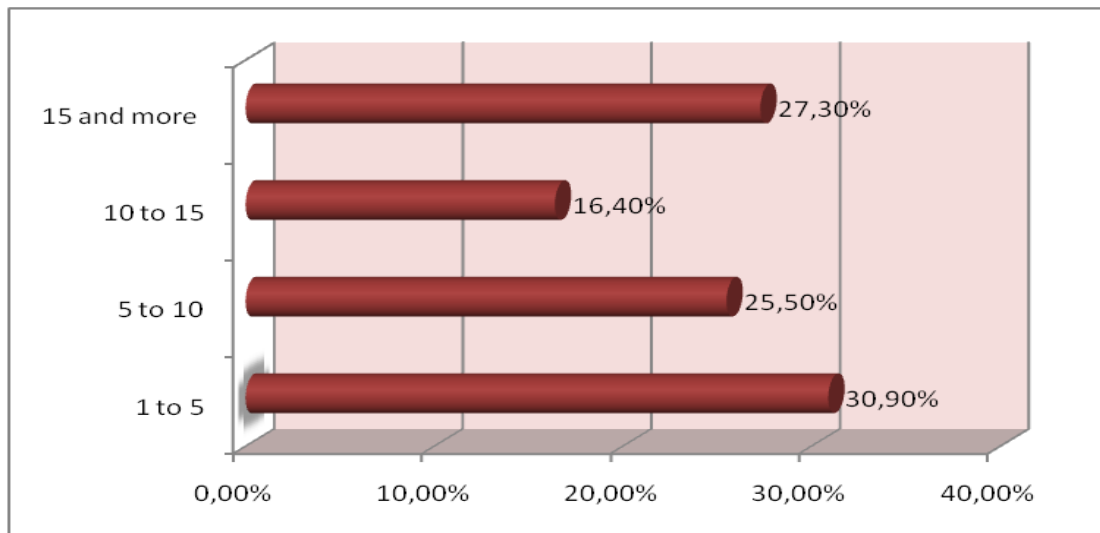
After the statistical process of the answers, we reached the following conclusions:

36, 4% of the participants are men and 63, 6% are women. 25, 5% of the respondents are between 18 and 30 years old, 49, 1% are between 30 and 40 years old and 25, 5% are beyond 40 years old. The fact that the majority of the sample (74, 6%) is relatively young, up to 40 years old, means that the working space in the banks has been renewed during the past 10-15 years by employing young people and by running projects of voluntary exits.

30, 9% of the participants have been working in the banks from 1 to 5 years, 25, 5% from 5 to 10 years, 16, 4% from 10 to 15 years and 27, 3% for more than 15 years.

The participants' working experience is recorded in the following graph:

Figure 1. Working Experience



32, 7% of the respondents have been employed in more than one bank institutes while 67, 3% have been employed only in one.

Most of the Greek banks have adopted high admission criteria during the past 10-15 years. This is illustrated by the high educational level of the employees. To be more particular, 12, 7% of the

respondents acquire a secondary education. 18, 2% are Technological Education graduates, 45, 5% are college degree graduates and 23, 6% own postgraduate degrees.

29, 1% of the participants are working in banks that include the state's participation in the capital stock or management while 70, 9% are

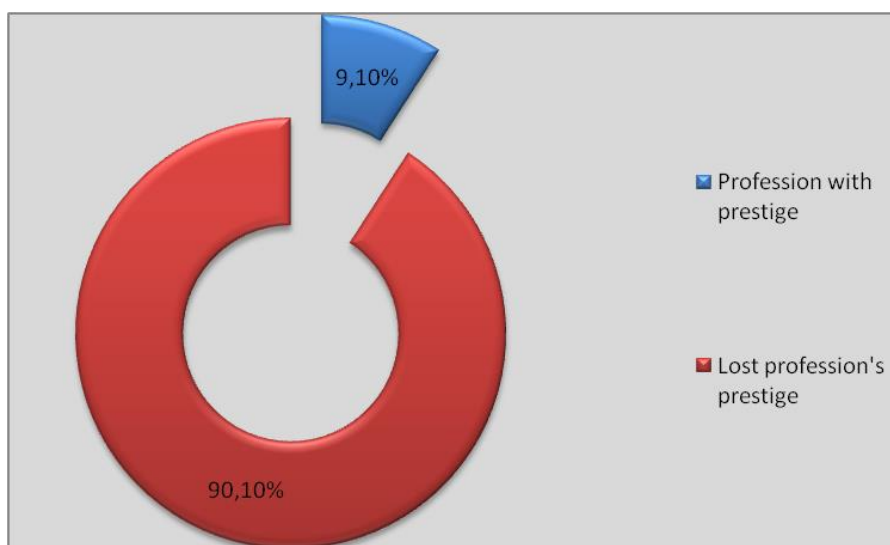
working in banks that are purely of private interest. These percentages reflect the respective analogy of public and private banks.

Finally, 49, 1% of the participants said that they hold a position of high responsibility while the rest 50, 1% hold regular positions.

Only 9, 1% of the respondents consider that their profession has the value and the status that it used to have. That leaves the rest 90, 1% to consider that the value and status of the profession has been lost. Basically, these answers present a hard reality for the bank employees. There are two basic explanations for this change. On one hand,

there is a great number of banks that offer pretty much the same products to prospective customers. On the other hand, the fact that the bank employee has turned into an advisor-accountant has a negative impact on the image of modern bank employees. The modern bank employee is not in the position of providing sophisticated services (eg. Provision of bank loans before the liberation of the credit system). Bank employees' counsels used to be very respected and valued. This is not the case anymore as the customers have access to a wide range of information, especially on the internet.

**Figure 2.** Evaluation for the prestige of the profession



Despite the admitted lose of prestige, 72, 7% of the bank employees answered that they are satisfied with their profession, taking into consideration their studies. 27, 3% are not satisfied. This answer is most probably determined by the fact that the salary of a bank employee is relatively bigger than that of another employee. Bank employees are given services that include health insurance, special leaves according to the labour law such as leaves for young mothers, grants for underage children and grants for nursery school.

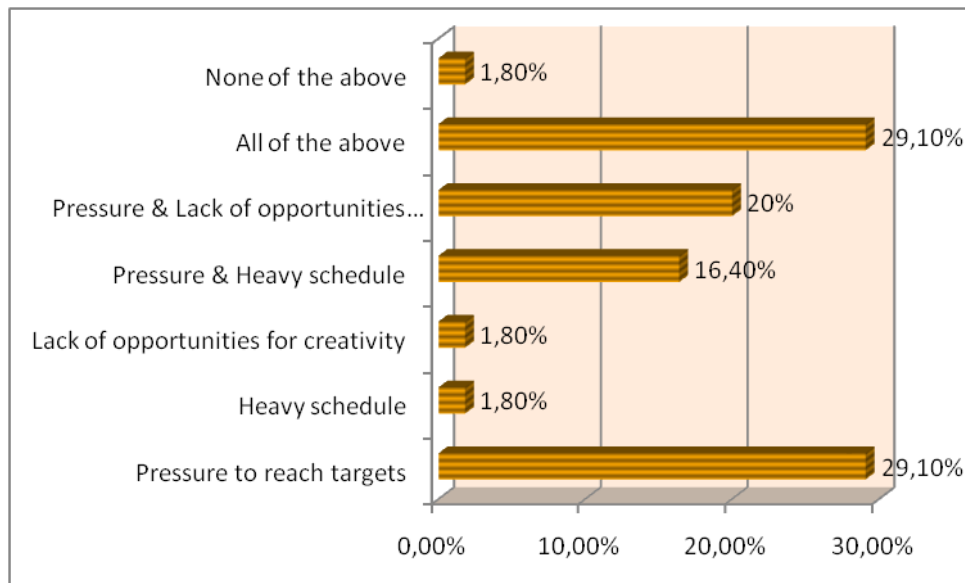
As far as the level of education required for this profession is concerned, 41, 8% of the participants answered that the level should be high while 58, 2% answered that there is no such requirement. This can be explained by the fact that the average employee, not those in executive positions, is just expected to efficiently promote the products of the bank, which are not difficult to comprehend. What prevails in the domain of the

banking system is the notion of "product promotion" and not the scientific aspect of it.

When it comes to the difficulty of the profession, the majority of the respondents (89, 1%) consider that it is a rather tough profession compared to other non-merial ones. Only 10, 9% share a different point of view.

When asked about the negative aspects of their profession, 29, 1% of the bank employees answered that there is great pressure to achieve the goals set by the administration. 1, 8% of the participants consider the heavy schedule as a main drawback and another 1, 8% the lack of the opportunity to be creative. 16, 4% opted for both pressure and heavy schedule, 20% opted for both pressure and lack of creativity and 29, 1% answered that they consider negative all the above factors and 1, 8% answered that they do not see any negative aspect in their profession.

**Figure 3.** Negative Aspects



The three negative aspects that seem to concern more the participants in the research are the pressure to reach goals, the heavy schedule and the lack of opportunity to be creative. It is only rational that these are the factors that make them characterize their profession "tough". It is worth noting that most of the respondents consider that the pressure to reach goals is the main negative aspect of their profession. It is true that this pressure is applied by the administration of almost all the Greek banks. There are even cases where the goal-setting is applied individually and not collectively. Thus, the pressure in case of not reaching the goals becomes unbearable causing great stress and anxiety.

In the last question of the first unit, the participants were asked whether they would change their profession for a civil servant position. 12, 7% of the sample said that they would rather be civil servants. 47, 3% answered that they would leave if the same salary was guaranteed. 1, 8% said that they would leave no matter what and 38, 2% answered that they would not leave their position. It seems that 61, 8% of the respondents would leave their profession as bank employees to be civil servants under certain circumstances. This means that the bank employees face several difficulties in their working environment including the pressure mentioned above. The fact that many of their employees, given the opportunity, would leave their positions should definitely be alarming for the administration of the banks. Hiring and training new employees is not an easy job. Not to mention that losing a trained employee and training a new one means a certain deal of money wasted.

57, 5% of the participants in the research have experienced some kind of merger or acquisition while 42, 5% have not. Besides, some of the banks

that participated in the research, such as the Bank of Cyprus and Attica Bank, have not proceeded in any kind of merger or acquisition. Consequently, the participants working in those banks cannot have experienced any of these procedures.

28, 1% of those who have experienced a merger or an acquisition think that the procedures had a positive impact on them while 71, 9% believe the contrary. Obviously, this tendency is connected to how they consider a merger or an acquisition would influence their advancement and their future perspectives in the working environment.

More particularly, when asked if they have a positive, negative or indifferent outlook on a possible merger/acquisition, the bank employees answered in the following way: 13, 6% believe that a merger/acquisition is a positive evolution, 74, 5% consider it negative and the rest 11, 8% are indifferent towards this issue. This shows that most of the participants in the research feel very stressed and insecure about a possible change in their working environment due to a merger or acquisition.

There are various reasons why the participants seem to be worried in the case of a merger or acquisition. 3, 6% of the respondents are mostly worried about the limitation of their future prospects. 13, 2% believes that a merger/acquisition would bring about unfavorable working conditions, 15, 3% fear a probable dismissal. The rest of the respondents combined two answers: 14, 5% opted for the limitation of their future prospects and the unfavorable working condition. 3, 6% opted for the limitation of future prospects and a probable dismissal. 18, 2% are mostly afraid of the unfavorable working conditions and a probable dismissal and finally 27, 3% worries about all the

reasons mentioned above while 4, 3% do not worry at all.

The findings clarify the fact that the bank employees are feeling anxious and insecure. The

reasons for feeling anxious in case of merger/acquisition are presented in the following board:

**Table 1.** Reasons for anxiety in case of merger/acquisition

Reasons for concern in the case of acquisition / merger	
Limiting future prospects	3,6%
Unfavorable working conditions	13,2%
Probable dismissal	15,3%
Limiting future prospects & Unfavorable working conditions	14,5%
Limiting future prospects & probable dismissal	3,6%
Unfavorable working conditions & probable dismissal	18,2%
All above reasons	27,3%
None of above reasons	

63, 6% of the respondents would rather their bank to be acquired by another Greek bank than by a foreign one. Only 36, 4% answered that they would prefer the acquisition procedure to be held by a foreign bank. This seems to contradict the participants' dissatisfaction by the administration of Greek banks expressed previously in the research. Such a contradiction can be explained by the fear of the unknown represented by foreign banks.

Finally, all the participants believe that a new wave of mergers and acquisitions is coming in the near future. This belief is shared by the Greek community as a whole and it seems to be inevitable under the current economic circumstances.

The vast majority of the respondents think that the administrations of most of the Greek banks sacrifice its employees' and costumers' interest in the name of profitability. 14, 2% answered that the administrations combine the interest of their employees and costumers with their own. The respondents judge rather tough the administrations of the banks. This is explained by the fact that banks have uncontrollably raised the percentages of their profits by exploiting and pressing their human resources. Such a strategy has made the employees suspicious and has created a huge gap between them and the administration.

After the interconnection that emerged from the application of control x in the statistical program SPSS, we extract the following conclusions:

There is an interconnection between the years of employment in the banks, the level of satisfaction and the background studies. Except from the younger employees (1-5 years working) that have not formed a solid point of view yet, all the others (5-10 years working) are not particularly satisfied with their choice. This can be explained by the fact that younger employees posses more qualifications than older ones and thus they have greater requirements and they are more strict in their judgment. Besides, this group of employees has experienced the change in the mentality from

the beginning. They were already aware that the profession is now directed to the promotion of products. However, some of them may have based their decision to follow this profession influenced they way this profession used to be.

There is another interconnection between the years of employment and the experience of a merger or acquisition. More particularly, the employees that have been working for few years have not experienced a merger or an acquisition yet. On the contrary, the employees that have been working for more years seem to have a greater insight on the issue. This interconnection makes perfect sense as the 90' were characterized by a wave of mergers and acquisitions.

The other interconnection that emerged from the statistical program is between the level of education and the level of satisfaction for the choice of the profession. The higher the level of education, the higher the sense of satisfaction. It is only the owners of postgraduate degrees that seem to be less satisfied. Their more qualifications create higher requirements related to those who have a lower level of education. This is exactly what makes the postgraduates less satisfied by their profession.

The level of education is also related to the negative aspects of the profession of a bank employee. To be more particular, school graduates consider that the pressure to reach goals and the heavy schedule are the most negative aspects. The Technological education graduates believe that only the pressure to reach goals is the main negative aspect while the higher education graduates argue that both the pressure by the administration and the lack of opportunity to be creative are the most negative aspects of their professions.

The owners of postgraduate degrees have higher standards. They consider that the pressure to achieve goals set by the administration; the heavy schedule and the lack of opportunity to be creative are all important negative aspects of the professions.

One final interconnection that emerged from the statistical program is the level of education and the results of past or future mergers and acquisition. School graduates and owners of postgraduate degrees hold the view that the mergers or acquisitions of the past had positive impact on them. On the other hand, Technological education and higher education graduates believe that they had negative impact.

## **Conclusions**

It is an undeniable fact that Greece is the middle of a deep recession. The economic crisis has severely damaged all the economic domains and especially the financial system. The deeper root of the problem is probably the unique financial dismantled faced by the international financial corporations.

It was unavoidable for the banks all over Europe to merge due to their urgent need to rise their capital stock and their competitiveness. Furthermore, the expected low rate of development in the future creates further need to decrease the functional cost and to search for economies of scale.

The Greek banks as well, are in the middle of this unpleasant situation that they had never seen before. Under the light of these unpleasant circumstances, the banking system was (and maybe still is) in danger of collapsing, a possibility that would probably affect countries abroad. In order to avoid this collapse, the sustainable banks were further supported and the non-sustainable were purged. This strategy aimed to stabilize the financial system through bank mergers and acquisitions.

These mergers and acquisitions are realized by the bank employees and they are highly related to them as they intend to stabilize the employees' uncertain future.

The profession of the bank employee has lost its former prestige and the majority of the respondents would happily leave their position, since they consider it a tough profession as well. The basic negative aspects of this profession are the pressure to achieve goals set by the administration, the heavy schedule and the lack of the opportunity to be creative.

The bank mergers and acquisitions in Greece have a negative impact on the majority of the employees that worry about the limitation of their prospects, the unfavorable working conditions and a probable dismissal. This sense of discomfort and insecurity is dispersed among the bank employees.

The employees in general prefer that the procedures of merger and acquisition will be realized within the country's borders.

A new wave of mergers and acquisitions is coming in the near future. This belief is shared by the Greek community as a whole and it seems to be

inevitable under the current economic circumstances.

The bank employees believe that the administrations of most of the Greek banks sacrifice its employees' and costumers' interest in the name of profitability. The respondents judge rather tough the administrations of the banks. This is explained by the fact that banks have uncontrollably raised the percentages of their profits by exploiting and pressing their human resources. Such a strategy has made the employees suspicious and has created a huge gap between them and the administration.

To conclude, the Greek banks and the profession of a bank employee are being introduced to a whole new and interesting phase. History will prove whether the "giant" that is called banking system has rotten roots or solid bases that will help it survive these difficult circumstances and come out even stronger.

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