Chapter 7: Changes and restructuring in the banking sector : Executives' role and problems

7.1. Introductory remarks.

The basic data presented here were the product of a survey which included a questionnaire completed by (the Personnel Departments) of banks in the sector and by enterprise-level unions in late 1999 and the first trimester of 2000. Thirteen banks representing over 50% of employees in the sector responded to our survey, together with 16 enterprise-level unions which also represent a high proportion (over 30%) of workers in the sector.

Therefore the responses we received may be considered representative of the basic trends and views of the social partners in the banking sector.

This is of particular importance, if we are to outline the basic "profile" of executives and management models that each side appears to support (without necessarily promoting or pursuing it in practice). Thus we will be able to make hypotheses regarding both the attitudes of the two sides in the difficult conditions of continued restructuring and changes in the sector and the role the sector's executives are called on to play in these conditions.

In Part One **of this Chapter we present the findings from the completed questionnaires we received from the banks and unions in the sector.**

In **Part Two** we present basic findings from a special workshop attended by banking sector executives in July 2000. In the framework of this meeting 28 special questionnaires were completed by an equal number of executives.

These questionnaires contained special questions for the executives, as well as questions in common with the main questionnaire distributed to the banks and enterprise-level unions.

From a statistical point of view the findings resulting from the processing of the questionnaires completed by the executives cannot be considered to be representative. They are, however, of importance as an indication of the attitudes and views of the sector's executives and may be used to supplement the data and findings from the main questionnaire.

Finally, in the third part of this chapter we examine, on the basis of the international and Greek literature and experience, certain basic effects of mergers and acquisitions on management models and on the role, conditions of pay and employment of the executives in the sector.

7.2. The most important challenges for executives in the coming three years.

The responses of the Personnel Departments (10 responded, 3 failed to respond to the specific question, which was an open question) when asked *«What in your opinion is the most important challenge for your executives in the coming three years?»* **were the following:**

- **Meeting present-day work requirements by developing qualifications and skills**
- **The new prospects for the enterprise**
- **Developments in the area – meeting objectives**
- **Meeting objectives to achieve a dominant position in the market**
- **Setting and meeting high objectives in order to distinguish the group**
- **Merger procedures, operations re-engineering, competition**
- **Pay linked to productivity and performance**
- **Professionalism**
- **Moral and material rewards for their work**
- **The prospects for advancement in the company (in the framework of modernisation and business expansion), and recognition of their contribution through promotion and higher annual emoluments.**

As the banks' responses show, the main challenges executives are called on to meet involve competition, meeting objectives, mergers – restructuring, as well as the modernisation both of management functions and of the procedures for executives' promotion, evaluation and pay, oriented towards achieving greater professionalism, motivation and flexibility.

As we will see later on, the answers of the enterprise-level unions to this question do not appear to be substantially different. This indicates that both sides have taken up and probably comprehend in practically the same way the basic challenges for executives in the sector over the next three years, which promise to be a period of profound changes, if not reversals, for both sides in the Greek banking scene and in management practices.

In particular, out of the 16 enterprise-level unions to whom this question was addressed, 13 responded, giving the following as the most important challenges for executives:

- Adaptation to the requirements of EMU
- Adaptation to the new market conditions
- Changing the features of the company (due to acquisition-absorption by another group)
- Addressing competition in the post-EMU era
- Addressing competition – EMU – globalisation
- That "man is the measure of all things"
- Hiring executives from the external market – the gradual overthrow of employment conditions and relationships
- The need for executives themselves to change
- Payment of a productivity bonus, through the adoption of specialised rules for evaluating executives
- Retraining and education
- Knowledge of their duties and competencies – acquiring a modern outlook regarding competition
- Risk management
- No challenges, because the climate inside the enterprise precludes any creative challenges for its executives.

We see that for the unions the main challenges stem from the new market conditions and competition and to a lesser degree from the need to acquire up-to-date knowledge and necessarily change the mentality and administrative practices of management and the executives themselves.

However, the unions may show stronger concern over issues of changing executives' mentality (in a more anthropocentric, meritocratic direction) and of administrative practices than the enterprises, which appear to focus more on issues of flexibility – adaptation of executives to the market.

7.3. What sort of executives do the banks need most?

Given the challenges of competition and the continuing changes in the sector, we asked the banks' personnel departments and the enterprise-level unions "What sort of executives does the company most need?", giving them

three sets of alternative choices, from each of which they could select what they believed to be the most important feature.

The overall results are shown in **Diagram 1**; they are as follows:

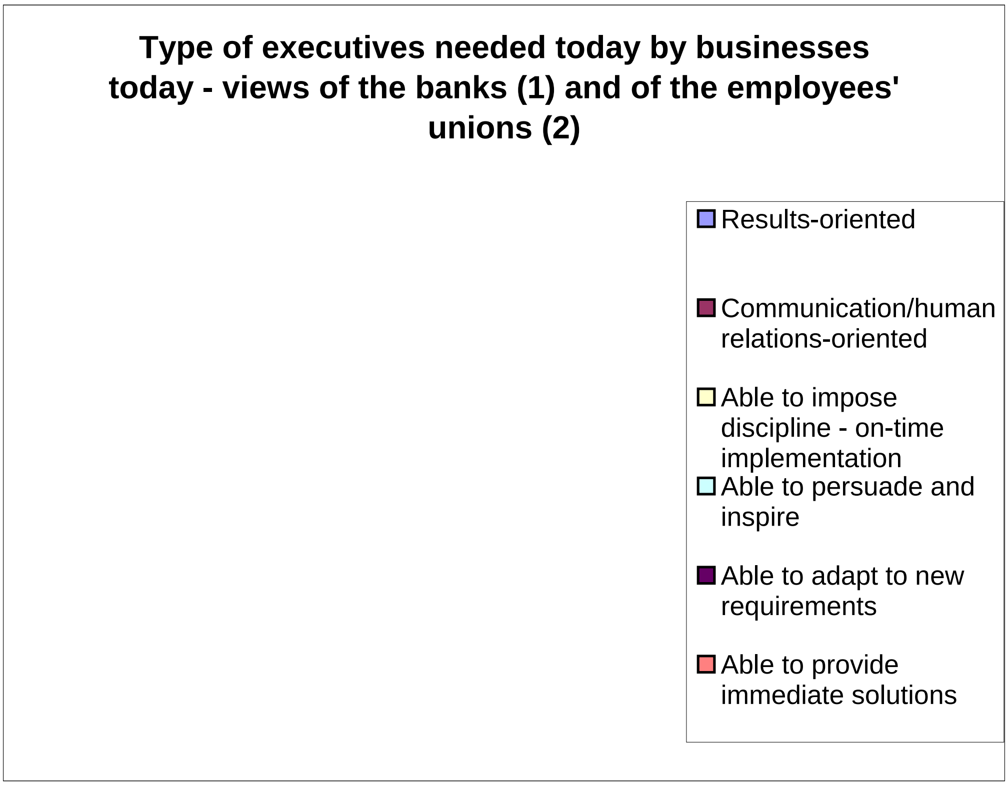

Diagram 1

The banks' responses included a total of 36 references to preselected desirable qualities in executives. The one most frequently mentioned (in 31% of the cases) was "executives who are able to adapt to new requirements". **The same was true of the unions' answers, where again, of the total of 43 references this quality was the one most frequently chosen (in 30% of the cases).**

The next most frequently mentioned quality by the banks (25%) was **"executives who are results-oriented"**, which was the third most frequently mentioned by the unions, at a rate of 21%. It should be noted that the alternative to this choice, **"communication- and human relations-oriented executives"** (i.e. a more anthropocentric management) was included in only 14% of the banks' and 9% of the unions' responses…

The second most frequently mentioned quality by the unions was "executives able to persuade and inspire", which appeared in 26% of their responses, compared to 22% of the banks’. The other choices (executives able to impose discipline/on-time implementation of decisions, executives able to provide immediate solutions) were mentioned by lower percentages of both banks and unions.

The aforementioned show that the desirable profile for an executive in the banking sector, in the opinion of both sides, would necessarily include:

- Flexibility – adaptability to the new requirements,
- Achievement of results (even at the expense of communication and human relations), as well as
- High leadership abilities, because executives should be able to persuade and inspire their subordinates, rather than exert their authority on the basis of discipline and their position in the hierarchy.

As we will see further on, the aforementioned choices appear to be relatively consistent with the choices of the two sides regarding the most appropriate management model in the new conditions of competition.

7.4. Executives’ ability to adapt to the new requirements of competition.

As we saw in the preceding paragraph, executives’ flexibility and adaptability to the new requirements are for both sides the most important among the desirable characteristics of an executive nowadays. It therefore stands to reason that we should examine the degree to which the existing executive workforce shows this trait.

To the question *«to what degree can the enterprise’s executives adapt to the new requirements of competition»*, the choices made by the banks and unions, which were given separately for the top executives and directors, are shown in Diagrams 2 and 3 respectively.

From the data in Diagram 2 it emerges that the vast majority (85%) of the banks are very satisfied or somewhat satisfied with their top executives’ ability to adapt to the new requirements. Only 8% of the banks believe that their top executives have little ability to adapt to the new conditions.

Although those on the side of labour (enterprise-level unions), appear for the most part (63%) to share the opinion of the banks, they seem more cautious: they choose the degree “somewhat” more often and 31% believe that executives have little ability to adapt.

With regard to directors, who as middle executives are closer to and quite often members of the enterprise unions, the difference in the two sides' responses is more noticeable; this can be seen in **Diagram 3:**

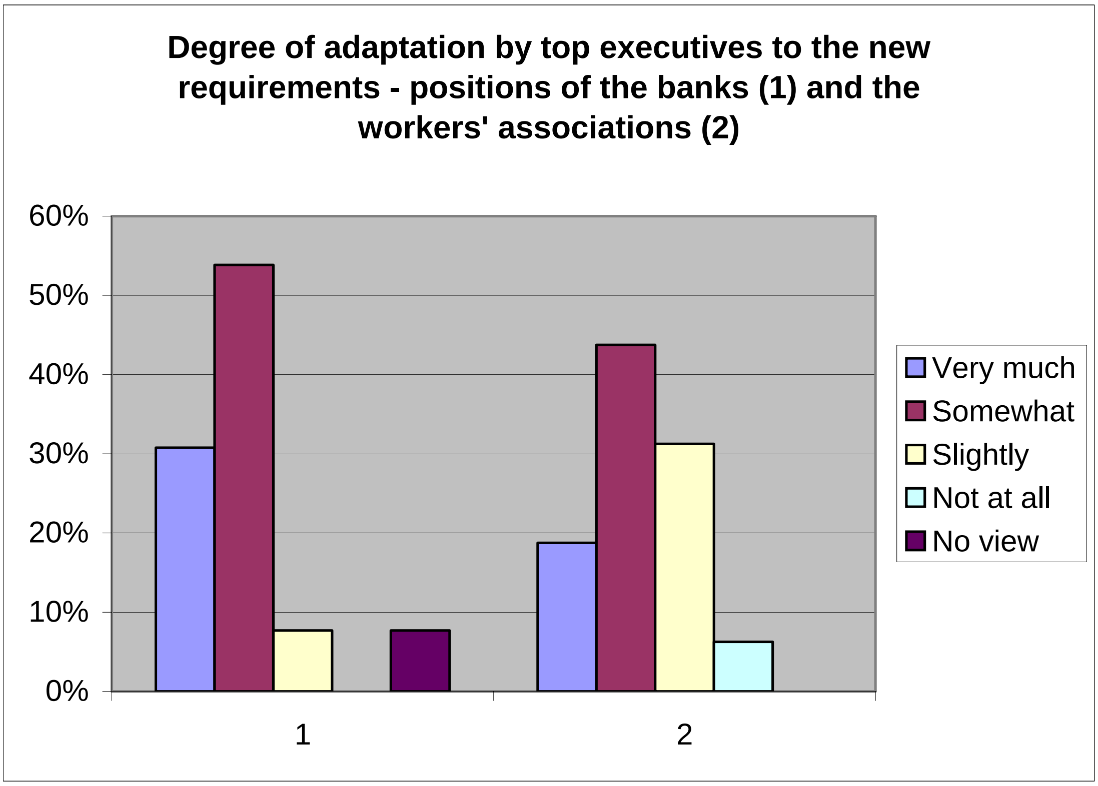

Diagram 2

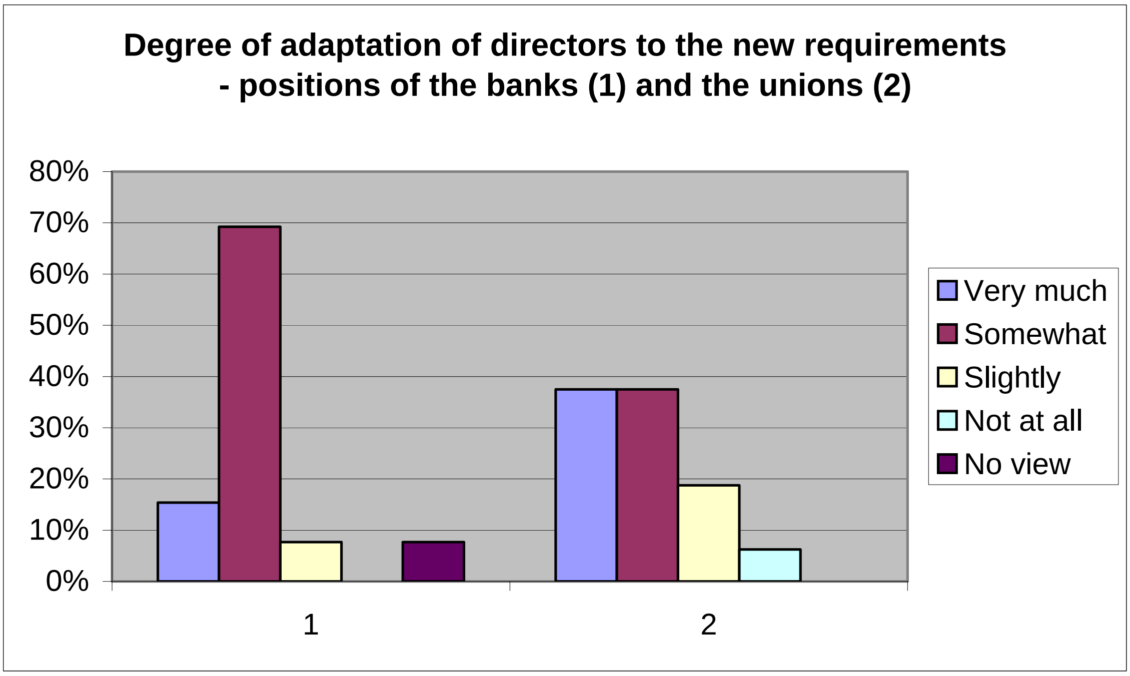

Diagram 3

More specifically, the unions probably have more faith (in relation to their choices regarding top executives) in directors' adaptability: 38% chose "very much" and 38% chose "somewhat", whereas the banks are more cautious, with 15% indicating "very much" and 69% "somewhat". With regard to directors, too, the unions are more cautious, with 19% choosing "slightly", compared to only 8% of the banks.

The unions may have more faith in the abilities (without underestimating the risks of non-adaptation) of middle executives, who are younger and therefore better trained and more familiar with the new conditions of competition.

7.5. How appropriate are the administrative structures and hierarchy for dealing with competition?

As everyone knows, the banks' timely and appropriate adaptation to the new conditions depends not only on their existing executive workforce's ability to adapt, but also on the suitability of (and therefore the need to change) the existing management structures and levels of hierarchy in each bank.

That is why we asked the banks and the unions the question: «*How appropriate are the existing management structures and levels of hierarchy for dealing with the requirements of competition?*». The responses of the two sides are shown in Diagram 4.

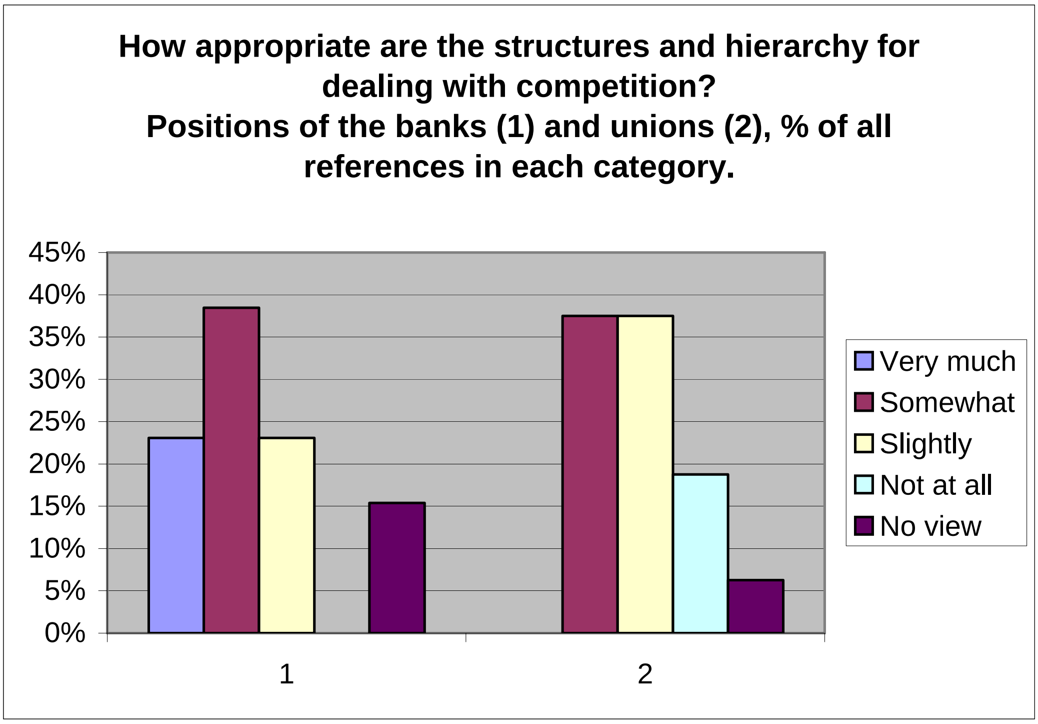

Diagram 4

On this question there emerges a significant divergence, if not a difference of opinion, between the two sides.

Whereas the banks appear, for the most part (61%) to be very or somewhat satisfied with their existing management structures and hierarchy, only 38% of the unions believe them to be “somewhat appropriate”, and most (57%) believe them to be inappropriate or only slightly appropriate.

From the aforementioned we can see that the banks believe they have already gone far enough in adapting their management structures and hierarchies in the desirable direction.

The unions either fail to share this view, or apply pressure in a different direction and with a different rationale of adaptation to the new conditions of competition.

From this point of view, the reasons cited by each side for supporting the appropriateness or inappropriateness of the existing structures and hierarchy in its area are also of interest.

The banks that say they are satisfied mention the following as being “their strong points”:

- The high specialisation of their organisational structures in relation to the market,
- Problem-free give-and-take of suggestions and ideas,
- Well-developed horizontal management
- Organised distribution of competencies
- Guaranteed clear messages and guidelines
- Addressing the complexity of present-day banking reality
- Banking experience and specialisation
- Retraining for new jobs and new products
- Adequate adaptation to the new requirements
- Reorganisation and adaptation of new organisational formats, e.g. business units.
- Division of competencies, cooperation and mutual assistance among executives.

Banks that admit to problems in this regard indicate the following as being among their “weak points”:

- The need to make comparisons with the management levels and hierarchy in related banks
- Adherence to tradition and bureaucracy
- The lack of flexibility as a result of being part of the broader public sector and operating outside the conditions of competition
- Inadequate communication with the workforce
- The need for decentralisation in assigning responsibilities

The (very few) unions that say they are relatively satisfied with the appropriateness of management structures and hierarchy in the bank cite the following as main reasons:

- Reorganisation of the bank and implementation of new organisational formats
- Perfect knowledge of the subject
- Good communication with subordinates
- Good cooperation with bank management
- Continuing retraining and executives' desire to acquire knowledge
- The fact that executives have the necessary real and formal qualifications

By contrast, the majority of the unions that doubt whether the existing administrative structures and levels of hierarchy are appropriate, cite the following:

- centralisation
- failure to renew the executive workforce
- the outdated system of executive advancement
- a lack of scientific training, incentives and desire to work
- vague organisational chart
- no cohesion and no intermediate levels, resulting in difficulty of interconnecting with management
- lack of planning and training
- lack of meritocracy
- the gap between appearance and reality on this issue
- lack of adequate technical support for executives
- lack of clear planning
- too many levels of hierarchy
- lack of hierarchy and knowledge of the each executive's role and duties

- interference by third parties and lack of meritocracy
- failure to operate according to business criteria
- bureaucracy and time-consuming decision-making
- overlapping of competencies.

It is clear that both the positive and negative points cited by each side correspond to real workplace experiences in the sector and must be taken into account, either as “good practices” or as “bad practices” for a more detailed and comprehensive evaluation of this question in the future.

The first indications, however, should be cause for concern, judging from the number and importance of the problems indicated by both but principally by the workers’ side.

7.6. The most appropriate management model in the new conditions of competition.

We asked the banks and enterprise-level unions to choose among three management “models” which they believed to be the most appropriate for the new conditions of competition in the sector. In particular, we asked them to choose among the following three models:

- **Centralised – hierarchical (highlighting the importance of hierarchy and discipline of subordinates by directors)**
- **Collective – consultative (highlighting the importance of knowledge and consultative guidance of subordinates by directors)**
- **Decentralised – participatory (highlighting the importance of decentralisation and subordinates’ participation in decision-making),**

We gave them the possibility of choosing and describing any other model they thought would be more appropriate, provided it was not covered by the three aforementioned models.

The results as summarised in Diagram 5 are the following:

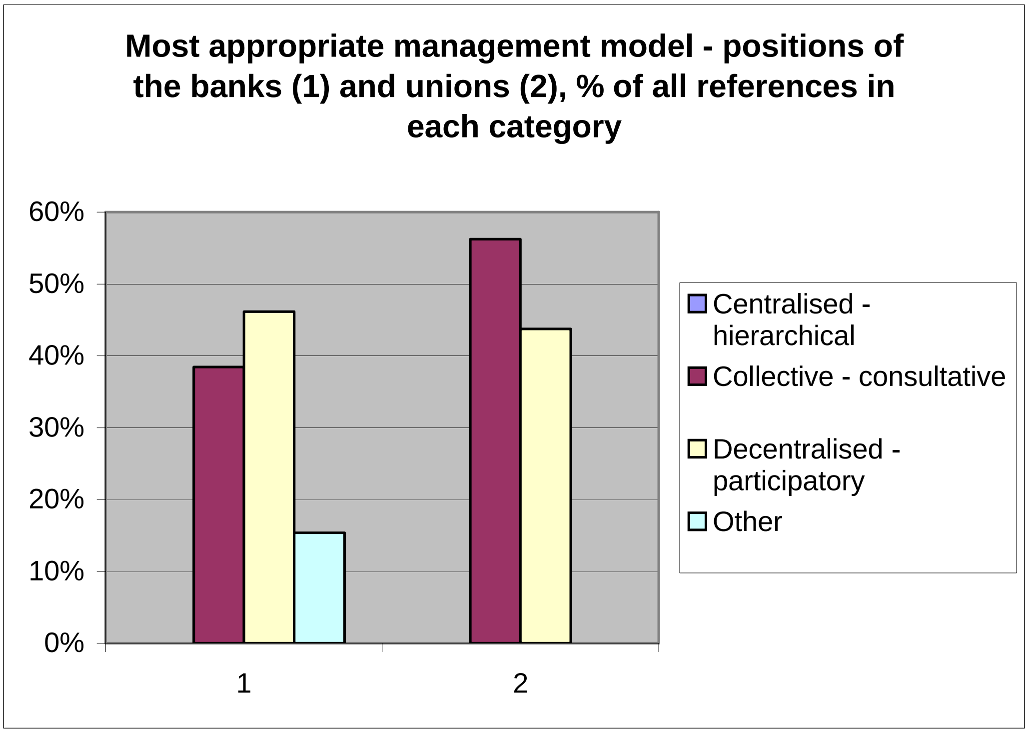

Diagram 5

From the data it can be seen that **most banks (46%) select the decentralised-participatory model and to a lesser degree the collective-consultative model (38%).** Fifteen per cent cite another model (usually an individual technical application), but none stated that it supported the traditional centralised-hierarchical model.

The enterprise-level unions appear to be more cautious than the banks on the question of whether the decentralised and participatory management models are appropriate in present-day conditions. **Most of them (56%) selected the collective-consultative model, and the next largest proportion (44%) selected the decentralised-participatory model.** Like the banks, none of the unions now supports the traditional centralised-hierarchical management model, which predominated for many years, mainly in the sector's banks that were state-owned or partly state-owned.

The unions' cautious stance towards the decentralised and participatory management processes may reflect the attempt by the management of some banks to link such changes with upsets in labour relations (decentralisation of competencies, lack of control – arbitrariness on the part of executives, flexibility of terms of pay and employment), with worker "participation" on an individual basis and/or attempts by employers to selectively guide the unions.

It may also reflect some unions' distrust of the banks' real intentions, as well as their distrust of the skills and mentality of the existing executive workforce in supporting a really participatory management model. We will now examine this question.

7.7. How suitable are executives for supporting the desired management model?

We asked the two sides (banks – unions) to assess the extent to which the existing executive workforce is able to promote and support the appropriate management model, in present-day conditions.

We asked them to give us their assessment separately for top executives and directors. The results are presented briefly in diagrams 6 and 7 below.

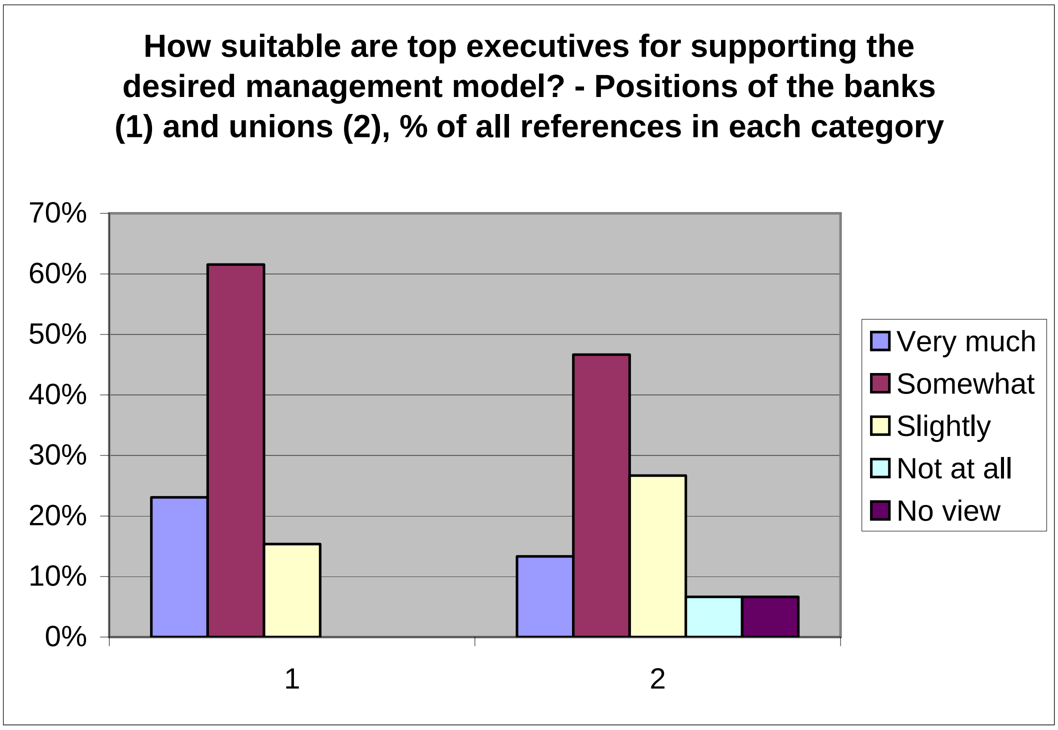

Diagram 6.

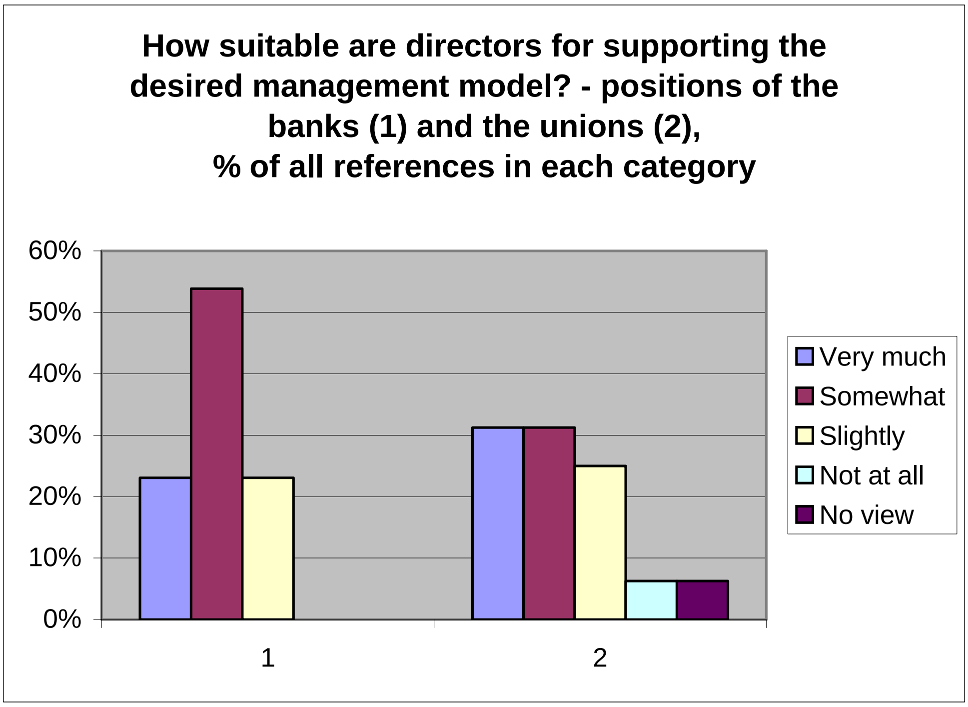

Diagram 7.

With regard to top executives, we see that most (62%) of the banks say they are somewhat satisfied with the suitability of their top executives and another 23% say they are very satisfied. Only 15% (2 banks) believe their top executives are not suitable enough.

The picture clearly changes when we look at the enterprise-level unions, where the percentages of unions satisfied with top executives are clearly lower (13% responded “very much” and 47% “somewhat”), whereas 4 unions (27%) believe that their top executives are not suitable enough, 7% (1 union) completely unsuitable and 7% (1 union) states it has no clear view.

Therefore what we noted above regarding the more cautious choice of the unions in relation to the appropriate management model may be true, insofar as the unions do not appear to be satisfied with the ability of top executives to implement modern, more democratic management models.

With regard to directors, again the majority (77%) of the banks state they are very (23%) or somewhat satisfied with their suitability, but the percentage (23%) of those who consider directors to be not suitable enough is higher. In general, the banks appear to consider their top executives more “ready” than directors to implement the desired management models. If indeed we consider the fact that the banks appear to support more decentralised – participatory models (in which a great burden of responsibility falls on the directors), it is reasonable to wonder how suitably trained and ready to implement them these middle executives are.

At any rate, the enterprise-level unions appear to have more faith in the abilities of middle executives (many of whom will be tomorrow's top executives and will therefore introduce new concepts and knowledge into processes and management practices), than of top executives; the unions also appear to have much more faith in them than do the banks.

Although the main model chosen by the unions (collective – consultative) does not entail as many responsibilities for middle executives as the participatory model which most of the banks say they support, 31% of the unions say they find directors very suitable and 31% somewhat suitable for supporting the desired management model.

In any case, 25% consider directors to be slightly suitable and 6% not suitable at all, whereas 6% (1 union) states that it has no clear view.

Overall, the views of the enterprise-level unions express the biggest need for constant information and retraining of executives and workers in general, in present-day conditions of banking sector operation and reorganisation. This demand is put forward particularly by the unions in the sector as a means of boosting the competitiveness of and protecting employment in enterprises.

7.8. Suitability of management structures and hierarchy for addressing competition. Executives' views.

In para. 7.5, we examined the banks' and enterprise-level unions' views on the suitability of the existing management structures and hierarchy in the bank where they are employed for meeting the demands of competition. We put the same question to the sector's executives who took part in a special workshop held in conjunction with the survey and completed the relevant questionnaires.

The executives' responses, which give an indication of the attitude of the relevant population in the sector towards this issue, are illustrated in Diagram 8.

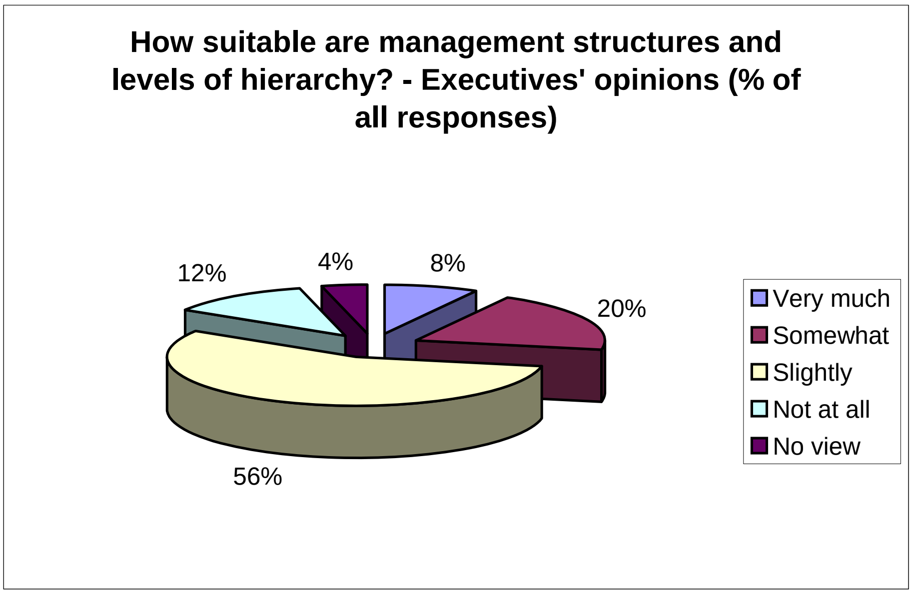

Diagram 8.

The majority (56%) of executives who responded believe management structures and the existing hierarchy to be slightly suitable for addressing competition, and another 12% believe them to be completely unsuitable. By contrast, 20% of the executives believe them to be somewhat suitable, and only 12% are of the opinion that they are very suitable.

On the basis of this picture, which comes close to the views of the enterprise-level unions on the same question, although it is not so critical, we might say that in expressing their personal experience executives do not appear to share the satisfaction displayed by the management of banks with the existing management structures and hierarchies.

On the contrary, the sector's executives appear to express a demand for a change/adaptation of the business and management status quo. We will see this more clearly when we examine the reasons cited for the suitability/unsuitability of the existing management structures and hierarchies.

The executives who state that they are very or relatively satisfied with the suitability of the existing management structures and levels of hierarchy cite the following as positive aspects:

- the existence of a single locus of decision-making
- collective decision-making
- the existence of effective monitoring processes
- education and good knowledge of the new conditions
- (positive) working conditions

- the adequacy, ability, experience and in general the qualifications of the executive workforce

It should be noted that the executives refer much more to questions of their colleagues' knowledge and qualifications as positive points, than to technical-organisational questions and questions of implementation of modern processes, which were indicated mainly in the banks' responses.

By contrast, the much larger numbers of executives who said they were slightly satisfied or dissatisfied with the suitability of the existing management structures and processes, cited the following as basic negative points:

- vagueness of corporate goals/lack of corporate vision
- inadequacy of managers
- overlapping competencies and poor distribution of workload
- poor communication
- indifference, inferior ability of administrators
- favouritism
- structure of hierarchy not based on meritocracy
- advancement, evaluation and utilisation of executives not based on meritocracy
- judgements based on seniority
- outsourcing which in practice abolishes institutional structures
- interventions by political parties
- attitudes and bureaucracy too centralised
- the lack of external experiences and practices by permanent career executives
- top executives lack training in modern methods
- inadequate training of executives in general
- persistence in outdated methods
- the lack of modern technological infrastructure
- no encouragement of suggestions for innovation improvement – implementation.

It should be noted that most of the executives' observations concern problems in the existing labour force policies (advancement – evaluation – utilisation – training of executives) and more generally in the «management style» **that is put**

into practice, and much fewer concern technical – administrative methods and processes.

These views also converge with those of the enterprise-level unions on this issue. The implication is that the main problem is not to design suitable structures and tools, but to change the mentality and faithfully apply clear criteria and principles that ensure that the thinking will be based on meritocracy and effective motivation of the executive workforce.

7.9. Applied Management Style: the Executives' Views.

In order to view at first hand the direct experiences of the executives taking part in the workshop with regard to the style of management they have experienced from their superiors and/or apply to their own subordinates, we put a series of questions to them on both issues.

Their basic responses are shown in the following diagrams 9-21:

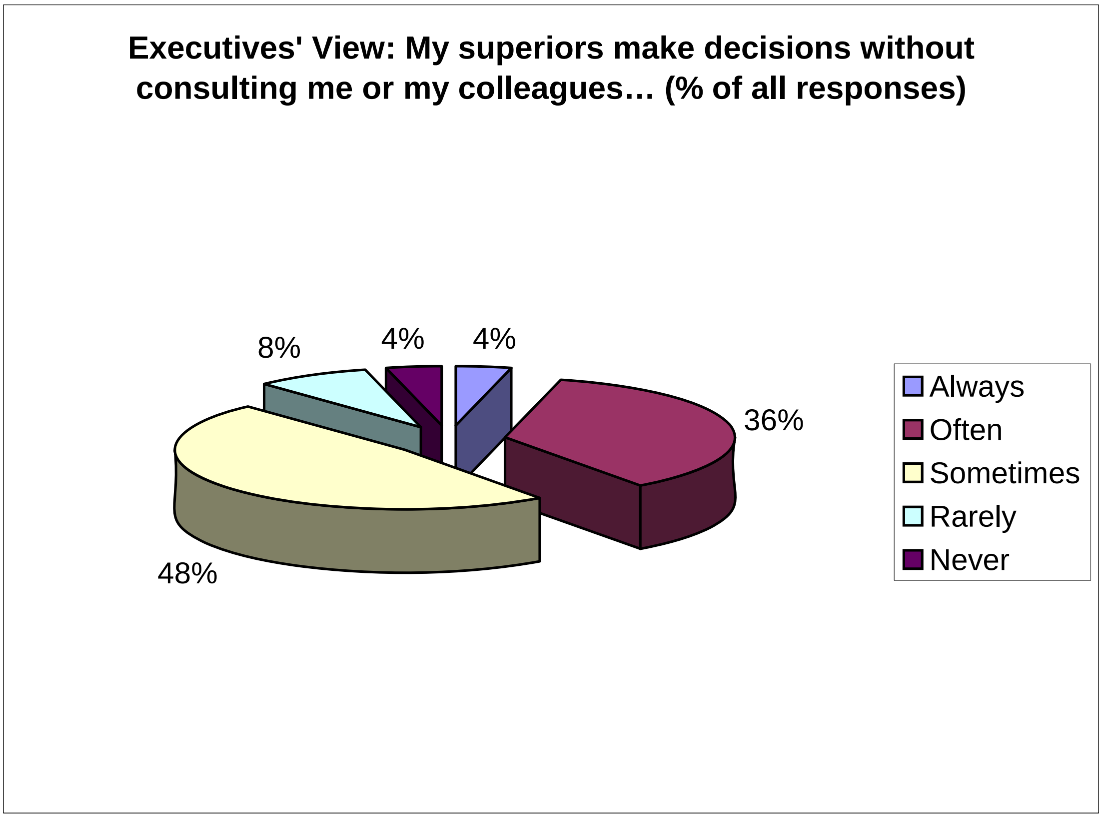

Diagram 9

Diagram 9 shows that cases where superiors made decisions on their own, without consulting their subordinates or their colleagues, are not a rarity. Thirty-six per cent of the executives say this happens often and 48% sometimes. This is one indication that quite a few difficulties would be encountered in implementing the consultative and many more in implementing the participatory management model in the banking sector.

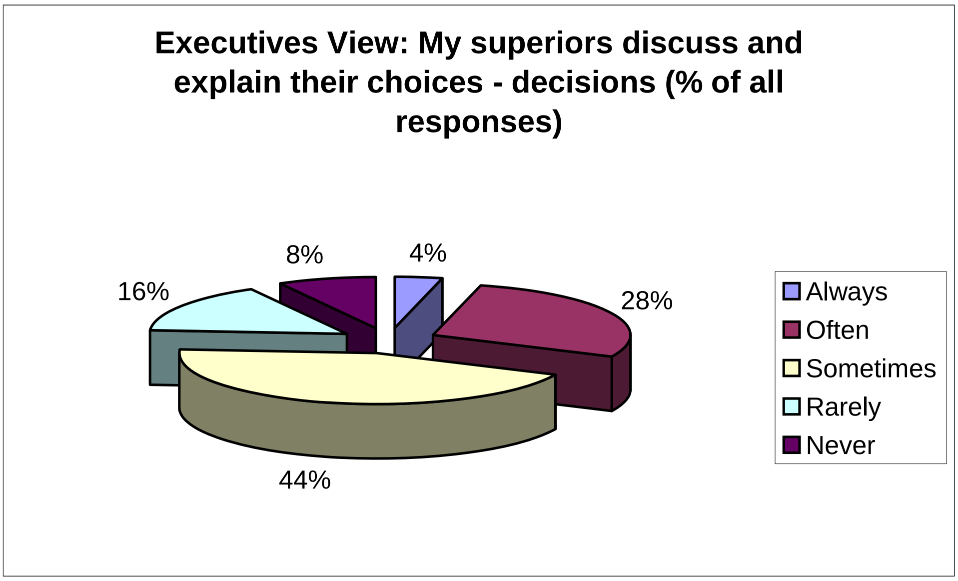

Diagram 10

As we can see from Diagram 10, 68% of the directors do not discuss or explain their decisions and choices often enough; as we saw above, they tend to make decisions on their own. This supports the view that we expressed above concerning management models, at least as the banking executives themselves experience them. It is an indication of problems regarding good communication among the various levels of the hierarchy.

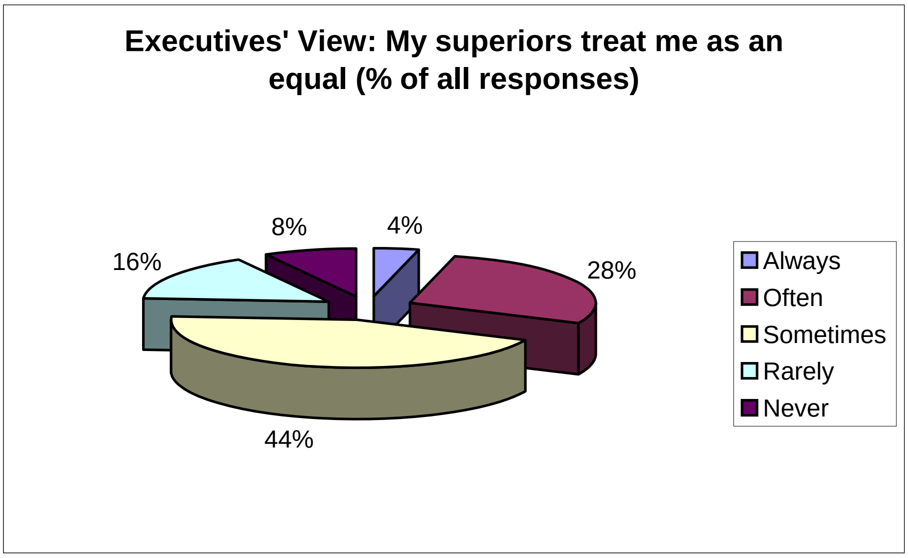

Diagram 11.

Diagram 11, too, seems to indicate that there are problems of behaviour of executive superiors towards their executive subordinates, since in only 32% of cases do executive subordinates feel they are treated as equals by their superiors, a necessary condition for implementing participatory management model.

The picture of cooperation between superiors and subordinates appears to be somewhat better if we examine the data contained in Diagram 12. Thus, according to 48% of the 25 executives who responded to this question, executive superiors listen to the views of their subordinates, whereas 52% say that this happens only rarely or sometimes.

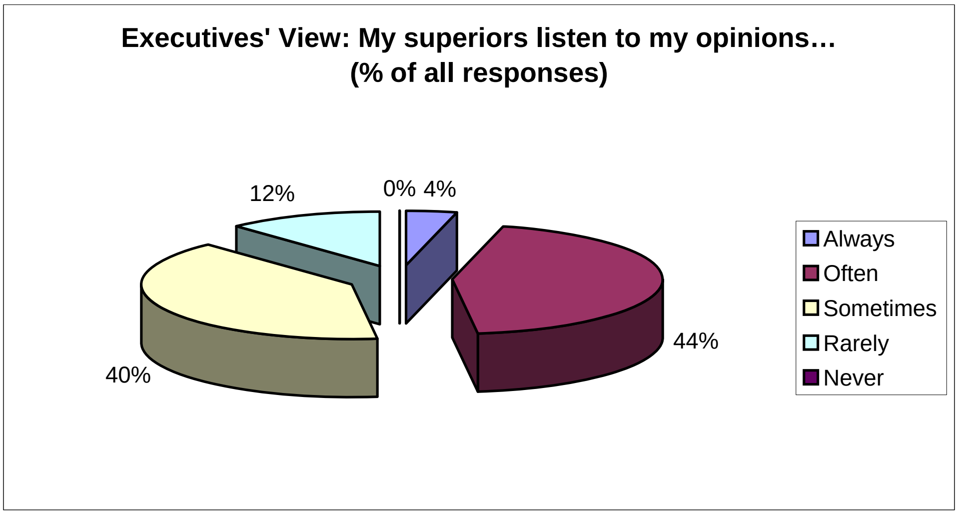

Diagram 12

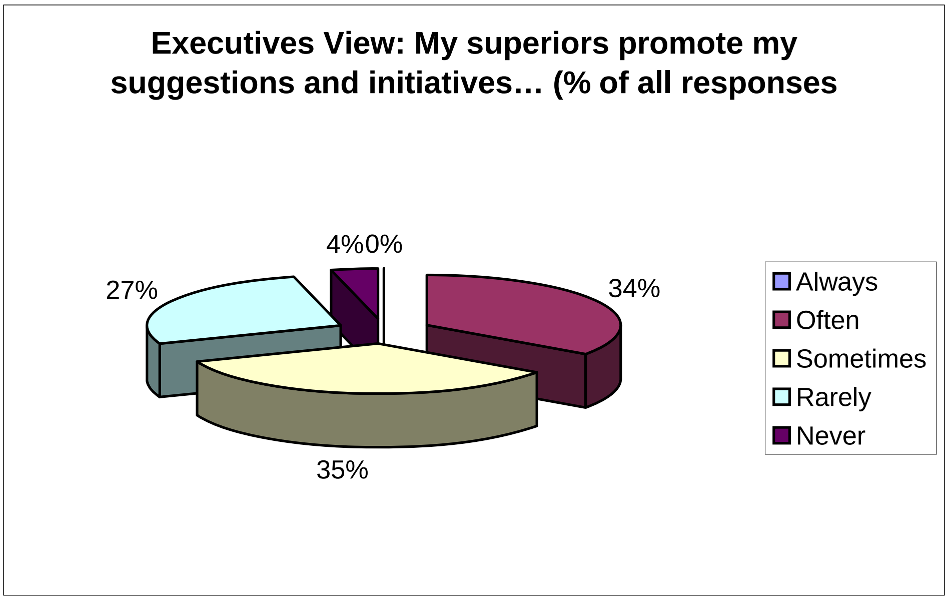

Diagram 13

The situation is somewhat more problematic, again in the executives' view, regarding promotion of their suggestions and initiatives by their superiors. As we can see in Diagram 13, 34% of the executives believe that this is a frequent occurrence, and 66% say that it occurs sometimes or rarely.

This means that in many cases executives feel that their ideas and suggestions are either wasted or even that their superiors claim them as their own. Of course, this is of very little help in motivating them or in encouraging initiatives, which are necessary in present-day conditions.

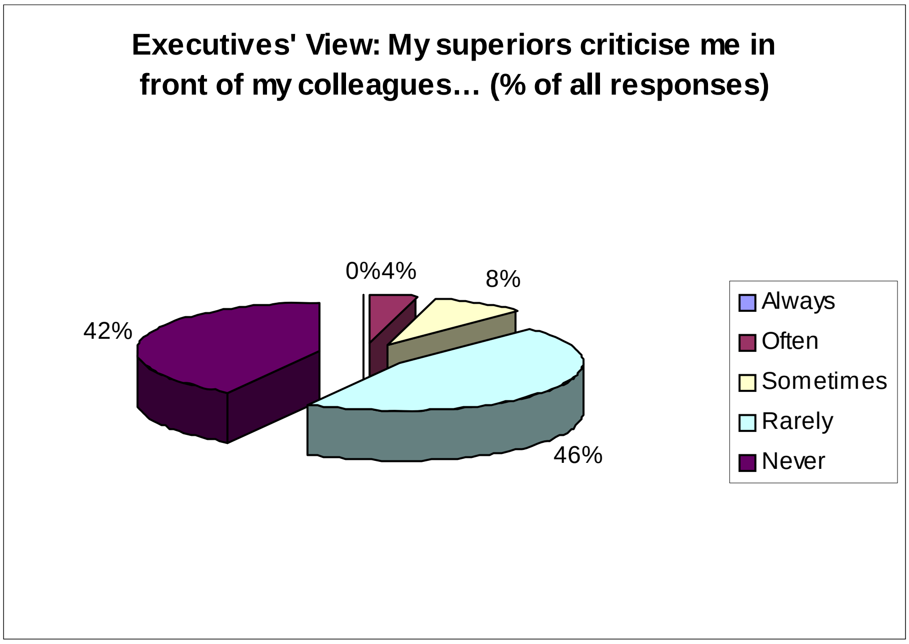

Diagram 14

From the data given in Diagram 14 it can be seen that in most cases the rules of the hierarchy are observed in relation to criticism. The vast majority of executives state that their superiors avoid criticising them in front of their colleagues. This should be interpreted more as an attempt by everyone to protect the authority of the hierarchy, particularly in front of subordinates, than as a general unwillingness to voice criticism.

The data in Diagram 15 show another aspect which is in our opinion crucial to the quality of communication and collective effort by executives in banking enterprises. A positive point is that only 16% of the executives who responded consider their superiors to be always or often unapproachable, whereas the vast majority face such a problem only rarely or never.

This shows that, at the level of human communication at least, there is a satisfactory substructure, which should also be strengthened in terms of suitable management structures, operations and procedures, to allow for the collective effort and communication necessary in order to implement modern, more decentralised management systems.

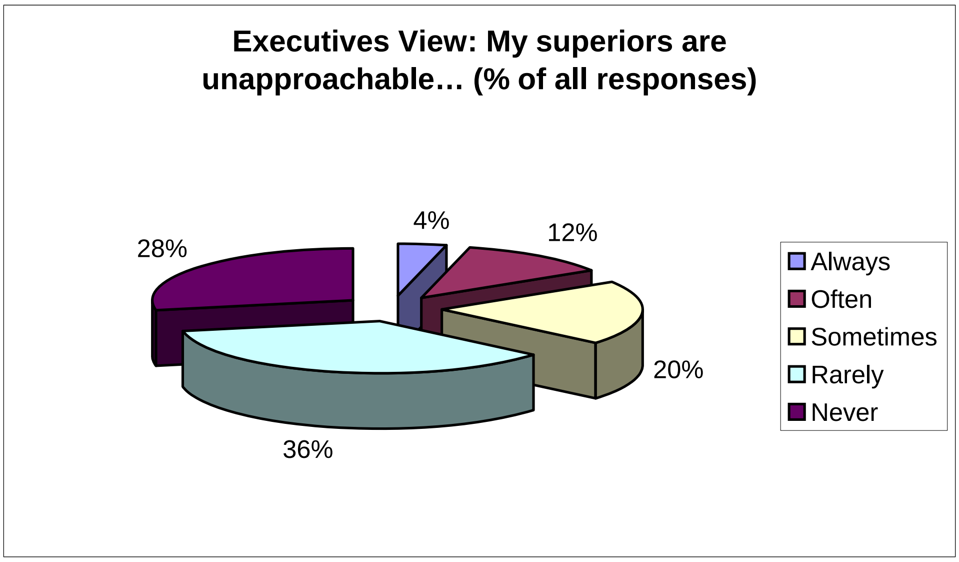

Diagram 15.

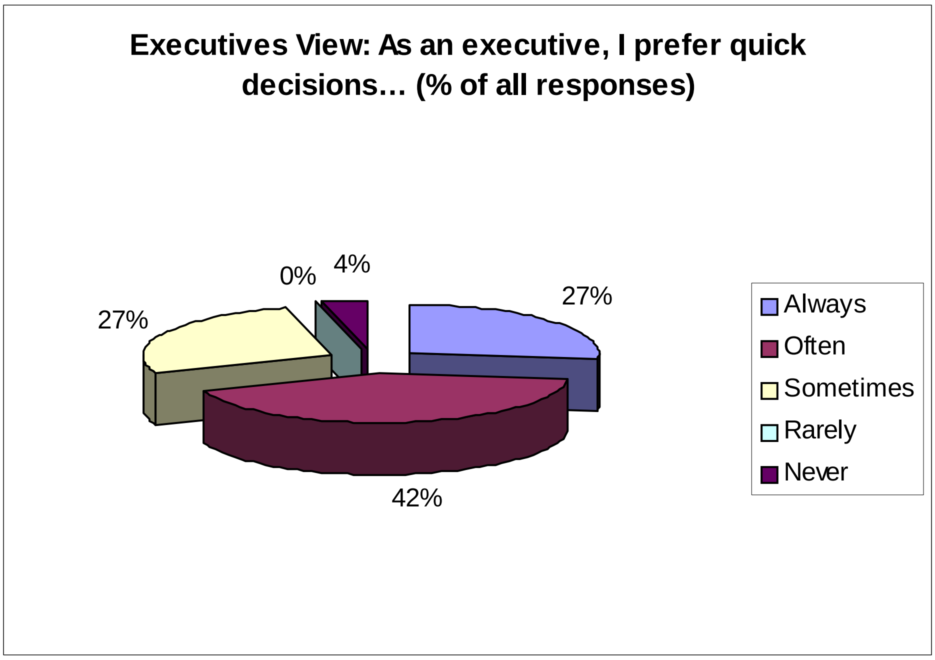

Diagram 16

Beginning in Diagram 16, we have attempted to outline the way in which executives view their own management profile. Thus, the vast majority (69%) of the executives who responded always or often prefer quick decisions.

However, as shown by the data in Diagrams 17 and 18, they do not neglect to consult their subordinates before making decisions, and they generally tend to assign important competencies to their subordinates.

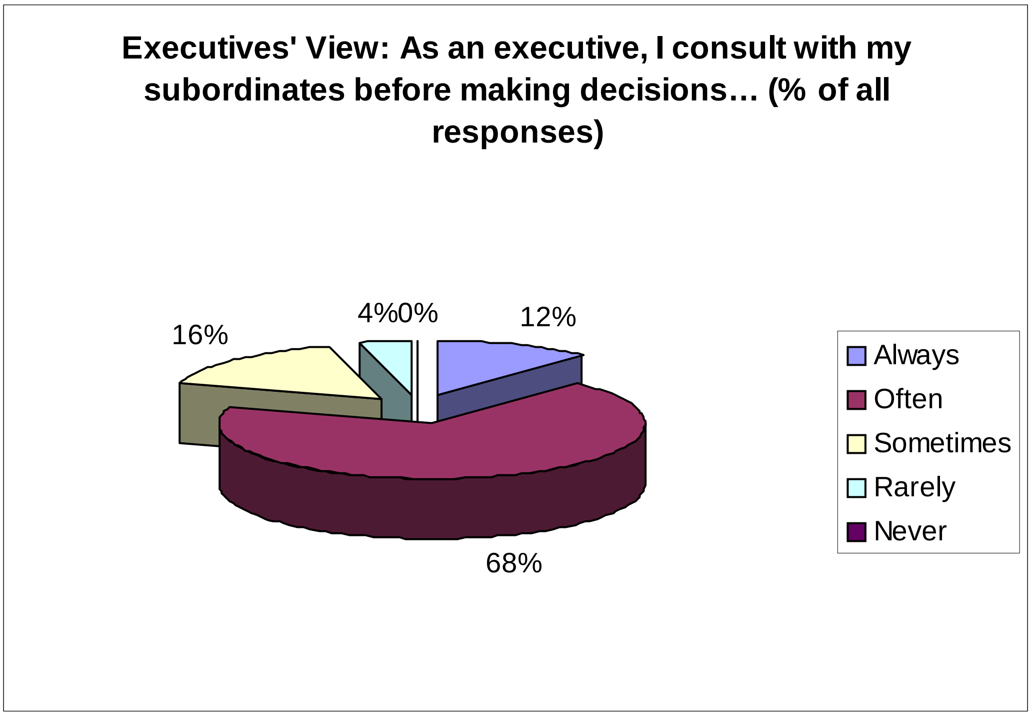

Diagram 17

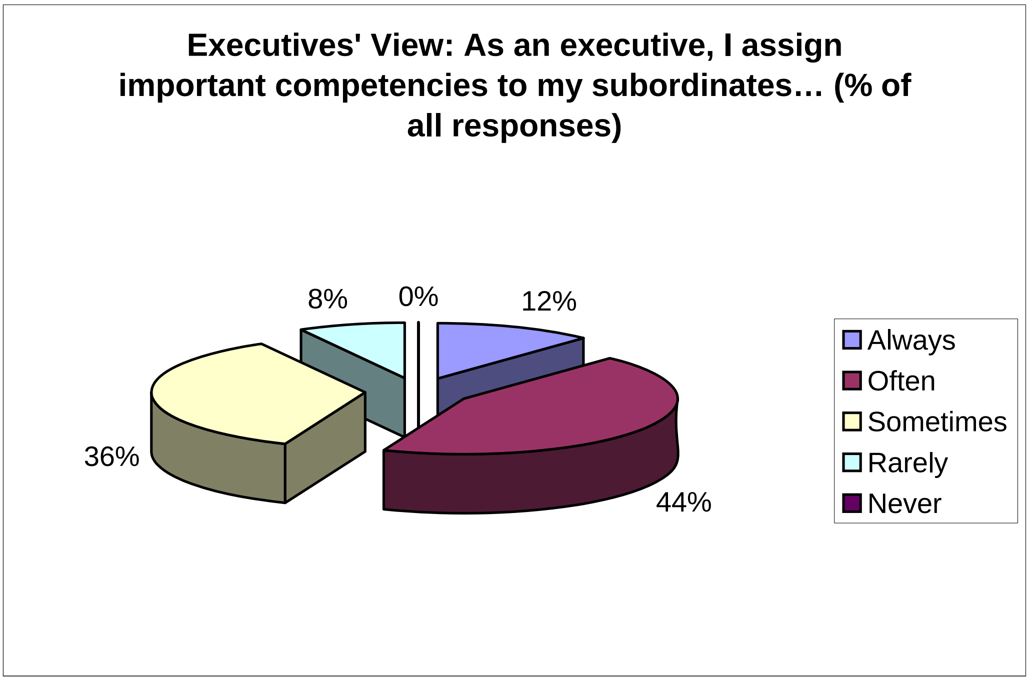

Diagram 18

The illustration above shows a clearly more collective and modern management profile of the executives who responded regarding their behaviour to their subordinates, compared to the behaviour they themselves claim to experience from their superiors.

This profile is combined with the high regard these executives claim to have of their colleagues, as can be seen from the data in Diagram 19, given that a significant majority (71%) only rarely or never refer to their colleagues as being unsuitable.

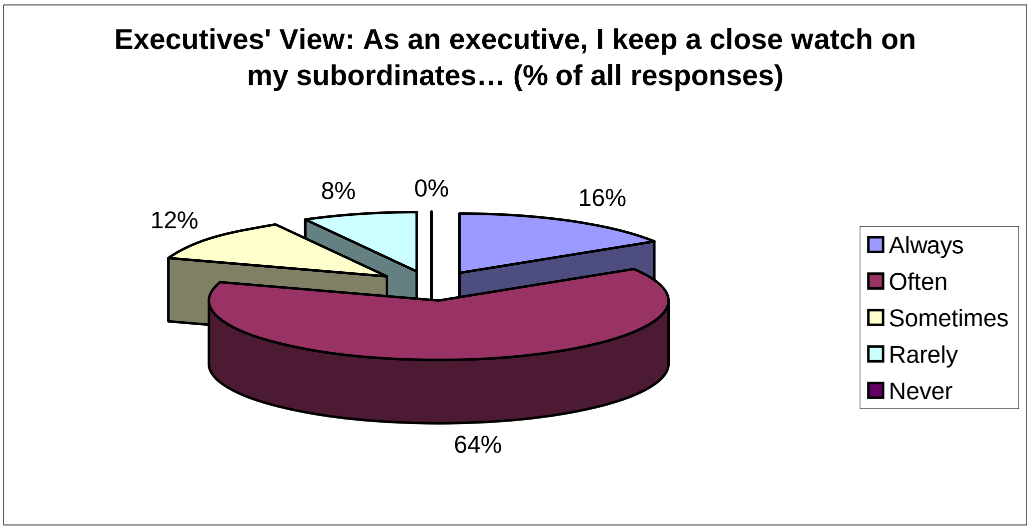

Diagram 19

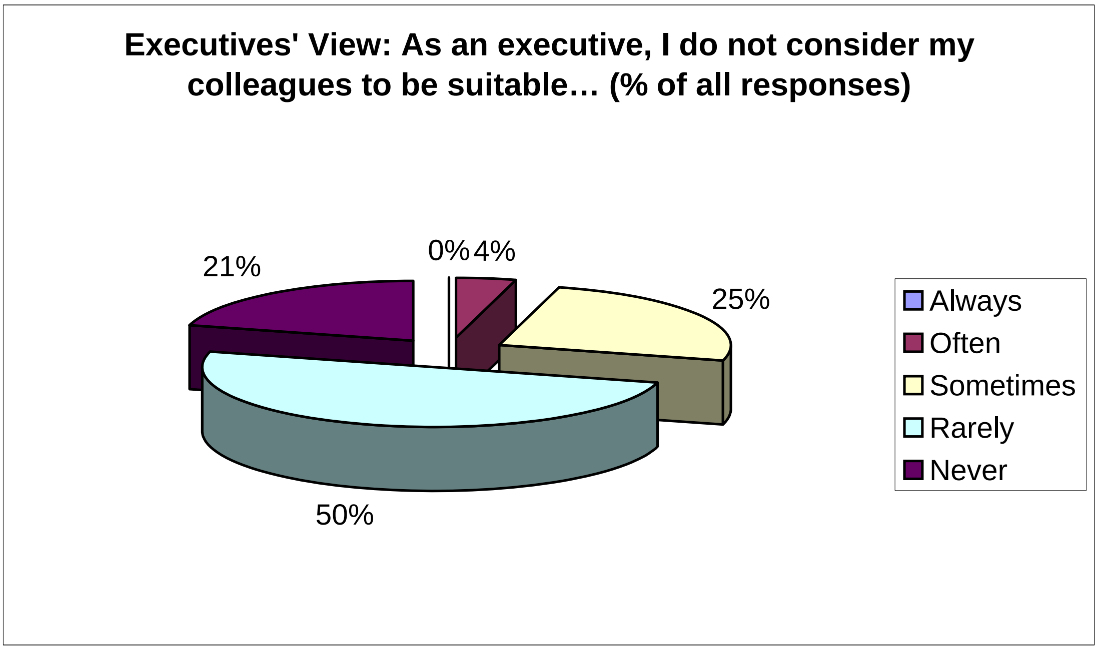

Diagram 20

Of course, suitability of colleagues does not obviate the need to systematically monitor them, particularly if they are subordinates.

Thus, the vast majority (80%) of executives state (Diagram 20) that they keep a close watch on their subordinates, whereas, according to the responses illustrated in Diagram 21, 40% of executives, are sometimes or often forced to "do everything by themselves". If we agree that the executives taking part in the survey are bigger proponents of democratic and collective management methods than their own superiors, then this situation should be attributed either to objective needs for quick decision-making or to problems of planning and division of labour within the group they manage.

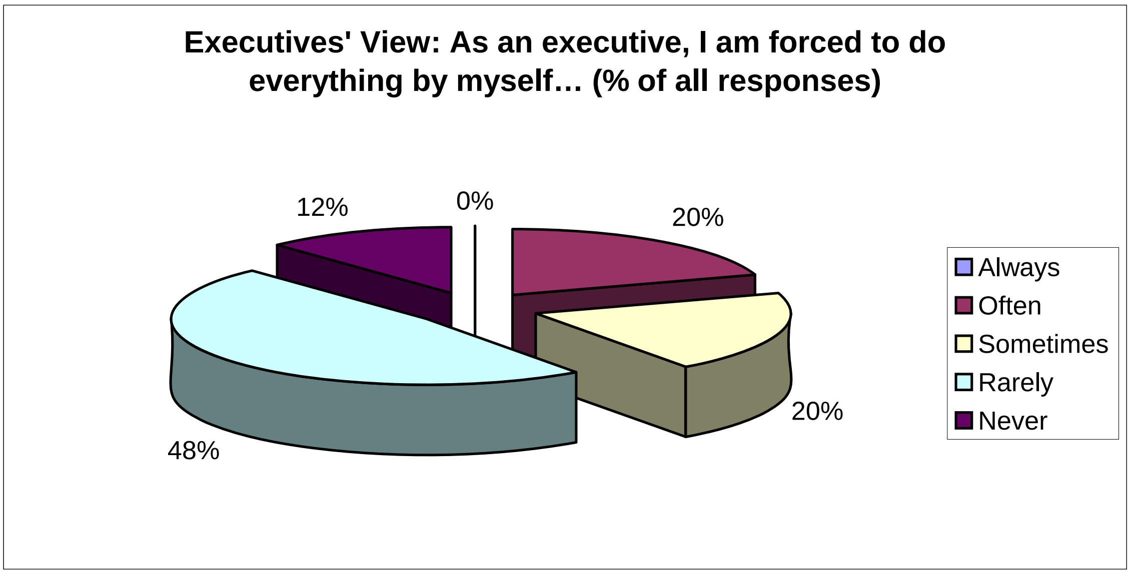

Diagram 21.

7.10. The Best Management Model in the New Conditions of Competition. Executives' View.

We examined the views of the banks and enterprise-level unions on this question in para. 7.6. However, we considered it expedient to put the same question to the executives participating in the special workshop, so as to get a comparative indication of their approach. Their responses are shown in Diagram 22 below.

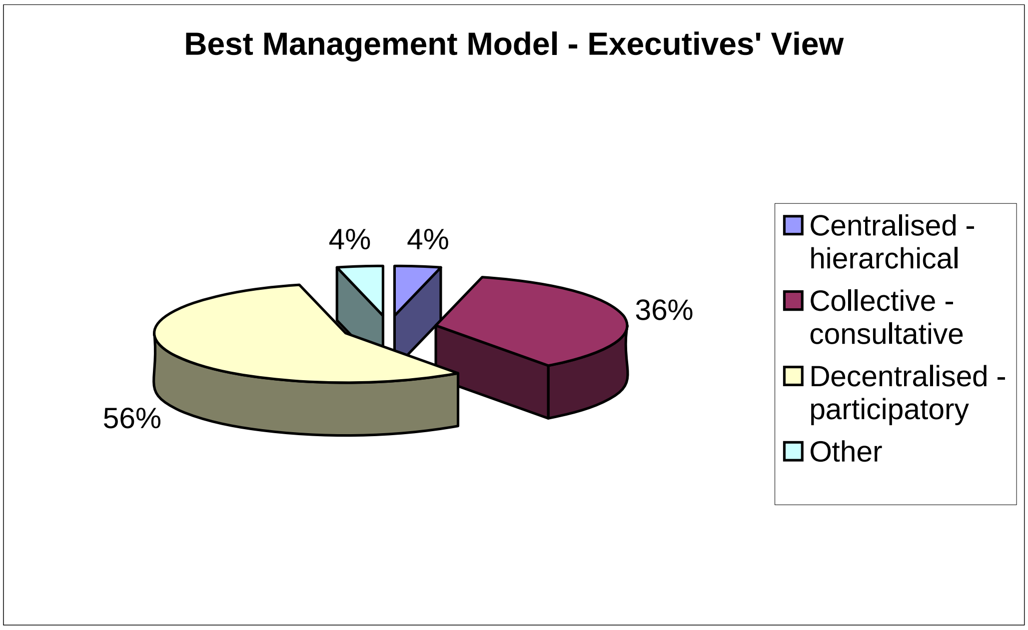

Diagram 22.

As Diagram 22 shows, the majority (56%) of executives consider the decentralised – participatory management model to be the best, whereas 36% are in favour of the collective – consultative model. The category "other" and the traditional centralised – hierarchical model each received 4% of executives' responses.

The executives who responded appear to support the decentralised – participatory model to a much greater degree than the banks (46%) and even more than the enterprise-level unions (44%). The reason may be not only that they directly experience the problems and ups and downs of traditional management practices, where they still exist, but also that the participatory model appears to provide them, along with decentralisation of competencies, with more opportunities to get ahead and take initiatives.

When asked how suitable the existing top executives are for supporting the required management model, the majority (52%) of the 25 executives who responded believe them to be somewhat suitable, and 48% believe them to be slightly suitable or unsuitable (20%).

The picture changes only slightly with regard to the suitability of superiors, with 52% of the executives deeming them to be suitable and the remaining 48% considering them to be slightly suitable (40%) or unsuitable.

We can see that executives' views converge with those of the banks with regard to the suitability of top executives and directors for implementing the desired management model, as this was examined in para. 7.7.

Basically, the banking sector appears to be divided between optimistic and relatively pessimistic estimations of its ability to make the transition to new, necessary and/or desirable management models. Part of the existing executive workforce appears able to respond to the need for changes in mentality and practice, while another part appears to be lagging behind.

There is no dearth of problems and the challenges are many, as we shall see further on.

7.11. The most important challenges for executives in the coming three years.

The fluid situation in the area of the financial system, particularly as it arises out of the continuing processes of mergers and acquisitions, makes it difficult to make any medium- to long-term predictions about the profile and problems of the executives in the sector.

Nevertheless, we asked the executives taking part in the special in-depth survey to tell us the most important challenge for their functioning as executives in the coming three years.

The responses we received highlight both internal management problems and problems involving the adaptation of the banks to the new business environment, on the national and the international levels. Thus, the most important challenges reported by the sector's executives are the following:

- European competition in all banking services in relation to the skills of staff in foreign banks
- Globalisation and common European bank staffing
- Effective and satisfactory adaptation to the major developments in the banking sector
- Familiarisation with the new technologies and the ability to meet the requirements of the Europe-wide market
- Participation in shaping and implementing the goals of the enterprise
- Knowledge of the environment and the use of new tools, meeting the needs of continuing training and development for multiple strengths and high-level specialised work
- Acceptance and recognition by superiors and subordinates

- Participation in decision-making and results, with appropriate extra pay and benefits
- Initiative, specialisation and preservation of the employment relationship
- Taking on a more responsible job and meeting its objectives
- Decentralisation, collective and participatory action
- Creativity and humanity
- New technologies.

We may observe that the executives who responded to the survey have highlighted the basic problems or goals of concern to the sector at present. However, what is worth noting is that these executives did not appear to be especially worried about problems and/or uncertainties regarding business restructuring – mergers and acquisitions, despite the fact that these developments are particularly widespread in the sector and will be also be a cause for concern in the near future.

One explanation may be that these specific executives did not work in banks that were absorbed or involved in merger or acquisition processes, in which case they would have highlighted the relevant problems.

Thus, most of their concerns about the future remain within the “closed circuit” of the enterprise or group of enterprises where they work, and for the time being the concepts of “acquisition” and “merger” are not for these executives an immediate, tangible challenge, experience or prospect.

However, it is our belief, with regard to the international experience and practice at least, that mergers and acquisitions will continue, now and in the immediate future, to constitute a major challenge for the banking sector and its executives.

In this sense we will now attempt to pose some basic questions on this issue, in an effort to examine the consequences of this restructuring both for the management models and for the employees, and the sector’s executives in particular.

7.12. Mergers and Acquisitions (M&As) in the Banking Sector: Impact on Management Models.

7.12.1. Business Integration and Management Models.

Most of the effects of M&As on employment and employment relationships of executives and employees in general come about through changes in basic aspects and/or the general philosophy of policies to utilise executives and manage the workforce in the relevant business units.

That is why we feel it would be advisable, before examining the overall impact of M&As on the employment and employment relationships of executives, to look at the way that these developments affect or are expected to affect management models and human resources policies in particular.

Special studies on this question[1] have identified two basic cases, each having a clearly different impact on policies and therefore also on the philosophy of organisation and management within the enterprises:

Case A: Coordinated development of the acquired enterprise in the framework of a group of companies.

In this case, the acquisition is made mainly for the purpose of obtaining extra financial benefits (development in the framework of a group of companies or development for the purpose of reselling the enterprise).

The enterprise becomes part of a group of companies, whose head imposes relatively short-term goals on the lower levels, insofar as it is not interested in exploiting any synergies among the individual functional units making up the group of companies.

This option results in a significant autonomy of the individual enterprises or functional units and a relative decentralisation in conducting human resources policies.

However, the financial limitations of the parent company may considerably diminish the role and the discretion of the individual top executives of the acquired enterprises, since every decision they make on human resources issues may impact total cost and thus the total financial performance of the group of companies.

This is even more true in matters of long-term investments in human resources (education, career planning, etc. of executives and ordinary employees), for which the competencies and scope for intervention of the relevant executives are restricted. It may also be that their role in forming and making the relevant decisions is diminished.

In such cases a **tendency to decentralise labour relations and/or policies to individualise them** is also seen, by identifying centres of profit and cost,

---

[1] PURCELL & AHLSTRAND "Corporate Strategy & the Influence of Personnel" in "Human Resources Management in the Multi-Divisional Company", Oxford University Press, Oxford 1994, p. 50-81. The authors refer mainly to experiences of strategies by groups of companies headquartered in the UK, over the last ten years.

differentiating policies to motivate and develop executives and staff, with the emphasis on increased productivity, mainly on a short-term basis.

Overall, a "multi-speed" human resources management is being created, along with correspondingly differentiated policies to utilise executives, which preserve and develop **inegalitarian** (from the point of view of pay, rights and working conditions) **labour and executive status quos**, featuring selective, decentralised policies, and different regulations and competencies among enterprises and/or functional units in the same group of companies, or even within the same company.

This situation has the potential for creating serious problems for the prospects of existing executives and/or discrimination among them, depending on their enterprise of origin.

Case B: Exploitation of fundamental synergies – full business integration.

In this case the main purpose of the acquisition is to seek out and exploit fundamental synergies between the acquiring and the acquired company. The search for such synergies may refer to:

- ***vertical integration*** (so that the acquiring company can control various stages of production/marketing of a product or service)
- ***horizontal integration*** (so that the acquiring company can benefit from a single distribution network, similar production technology, etc.)
- ***spatial integration*** (so that the acquiring company can strengthen its presence and position in various areas, countries, etc.).

Such acquisitions are combined, sooner or later, with the merger of the companies involved.

The intervention by the management of the group of companies in the acquired company is not limited to overall financial control, but also has a direct, important influence on all matters of production and organisation; in most cases it goes forward to an overall redesigning of its activities.

The impact on the type of human resources management that will ultimately be developed is, in this case, direct and considerable.

Policies are centralised, that is they are conducted on the basis of a unified framework, instruments and philosophy, leaving little room for differentiation in accordance with the pre-existing (and usually different) labour status quos and/or the existing management and labour practices in the individual enterprises.

It is in this case, as we will see further on, that most problems arise in determining the most effective and unified framework for workers' and executives' conditions of pay and employment.

Case C: Centralised – Selective Business Integration.

Some researchers[2], however, have noted a **third case:** where **the acquiring company,** by absorbing the acquired company selectively or wholly, **decides to concentrate on a main product/service, or on a specific type of customer, market and/or area.**

In this case, the controlling company concentrates its interest on a relatively small nucleus **of employees and executives, which it believes it needs in order to function efficiently and competitively.**

To them it applies integrated human resources policies, which serve to create/preserve an **«internal labour market»**

- that is relatively protected from the pressures and fluctuations of the external labour market,
- that has clear-cut rules, regulations and benefits which are advantageous to executives and to those employees deemed to be "indispensable"
- that offers important guarantees of occupational and career development.

Alongside this, **it abandons or outsources** the less important activities to sub-contractors/suppliers and/or to satellite companies operating under clearly more disadvantageous and volatile terms and conditions of pay and employment. The employees and executives who carried out these activities in the merged companies as they were originally organised are dismissed, hired out to third parties, or forced de facto to resign, since they have no job security or object or prospects of a career in the new arrangement.

[2] NIZET J, PICHAULT F. "L'éclatement des modèles en GRH : L'explication par la contingence, son intérêt et ses limites" in ALLOUCHE J., SIRE B. (eds) « Ressources humaines : Une Gestion éclatée » Economica, Paris 1998, p.p.13-45.

7.12.2. Basic findings regarding the banking sector.

It was mainly for the purposes of this presentation that we gave the foregoing schematic representation of the relation between the strategic options of business integration and the options of human resources management, which have a decisive influence on the type, quality and variety of executives' and employees' employment relationships in the wake of M&As.

We should not consider this relationship to be either linear or monosemantic. In practice, we have many combinations of the foregoing basic cases and a variety of intermediate situations.

Recent studies of the banking sector[3], demonstrated that contemporary information management and communications networking technologies permit organisational options which combine

- **business integration** with strongly centralised management specifications formation and human resources management practices,
- constantly increasing **selectivity, flexibility and individualisation** in the formation and development both of job tasks and of executives' and employees' terms and conditions of pay and employment.

Most experiences of M&As demonstrate the significance of other factors, such as strategy, correlation of forces and the relationships of management with executives and collective representation, the institutional framework and the cultural conditions of each country/area, corporate culture, etc., leading to very different correlations and results.

According to a survey by KPMG Consultants, five out of six international merger and acquisition agreements are unsuccessful, at least judged on the criterion of return to company shareholders. In fact, it was found that out of the 700 highest valued agreements in the 1996-98 period, in 53% of the cases, return to shareholders of the merged companies was lower after the unification, and in 30% of the cases it remained unchanged.

---

[3] For the developments in Europe and in the Italian banks in particular, see SORRENTINO M. « Tecnologie, Organizzazione e Lavoro nel Settore bancario », Franco Angeli, Milano 1999, 125 p.p. For the French banks, see, inter alia, DRESSEN M. – ROUX-ROSSI D. "Restructuration des Banques et devenir des Salaries", Ministère du Travail et des affaires sociales, La Documentation Française, Paris 1997, 198 p.p.

Cited as basic reasons for failure were poor corporate planning, poor performance and time lost in an attempt to resolve administrative – cultural differences and differences of corporate culture.[4]

Studies[5] conducted on the basis of data on cross-border M&As showed that the quantitative domination of Anglo-Saxon companies (USA, UK) in cross-border M&As is tending to impose **specific human resources management and executive exploitation models in the acquired companies.**

These models focus on aspects such as:

- immediate minimisation of the cost of employees and executives, through overall cutbacks and totally selective/individualised benefits

- the introduction of flexibility to labour relations, particularly in its quantitative dimension (destabilisation of the term of contracts, working time and pay, both for employees and for executives),

- problems of recognition of union representation – relations of opposition to collective representation, - strongly one-sided practices which lead to friction in the individual workplaces, break up the operational teams and intensify individualism and rivalry among executives.

By contrast, the management models prevalent in continental Europe focus on different aspects, such as:

- long-term goals for management and investment in human resources and in the advancement and utilisation of executives “from within”
- more importance laid on motivation and involvement of human resources and executives in business goals
- importance placed on training and qualitative flexibility of labour (multiskilling of employees and executives, investment in human resources, career opportunities within the same company)
- institutional recognition of collective representation

- clear-cut rules and highly developed institutional framework of labour relations - benefits

---

[4] (See TO VEMA, 12/12/1999)

[5] For a systematic presentation of the basic findings of similar surveys and for further bibliographic data, see EDWARDS T. “Cross – border mergers & acquisitions: the implications for labour”, Transfer, No. 3, 1999, pp. 320-343.

- development of participatory or consultative management practices

The conflict between the aforementioned different viewpoints in human resources management, a conflict which is indissolubly tied to the importance of the "management philosophy", "motivation" and "corporate culture" factors in M&As, has heretofore led to a relative dominance of the "Anglo-Saxon model".

This model is often accused of creating serious problems in employment and in normalcy of labour relations, as well as in the effectiveness of M&As, as we shall now see.

Regardless of the importance attached by theory and practice to the **social factors affecting the success of M&As,** it is becoming more and more acceptable that **the human factor and its effective motivation in the framework of implementing M&As is crucial to the success or failure of every relevant undertaking.**[6]

This presupposes:

- careful planning and implementation of suitable human resources policies, as well as

- adequate information, transparency, winning the necessary confidence and acceptance in the relations of the parties involved (management, collective representation, employees and executives). [7]

---

[6] The relevant bibliography, chiefly from the viewpoint of management, is made up mostly of case studies, but is nevertheless quite informative. In this context, see CARTWRIGHT S. « Organizational Partnerships: The role of Human Factors in Mergers, Acquisitions and Strategic Alliances » in COOPER C.L. & JACKSON S.E. (eds.) "Creating Tomorrow's Organizations" pp. 251-267, John Wiley and Sons, 1997. de CHAVEL T. "La Conduite humaine du Changement", Demos, Paris 200, 222p., CLEMENTE N. – GREENSPAN D.S. « Empowering Human Resources in Merger & Acquisition Process », John Wiley & Sons, 1999, 162 pp., LEE MARKS M. – MIRVIS Ph. "Joining Forces: Making One plus One Equal Three in Mergers, Acquisitions and Alliances" The Jossey-Bass Business & Management Series, 1998, 228 p.p, PRITCHETT P, ROBINSON D, CLARKSON R, ROBINSON Do. "After the Merger: The Authoritative Guide for Integration Success", 1997, 170 p.p, de SPRATT M. « Fusionner. Agir vite pour reussir les transitions », Ed. Village Mondial, Paris 2000, 215 p.p.

[7] For an in-depth presentation of the significance of these relations, through specific examples from the banking sector, the automobile industry, information science, etc., see also CHAVEL T. "La Conduite humaine du Changement", Demos, Paris 2000. For a brief commentary on the same subject, see KATHIMERINI 12/5/2000 "Mergers are dangerous to… employees".

7.13. Effects of M&As on executives' employment and employment relationships.

7.13.1. General approach.

International experience shows that the effects of M&As on employment and labour rights are usually of significance and as a rule adverse to employment and the terms and conditions of employment of many groups of employees and executives, mainly those who hold jobs that overlap, and are therefore "superfluous", or employees whose occupational skills are out of date or inadequate.[8]

Despite the fact that M&As are not unfamiliar to European and Greek business practice, it appears that, especially in today's conditions of social and economic organisation and stepped-up competition together with the present correlation of forces of the social partners, they create great needs for intervention and protection for a large number of workers and social, management, organisational and legal challenges of a similar scope.

It is common knowledge that the general guarantees of employment and the existing rights of employees and executives, for which express provision is made in national and Community law in the event of takeovers or mergers of companies, are constantly being put to the test.[9] They can, in fact, become ineffective in cases of

---

[8] A source of documentation for a significant part of this unit are texts from the **European Industrial Relations Observatory** (EIRO), available on its web page. The most important are:

- EIRO – Dec. 1998 "The Industrial relations impact of cross-border Mergers & Acquisitions" (with special reference to the experience of the United Kingdom)
- EIRO – March 1999 "Agreements at BSCH and Banesto (Spain) protect workers in merger"
- EIRO – May 2000 "Mergers affect social dialogue in banking sector" (Belgium)
- EIRO – April 2000 "Mergers, takeovers and employee participation" (Holland)
- EIRO – "Le role des salaries dans l' echec de la fusion BNP- Société Générale » (France)
- EIRO – June 1998 « Mergers in banking cause serious concerns about Employment » (Belgium)
- EIRO – December 1999 "Privatization and industrial relations" (Gen. Report)
- EIRO – December 1999 "Privatization and industrial relations: the case of Greece".

[9] On the European Union level, such guarantees include:

technical/organisational changes, reengineering, downsizing **in the wake of a transfer,** particularly if it is accompanied by absorption or merger of companies with overlapping activities and/or completely different labour status quos.

From international experience it has been found that in every case of change of ownership the following **three basic effects** operate, almost always at the expense of employment and the executive and labour status quo:[10]

- **The acquisition effect:** leads to more general, mainly labour, cost cuts, through redesigning/rationalisation/abolishment of overlapping operations, and outsourcing of others, as well as through broader applications of automatisation, abolishment of overlapping or "superfluous" operational – administrative units and jobs/positions of responsibility. The foregoing lead to dismissals or forced "voluntary retirement" of executives and employees, cutbacks in benefits, selective downsizing and/or the abolishment of workers' vested interests, aimed at an immediate and if possible spectacular increase in profitability.

- **The multinational effect** (if the buyer is a foreign multinational company): exploits the existing differences in the national labour relations systems and the buyer's ability to "divide and conquer" the executives and employees, for the purpose of deregulating labour relations and decreasing labour costs. Apart from the foregoing, employees' and executives' inability to coordinate employees and executives on a supranational level and/or existing opposition among them from one country or establishment to another within the same company are also exploited.

- **Effect on corporate culture**: a tendency to impose a new (often imported) style of management and organisation of labour relations, on the basis of the way the buying company is organised and on its management philosophy. This tendency often puts to the test any notion

---

- The Directive on Information – Consultation in the framework of the European Works Councils
- The Directive on Group Dismissals
- The Directive on the transfer of workers' rights in cases of M&As

It should be noted that another three Community Directives have been pending for some time now. They have to do with hostile takeovers, the European Company and information and consultation on M&As on the national level.

[10] EDWARDS, T. (1999), op.cit., pp.323-325

of equal treatment among executives and personnel in general: existing conditions of employment, management systems, the hierarchy and/or the existing system of labour relations are all demolished, resulting in polarization, friction and numerous sources of adverse changes for large groups of executives and employees.

7.13.2. Basic findings from the international experience.

Previous surveys carried out by Consultancies on behalf of the EU, with specific reference to the experiences of the banking sector[11], highlighted the following as **crucial factors reducing the social effectiveness – success of M&As:**

- workers' fear of losing their jobs and their labour rights
- the (often forced or piecemeal) changes in human resources management and existing labour practice
- vagueness and insecurity of employees and executives regarding the prospects of the new form of the company, their position in the hierarchy and the development of their competencies.

While noting that **employment is not normally the main reason for mergers, but is a variable that is significantly influenced by them,** the same surveys identify **important quantitative but mainly qualitative consequences of M&As for employment.** Some of these are:

- **a decrease in employment in categories that are lower-skilled or "out of date"**
- **important changes in executives' role and tasks**, in the direction of more complexity and flexibility
- **a relative increase in employment of highly skilled and younger executives, at the expense of older, "old-fashioned" executives, usually employed by the acquired company**
- **"freeing" the company of redundant staff** consisting of lower-skilled and/or older executives, through various **early retirement schemes** or (initially) **voluntary retirement**.
- **serious problems in incorporating and harmonising different management, labour relations and work organisation systems,** which

[11] Sema Group – Belgium «Study of the impact of European-level banking mergers on the management of human resources" – Final Report/European Commission, DG V, 26/4/1996, 20 pages.

require serious preparation and complete unity among the executives involved. These problems are crucial to a successful merger of two different companies, particularly when they are starting out with different systems of management, formation and regulation of the terms and conditions of pay and employment.

As an extension of the foregoing, research by the European Industrial Relations Observatory, particularly on the subject of **privatisations in Europe**,[12] has noted similar problems, specifically:

- An obvious **decrease in employment protection** for workers and executives
- The fragmentation of fundamental aspects of labour relations, mainly through **discrimination between the pre-existing staff** (who retain their basic rights and/or permanence in cases where they were employed as public servants, as in the Danish postal service) **and new** (newly hired) staff, with a much more flexible, inferior employment status
- **A multi-speed system of labour relations within a single company,** with consequences for the structure and unity of the hierarchy, collective representation, the fields of collective bargaining, etc.
- **Cases of fragmentation of sectoral regulations, through the implementation of different collective agreements in the same sector** (Germany, Italy, Spain, particularly in telecommunications). This fragmentation has led to concerns about the possibility of creating situations of **unfair competition and social dumping** within the same sector.
- **A more "aggressive" human resources management,** with a greater emphasis on company performance and more effective labour cost and productivity management. Needless to say, the demands on executives have skyrocketed, along with the opposition and competition among them in conditions of fluidity and increased uncertainty.
- **A tendency towards more unilateral regulation inside the company, on the basis of managerial prerogative.**
- **Increased conflict, either between the two sides** (United Kingdom, Greece), **or by making use of appropriate policies and social lobbying** (Denmark, the Netherlands, Norway).

[12] EIRO, December 1999, "Privatization and Industrial Relations".

7.13.3. Experiences and problems arising from M&As in the financial sector in Greece and the EU.

The concerns expounded on in the preceding section, on the basis of the European experience, appear to have also been confirmed in Greece by a survey carried out by the OTOE among its member-unions on the effects of acquisitions (most of which were privatisations) and mergers (either completed or impending) on employment and labour relations in the banking sector in Greece.[13]

Specifically, the unions that responded to the OTOE survey highlighted the following **points of concern regarding M&As** in their sector:

- Even if there are guarantees of employment in general, **concerns have been expressed with regard to the conditions, duration and prospects for saving jobs for existing employees. The main point is the nature of the employment relationship** (fixed-term or open-ended) and the prospect for preserving it in the future.

- Worries have also been expressed over the **destabilisation and deterioration of the existing insurance rights and expectations, through the creation of particularly heterogeneous situations** within the same company, depending on the origin of its employees and executives.

- Selective savings or a drastic reduction in labour costs, which usually accompany an "expensive" acquisition, for the purpose of producing direct results for investors – shareholders, go hand in hand with **changes in the manner of payment** (pay-package) and with **a loss of transparency in the relationship between the statutory minimum wage and wages actually paid.** An inability to compare the different categories of workers/jobs emerges, along with an increase in the importance of extra pay (bonuses, etc.), without any clear evaluation or distribution criteria.

- There are frequent **attempts at unilateral implementation of new systems for the evaluation of performance, promotions, selection, advancement and placement of executives, as well as new works rules,** which frequently do away with a substantial part of the former

---

[13] A summary of their results is given in GOLEMI, H. «Privatisations in the Greek Banking Sector", Working Paper, OTOE, October 1999 and in GEORGAKOPOULOU, V. "Considerations for the Future of Labour Relations in the Banks following the Mergers", presentation to the Seminar held by the OTOE and the Egnatia Bank Emloyees' Union "The Effects of the Mergers on Labour and Insurance Rights", Athens, 10.12.99.

employer's commitments or directly negate the right to collective representation in the consultation and negotiation of new working conditions, including even the right to receive information.[14]

- Also strong is the **demand for full temporal, geographical and occupational mobility – availability of employees and executives,** in order to give them "a position and prospects" in the unified company. This situation leads to systematic violations of collective regulations and agreed terms, even on the sectoral level (working day, leave, overtime, etc.)

- At the same time efforts are being made towards **an immediate, if not forcible, change in the existing company hierarchy, culture and practice.** The problem is acute in mergers of private banks with banks in the public sector at large which had an exceedingly structured labour and management status quo (which was to a large extent created bilaterally).

- A **"multi-speed" executive workforce and personnel** are created and often preserved voluntarily **within the unified company.** This situation sometimes takes on the dimensions of a **"corporate racism"**, usually at the expense of the executives and employees of the acquired company.

- Serious **problems** are noted **in the unity of collective expression, in competency, in representativeness and in general in recognition of the existing trade union bodies by the new employer.** Attempts by the employer at selective manipulation of collective representativeness are not at all unknown in the sector.

- **Attempts are made to bypass collective bargaining or call it into question,** at the sectoral and/or enterprise level, with corresponding efforts to increase the employer's managerial prerogative and raise it to an absolute, exclusive regulatory principle with regard to the company's employment issues.

---

[14] A new type of "replacement" for collective bargaining in the creation of the New Works Rules, which is particularly widespread in a big private group of banks, is made when the new management sends a letter to all employees, asking them in effect to comply with the new working conditions by waiving their former rights, otherwise the company "reserves all its legal rights". Given the "voluntary" compliance of all employees with the new situation, whether or not the enterprise-level union signs the relevant document on the collective level, in the form of Works Rules, becomes nothing more than a formality…

- At the same time, **violations of sectoral and enterprise-level regulations proliferate,** mainly in matters of consultation, leave and the working day, have multiplied. This situation creates increased needs for intervention by the competent supervisory bodies (Labour Inspectorates), sometimes outside the normal working hours of such bodies.

It should be noted that similar problems were also highlighted in a more comprehensive survey conducted at the Europe-wide level by Uni/Europa (former Eurofiet) regarding its member unions in the financial sector as a whole.[15] Indeed, these unions appear to be focusing their strategy regarding M&As:

- on **questions of timely prediction of M&As** and the appropriate preparation of the unions for a unified and effective intervention, through consultations with the enterprises and/or the state,[16]

- on **alliances with the other interested parties** (consumers – local society, pensioners, other bodies)[17]

---

[15] UNI-Europa "Mergers & Takeovers in the Finance Sector – Report of a Uni-Europa Finance Survey", Geneva, May 2000, 36 pp.

[16] A characteristic example of timely, effective intervention by the unions to protect employment and labour rights in the event of M&As are the agreements reached during the merger of Banco Santander and Banco Central Hispano into a single bank, Banco Santander Central Hispano (BSCH) (Spain, March 1999). According to information from the European Industrial Relations Observatory, an agreement was signed between the unified management and the unions, in which:

- The unified bank guaranteed that there would be no dismissals or terminations of contracts for technical/financial reasons, and that no pressure would be brought to bear to move or transfer staff against their will.
- It also guaranteed a unified staff policy, without discrimination in promotions and assumption of executive duties based on staff origin, and with a gradual convergence of rights and benefits to the most favourable level.
- The unified bank agreed to pay a "merger bonus", in three stages, by offering the employees shares in the company free of charge, as an additional incentive to motivate them to become part of the unified framework in practice.

[17] Such alliances are meaningful to the degree to which public opinion is considered to play an important part in preventing situations of unfair competition and social dumping in present-day societies. For example, a recent survey by the Hellenic Banks' Association (see "Ependytis" 28.4-1.5.2000) showed that four out of ten (45%) Greeks took a favourable view of bank mergers and acquisitions. However, the same researchers pointed out that the other 55% are extremely fluid (and 25% are clearly negative) and that any change to this 55% could bring about significant changes in the attitude, conciousness and general mood of consumers as a whole, as well as in the image these companies have in society. That is why all interested parties must exercise caution and avoid reckless actions, now and in the future.

- on **timely and full information and** consultation with all the unions involved, before, during and after M&As.
- on **creating M&A codes of ethics** for enterprises and for the unions themselves,
- on **safeguarding the right of all unions involved to bargain with the company,** when a change to fundamental labour regulations, such as the Works Rules, is involved,
- on **guaranteeing a "no worse"** clause as part of the staff's existing rights,
- on **following European and national case law** and exploiting the appropriate **network of legal and special experts** in the countries of Europe, in order to exchange experiences and intervene in developments as needed,
- on **creating and monitoring suitable early retirement schemes** and methods for mutually acceptable management of any surplus staff.[18]

7.13.4. Ramifications and open questions.

From what we have examined heretofore, a great number of problems and questions have emerged, demanding immediate, operational answers. Such answers can usually be arrived at through an interdisciplinary approach and a systematic evaluation of the real developments in the employment and labour relations of employees and executives, in every case of a merger or acquisition.

Given that M&As are not a new phenomenon in most economies, it is very probable that the problems and challenges mentioned so far are not caused exclusively by M&As.

Everything noted as stemming from M&As could quite possibly reflect:

- **a more general trend towards reform or deregulation of labour relations both of employees and of executives,**
- **substantial changes in the scope and correlation of forces of the social partners, as well as**
- **broader changes in the dominant models of economic and social organisation.**

All these things are speeded up, facilitated and perhaps legitimised through M&As.

---

[18] UNI – Europa "Mergers & take-overs in the Finance Sector – A Trade Union Strategy", Draft, Geneva, March 2000.

In any event, the developments outlined above exert a significant influence on the role and the conditions for shaping labour relations of staff and executives in the sector, now and in the near future.

That is why there is an urgent need to develop interdisciplinary research and in-depth examination of these questions. In addition, the appropriate dialogue must be developed between the unions, the employers, the experts and the state, in order to seek the appropriate collective regulations, institutional initiatives and practices, so that:

- **M&As do not become a source of successive adverse changes for employees and executives.** In particular:

  - **They should not introduce discrimination** in promotions, financial incentives, or the advancement and utilisation of executives on the basis of their company of origin

  - Through the necessary dialogue, they should ensure the **smooth convergence of rights and regulations**, so as to achieve transparency and equal treatment for the whole workforce employed by the unified company. In other words, **the proper integration and co-existence of different work units and rights, a labour, pay and management format which is as unified and functional as possible.**

- **In cases of takeover, absorption or merger, the buyer's operation as well as his "social" plan should be made available to the interested parties.**

  More specifically, the buyer should:

  - ➢ state his intentions with regard to employment, the way any surplus staff and executives are to be absorbed, the career opportunities and scope for utilising existing executives in the unified company,

  - ➢ specify the means by which he intends to unify the various labour and insurance regimes in a single, generally acceptable whole,

  - ➢ ensure the participation of all the interested parties in mapping out the new Works Rules, and shaping the new management principles and systems of the unified company

- **the sectoral institutions of collective regulation, social dialogue, employment protection and provision of insurance coverage on a unified basis are either created or strengthened where they already exist.**

It is clear that the initiative and responsibility for such operations do not belong solely to the enterprise- and sectoral-level unions.

The banking executives themselves must become aware of their crucial, pivotal role in the coming changes.

They must realise that they are only temporarily the winners in the race to constantly adapt and compete as individuals, in which the companies are forcing them to run by brandishing the objectives, the dangers and the requirements of competition.

Today more than ever, in the face of such a large number of problems and challenges, a few of which we have outlined here, the executives' part of the sector is being called upon to become the motive force and the basis for the coming changes.

To a large extent, the future of employment and labour relations in the banking sector will depend upon the quality and rallying power of the executives and upon their alliance with the sector's employees.

For in the course of important events in which we are living, the risk thresholds for executives and ordinary employees are becoming harder and harder to distinguish, more and more fluid.

An examination of the problems and effects of the M&As taking place in the banking sector is enough to show that many if not all are of equal interest to the sector's executives as well as its ordinary employees.

That is why, to return to the relevant question in the survey, **the biggest challenge for banking sector executives in the coming three years may be precisely this: to rise to the occasion, without losing their solidarity with the employees, their collectivity, their values and their humanity!**