Human Resources Challenge in Merger and Acquisition: A Mixed Methods Study of Nepal's Financial Institutions

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Abstract

Mergers and acquisitions (M&As) have intensified in Nepal's financial sector due to regulatory initiatives aimed at consolidating banks and financial institutions for greater stability and efficiency. However, while financial and operational outcomes are often emphasized, the human resource (HR) dimension remains underexplored, particularly concerning employee integration, cultural alignment, and post-merger morale. Existing studies mostly address surface-level satisfaction metrics and lack contextual depth or methodological triangulation. This study introduces a mixed-methods approach to bridge that gap, combining semi-structured interviews, institutional document analysis, and structured questionnaires to uncover critical HR challenges during post-merger integration. Using an exploratory sequential design, the research captures both qualitative insights and quantitative validations from five merged banks in Nepal, involving 18 interviewees and 40 survey participants. Thematic analysis using NVivo identified four major HR challenges: job insecurity, communication breakdown, cultural misalignment, and leadership ambiguity. These were quantitatively supported through descriptive survey analysis. Data visualization and analysis were conducted using NVivo and Excel. Findings emphasize the importance of strategic HR communication, cultural onboarding, and leadership clarity in mitigating workforce disruption during M&As. The study offers evidence-based guidance for HR policymakers in emerging economies to ensure smoother post-merger transitions and institutional sustainability

Key words: Mergers and Acquisitions, Human Resource Management, Organizational Change, Employee Retention, Nepal Banking Sector

1. Introduction

Mergers and acquisitions (M&As) have emerged as the key mechanism for organizational restructuring and strategic expansion in the world and emerging economies as well [1]. In the Nepalese context, the financial sector—banks and financial institutions (BFIs)—has seen a sharp growth in M&A activity in the wake of regulatory moves by the Nepal Rastra Bank to reduce market fragmentation, promote financial stability, and raise competitiveness [2].

These mergers are meant to form bigger, stronger institutions that will be able to sustain national economic development [3]. While the discussion of M&As in Nepal has centered on performance from a financial point of view, asset maximization, and market penetration, one of the most important areas that are still under-investigated is the HR aspect [4]. HR issues during and post-M&As tend to become key drivers determining the ultimate success or failure of such projects. In the Nepalese context, the risks are also multiplied by limited institutional experience with large-scale mergers, diverse workplace cultures, and unevenly applied HRM practices across institutions [3]. Also, employee morale, trust, and engagement are generally neglected during the transition, leading to operational disruptions and productivity loss.

In the last few years, there has been some experimentation among financial institutions involving adaptive HR methods like strategic change management models, real-time feedback systems, and digital onboarding platforms in an effort to lower employee stress and promote alignment in transition [5]. Those interventions are still episodic and poorly documented in terms of their effect and replicability within Nepal's banking system. There is a pressing need to examine whether they are effective in reducing human capital risk and whether they facilitate easier post-merger integration [6]. The purpose of this study is to critically analyze the human resource issues that crop up post-M&As in Nepalese financial institutions. With a mixed-methods design, the present study examines qualitative and quantitative aspects of employee attitudes, inter-organizational cultural relationships, and the strategic effectiveness of HR interventions at the time of integration. The research aims to generate evidence-based suggestions for HR policy makers and institutional executives for maximizing workforce alignment, minimizing disruption due to mergers, and ensuring M&A results sustainability in Nepal's changing financial environment. This adds to the general perspective of human capital's contribution in the strategic implementation of M&As in emerging markets. The most important contribution of the proposed research is as follows,

- To Identifies major human resource issues during post-merger integration in Nepalese financial institutions through mixed-method empirical studies.

- Evaluates staff attitudes and cultural tensions on organizational performance following mergers and acquisitions in banking.

- Assesses the impact of strategic HR interventions adopted amid post-merger transitions in the financial system of Nepal.

- Brings context-based HR integration findings suited to Nepal's distinct socio-cultural and regulatory context.

The research begins with an introduction and literature review, identifies a research gap, and applies a mixed-methods approach combining interviews, surveys, and document analysis. It then presents methodology, data analysis, and key findings, followed by triangulated results and discussions, ultimately offering context-specific HR policy recommendations for Nepal's post-merger banking sector.

2. Literature Review

Recent global studies have emphasized the critical role of human resource management (HRM) in determining post-merger success. Budhiraja and Yadav [7] used bibliometric analysis to analyze 473 HRM articles on M&As through site analysis, keyword assessment, and bibliographic coupling. The research focused on exploring key themes, theoretical concepts, and international research trends. It, however, did not consider non-Scopus/WoS literature, did not reflect dynamic thematic richness, and neglected qualitative insights. The model was generic and untested across varied contexts, which restricted practical verification.

Laihinen [8] followed an abductive approach to investigate emotional and communicative dynamics in two Finnish German M&As. By qualitative case studies, the study evaluated the impact of top-down and interactional communication on employee emotions, engagement, and organizational commitment after a merger. Findings indicated that strategic communication styles can regulate emotional reactions and support change. Limitations of the study are its small sample size, positivity bias from the positive organizational scholarship framework, and non-generalizability to hostile M&A settings. Larger empirical testing is suggested.

Shrestha et al. [9] carried out a Job Characteristics Theory-based study to test the effect of mergers and

acquisitions on employee satisfaction in Nepalese banks with an explanatory research design. Data were gathered from 310 banking staffs in Kathmandu Valley, and Structural Equation Modeling was applied in the analysis. The results indicated that merely 25% of staffs reported high post-M&A satisfaction, with organizational climate, recognition, work nature, and remuneration having a significant impact on motivation and satisfaction. Still, the scope of the study was only limited to satisfaction metrics, without including extensive HR strategy analysis as well as cross-institutional comparisons within the whole financial sector in Nepal.

3. Research Gap

Despite recognition of HRM's importance in post-merger transitions, existing studies in Nepal remain narrowly focused on surface-level satisfaction metrics, with minimal exploration of deeper psychosocial and strategic variables such as cultural alignment, leadership clarity, or motivational climate [9]. Furthermore, few have examined these dimensions across multiple institutions or through mixed methodologies that capture both experience and structure. This limits the development of holistic HR integration models tailored to Nepal's unique regulatory, cultural, and institutional environment. Furthermore, few have examined these dimensions across multiple institutions or through mixed methodologies that capture both experience and structure. This limits the development of holistic HR integration models tailored to Nepal's unique regulatory, cultural, and institutional environment.

4. Methodology

This section outlines the methodological foundation used to investigate human resource (HR) challenges experienced during mergers and acquisitions (M&As) within Nepal's financial institutions. The study employs a mixed-methods approach, integrating both qualitative and quantitative techniques to provide a holistic understanding of post-merger HR integration processes. The mixed-methods framework was chosen to triangulate findings across diverse data sources, thereby enhancing the credibility and depth of the results. However, a structured questionnaire was also incorporated to offer quantitative validation of the themes identified in the qualitative phase. This complementary use of qualitative and quantitative methods ensures comprehensive insight into how HR challenges unfold and are addressed in Nepal's evolving financial landscape.
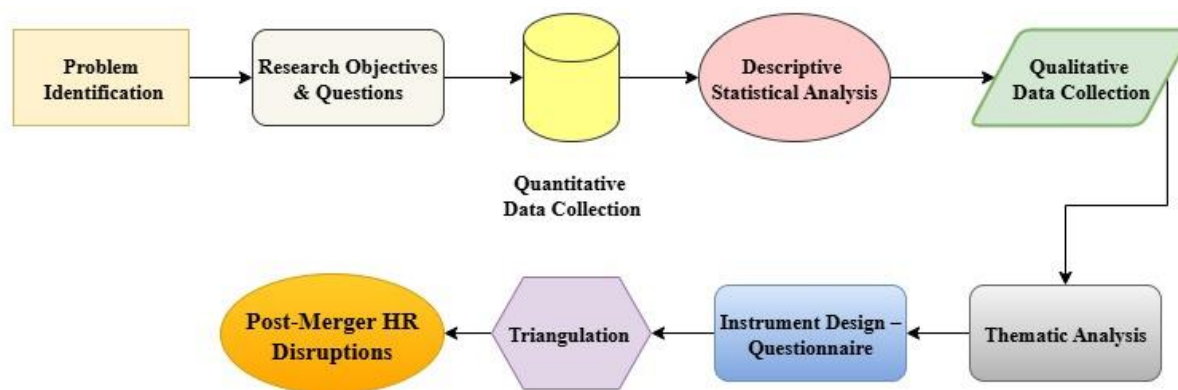
Fig 1. Block Diagram of Mixed-Methods Workflow for HR Challenges in M&A

Fig 1. illustrates the sequential mixed-methods workflow of the study, beginning with problem identification and qualitative data collection, progressing through thematic and statistical analysis, and culminating in triangulated findings that uncover post-merger HR disruptions in Nepalese financial institutions.

4.1. Research Design and Rationale

The research adopts an exploratory sequential design, beginning with qualitative inquiry followed by quantitative assessment. The initial phase involved semi-structured interviews and institutional document analysis. These qualitative methods facilitated the discovery of emergent themes, including job insecurity, cultural misalignment, communication breakdowns, and leadership ambiguity. Subsequently, a structured questionnaire was deployed to quantify employee perceptions on these key issues. This design is particularly effective in under-researched contexts, such as Nepal's banking sector, where institutional histories, cultural heterogeneity, and regulatory frameworks shape the HR landscape. Qualitative methods provide narrative depth and contextual nuance, while the quantitative phase validates and generalizes the findings across a broader population.

4.2. Sampling Strategy

The study utilized purposive sampling to select 18 participants from five Nepalese banks that underwent mergers between 2020 and 2024, ensuring the inclusion of individuals with direct, relevant experience of HR transitions. The population comprised employees and HR professionals from commercial and development banks regulated by Nepal Rastra Bank. Participants included HR managers, department heads, administrative officers, and front-line staff to capture diverse perspectives. This strategy emphasized contextual relevance, representativeness, and depth by targeting information-rich cases, considering variations in gender, role, seniority, and institutional background within the qualitative research framework.

4.3. Data Collection Methods

To address the research objectives, three primary data sources were utilized: semi-structured interviews, institutional document analysis, and a structured employee questionnaire. These complementary methods enabled triangulation of findings and improved the validity of interpretations.

4.3.1. Structured Questionnaire

To reinforce the qualitative findings with quantitative data, a structured questionnaire was administered to 40 employees across the five sampled banks. The questionnaire contained Likert-scale items measuring perceptions of communication clarity, cultural fit, leadership support, job security, and HR responsiveness.

Participants rated each statement on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Sample items included:

1. I felt secure in my job during the post-merger period.

2. The organization communicated clearly about merger-related changes.

3. The organizational culture of the merged institution was compatible with my previous workplace.

4. My work responsibilities were clearly defined after the merger.

Responses were analyzed using basic descriptive statistics (mean scores, percentage agreement) to quantify employee sentiment and validate qualitative themes.

4.3.2. Semi-Structured Interviews

The primary method of data collection involved semi-structured interviews with selected participants. These interviews were guided by an interview protocol developed around key HR themes identified in the literature, including communication effectiveness, role clarity, job security, cultural alignment, resistance to change, and employee morale. The flexibility of semi-structured interviews enabled participants to elaborate on their personal experiences while allowing the researcher to probe for deeper insights and examples. Interviews were

conducted either in person or via online platforms (Zoom, MS Teams) depending on participant availability and institutional policies. Each session

lasted approximately 45 to 60 minutes and was audio-recorded with informed consent. Transcripts were later generated for thematic analysis.

Table 1. Sample Interview Quotes and Emergent Themes

Participant ID	Sample Response	Emerging Theme
P03	"During the merger, my team had no idea whether we'd keep our roles."	Job Insecurity
P07	"We received mixed messages from senior management—HR said one thing, but operations said another."	Communication Breakdown
P12	"The merging bank had a very different work culture, and no one prepared us for the clash."	Cultural Misalignm

The Table 1. showcases representative participant quotes from semi-structured interviews, offering insight into recurring HR challenges such as job insecurity, communication gaps, and cultural misalignment during mergers.

3.4.2 Institutional Document Analysis

In addition to interviews, relevant documents were collected and analyzed to gain insight into the formal HR processes and communication strategies adopted during mergers. Documents included internal HR circulars, memos, staff transition guidelines, merger FAQs, organizational charts, NRB directives, and press releases. These documents were obtained through both publicly available sources and internal channels within the selected institutions. Attention was paid to the language, tone, policy intent, and consistency between institutional claims and employee perceptions.

3.5 Data Analysis

The data analysis process was structured to align with the mixed-methods framework of the study, enabling a thorough examination of both qualitative and quantitative datasets. For the qualitative data, thematic analysis was conducted following Braun and Clarke's six-step model: (1) familiarization with the data, (2) generation of initial codes, (3) searching for themes, (4) reviewing themes, (5) defining and naming themes, and (6) producing the final report.

Transcripts from interviews and textual data from documents were reviewed iteratively. A hybrid approach to coding was employed, combining inductive codes that emerged organically from the dataset with deductive codes grounded in the literature. Themes such as job insecurity, communication breakdown, cultural misalignment, and lack of leadership support were identified across participants and institutional contexts. Descriptive statistics were calculated for each item, focusing on frequency distributions and the percentage of respondents who selected "Agree" or "Strongly Agree." This provided a numerical representation of employee sentiments that could be compared with qualitative findings.

3.6 Ethical Considerations

Ethical compliance was ensured through multiple safeguards. Ethical clearance was obtained from the host institution's research ethics committee. Participants received informed consent forms outlining the study's purpose, voluntary nature, confidentiality measures, and withdrawal rights. No incentives were offered for participation. All personal identifiers were removed from transcripts and datasets. Institutional permissions were obtained for accessing internal documents, and all findings were reported in generalized or anonymized form to protect sensitive information. These measures ensured that participant autonomy, confidentiality, and institutional integrity were upheld throughout the research process.

Algorithm 1: HR-M&A Analysis Framework for Post-Merger Challenges in Nepalese Banks

Input: Merged Banks B, Participants P, Documents D, Interview Guide IG, Questionnaire Q

Output: HR challenges, Triangulated findings, HR policy recommendations

    Initialization

        Set H←∅ → *(initialize HR challenges set)*

        Set T←∅ → *(interview transcripts)*

        Set R←∅ → *(questionnaire responses)*

    Qualitative Data Collection

        For each participant $p \in P$:

            Conduct interview using IG

            Store transcript ttt → Append to TTT

        For each bank $b \in B$:

            Collect documents $d \in D$

    Quantitative Data Collection: Distribute Q to selected employees in P

Collect and store responses in R

Data Analysis: ThematicAnalysis(T, D) → extract themes h_i

For each theme h_i:

if $h_i \notin H$ then

Add h_i to H

Triangulation

For each theme $h \in H$:

End

Let $e_T \leftarrow$ evidence from T

Let $e_R \leftarrow$ support from R

Let $e_T \leftarrow$ support from D

if $(e_T + e_R + e_D) \geq 2$ then

Mark h as confirmed challenge

else

Discard or reclassify h

Algorithm 1. systematically identifies post-merger HR challenges in Nepalese banks using interviews, surveys, and documents, triangulates findings across sources, and delivers validated insights and actionable HR policy recommendations.

5. Result and Discussion

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The results reveal key HR challenges post-merger, including job insecurity, communication breakdown, cultural misalignment, and weak leadership support. Triangulated data from interviews, surveys, and documents confirm inconsistent integration experiences across banks, highlighting gaps in employee support and HR responsiveness

Table 2. Key HR Challenges Identified from Interview Responses During Post-Merger Integration

Theme	Supporting Quote	Interpretation
Job Insecurity	"We had no idea whether we'd keep our roles." – P03	High anxiety during post-merger transitions
Communication Breakdown	"Mixed messages from HR and operations." – P07	Lack of unified messaging undermines trust
Cultural Misalignment	"No one prepared us for culture clash." – P12	Cultural onboarding was missing or ineffective
Leadership Ambiguity	"I didn't know who I was reporting to." – P10	Hierarchical roles were not well communicated

Table 2. presents core HR issues experienced by employees after mergers, based on interview data. Themes include job insecurity, unclear communication, cultural clashes, and leadership confusion—highlighting emotional and operational instability during post-merger transitions across Nepalese financial institutions.

Table 3. Descriptive Statistics of Employee Agreement on Key Post-Merger HR Dimensions

Statement	Agree/Strongly Agree (%)
I felt secure in my job during the post-merger period.	61%
My work responsibilities were clearly defined after the merger.	53%
Leadership was supportive during the integration process.	44%
HR addressed employee concerns effectively.	36%

Table 3. summarizes employee agreement levels across six critical HR areas post-merger. Results indicate varying satisfaction, with job security rated highest and HR responsiveness the lowest, reflecting inconsistent integration experiences across institutions.
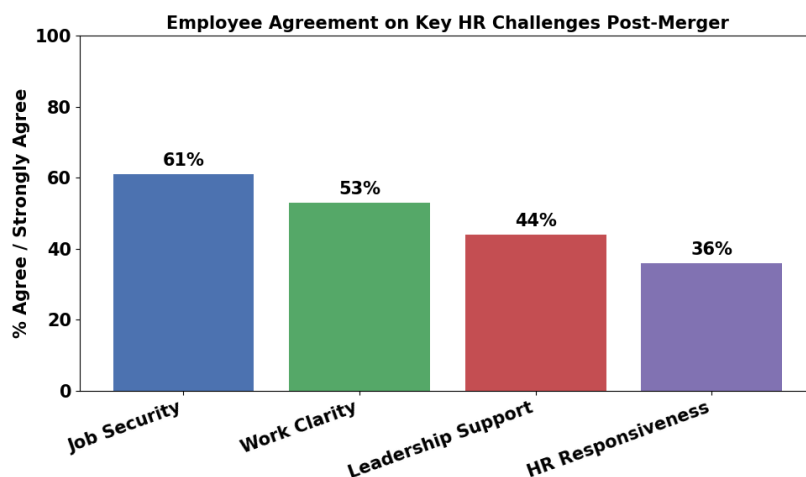
Fig 2. Employee Agreement on Key HR Challenges Post-Merger

Fig 2. illustrates employee agreement levels on key HR issues following mergers. Job security received the highest agreement (61%), followed by work clarity (53%). Leadership support (44%) and HR responsiveness (36%) were rated lowest, indicating critical gaps in post-merger support.

5.1. Triangulation of Findings

The study's triangulation of interviews, surveys, and documents revealed consistent HR challenges—job insecurity, communication breakdown, cultural misalignment, and leadership ambiguity—across Nepal's post-merger banks. These issues were supported by participant narratives, low agreement scores in surveys, and gaps in formal institutional documents, validating the reliability of findings and highlighting the need for integrated HR transition strategies.

Table 4. Cross-Source Triangulation of Key Post-Merger HR Themes

Theme	Interview Insight	Survey Support	Document Evidence
Job Insecurity	P03: "No idea if we'd keep our roles."	61% felt secure in job	Lack of role-specific communication in memos
Communication Breakdown	P07: "Mixed messages from HR and ops."	Only 44% found leadership supportive	Conflicting messages in HR circulars
Leadership Ambiguity	P10: "Didn't know my reporting line."	Only 44% agreed leadership was supportive	Transition charts missing leadership hierarchy

Table 4. highlights consistent HR issues—job insecurity, communication breakdown, cultural misalignment, and leadership ambiguity—across interviews, surveys, and documents, confirming that employees faced unclear roles, inconsistent communication, poor cultural integration, and inadequate leadership support during post-merger transitions.

5.2. Discussion

Employing a mixed-methods approach, the study explores HR challenges in Nepalese bank mergers by combining interviews, surveys, and document analysis. It uncovers key issues such as job insecurity, communication gaps, cultural misalignment, and leadership ambiguity. The results, validated through triangulation, highlight the critical need for strategic HR interventions to ensure smoother integration and workforce stability in post-merger transitions.

6. Conclusion and Future work

HR challenges like job insecurity, poor communication, cultural conflicts, and unclear leadership significantly impact post-merger integration in Nepal's financial institutions. Strategic and transparent HR practices are essential to maintain employee trust, reduce disruption, and ensure long-term success in mergers and acquisitions within the evolving banking landscape. Future improvements include expanding the participant base, incorporating longitudinal tracking, and integrating digital HR tools. Emphasizing employee well-being, leadership development, and cultural alignment can further strengthen merger outcomes and support sustainable organizational transformation.

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