# THE EFFECT OF POST-MERGER AND ACQUISITION (M&A) INTEGRATION ON CUSTOMERS' SWITCHING BEHAVIOUR (A CASE STUDY OF FIDELITY BANK, GHANA)



BY

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## DECLARATION

I hereby declare that this submission is my own work towards the Masters of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## DEDICATION

I dedicate this piece of academic excellence to blessed memory of my father, Nii Allotey Harrison who did not live to see this day.

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I first of all wish to acknowledge my supervisor Dr. W.A Owusu-Ansah for the time and patience he had for me throughout the completion of this work. I'm also grateful to lecturers in the Department of Marketing and Corporate Strategy for their support and encouragement throughout this programme. .

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## ABSTRACT

The world is in a state of flux, being influenced by the forces of globalization and fast technological changes and as a consequence firms are facing intense competition. To face the challenges and explore the opportunities, firms are going for inorganic growth through various strategic alternatives like mergers and acquisitions (M&As), strategic alliances and joint ventures. Overall, firms go for M&A with high expectations and there is conflicting evidence, both for and against, on impact of M&As on firm performance. In spite of these expectations, mergers and acquisitions have become more often associated with lowered morale, job dissatisfaction, unproductive behaviour, increased turnover and absenteeism, rather than with increased financial performance as expected. The general objective of this study is to examine the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry using Fidelity Bank as a case study. The research employed both descriptive and explanatory research designs. The population for the research comprised customers, management and staff of Fidelity Bank. Fidelity bank has a staff strength of 3000 and an estimated customer base of 600,543. Both purposive and convenient sampling techniques were used. Data sources include primary and secondary. STATA 13 was used for the analysis. The study found a low customer switching behaviour among customers. I also found a positive correlation between customer switching behaviour and post M&A integration. The regression result also indicated showed an $R^2$ of approximately 0.33 indicating that changes in the model can be explained by 33 per cent. The study also found a positive correlation between customer satisfaction and post M&A integration. The study recommends that management of Fidelity should commit more resources to upgrade current accounting software as most

respondents disclosed that they received wrong statements especially whenever they used the Bank's ATM services.

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## CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The world is in a state of flux, being influenced by the forces of globalization and fast technological changes and as a consequence firms are facing intense competition. To face the challenges and explore the opportunities, firms are going for inorganic growth through various strategic alternatives like mergers and acquisitions (M&As), strategic alliances and joint ventures (Beena, 2004). The phrase mergers and acquisitions (abbreviated M&A) refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity (Campa and Kedia, 1999; Pawaskar, 2001). Mergers and acquisitions have been used as an effective strategic corporate restructuring tool in the business scenario worldwide for a long time dating back to 1897 (Mueller, 1980 Beena, 2004.). They are effective tools in the hands of management to achieve greater efficiency by exploiting synergies and growth opportunities. Mergers and Acquisitions (M&A) are arguably the most popular strategy among firms who seek to establish a competitive advantage over their rivals. In the last decade, the value of acquisitions has increased dramatically. For instance, in 2006 the total value of acquisitions undertaken reached high level totalling £1,774 billion (Vasilaki and O'Regan, 2008).

There are various reasons behind firms going for mergers and acquisitions. The main corporate objectives are to gain greater market power, gain access to innovative capabilities, thus reducing the risks associated with the development of a new product or service, maximise efficiency through economies of scale and scope and finally in some cases, reshape a firm's competitive scope (Hitt et al., 2007). Other reasons include a short-term solution to finance problems that companies face due to information asymmetries (Fluck and Lynch, 1999), revitalise the company by bringing in new knowledge to foster long-term survival (Vermeulen and Bakerma, 2001) and to achieve synergy effects (Lubatkin, 1987; Birkinshaw et al., 2000; Vaara, 2002). The M&A deals are common not only in the developed countries but also have become more apparent in the developing counties. In the pre-liberalization period, in most developing economies like Ghana, corporate restructuring had not been uncommon though the frequency was not much. From the 1990s to 2000, mergers, acquisitions and other strategic alliances in the corporate sector geared up for a large scale restructuring in the face of cut throat competition from multinational corporations as well as exploiting new opportunities (Birkinshaw et al., 2000; Vaara, 2002). The phenomenon recorded an upsurge in the wake of liberalization measures resulting into lessening the Government controls, regulations and restrictions (Anand et al., 1998).

A glance of industry wise trend of value of acquisitions for the time period of 2004 to 2010 shows that the service sector topped with financial services and communication services industries in leading roles (Hitt et al., 2010). The banking sector has also witnessed a lot of M&A in recent times. Overall, firms go for M&A with high expectations and there is conflicting evidence, both for and against, on impact of M&As on firm performance. In spite of these expectations, mergers and acquisitions have become more often associated with lowered morale, job dissatisfaction, unproductive behaviour, increased turnover and absenteeism, rather than with increased financial performance as expected (Kumar, 2000; Sapienza, 2002). An estimate by

Davy et al. (1988), blames "integration problems" as being responsible for two-thirds of all merger failures. In view of the above, this study seeks to examine the effect of Post-M&A integration on Customers' Switching Behaviour in the banking industry using Fidelity-Procredit Acquisition as case study.

### 1.2 Problem Statement

Since the era of merger and acquisitions (M&A) started in the nineteenth century it is presented in the literature as regularly repeatable merger waves or phases. Until today five merger waves are recognized and the sixth wave has long commenced, each of these waves are different in terms of strategic motivations and integration demands (Jansen, Picot, & Schiereck, 2001). The need for integration has become even more intense as mergers have increasingly moved away from unrelated (conglomerate) mergers to related (concentric) and horizontal ones (Hopkins, 2008). The subject of *integration* was of hardly any importance in first three waves, as integration competence was not the decisive factor for the success of a transaction (Jansen, 2006). This resulted in today's somewhat limited literature on post-merger integration activities. According to Quah & Young (2005) there is an agreement in literature that integration is an interactive and gradualist process in which both sides learn to work together and cooperate in the transfer of strategic capabilities (Haspeslagh & Jemison, 1991). It is a difficult process and must be assisted by a sense of parity and common management programs, tasks, and goals (Olie, 1990) that can greatly magnify a deal's chances of success (Carr et al. 2004).

Integration is required not only on the *hard* level, encompassing the integration of operations, systems and procedures but also it requires a consideration of those hard factors in relation to the *soft* side of two organizations (Quah & Young, 2005). This will not only aid an effective integration but will also help to create a strong new organizational culture for day-to-day business. Whilst many Multinational companies continue to identify opportunities by partnering firms in developing economies like Ghana, it is important that the short term M&A activities do not affect customers negatively. This is because studies have found that more than half of all mergers fail to deliver the intended improvement in shareholder value and that customer defections contribute to that high failure rate (Hitt et al., 2007). Also, Rankine (1998) suggests that one of the critical success factors for adding value through acquisitions is to act quickly to integrate the new business. Thus, a harmonious integration of the beliefs and values of a merging firm and the ability to integrate organisational cultures is more important to success than the financial or strategic factors (Majidid, 2007).

In line with the above, this study sets out to examine the effect of Post M&A integrations on Customers' switching behaviour. In assessing M&A integration, areas such as integration of I.T infrastructure, communication, skills sets, cultural dimensions, change management and managerial style shall be considered.

### 1.3 Research Objective

The study generally sought to examine the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry. The specific objectives entail to:

1. Assess management' commitment to post-M&A integration activities within Fidelity Bank
2. Examine the relationship between post M&A integration and customer switching behaviour of Fidelity Bank customers.

3. Examine the effect of post-M&A integration on customer satisfaction levels of Fidelity customers
4. Identify post M&A integration challenges encountered by Fidelity during its acquisition of Procredit Limited.

## 1.4 Research Questions

The following research questions have been developed based on the research gap identified. These questions would subsequently guide the study.

1. What is the level of management's commitment to post-M&A integration activities?
2. What is the relationship between post M&A integration and customer switching behaviour?
3. Does post M&A integration activities have any significant effect on customer satisfaction?
4. What challenges were encountered by Fidelity during its acquisition of Procredit Limited?

## 1.5 Significance of study

Despite the huge number of empirical researches yielded so far, the evaluation of M&As performance for the acquiring firm is still an open discourse. Whatever the aggregate performance implication of acquisition activity, it is essential for strategic management scholars, as well as practitioners, to understand why some firms perform better than others in creating economic value from their acquisitions. Another significance of this study is that it creates awareness about integration issues arising from organizational change due to M&A's. As pointed out in the problem statement, previous studies placed much emphasis on M&A performance at the expense of short term integration issues. It also ensures that managers pay attention to integration challenges and how they could be surmounted using the right tools and resources. The study further contributes to existing literature of M&A performance from a developing economy context. It also affords future researchers a good direction and perspective on the subject of mergers and acquisitions.

### 1.6 Scope of the study

The study seeks to examine the effect of Post-M&A integration on Customers' Switching behaviour using Fidelity-Procredit Acquisition as case study. Consideration would be given to the relationship between post M&A integration and customer switching behaviour as well as the effect of post-merger integration on customer satisfaction.

### 1.7 Limitations of the study

Research of this type has constraints which are largely uncontrollable and subsequently influence the results if not checked. First, the study use Fidelity Bank as case study is limited in scope. However, due to time and financial constraints, other merger or acquisition cases could not be included. Again, lack of co-operation from some respondents also influenced the quality of data generated. As a way of reducing the margin of error, questionnaires were personally administered with a few interviews conducted for top management.

The researcher however ensured that the above limitations did not affect the quality of the results generated. To this end, data obtained was cleaned to remove poorly administered questionnaires. Also, the use of reliability and validity checks were employed to attain model fitness.

### 1.8 Organization of the study

The study is grouped into five chapters. Chapter One is the general introduction of the study. It looks at the background of the study, problem statement, objectives of the study; it also briefly looks at the research questions, significance, scope and limitations of the study. Chapter Two looks at the literature review. Literature review was based the research questions used in the study. The conceptual framework for the study was also outlined. Chapter Three is on the methodology. It explains the research design. It also gives details about the population, sampling procedures used in the study. It further explains the research instrument, methods of data collection, data analysis. Chapter Four looks at data presentation, analysis and discussion with Chapter Five providing summary, conclusion and recommendations for the study.

## CHAPTER TWO

## LITERATURE REVIEW

### 2.1Introduction

This chapter provides a review of literature on the effect of post-M&A integration on customers' switching behaviour. The presentation embodies an overview of mergers and acquisitions, motives behind M&As, post-integration activities in M&As, consumer behaviour and switching attitudes and finally empirical review regarding the effect of post-M&A integration on consumer switching behaviour.

### 2.2 Overview of Mergers and Acquisitions

Mergers and Acquisitions are often used interchangeably, but when separated both have dissimilar features and meanings. In distinguishing between the two concepts, different researchers hold diverse views, Matsgard and Pernodd (1996) being one set of authors have differentiated the two concepts based on relative size. According to these authors, merger is defined as the combination of two companies of similar size, whereas acquisition is defined as a situation when a large company buys a smaller one. The authors used 'similar size' as a basis to define mergers but points out that in acquisition the bigger firm buys the smaller firm.

In another vein, Krekel et al. (1967) defined mergers as a situation where all combining firms surrender their independence and co-operate resulting in common corporation, while in acquisitions or (takeover) the same authors mention that, a company unilaterally surrenders its independence and adapts to another firms plans. By this definition, the authors meant that in mergers the two companies are compelled to surrender their autonomy and cooperate in order to achieve a mutual goal while in acquisitions only one firm (that is, acquired firm) is compelled to surrender its autonomy and adapt to the acquirer (takeover firm). In giving a clear distinction between these two concepts *"acquired firm" and "acquirer"* the researcher points out that, the acquired firm discussed in this work means a small firm taken over by a larger firm, while the Acquirer is the bigger firm taking over the smaller firm. Taking it from the legal perspective, merger is defined as, "a complete transfer of assets and liabilities from one company to another where the first company ceases to exist. In addition to this, mergers can be seen as, "a statutory combination of two or more corporations by the transfer of the properties to one surviving corporation or any combination of two or more business enterprises into a single enterprise" (www.dictionary.com). Acquisition is defined as "the act of acquiring or gaining a possession or something acquired". After going through previous studies related to mergers and acquisitions, the definition of M&A's has become so broad along the process of making the term understandable. Many authors including academics and practitioners mentioned above have defined it in several ways according to their own perspectives.

The new millennium has ushered in the realization that globalization is impacting on the ability of medium sized international corporations to stay competitive in sectors of the market where bigger may not be better (Solomon, 1994), but where bigger ensures one's ability to at least be significant enough to merit consideration from not only one's competition, but the marketplace (Applbaum, 1999).The topic of corporate growth, through mergers and acquisitions is of great interest among researchers, managers and practitioners (Kreitl et al., 2002).

## 2.3 Motives for M&A's

Several motives explain why mergers and acquisitions happen. Öberg et al. (2004) argued that motives behind mergers and acquisitions could be understood as being intentional while other authors highlight on the underlying forces. The term 'motives and driving force' are used interchangeably in this study. In effort to understand the main driving forces behind M&A's, Gaughan (2002); Walter and Barney (1990); Öberg et al. (2004) identified three major motives for M&A's. These are Synergy, Diversification and Growth.

### 2.3.1 Synergy

This is the first motive/driving force for M&A's. Synergy is derived from the Greek word 'synergos' which means working together. According to Hitt et al. (2001) synergy refers to the ability of two or more units or companies to generate greater value working together than they could have done when working apart or alone. Again Gaughan (2002) as well as Öberg et al. (2004) defined synergy as, the interaction between two substances or factors so that their combined effect is greater than the sum of their individual effects. According to Öberg et al. (2004) synergic effect is demonstrated mathematically as: 1+1 = 3. The authors further state that the combined outcome of two variables gives 3 which is greater than 2 being the sum of the individual variables. In view of this mathematical expression, Gaughan (2002) points that a corporate combination can be much more profitable than the sum of their individual parts. The two definitions of synergy are all correct; however in this thesis the researcher considers Hitt et al. (2001)'s definition because it is more simplified than that of Gaughan (2002), reason being that the outcome of '5' is logical but can't be understood using mathematical formulae by everyone thereby making it ambiguous.

In addition to this, Gaughan (2002) has distinguished between different types of synergy: operational synergy, financial and managerial synergy respectively. According to Gaughan, operational synergy includes both economies of scale and economies of scope (diseconomies of scale). Economies of scale, is when an increase in output of a company's operation brings about decrease in per- unit cost (Gaughan, 2002). Also, Öberg et al. (2004) adds that economies of scale are created in horizontal acquisitions, for example accessing additional production facilities improves production efficiency.

### 2.3.2 Diversification

Another motive or driving force behind M&A's is diversification. According to Penrose (1995), diversification means areas of specialization. The author argues that areas of diversification vary from one firm to another depending on the characteristics of its product category. According to Penrose it is common for firms to specialize in "single-product" or "multi-product''. The author points out that the extent of diversification is to solve specific problems. In addition Penrose (1995) highlights that firms can diversify from its existing area of production because of the following reasons; desire to enter into new markets with new products using the same production base; desire to expand in the same market with new products based in a different area of technology; and desire to enter new markets with new products based in a different area of technology.

Linked to this, Gaughan (2002) defined diversification as, "means of growing outside a company's current industry category". According to the author this motive is crucial in the M&A's that took place in the third merger wave – the conglomerate era as mentioned before in the introductory section. The author also narrates that one of the reasons firms opt to diversify for external expansion rather than internal expansion is due to its desire to enter industries that are more profitable than the current industry. Another reason according to the same author could be that the current industry is saturated (that is, has reached the mature stage) or is facing competitive pressures within that industry, which preclude the possibility of raising prices to a level where extra normal profits can be enjoyed.

On the contrary, apart from external expansion, Öberg et al. (2004) argued that firms can also diversify for internal expansion into new fields or product line and creating a portfolio of businesses within the current industry for the purpose of reducing risk by having more than one business area on which to rely on. In addition to this, *financial aspects* are mainly the focus of *expansion*, and synergies could be created by risk diversification and coinsurance (Larsson & Finkelstein 1999). To sum up, Penrose (1995) concluded that diversification is a general policy for growth.

### 2.3.3 Growth through Mergers and Acquisitions

Another motive for M&A's is growth. The previous section discussed synergy and diversification as motives for mergers and acquisitions. Diversification and growth are closely related to each other. In both, firms target to merge in order to grow within their own industry or expand outside their business category for growth. Consequence to this, Öberg et al. (2004) noted that, one of the objectives for growth is to create a stronger position in the present market. By striving towards stronger position, firms can gain monopoly and market power, price mechanisms can be set aside, this would be advantageous in raising the prices of market products (Trautwein, 1990). According to Trautwein, through monopoly, firm can cross-subsidize products, limit competition in more than one market and determine potential entrants from its markets. This is called *collusive synergies.*

Other motives/driving force include: raider, process, empire and hubris, they are also essential for M&A's (Öberg et al., 2004; Trautwein, 1990). Concerning the drive for 'hubris', a company can focus on 'overpaying' or 'lobbying' in other to win M&A's, while in 'process' the driving force for M&A's it focuses more on business strategy. In the case of raider, the motive focuses on transferring wealth from shareholders of the target companies to the acquiring firms (Öberg et al., 2004). In summary, this study has noted that; synergy, diversification and growth are the core motives for M&A's (Öberg et al., 2004:, Gaughan, 2002 and Trautwein, 1990). Thus Öberg et al. (2004) point that the motive for M&A's is basically for change, impact of this can cause different changes in an organization.

## 2.4 M&A Integration and Value creation

Integration process is the real source of value creation in acquisitions (Haspelagh and Jemison, 1991). Value creation is the important objective in successful acquisitions. Yet empirical and other studies continue to highlight the low success rates associated with acquisitions (Lawrence, 2002; Marks and Mirvis, 1965). No matter how attractive the business opportunity associated with an acquisition process, value is not created until capabilities are transferred, and people from both organisations collaborate in order to create the expected benefits and the unpredicted opportunities. This collaboration relies on the will and ability of managers from both organisations to work together towards a new future. The key to integration is to obtain the participation of the people involved without compromising the strategic task.

Effective integration can be defined as the combination of firms into a single unit or group, generating joint efforts to fulfil the goals of the new organisation. This combination is often obstructed by the challenges of nationality and perceived cultural differences (Olie, 1994).

International mergers are more likely to bring together people with different values and beliefs about the workplace. Two organisational integration variables are particularly relevant in the acquisition process (Datta and Grant, 1990; Datta, 1991): the motive for the acquisition (strategic fit and decision making process); and the process of implementation (including the acculturation process).

The motive for an acquisition is important in that it will influence the degree of required interaction between members of each organisation. Implementing strategies, if not handled well, may prove to be detrimental to organisational effectiveness, particularly if it leads to high levels of acculturate tension and conflict (Buono and Bowditch, 1989).

Acculturative conflict during acquisitions is often held accountable for the failure to implement successfully an organisational integration strategy.

Before the decision to merge or to acquire is made, it is important that the top management has a clear sense of its own goals and that they elicit from these goals what they need to know about a possible partner. As Eisele's (1996) research on joint ventures shows, a thorough partner analysis before the decision to join forces is a major success factor. The effectiveness of partner analysis can be furthered by a profile of an ideal partner, made beforehand. The outcome of the analysis is a clear picture of common goals, strategies and expectations between the two organisations, of cultural fit and differences, and a realistic judgment of the means available at the partner's side. All these factors can reduce the chance that conflicts break out in the course of the process that is hard to solve. Common goals and cultural fit show the areas where the chances of conflicts are low from the beginning: the common ground that can be worked on. Equally important is insight in each other's means to reach the common goals set, since that paves the way for realistic mutual expectations that reduce the chance of conflict too. An outcome of an effective partner analysis is insight in cultural differences, a necessary condition for management of cultural integration.

### 2.4.1 Organisational Culture and Business Ethics

All companies have their own organisational culture. Organisational culture can be defined as a shared meaning held by members that distinguishes the organisation from other organisations (Robbins et al., 2000). This shared meaning is developed over time and transmitted through the use of customs, traditions, rituals, material symbols and language (Bartol and Martin, 1991).

Organisational culture shapes and guides the behaviour of employees (Wheelen and Hunger, 1995). It serves to let employees know what beliefs and behaviours the company supports and those it will not tolerate (Daft, 2000). Organisational culture is not observable per se, unless we examine the concrete manifestations of culture in terms of organizational artefacts and exhibited behaviours (Bartol and Martin, 1991).

The type of culture that is possessed by an organisation is also vital to the success of the company (Hill and Jones, 1995; Johnson and Scholes, 1999). As Thompson and Strickland (1999) contend, a strong corporate culture founded on ethical business principles and moral values is a vital force behind continued strategic success. Thus, culture can be examined to see the kinds of ethical signals given to employees (Daft, 2000).

Finding similar organisational cultures and management styles has become a common panacea for avoiding employee dissatisfaction that could undermine mergers and acquisitions performance (Larsson, 1993). Different authors (for example Cartwright and Cooper, 1993) agree that it is important to consider cultural compatibility as a criterion for screening potential candidates for mergers and acquisitions. On the other hand, managing cultural differences has been proved as a more realistic and successful strategy in integration processes than finding the ideal cultural fit.

Also, Buono and Bowditch (1989) consider that successful integration can be achieved even between diversified organisational cultures. It examines the strategies being used by executives that encourage employees' diversity tolerance while allowing for learning to occur within parent and acquired firm. It looks at strategies the firms implement to facilitate the units to work together and integrative practices involving firms with different skills and knowledge bases, acquisitions create unique learning opportunities for the partner firms.

### 2.4.2 Culture as a Phenomenon in M&A

To begin with, it is not wise to understand culture as a phenomenon that is homogeneous throughout an organisation. It is better to speak of cultures, leaving the assessment of how widely elements of culture are shared to empirical research (Bijlsma- Frankema, 1997). Cultures in organisations are about the way members make sense of their experiences in the organisation, the way they define and interpret the situations they are in, in order to be able to act in a meaningful way. In Sackmann's (1991) words, an ideational, cognitive view on organisational culture is chosen. Stated in more general terms, this view is in accord with the symbolic interactionist viewpoint in sociology and social psychology, as developed from the work of Weber (1947), Thomas (1966), Mead (1934) and Cooley (1932), by writers like Blumer (1969), Becker and Geer (1961), Goffman (1961), Woods (1983), Hammersley (1990) and Weick (1995). A key notion is that action is social, as Weber (1947) puts it, by virtue of the subjective meaning attached to it by the actors. Culture is a collective phenomenon. Individual frames of reference may be the units of measurement; it is the shared frame of reference that is studied, whether sharing is organisation-wide or limited to a small group. Culture is, furthermore, evaluative in nature. In defining and interpreting, ``liking" always comes in. Seeing is liking or disliking (Sapienza, 1985; March and Olsen, 1975).

Culture is about solving the problems of human co-existence, faced by a collective. In the definition of Schein (1989): a pattern of basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

### 2.4.3 Cultural Factors in Mergers and Acquisition Accounting for Productivity losses

Management of the human factor in mergers and acquisitions has been recognized as an important source of success by an increasing number of authors (Kimberly and Quinn, 1984; Kilmann et al., 1985; Pritchett, 1987; Bueno and Bowditch, 1989; Cartwright and Cooper, 1992; Gilkey, 1991; Lubatkin and Lane, 1996). These authors offer valuable insights in the part culture plays, but these insights seem to be scattered around, waiting for integration in an agreed-upon body of knowledge. In working towards a higher level of integration, one of the first questions that must be answered is how the part that culture plays in success or failure of organisational melting processes can be conceived of. At first sight, mergers and acquisitions situations are not very different from situations wherein nuclear organisations undergo changes in their structure. When a new firm is formed, out of two formerly independent ones, at least for a part of the employees there will be a change in structure and work processes that they have to adapt to. These changes will occur, since two independent firms seldom show exact resemblance in the way they organize work processes and in what they expect employees to do and to strive for. Culture plays a major part in the way employees react to the new structure of their work environment, ranging from quick adaptation and commitment to the new expectations, to resistance, withdrawal and other forms of unproductive behaviour (Bijlsma-Frankema, 1997). Since cultural adaptations mostly lag behind structural changes, there is a high chance that a change in structure will bring about (temporary)

frictions between the (sub) cultures and the structure in the new organisation, that foster unproductive behavioural reactions of organisational members and groups, bringing about productivity losses. As Allaire and Firsirotu (1984) state about nuclear firms: Whenever market, competitive or technological changes exert pressures on a business firm, it will rather quickly attempt to adapt to them by changes in its formal system of goals, strategies and structures; however, these are often unsuccessful, as the organisation's culture (e.g. its values, meaning-structures, myths) may not be congruent with the revised sociostructural system, causing severe dysfunctions and compounded difficulties in coping with changing circumstances. The outcome of such stress between the two systems may be more or less severe, ranging from temporary loss of efficiency to chronic stagnation and decay, organizational death or Cultural Revolution. This notion, applied to mergers and acquisitions, offers a first possible account of dismal results in these ventures. To avoid these problems a welldesigned plan for management of cultural change that accompanies the changes in structure is a critical factor in the success of the change process, whether in nuclear or in blended, in profit or non-profit organisations, as was shown in cross-case comparative research
(Wiezer, 1992; Bijlsma-Frankema, 1995).

In the second part, successful elements of such transitional management are described. Changes in mergers and acquisitions differ, however, from those in nuclear firms in one important factor; the cultures of the emerging firms will differ from each other and may even clash. Kilmann et al. use an Antarctic metaphor: picture two icebergs in the ocean, where the tip of each represents the top management groups primarily financial people deciding the fate of the two companies and how the merger will work. As these top management groups set the merger in process, the two consolidations however, can never take place. As the icebergs approach one another, it is not the tops that meet; rather it is the much larger mass below the surface of the water, the respective cultures that collide. Instead of synergy there is a culture clash (Kilmann et al., 1985). Even when there is no direct clash, it is most likely that the cultures of the two firms will differ. If not managed properly these differences can grow easily in aversive diversity, causing productivity problems like low levels of trust and co-operation between groups of employees coming from different firms. Each of the former nuclear firms bears its own cultural values, beliefs and assumptions distinguishing it from others, including the new partner, providing employees with a feeling of collective competence, identity and pride (Schein, 1989).

Furthermore, there is a high chance of 'them-and-us' feelings simmering between employees of the merging firms. The pride in the cultural solutions of the old firm, that kept people together, is partly a function of the distinction towards other firm's solutions to the same problems. These them-and-us feelings do not disappear without proper management. In fact, when left alone, they tend to grow into aversive feelings in situations of direct confrontation, sometimes triggering a vicious cycle to develop that affects the performance of the new organisation in a negative way (March and Olson, 1975; Crozier, 1964; Gagliardi, 1986; Bijlsma-Frankema, 1995). This mechanism, that is highly probable in mergers and acquisitions, is a second way of accounting for the high percentage of failure in these transactions. Although there is not much specific literature on the conditions that can bring about synergy between different cultures in mergers and acquisitions, preventing this dismal mechanism developing, insights can be based on comparing research findings, combined with notions about inter-group relations in social scientific literature.

Before turning to solutions, more must be said about culture, the functions of culture, how culture influences behaviour and how it can be changed.

### 2.5 Consumer Switching Behaviour

In literature, Bass (1974) initially applied brand-switching models to analyse market share in the goods market. However, for services, consumer switching behaviour may be different because services are distinguished from goods based on five special characteristics: intangibility, inseparability, heterogeneity, perishability, and ownership (Clemes, Mollenkopf, and Burn, 2000).These special characteristics usually result in the absence of a tangible output in services and they distinguish services from goods (Gronroos, 1990). Service switching is a growing research area in marketing. Several studies have revealed that the following factors contribute to customer switching: dissatisfaction in the financial services industry (Crosby and Stephen, 1987), service encounter failure (Kelley, Hoffman, and Davis, 1995), and perceptions of quality in the banking industry (Rust and Zahorik, 1993). Furthermore, previous studies have highlighted that service quality and satisfaction are related to service switching (Bitner, 1990; Zeithaml, Berry, and Parasuraman, 1996).

Although it is acknowledged that service quality and customer satisfaction are important drivers of service switching, researchers have emphasized the need to shift away from a sole focus on these broad evaluative concepts of service. Instead, emphasis is being placed on classifying the specific problems, events and non-service factors that may cause service switching (Levesque and McDougall, 2006; Zeithaml, Berry, and Parasuraman, 1996). Keaveney (1995) used a generalized model to examine consumer switching behaviour across a broad spectrum of service providers including banks. The model includes eight factors influencing service switching: pricing, inconvenience, core service failure, service encounter failure, response to service failure, ethics, competition, and involuntary switching. However, Mittal, Ross, and Baldasare (1998) indicated that the unique characteristics of switching behaviour in specific service contexts such as banking may be masked when generalized models are directly applied. For example, even though a problem may occur frequently and cause switching in some service industries, it does not necessarily mean that the problem will be an important influence on a customer's eventual decision to switch banks.

In addition, Keaveney's (1995) switching model does not accurately assess the relative weight of these issues on a customer's decision to switch service providers (Colgate and Hedge, 2001). Stewart (1998) and Gerrard and Cunningham (2000) have also studied customer switching behaviour in the banking industry. Stewart (1998) suggested four types of switching incidents that relate to how customers were treated: facilities, provision of information and confidentiality, and services issues. Gerrard and Cunningham (2000) also identified six incidents that they considered to be important in gaining an understanding of switching between banks. These incidents were: inconvenience, service failures, pricing, unacceptable behaviour, attitude or knowledge of staff, involuntary/seldom mentioned incidents, and attraction by competitors. In addition, other researchers, such as Lewis and Bingham (1991) and Colgate, Stewart, and Kinsalla (1996) have summarized reasons why customers switch banks. Finally, Colgate and Hedge (2001) identified three general problems, pricing issues (fee, charges, interest rate), service failures (mistake, inflexible, inaccessible, unprofessional), and denied services (denied loan, no advice) that contributed to customers' switching banks. Although many international studies emphasize why customers switch service organizations (Keaveney, 2009; Levesque and McDougall, 2005;

Zeithaml, Berry, and Parasuraman, 1996) and switching behaviour importance (Mittal and Lassar, 2007; Reichheld, and Sasser, 2008), there has been little empirical research focused on the factors that have impact on bank switching behaviour in the Ghanaian banking industry.

In addition, Hirschman (1970) demonstrated that service failures could provoke two active negative responses: voice and exit. Also, Day and Landon (2005) described the notion of voice by explaining that voice can be complaining to the service provider, complaining to acquaintances (negative word of mouth), or complaining formally to third parties in order to help seek redress. For exit, Singh (1990) referred to the voluntary termination of an exchange relationship. Financial services are often provided at a service counter with direct contact between a bank's employees and the customer, or by telephone, or by having the customers interact with the bank's automatic teller machines (ATM). Simultaneity in delivering and receiving a service is a common characteristic in the banking sector. Although banks try to provide error free services, service failures are inevitable because the bank-customer interaction is influenced by many uncontrollable factors (Stefan, 2004). Also, Keaveney (1995) empirically confirmed that responses to service failure were a factor contributing to customer switching behaviour. Customer switching, in the banking industry, is often the result of a customer complaining and then experiencing the bank service provider's recovery efforts (Colgate and Norris, 2001). Customers may become more dissatisfied, and even leave, if recovery efforts are poor. Customers may also be satisfied with the recovery they have received but still exit. These situations may result from a perceived lack of exit barriers by the customer, or the recovery may not fully compensate unfavourable incidents that bank customers have experienced, or the service failures may be so bad that even a good service recovery will not change the customer's decision to switch banks (Colgate and Norris, 2001).

### 2.5.1 Involuntary Switching Factors

By the definition of East et al. (2001) involuntary switching is an unwilling behaviour by customers. The authors also suggested that involuntary switching could be attributed to a customer moving house and to a service provider opening and closing facilities. The authors also empirically demonstrated that involuntary switching could force customers to switch service providers in the service sector (Keaveney, 1995; East, Lomax, and Narain, 2001). Involuntary switching is, for the most part, beyond the control of marketers but is included in many switching behaviour models (Keaveney, 1995). Involuntary switching is measured in this study as the inclusion of the construct aids in identifying all of the factors that contribute to bank switching behaviour

## 2.6 Empirical Review on Post-M&A Integration and Customers' Switching Behaviour

Studies on the impact of post-merger and acquisition integration on value creation, operating efficiency, customer loyalty and firm competitiveness appears to diverge (Beena, 2004; Campa and Kedia, 1999; Pawaskar, 2001; Vasilaki and O'Regan, 2008).

Both merger and its post-merger integration are perceived by researchers as complex phenomena representing a very difficult organizational change process where leadership and proper management of this change belong to crucial factors which help to reduce the risk of post-merger integration (PMI) failure (Covin et al. 1997; Lauser & Peters, 2008; Kavanagh & Ashkanasy, 2006). Coping with change successfully is a grand challenge faced by practitioners, and by far not every organizational change is successful. The chance to succeed is even smaller when fundamental change such as a merger and following integration takes place, causing further major changes in strategy, processes, and culture of the merged companies. The number of variables influencing such a complex phenomenon as integration process is hard to define, as well as a clear linear cause-and-effect relationship during integration (Lauser, 2010; Lauser & Peters, 2008). Complexity theory6, presented by Lauser (2010), moves away from this linear, mechanistic view of a world with simple cause-and-effect explanations towards a more organic view when organizations experience tension and a non-linear behaviour starts to emerge, characterized by uncertainty and unpredictability (Lauser & Peters, 2008). In this complexity theory perspective an organization is perceived as a complex adaptive system (CAS) that includes various individuals, groups, their interactions and relationships, and own behaviour (Lauser, 2010; Mitleton-Kelly, 2006). A complex adaptive system (CAS) is a concept used for explaining change process, and arises when complex system approaches *edge of chaos* (Kauffman, 1995). It is characterized by the following features: connectivity and interdependence; feedback, far-from-equilibrium, and self-organization; emergence, new order and space-of-new possibilities (Kauffman, 1995; Lauser & Peters, 2008).

As far as above mentioned CAS characteristics are concerned, Lauser & Peters (2008) analyse each of them in terms of post-merger integration as a genuine complex adaptive system. The initial phase of PMI is characterized by numerous group dynamics and a high degree of conflicts as people from two different systems need to be formed and integrated according to a new organizational structure. Therefore many new connections and interdependencies, formal and informal, between individuals, groups and departments within this new reality may emerge. This causes many feedback mechanisms, both positive and negative, and the whole system becomes unstable at a certain point where people feel disconnected and no longer rely on their old networks, a state of *edge of chaos* (Kauffman, 1995; Lauser, 2010). This is a time when, in order to effect the change in a positive direction, interdependencies and connections in new structures are needed and, moreover, should be forced, encouraging employees to interact and participate in the process. Therefore, communication, meetings and workshops are key, in order to build up a new network within new environment (Epstein, 2004; Lauser & Peters, 2008). Among employees a high tension evolves and they try to organize themselves into certain groups, perceived as a positive prerequisite for becoming a self-organization. New interrelations and connections help the organization to change from old to entirely new patterns, to establish new work procedures, and to foster integration (Lauser, 2010). This is when a platform for new opportunities, i.e., *space-of-new-possibilities*, is being created. Promoting a self organization, exploration of these new opportunities and possibilities is key to creativity and innovations. It is also a prerequisite to *co-evolutionary integration*, when partners influence each other in a reciprocal way and find the best way to work together (Mitleton-Kelly, 2006).

Interestingly, Lauser (2010) refers to Lichtenstein (2000) concerning three important qualities necessary for a positive self-organization, i.e., self-referencing, increased capacity, and independent organizing. In post-merger integration these qualities occur only partially. For example, self-referencing exists only if common values and beliefs are present, but in PMI there are no common values, as employees are attached to old patterns and values systems. Therefore this quality in PMI practically never exists until the new structure and values systems are created and provided by a leader. This is what makes it challenging for a leader to provide the necessary infrastructure to enable a positive self-organization. In merged organizations, however, a positive self-organization may not emerge as qualities, named earlier, are not present.

The post-merger integration is a system of complex processes with multiple subsystems. Each of them can also be perceived as a separate complex adaptive system along with changes and transformational processes taking place (Lauser, 2010). However Lichtenstein (2000) argues that the change process, including PMI, is somewhat similar, developing a concept of adaptive system change that consists of the three following stages:

(1) increased organizing,

(2) transition and a threshold of change,

(3) emergence of new configuration.

In light of post-merger integration the increased organizing takes place already in the pre-merger situation when both organizations still work separately and the major transitional change, the merger, has not yet happened. At this point the transition and a threshold of change take place. This is a moment when tension is high and self-organization creates new patterns of behaviour and the emergence of a new configuration starts (Lauser, 2010). Also Mitleton-Kelly (2006) argues that an organization, adopting a complexity perspective, has a great chance to succeed but only if it actively facilitates new structures and relationships that would enable a selforganization to emerge and therefore exploit alternative ways of working and dealing with daily business. Though the structure of such organization will rather reflect a fuzzy matrix (neither organized nor random), it would foster distribution of power, intelligence and knowledge throughout the organization. This, in effect, will create connections and interdependencies, build collaborative culture, and therefore will help emerge a new organization able to cope with unpredictably arising phenomena to achieve a co-evolutionary integration.

## 2.7 Conceptual framework

This framework highlights different factors that affect the level of success achieved in M&As. These include growth, lack of planning, strategic focus, integration, cultural issues, change management and communication. Other factors specifically related to managing employees uncertainty, feelings, the merger syndrome, and stress. The framework hypothesized that organisations that pay higher attention to post –merger integration are more likely to record lower customer churn than those that do not properly plan their integration activities (see figure 2.1 below).

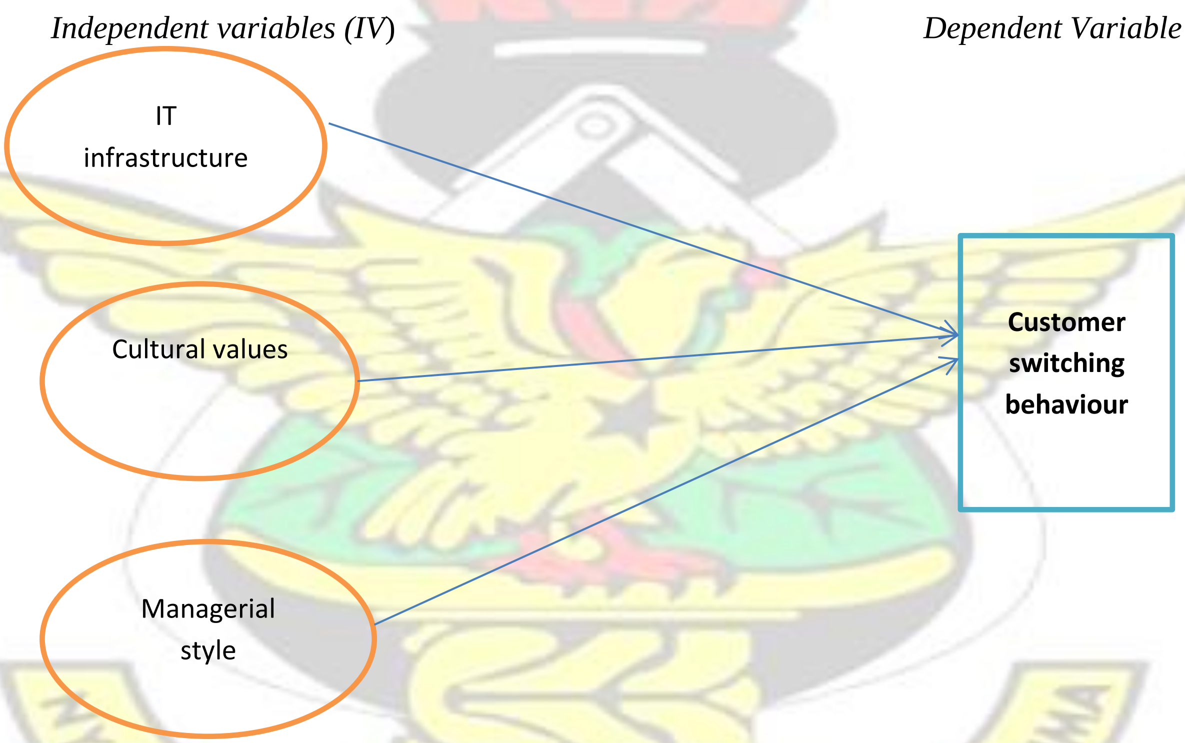


Figure 2.1: Conceptual framework

Source: Researcher's Construct, 2016.

As presented in the framework above, cultural conflicts can have fallout on the timing and the effectiveness of measures of integration, in terms of the individual processes, as well as a negative impact on customer switching behaviour (Sales, Mirvis, 1984; Buono, Bowditch, Lewis, 1985), on turnover (Hambrick, Cannella, 1993; Krug & Hegarty, 1997; Lubatkin et al. 1998) and, in more general terms, on financial performance (Datta, 1991; Chatterjee et al. 1992; Schoenberg, 2000; Stahl & Voigt, 2003). The difficulty of integration is effectively illustrated, in terms of discrimination between groups, by the social identity theory of Tajfel and Turner (1979).

In similar situations, individuals tend to self-classify themselves as belonging to a given group. This is enough to give rise to attitudes of "favouritism" towards the members of one's own group and of differentiation with respect to those belonging to outside groups. What is needed, therefore, is a preliminary evaluation of the impact of the three fundamental factors that determine social identity and intra-group favouritism (Tajfel & Turner, 1996): the need to belong to a social-collective context and the resulting internalisation of membership in a group as a central element in one's individual identity (self-concept); the degree to which the new context provides opportunities for direct comparisons between the cultures of the different groups; the importance attributed to the group with which the contact occurs, itself the result of the status that the members of the group attribute to their own association. The greater the importance placed by each individual on his or her own group, depending on it for much of his or her sense of self, and the greater will be the tendency towards favouritism or critical attitudes during moments of change.

## CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter builds on the previous chapters. The object here is to provide a methodological framework to explain the results in the next chapter. It includes discussions on the research paradigm and design, sampling procedures, data collection methods and analytical tools.

### 3.2 Research Design

A research design refers to the overall strategy chosen by the researcher to integrate different components of the study in a coherent and logical way, thereby, ensuring that the research problem is effectively addressed; it constitutes the blueprint for the collection, measurement, and analysis of data (Burns and Grove, 2003). Three main research approaches have been identified by social scientists (Saunders *et al*. 2007). This includes exploratory research, descriptive and explanatory designs. In the case of this research, a descriptive approach has been used to further examine the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry. One of the main benefits of a descriptive research design is that fact that it uses both quantitative and qualitative data in order to find the solution to whatever is being studied. This in turn can help to describe and give an answer to certain life experiences.

Descriptive research is the type of research that explores and describes the data or characteristics needed for the research (Burns and Grove, 2003). Exploratory research is research conducted for a problem that has not been clearly defined. It often occurs before we know enough to make conceptual distinctions or posit an explanatory relationship. Most studies begin by exploring something new with exploratory research. Next, the researchers use a descriptive research to increase knowledge about a subject. The result is then explained. In effect, explanatory research is defined as an attempt to connect ideas to understand cause and effect.



### 3.3 Population of the study

The population of any research is made up of the individual units or an aggregate, that is the unit or the individuals that form the population whereas a sample is a section of the population selected randomly or otherwise to represent the population **(**Punch, 2000**).**The sampling frame on the other hand, is the list of all the elements in the population. The adequacy of sampling frame is vital in shaping the quality of sample drawn from it. The population for the research comprised of customers, management and staff of Fidelity Bank. Fidelity bank has a staff strength of 3000 and a customer base of 600,543 (Fidelity Bank Company Report, 2016).

### 3.4 Sampling Technique and Sampling Size

A sample consists of one or more elements selected from the population (Punch, 2000). In all, Three Hundred (300) customers were selected from various Fidelity bank branches in addition to 110 staff giving a total of 410.

Both purposive and convenient sampling techniques, which are non-probabilistic sampling techniques, were used. The purposive sampling technique is a type of non-probability sampling that is most effective when one needs to study a certain characteristics whilst convenience sampling technique is where subjects are selected because of their convenient accessibility and proximity to the researcher (Punch, 2000).

For this study, purposive sampling was used to select staff and management of Fidelity Bank whiles convenience sampling was used to select customers.

## 3.5 Sources of Data

Data as defined by Checkland and Holwell (1998) are the representation of facts, concepts or instructions in a formalised manner suitable for communication, interpretation, or processing by humans or by automatic means. Three aspects of data can be identified; these correspond with the three ontologies, realism, nominalism and socially constructed reality and the corresponding beliefs about physical and social reality (objective, subjective or intersubjective) (Hicks, 1993).

Data for this research was basically drawn from primary sources through the administration of questionnaires to customers and staff of Fidelity bank. The nature of the research required that data be gathered from a primary source. Some secondary data were also used in the literature review section.

### 3.5.1 Primary and Secondary Data

Secondary data refers to data collected by third parties (Punch, 2000). The reason for using this form of data is to save time and cost in having to repeat data collection processes when such information already exists (Checkland and Holwell, 1998).

A large portion of data used in the analysis came from primary sources. Primary data largely refers to data obtained from first-hand (Berge, 2001). One advantage of using primary data is the fact that it allows the researcher to gather specific information that addresses the objectives of the research. Again, it is more reliable since it was collected by the researcher.

### 3.6 Data Collection Instrument

Primary data was the main source of data. Primary data was collected from the field in order to solicit responses directly from customers and staff. Questionnaires were used to gather information on the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry. The questionnaires were of two types; one type for customer s of Fidelity Bank and the other for staff of Fidelity Bank. The questionnaires were administered to 300 customers as and when they visited the banking halls and 110 staff of Fidelity bank. Questionnaires were basically closed-ended with few open-ended questions. Closed question provided precise answers whilst the open questions offered richer and deeper responses.

The questionnaire for the staff were in five parts with specific questions in demographic information. Management's commitment to post M&A integration activities, customer switching behaviour, customer satisfaction levels and post integration challenges. The questionnaire for the customers were in four parts with specific questions in demographic information, customer switching behaviour, customer satisfaction levels and post integration challenges. Customers and staff were to select responses per question from a scale of Strongly Disagree (1) to Strongly Agree (2).

### 3.7 Unit of Analysis

The units of analysis for this research include customers, staff and management of Fidelity Bank, Ghana. The study was based on the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry. The study was limited to Fidelity bank customers within Kumasi.

### 3.8 Data Analyses methods

Data analysis consists of systematically looking for patterns in recorded observations and formulating ideas that account for those patterns (Bernard, 1998). Credibility checks were conducted and inconsistent data was cleaned appropriately. Analyses based on the objectives of the study were appropriately run. Examination of the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry was undertaken. Descriptive statistical analysis such as mean, standard deviation, correlation and regression were conducted.

### 3.9 Overview of Fidelity Bank

Fidelity Bank was issued with its universal banking license on June 28th 2006, making Fidelity Bank Ghana Limited, the 22nd bank to be licensed by the Bank of Ghana under the new Banking Act, 2004 (Act 673). The Bank is owned by Ghanaian individuals, other institutional investors and its senior executives. The Bank was formerly Fidelity Discount House, the leading discount house in Ghana. After operating profitably for 8 years, the business environment in the country attracted investors to the idea of establishing a bank (http://www.fidelitybank.com.gh).

Fidelity Bank has a team of high calibre professionals with diverse skills and experience. The Bank has invested heavily in technology and continues to invest heavily in training to ensure that it is at par with the best in the world. Fidelity Bank offers a comprehensive range of products and services to meet the banking and financial needs of existing and potential customers. To ensure the relevance of our comprehensive range of products and services, we continually review the demographics of our customer segments to ensure that our offerings meet the banking and financial needs of existing and potential customers.

Fidelity Bank's vision is to become a world-class financial institution that provides superior returns for all stakeholders. With People who are professional and proactive, state of the art Technology, exceptional Corporate Governance Standards, good knowledge of the Local Market, Financial Capital and above all, a Customer-Centric Culture, Fidelity Bank is contributing its quota to the development of the banking industry and by extension the Ghanaian economy. On 1 October 2014, the Bank acquired ProCredit Savings and Loans Company Limited (PCSL) from ProCredit Holding Germany (PCH) and the DOEN Foundation of the Netherlands. ProCredit Savings and Loans Limited (PCSL) is a non-bank financial institution that provides savings and lending services to its clients.

Fidelity Bank has two subsidiaries:

• Fidelity Asia Bank Limited

• Fidelity Securities Limited

Fidelity Asia Bank Limited (FABL) was established in July 2012 as a wholly owned Asian subsidiary in Malaysia. FABL carries on the business of offshore banking. Fidelity Securities Limited (FSL), a fully owned subsidiary of the ban k, is the investment banking arm of the bank. Formerly known as Fidelity Asset Management, FSL's business involves providing advisory services, issuing of securities, raising of capital and undertaking portfolio investment management for clients (http://www.fidelitybank.com.gh).

## CHAPTER FOUR

## DATA ANALYSIS AND DISCUSSIONS

### 4.1 Introduction

This chapter presents analysis of data collected from the field. The data is grouped into two categories: customers and staff. The intent is to understand the effect of Post-M&A integration from the perspective of customers and staff. Specifically, the study sought to assess management' commitment to post-M&A integration, the relationship between post M&A integration and customer switching behaviour, the effect of post-M&A integration on customer satisfaction levels and to identify post M&A integration challenges. STATA 13 was deployed for the analysis. A total of 480 questionnaires were distributed out of which 410 were retrieved and used for the analysis. The response rate was 85.4 per cent.

### 4.2 Sample characteristics

This section presents the descriptive summary of respondents. In all, the study sampled data from 110 staff and 300 customers from various branches of Fidelity Bank in Ghana. The table 4.1 below presents the frequencies (counts) and the percentages (%) of each subcategory of the characteristics.

As part of the objectives, there was the need to draw opinion of staff and customers regarding post-merger integration practices by Fidelity. Table 4.1 shows that for staff category, 50.9 per cent of females took part in the study with the remaining percentage going for males (49.1%).

Majority of respondents in this category were between the ages of 30-39years which related to how long they have been with the organisation (average 2-5years). Most respondents in the category were junior staff (52.7%). The analysis also found that a significant number of respondents have been with Fidelity before the acquisition of Procredit (50.9). Approximately 40 per cent of respondents also joined Fidelity from as ProCredit staff whilst 18.2 joined the bank after the Acquisition. The results show an interesting trend for consideration subsequently. The study also found that most respondents have been with Fidelity between 2-yrears considering the fact he bank was issued a licence to operate in 2006. This may also be explained by poaching games by competitors.

For customer category, majority of respondents were males 152 (51%), mostly aged between 3039years. This affirms the assertion that females dominate the banking sector in Ghana. The study also found that most of these respondents joined Fidelity between after the acquisition had complete (60%) with significant numbers being savings and current accounts holders (see table 4.1 below).

**Table 4.1: Descriptive Summary**

| **STAFF** | Categories | Frequency | Per Cent |
|---|---|---|---|
| Gender | Male | 54 | 49.1 |
| | Female | 56 | 50.9 |
| | Total | 110 | 100 |
| Age | 18-29 | 30 | 27.3 |
| | 30-39 | 76 | 69.1 |
| | 40-49 | 4 | 3.6 |

| | | | |
|---|---|---|---|
| | 50 and above | 0 | 0.0 |
| | **Total** | **110** | **100** |
| Experience | Less than 2years | 17 | 15.5 |
| | 2-5yrs | 93 | 84.5 |
| | 6-9 | 0 | 0.0 |
| | 10 years and above | 0 | 0.0 |
| | Total | 110 | 100 |
| Position | Jnr. Staff | 58 | 52.7 |
| | Snr Staff | 52 | 47.3 |
| | **Total** | **110** | **100** |
| Education | HND/Diploma | 58 | 52.7 |
| | First degree | 52 | 47.3 |
| | Masters | 0 | 0.00 |
| | **Total** | **110** | **100** |
| Department | Sales & Marketing | 35 | 31.8 |
| | Retail | 40 | 36.4 |
| | Corporate Banking | 4 | 3.6 |
| | Operations | 31 | 28.2 |
| | Risk dept. | 0 | 0.0 |
| | Total | 20 | 100 |
| Staff Profile | Originally with Procredit | 34 | 30.9 |
| | Have been with Fidelity | | |

| | | |
|---|---|---|
| before M&A | 56 | 50.9 |
| Joined after Fidelity after M&A | 20 | 18.2 |
| Total | 110 | 100 |

| Customers | Categories | Frequency | Per Cent |
|---|---|---|---|
| Gender | Male | 148 | 49.4 |
| | Female | 152 | 51.0 |
| | Total | 300 | 100 |
| Age | 18-29 | 75 | 25.0 |
| | 30-39 | 111 | 37.0 |
| | 40-49 | 58 | 28.3 |
| | 50 and Above | 29 | 9.7 |
| | Total | 300 | 100 |
| Duration | Less than 2years | 99 | 33 |
| | 2-5 | 199 | 66.3 |
| | 6-9 | 2 | 0.7 |
| | 10 years and above | 0 | 0.0 |
| | Total | 300 | 100 |
| Account | Savings | 101 | 33.7 |
| | Current | 81 | 27.0 |
| | Investment | 47 | 15.7 |
| | Loans | 71 | 23.7 |

| | | | |
|---|---|---|---|
| | Total | 300 | 100 |
| Education | HND/Diploma | 119 | 39.7 |
| | First degree | 123 | 41.0 |
| | Masters | 39 | 13.0 |
| | Other | 19 | 6.3 |
| | **Total** | **110** | **100** |
| Category | Retail | 105 | 35.0 |
| | Corporate | 185 | 62.3 |
| | Other | 8 | 2.7 |
| | Total | 300 | 100 |
| Customer Profile | Originally with Procredit | 92 | 30.7 |
| | Have been with Fidelity before M&A | 96 | 32.0 |
| | Joined after Fidelity after M&A | 112 | 37.3 |
| | Total | 300 | 100 |

Source: Author, 2016.

### 4.3 Reliability rest

There are several statistical indexes that may be used to measure the amount of internal consistency. The most popular index (and the one reported in Testing & Evaluation's item analysis) is referred to as Cronbach's alpha. Cronbach's alpha provides a measure of the extent to which the items on a test, each of which could be thought of as a mini-test, provide consistent information with regard to post M&A integration. Rudner and Schafer (2001) argue that the best way to view reliability is the extent to which test measurements are the result of properties of those individuals being measured. For example, reliability has been defined as "the degree to which test scores for a group of test takers are consistent over repeated applications of a measurement procedure and hence are inferred to be dependable and repeatable for an individual test taker" (Berkowitz et al. 2000).

Cronbach's alpha ranges from 0 to 1.00, with values close to 1.00 indicating high consistency. Professionally developed high-stakes standardized tests should have internal consistency coefficients of at least .90. Lower-stakes standardized tests should have internal consistencies of at least .80 or .85. It is however desirable to have a reliability coefficient of .70 or higher. High reliability coefficients are required for standardized tests because they are administered only once. Table 4.2 below presents alpha scores for the various constructs.

**Table 4.2: Reliability test**

| **Description** | **Number of items** | **Alpha** |
|---|---|---|
| Management commitment | 15 | **0.74** |
| Customer switching behaviour | 10 | **0.91** |
| Customer satisfaction | 10 | **0.87** |
| M&A Cultural values | 4 | **0.86** |
| M&A I.T system | 5 | **0.71** |
| M&A Managerial style | 4 | **0.88** |

Source: Author, 2016.

As shown in the table 4.2 above, all alpha coefficients are above 0.70 indicating a high level of consistency in the data.

In table 4.3 below, the study provides a summary of descriptive analysis and the correlation matrix. In correlation analysis, we estimate a sample correlation coefficient, more specifically the Pearson Product Moment correlation coefficient. The sample correlation coefficient denoted by **r**, ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables (Kleinbaum, 1988). The correlation between two variables can be positive (i.e., higher levels of one variable are associated with higher levels of the other) or negative (i.e., higher levels of one variable are associated with lower levels of the other).

The sign of the correlation coefficient indicates the direction of the association. The magnitude of the correlation coefficient indicates the strength of the association. For example, a correlation of r = 0.9 suggests a strong, positive association between two variables, whereas a correlation of r = -0.2 suggest a weak, negative association. A correlation close to zero suggests no linear association between two continuous variables (Kleinbaum, 1988).

**Table 4.3: Correlation Matrix and Descriptive Analysis (Post M&A integration, Customer satisfaction an d Switching behaviour)**

| Variables | Mean | Std. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Gender | 1.5 | .51 | 1.00 | | | | | | | | | |
| 2. Age | 2.2 | .93 | -0.30 | 1.00 | | | | | | | | |
| 3. Education | 1.86 | 0.87 | -0.21 | 0.32 | 1.00 | | | | | | | |
| 4. Experience | 1.68 | 0.48 | -0.26 | 0.29 | 0.03 | 1.00 | | | | | | |
| 5. Grouping | 2.1 | 0.82 | 0.22 | -0.39 | -0.04 | -0.56 | 1.00 | | | | | |
| 6.C.Switching B | 3.64 | .67 | -0.03 | 0.15 | 0.19 | 0.01 | -0.08 | 1.00 | | | | |
| 7. Cust. Sat. | 3.57 | .63 | 0.16 | -0.21 | -0.18 | -0.06 | 0.01 | -0.39 | 1.00 | | | |
| 8.Cultural V. | 3.71 | .89 | -0.04 | 0.08 | 0.11 | -0.02 | -0.05 | 0.44 | -0.18 | 1.00 | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 9.IT | 2.61 | .89 | 0.02 | 0.00 | 0.15 | -0.11 | 0.02 | 0.44 | -0.23 | -0.54 | 1.00 | |
| 10. Man. Style | 1.87 | 1.01 | -0.14 | 0.13 | 0.22 | -0.02 | -0.09 | 0.51 | -0.30 | 0.55 | 0.50 | 1.00 |

*****correlation is significant at 1% (two tail test)**

****correlation is significant at 5% (two tail test)**

As seen in table 4.3 above, all correlation coefficients are below 0.70 indicating that a weak association between variables. The directions of some variables were positive whilst other denoted negative association. For instance, customer switching behaviour negatively correlated with customer satisfaction showing that more people leave an organisation if they fail to derive the needed satisfaction from service providers. There is also a negative correlation between cultural values and customer satisfaction. The relationship between I.T and cultural values was -0.54 whilst that of managerial style and I.T was positive (0.50).

Below is the inter-construct correlation between variables. As shown, the highest correlation was 0.54. The relationship between managerial style and switching behaviour was positive (0.52). That of customer satisfaction and switching behaviour was -0.039.

**Table 4.4: Inter-construct correlation**

| **Variables** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| 1. C. Switching B | 1.00 | | | | |
| 2. Cust. Sat. | -0.39 | 1.00 | | | |
| 3. Cultural V. | 0.44 | -0.17 | 1.00 | | |
| 4. IT | 0.44 | -0.23 | 0.54 | 1.00 | |

| | | | | | |
|---|---|---|---|---|---|
| 5. Man. Style | 0.52 | -0.30 | 0.55 | 0.50 | 1.00 |

Source: Author, 2016.

*****correlation is significant at 1% (two tail test)**

****correlation is significant at 5% (two tail test)**

### 4.4 COMMITMENT TO POST-M&A INTEGRATION ACTIVITIES

As part of the study, objective sought to assess management commitment to dealing with postM&A integration. Studies show that plays a key role in the success of an M&A. Integration is required not only on the hard level, encompassing the integration of operations, systems and procedures but also it requires a consideration of those hard factors in relation to the soft side of two organizations (Quah & Young, 2005). This will not only aid an effective integration but will also help to create a strong new organizational culture for day-to-day business.

In all, respondents (staff) were presented with 15 items to assess management's commitment to post acquisition integration (see table 4.5 below). **Table 4.5: Measures for post-acquisition integration**

| CODE | **Assessing Management's commitment to post-acquisition integration** |
|---|---|
| **CP1** | Management has invested in new I.T systems after acquiring Procredit |
| **CP2** | There are on-going projects to integrate all I.T software |
| **CP3** | Security systems have been well integrated |
| **CP4** | There are periodic reviews on accounting software |
| **CP5** | Management is committed to risk reduction after the acquisition |
| **CP6** | Management ensured that workers from Procredit are taken through orientation |
| **CP7** | Staff from Procredit are exposed to reporting structures of Fidelity |
| **CP8** | Management ensures that all core values are upheld |
| **CP9** | Communication and reporting channels are known to all employees |
| **CP10** | Managers from ProCredit branches have been taken through training programs |
| **CP11** | Managers were taken through strategic and policy issues of the bank |
| **CP12** | Management promotes participatory decision making |

| | |
|---|---|
| **CP13** | There is on-going training and orientation for all workers |
| **CP14** | Management is committed to team work |
| **CP15** | Management ensures that all workers are treated equally |

Source: Author, 2016.

The Likert scale used was **(1) "Strongly Disagree to (5) "strongly Agree**".

The results of the analysis are presented in Table 4.6. The hypothesized mean was 3.5.

**Table 4.6: Commitment to Post-M&A Integration**

| **Item** | **Obs** | **Mean** | **T-value (3.5)** | **Sig.** | **Std. deviation** | **Std. Error Mean** | **95% Confidence interval of Diff.** | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | **Lower** | **Upper** |
| **CP1** | 110 | 3.08 | -1.705 | .091 | 1.342 | .128 | -.47 | .04 |
| **CP2** | 110 | 3.57 | 2.861 | .005 | 1.000 | .095 | .08 | .46 |
| **CP3** | 110 | 3.57 | 2.915 | .004 | .981 | .094 | .09 | .46 |
| **CP4** | 110 | 3.69 | 4.926 | .000 | .832 | .079 | .23 | .55 |
| **CP5** | 110 | 4.21 | 20.239 | .000 | .471 | .045 | .82 | 1.00 |
| **CP6** | 110 | 4.35 | 20.603 | .000 | .532 | .051 | .94 | 1.15 |
| **CP7** | 110 | 4.25 | 18.195 | .000 | .545 | .052 | .84 | 1.05 |
| **CP8** | 110 | 4.23 | 17.085 | .000 | .569 | .054 | .82 | 1.03 |
| **CP9** | 110 | 3.89 | 6.871 | .000 | .902 | .086 | .42 | .76 |
| **CP10** | 110 | 4.26 | 22.834 | .000 | .443 | .042 | .88 | 1.05 |
| **CP11** | 110 | 4.22 | 16.582 | .000 | .581 | .055 | .81 | 1.03 |
| **CP12** | 110 | 4.05 | 10.303 | .000 | .759 | .072 | .60 | .89 |
| **CP13** | 110 | 3.60 | 2.627 | .010 | 1.198 | .114 | .07 | .53 |
| **CP14** | 110 | 3.84 | 6.779 | .000 | .830 | .079 | .38 | .69 |
| **CP15** | 110 | 3.23 | -.627 | .532 | 1.217 | .116 | -.30 | .16 |

Source: Author, 2016

The study found that management of Fidelity Bank was committed to post M&A integration activities. Items C5 -12 recorded mean values of 4.0 and above indicating staff strongly agreed with statements such as management was committed to elements such as risk reduction after the acquisition, taking workers from Procredit or new workers through orientation, exposing new Staff to reporting structures of Fidelity, ensuring that all core values are upheld, making sure all communication and reporting channels are known to all employees, taking all new branches, through training programs, taking new managers through strategic and policy issues of the bank and further promoting participatory decision making.

The mean values were low for items such as "Management has invested in new I.T systems after acquiring Procredit, there are periodic reviews on accounting software, and Management ensures that all workers are treated equally. This highlights areas that management needs to improve to avert the risk of M&A failure in the long term. This is because having weak accounting systems gives both customers and staff the opportunity to engage in fraud.

## 4.5 POST M&A INTEGRATION AND CUSTOMER SWITCHING BEHAVIOUR

The study also sought to examine the relationship between post-M&A integration and customer switching behaviour. Several studies have revealed that the following factors contribute to customer switching: dissatisfaction in the financial services industry (Crosby and Stephen, 1987), service encounter failure (Kelley, Hoffman, and Davis, 1995), and perceptions of quality in the banking industry (Rust and Zahorik, 1993). Furthermore, previous studies have highlighted that service quality and satisfaction are related to service switching (Bitner, 1990; Zeithaml, Berry, and Parasuraman, 1996).

Although it is acknowledged that service quality and customer satisfaction are important drivers of service switching, researchers have emphasized the need to shift away from a sole focus on these broad evaluative concepts of service. Instead, emphasis is being placed on classifying the specific problems, events and non-service factors that may cause service switching (Levesque and

McDougall, 2006; Zeithaml, Berry, and Parasuraman, 1996). Keaveney (1995) used a generalized model to examine consumer switching behaviour across a broad spectrum of service providers including banks. The model includes eight factors influencing service switching: pricing, inconvenience, core service failure, service encounter failure, response to service failure, ethics, competition, and involuntary switching. However, Mittal, Ross, and Baldasare (1998) indicated that the unique characteristics of switching behaviour in specific service contexts such as banking may be masked when generalized models are directly applied. For example, even though a problem may occur frequently and cause switching in some service industries, it does not necessarily mean that the problem will be an important influence on a customer's eventual decision to switch banks

**Table 4.7: Customer switching behaviour measures**

| N | **Assessing Customers switching behaviour** |
|---|---|
| **CSB1** | I feel reluctant putting money in my bank account |
| **CSB2** | I make more withdrawals than deposits |
| **CSB3** | I'm likely to change my bank next year |
| **CSB4** | The bank makes unnecessary deductions from my account |
| **CSB5** | Interest on loans are too high compared to other banks |
| **CSB6** | I have multiple accounts with several banks |
| **CSB7** | The bank's ATM is not reliable |
| **CSB8** | I don't feel moved about the bank's promotions |
| **CSB9** | I have experienced ATM fraud with the bank |
| **CSB10** | The bank does not value customer complaints |

Source: Author, 2016.

The Likert scale for customer switching behaviour was 1"Strongly Disagree to (5) "strongly Agree. The results are presented in table 4.8 below.



**Table 4.8: Customer switching behaviour**

| Item | Obs | Mean | T-value | Sig. | Std. deviation | Std. Error Mean | 95% Confidence interval of Diff. | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Lower | Upper |
| CSB1 | 300 | 1.69 | -34.729 | .000 | .904 | .052 | -1.92 | -1.71 |
| CSB2 | 300 | 1.83 | -29.379 | .000 | .987 | .057 | -1.79 | -1.56 |
| CSB3 | 300 | 1.86 | -28.914 | .000 | .980 | .057 | -1.75 | -1.53 |
| CSB4 | 300 | 2.03 | -23.695 | .000 | 1.072 | .062 | -1.59 | -1.34 |
| CSB5 | 300 | 2.88 | -8.379 | .000 | 1.289 | .074 | -.77 | -.48 |
| CSB6 | 300 | 2.88 | -7.595 | .000 | 1.414 | .082 | -.78 | -.46 |
| CSB7 | 300 | 1.80 | -31.075 | .000 | .946 | .055 | -1.80 | -1.59 |
| CSB8 | 300 | 1.92 | -25.638 | .000 | 1.065 | .061 | -1.70 | -1.46 |
| CSB9 | 300 | 1.74 | -37.274 | .000 | .816 | .047 | -1.85 | -1.66 |
| CSB10 | 300 | 1.93 | -25.961 | .000 | 1.045 | .060 | -1.69 | -1.45 |

Source: Author, 2016

As shown in table 4.8 above, all mean values for customer switching were low indicating that there is low tendency of switching among customers. The mean values ranged between 1.69 2.03 (strongly disagree – disagree). Customers were however silent on items such as interest on loans are too high compared to other banks (CSB 5) and whether they had multiple accounts with several banks (CSB6).

**4.5.1 Relationship between Post M&A Integration and Customer Switching Behaviour**

Regression analysis is a widely used technique which is useful for evaluating multiple independent variables. As a result, it is particularly useful for assess and adjusting for confounding. It can also be used to assess the presence of effect modification. Table 4.9 presents the regression results on the effect of Post M&A Integration on Customer Switching Behaviour.

**Table 4.9: Effect of Post M&A Integration on Customer Switching Behaviour**

| ***Independent Variables*** | ***Coefficient*** | ***Std. Err*** | ***t*** | ***P>\|t*** | ***[95% Conf.*** | ***Interval]*** |
|---|---|---|---|---|---|---|
| Cultural values | .1138118 | .0455975 | 2.50 | 0.013 | .0240753 | .2035483 |
| I.T Infrastructure | .1415024 | .0440041 | 3.22 | 0.001 | .0549018 | .2281031 |
| Managerial style | .221828 | .0391861 | 5.66 | 0.000 | .1447094 | .2989466 |
| Constant | 1.072634 | .0956089 | 11.22 | 0.000 | .8844745 | 1.260793 |
| Switching behaviour | .2976693 | .0243046 | | | .2536493 | .3493288 |
| | | | | | | |
| Adj R-squared | 0.3209 | | | | | |
| R-squared | 0.3277 | | | | | |
| Prob > F | 0.00 | | | | | |
| Root MSE | .54926 | | | | | |

Source: Author, 2016.

Table 4.9 above shows the model measuring the effect of Post M&A integration on Customer switching behaviour. A linear regression line has an equation of the form ***Y* = *a* + *bX*** + **C + e** where ***X*** is the explanatory variable and ***Y*** is the dependent variable. The slope of the line is ***b***, and ***a*** is the intercept (the value of ***y*** when ***x*** = 0) and **e=** error term

When the coefficients are computed, the equation becomes: ***Customer switching behaviour = 1.072634 + 0 .114 (Cultural values) + .1415(I.T Infrastructure) + .2218 (Managerial style)*** As noted in Table 4.9 above, the $R^2$ is approximately 0.33 indicating that changes in the model can be explained by 33 per cent. The result shows a positive correlation between Customer switching behaviour and post M&A integration. A radical infusion of cultural values, technology infrastructure and managerial style pose a higher tendency for customers to switch because it creates lots of inconvenience in using the bank's services. In mergers and acquisition, culture is very crucial. When the post M&A cultural issues are not properly handled, it can affect customers directly or indirectly (11%). Similarly, radical migration of I.T systems to a more sophisticated network without careful planning can pose serious inconveniences to customers of the bank (14%). Another key area is managerial style (20%). During M&As, the managerial perspective cannot be ruled out. Managers often want to surround themselves with people they trust. Too much emphasis on the attribute can affect staff morale thereby affecting service delivery. In summary, areas in post integration that significantly impacts switching behaviour include managerial style and I.T infrastructure.

Figure 4.1 below shows the path diagram for the relationship between Post M&A Integration and Customer Switching Behaviour.

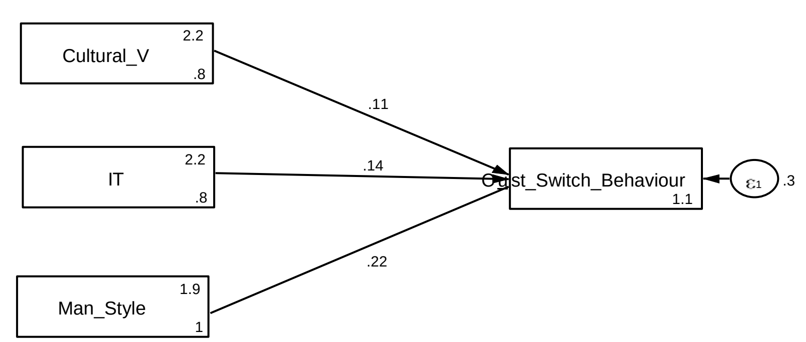


**Figure 4.1: The relationship between Post M&A Integration and Customer Switching Behaviour.**

Source: Author, 2016.

## 4.6 EFFECT OF POST-M&A INTEGRATION ON CUSTOMER SATISFACTION LEVELS OF FIDELITY CUSTOMERS

The study also sought to examine the effect of Post M&A Integration and Customer satisfaction. Stewart (1998) and Gerrard and Cunningham (2000) have studied customer switching behaviour in the banking industry. Stewart (1998) suggested four types of switching incidents that relate to how customers were treated: facilities, provision of information and confidentiality, and services issues. Gerrard and Cunningham (2000) also identified six incidents that they considered to be important in gaining an understanding of switching between banks. These incidents were: inconvenience, service failures, pricing, unacceptable behaviour, attitude or knowledge of staff, involuntary/seldom mentioned incidents, and attraction by competitors.

The regression results are presented in table 4.10.

**Table 4.10: Effect of Post M&A Integration on Customer Satisfaction**

| **Independent Variables** | **Coefficient** | **Std. Err** | **z** | **P>\|z** | **[95% Conf.** | **Interval]** |
|---|---|---|---|---|---|---|
| Cultural values | .0222426 | .0496329 | 0.45 | 0.654 | -.075036 | .1195213 |
| I.T Infrastructure | -.0845541 | .0478985 | -1.77 | 0.078 | -.1784334 | .0093251 |
| Managerial style | -.1621612 | .042654 | -3.80 | 0.000 | -.2457616 | -.0785609 |
| Constant | 4.171279 | .1040702 | 40.08 | 0.000 | 3.967305 | 4.375253 |
| Dependent: **Customer Satisfaction** | .3574536 | .029186 | | | .3045926 | .4194884 |
| | | | | | | |
| R-squared | 0.102 | | | | | |
| chi-square | 0.00 | | | | | |
| degrees of freedom | 0.00 | | | | | |
| p-value | 0.00 | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| RMSEA | 0.00 | | | | | |
| CFI | 1.00 | | | | | |
| SRMR | 0.00 | | | | | |
| TLI | 1.00 | | | | | |
| **Dependent variable** | **Customer satisfaction** | | | | | |

Source: Author, 2016.

When the coefficients are computed, the equation becomes: ***Customer satisfaction = 4.171279 + .0222426(Cultural values) - 0.0845541 (I.T Infrastructure) - 0.1621612 (Managerial style)***

As noted in Table 4.10 above, the $R^2$ is approximately 0.10 indicating that changes in the model can be explained 10 per cent. The result shows a positive correlation between Customer satisfaction and post M&A integration. The study also found an inverse relationship between I.T network and customer satisfaction. There was also a negative relationship between managerial style and customer satisfaction in M&As. The implication is that making room for some flexibility in I.T systems for customers who are not conversant to the use of sophisticated systems is appropriate to satisfying them.

The path analysis is presented in figure 4.2 below.

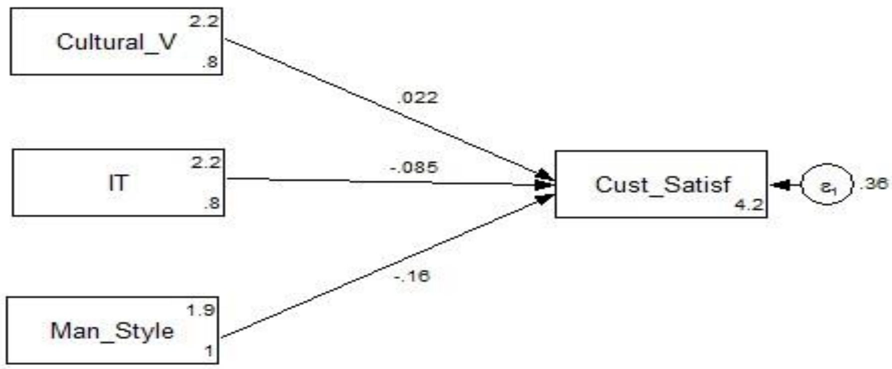


**Figure 4.1: Effect of Post M&A Integration on Customer Satisfaction** Source: Author, 2015.

### 4.7 POST M & A CHALLENGES

The final part of the study is devoted to examining post –integration challenges facing Fidelity Bank. One sample t-test was conducted for customer response and staff. To this effect, the study explored post integration challenges from both customer perspective and staff perspective. The essence is to understand challenges facing both groups.

The one-sample t-test is used to determine whether a sample comes from a population with a specific mean. The hypothesised mean in this case is 3.5. This implies that mean values below 3.5 would be rejected.

**Table 4.11: Coding for Post integration challenges**

| N | **POST-ACQUISITION INTEGRATION CHALLENGES** |
|---|---|

| | |
|---|---|
| | **CULTURAL VALUES** |
| CV1 | Customers were not well communicated to during the acquisition |
| CV2 | I still struggle to understand the company's core values |
| CV3 | Some workers have little knowledge about the bank's products |
| CV4 | There is less team work among frontline executives |
| | **IT INFRASTRUCTURE** |
| IT1 | There is less investment in new I.T systems |
| IT2 | The bank runs different I.T systems that affect operations |
| IT3 | Security systems have not been well integrated |
| IT4 | There is need for periodic reviews on accounting software |
| IT5 | There are reports of ATM thefts |
| | **MANAGERIAL STYLE** |
| MS1 | Some managers speak to customers rudely |
| MS2 | Some managers are impatient when dealing with customers |
| MS3 | The bank does not listen to customers when designing new products |
| MS4 | There is little room customer complaints |

Source: Author, 2016.

**Table 4.12: Post M&A Integration from customers' perspective**

| Item | Obs | Mean | T-value | Sig. | Std. deviation | Std. Error Mean | 95% Confidence interval of Diff. | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Lower | Upper |
| **Cultural values** | | | | | | | | |
| CV1 | 300 | 2.76 | -8.874 | .000 | 1.438 | .083 | -.90 | -.57 |
| CV2 | 300 | 2.19 | -18.349 | .000 | 1.240 | .072 | -1.45 | -1.17 |
| CV3 | 300 | 2.12 | -20.622 | .000 | 1.159 | .067 | -1.51 | -1.25 |
| CV4 | 300 | 1.88 | -30.225 | .000 | .928 | .054 | -1.73 | -1.51 |
| **I.T Infrastructure** | | | | | | | | |
| IT1 | 300 | 1.89 | -25.183 | .000 | 1.110 | .064 | -1.74 | -1.49 |
| IT2 | 300 | 2.03 | -25.721 | .000 | .988 | .057 | -1.58 | -1.35 |
| IT3 | 300 | 2.02 | -24.861 | .000 | 1.031 | .060 | -1.60 | -1.36 |
| IT4 | 300 | 2.90 | -6.683 | .000 | 1.555 | .090 | -.78 | -.42 |
| IT5 | 300 | 2.29 | -18.633 | .000 | 1.122 | .065 | -1.33 | -1.08 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Managerial style** | | | | | | | | |
| MS1 | 300 | 1.86 | -23.413 | .000 | 1.213 | .070 | -1.78 | -1.50 |
| MS2 | 300 | 1.96 | -21.516 | .000 | 1.240 | .072 | -1.68 | -1.40 |
| MS3 | 300 | 1.80 | -29.135 | .000 | 1.013 | .058 | -1.82 | -1.59 |
| MS4 | 300 | 1.86 | -26.712 | .000 | 1.063 | .061 | -1.76 | -1.52 |

Source: Author, 2016.

As shown in Table 4.12, all means values were low indicating that customers disagreed with most of the statements posed. However, respondents held the view that customers were not adequately informed about the acquisition of Procredit. Customers also held the view that there is need for periodic review of the bank's accounting software to address issues of wrong statements or account balances any time customers use their ATMs.

In Table 4.13, the researcher also presented responses from staff of Fidelity bank.

**Table 4.13: Post M&A Integration from Staff perspective**

| Item | Obs | Mean | T-value | Sig. | Std. deviation | Std. Error Mean | 95% Confidence interval of Diff. | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Lower | Upper |
| **Cultural values** | | | | | | | | |
| CV1 | 110 | 1.67 | -20.189 | .000 | .949 | .091 | -2.01 | -1.65 |
| CV2 | 110 | 1.59 | -23.580 | .000 | .849 | .081 | -2.07 | -1.75 |
| CV3 | 110 | 1.58 | -25.329 | .000 | .794 | .076 | -2.07 | -1.77 |
| CV4 | 110 | 1.79 | -17.668 | .000 | 1.015 | .097 | -1.90 | -1.52 |
| **I.T Infrastructure** | | | | | | | | |
| IT1 | 110 | 1.56 | -23.847 | .000 | .852 | .081 | -2.10 | -1.78 |
| IT2 | 110 | 1.48 | -32.077 | .000 | .660 | .063 | -2.14 | -1.89 |
| IT3 | 110 | 1.76 | -18.480 | .000 | .985 | .094 | -1.92 | -1.55 |
| IT4 | 110 | 2.75 | -5.216 | .000 | 1.517 | .145 | -1.04 | -.47 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| IT5 | 110 | 1.67 | -21.803 | .000 | .879 | .084 | -1.99 | -1.66 |
| **Managerial style** | | | | | | | | |
| MS1 | 110 | 1.45 | -22.946 | .000 | .935 | .089 | -2.22 | -1.87 |
| MS2 | 110 | 1.46 | -23.589 | .000 | .905 | .086 | -2.21 | -1.87 |
| MS3 | 110 | 1.65 | -17.940 | .000 | 1.079 | .103 | -2.05 | -1.64 |
| MS4 | 110 | 1.72 | -17.645 | .000 | 1.059 | .101 | -1.98 | -1.58 |

Source: Author, 2016.

The study found that all mean values were low meaning staff disagreed with statements such as: Most core values are not upheld by workers, Staff who joined Fidelity from Procredit are still not fully oriented, there are cases of turf battles among workers from the two banks, Communication and reporting channels are yet to be fully complied with etc. However, the mean value of IT4: There is need for periodic review of accounting software was averagely high. This result confirms earlier disclosure made by customers. This suggests that accounting software integration formed the most post M&A challenge facing Fidelity Bank.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

This chapter presents summary of findings, conclusion and recommendation for the study. As highlighted in the introductory chapter, the study specifically sought to assess management' commitment to post-M&A integration activities within Fidelity Bank, examine the relationship between post M&A integration and customer switching behaviour, examine the effect of postM&A integration on customer satisfaction levels and finally, identify post M&A integration challenges encountered by Fidelity during its acquisition of Procredit Limited.

**5.2 Summary of Findings**

This part of the study captures summary of findings from the previous chapter. The essence is to present concisely was identified.

**5.2.1 Commitment to Post-M&A Integration Activities**

In all, respondents (staff) were presented with 15 items to assess management's commitment to post acquisition integration. The study found that management of Fidelity Bank was committed to post M&A integration activities. Items C5 -12 (see table 4.6 in chapter 4) recorded mean values of 4.0 and above indicating staff strongly agreed with statements such as management was committed to elements such as risk reduction after the acquisition, taking workers from Procredit or new workers through orientation, exposing new Staff to reporting structures of Fidelity, ensuring that all core values are upheld, making sure all communication and reporting channels are known to all employees, taking all new branches, through training programs, taking new managers through strategic and policy issues of the bank and further promoting participatory decision making. The study however found the mean values were low for items such as "Management has invested in new I.T systems after acquiring Procredit, there are periodic reviews on accounting software, and Management ensures that all workers are treated equally. This highlights areas that management needs to improve to avert the risk of M&A failure in the long term. This is because having weak accounting systems gives both customers and staff the opportunity to engage in fraud. Similarly, if workers feel that they are not fairly treated, they are likely to be demotivated.

### 5.2.2 Post M&A Integration and Customer Switching Behaviour

The study also sought to examine the relationship between post-M&A integration and customer switching behaviour. The initial t-test results found that all mean values for customer switching behaviour were low indicating that there was low level of disloyalty among customers. The mean values ranged between 1.69 -2.03 (strongly disagree – disagree). Customers were however silent on items such as interest on loans are too high compared to other banks (CSB 5) and whether they had multiple accounts with several banks (CSB6).

The regression result also indicated showed an $R^2$ of approximately 0.33 indicating that changes in the model can be explained by 33 per cent. The result shows a positive correlation between customer switching behaviour and post M&A integration. This suggests that radical infusion of cultural values; technology infrastructure and managerial style give cause for customers to switch because it creates lots of inconvenience in using the bank's services particularly IT systems. In mergers and acquisition, culture is very crucial. When the post M&A cultural issues are not properly handled, it can affect customers directly or indirectly (11%). Similarly, radical migration of I.T systems to a more sophisticated network without careful planning can pose serious inconveniences to customers of the bank (14%). Another key area is managerial style (20%).

### 5.2.3 Effect of Post-M&A Integration on Customer Satisfaction Levels of Fidelity Customers

The study also sought to examine the effect of Post M&A Integration and Customer satisfaction. The $R^2$ is approximately 0.10 indicating that changes in the model can be explained 10 per cent. The study also found a positive correlation between customer satisfaction and post M&A

integration. There was however an inverse relationship between I.T network and customer satisfaction. Similar negative relationship was also found to exist between managerial style and customer satisfaction in M&As.

### 5.2.4 Post-Merger and Acquisition Challenges

The final part of the study was devoted to post –integration challenges facing Fidelity Bank. One sample t-test was conducted for customer response and staff.

For customers, all means values were low indicating that customers disagreed with most of the statements posed (i.e. some workers have little knowledge about the bank’s products, some managers speak to customers rudely, there is little room customer complaints, the bank does not listen to customers when designing new products). However, respondents held the view that customers were not adequately informed about the acquisition of Procredit. Customers also held the view that there is need for periodic review of the bank’s accounting software to address issues of wrong statements or account balances any time customers use their ATMs.

On the part of Staff, the study found that all mean values were low meaning staff disagreed with statements such as: Most core values are not upheld by workers, Staff who joined Fidelity from Procredit are still not fully oriented, there are cases of turf battles among workers from the two banks, Communication and reporting channels are yet to be fully complied with etc. However, the mean value of IT4: There is need for periodic review of accounting software was averagely high. This result confirms earlier disclosure made by customers. This suggests that accounting software integration formed the most post M&A challenge facing Fidelity Bank.

## 5.3 Conclusion

Although it is acknowledged that service quality and customer satisfaction are important drivers of service switching, researchers have emphasized the need to shift away from a sole focus on these broad evaluative concepts of service. Instead, emphasis is being placed on classifying the specific problems, events and non-service factors that may cause service switching (Levesque and McDougall, 2006; Zeithaml, Berry, and Parasuraman, 1996). Keaveney (1995) used a generalized model to examine consumer switching behaviour across a broad spectrum of service providers including banks. The model includes eight factors influencing service switching: pricing, inconvenience, core service failure, service encounter failure, response to service failure, ethics, competition, and involuntary switching.

This research combined these factors to arrive at the conclusion that a positive relationship exists between customer satisfaction and post M&A integration. There was however an inverse relationship between I.T network integration and customer satisfaction. Similar negative relationship was also found to exist between managerial style and customer satisfaction in M&As. For customer switching behaviour and post M&A integration, the study concludes that there is a positive correlation between customer switching behaviour and post M&A integration.

## 5.4 Recommendation

On the basis of the above findings, the following recommendations are made:

First, it is important for management of Fidelity to commit more resources aimed at upgrading accounting software as most respondents disclosed that they often receive wrong statements especially whenever they used the Bank's ATM services.

Second, it is important that future M&As are properly communicated to all stakeholders. As found in the study, customers were not aware of the acquisition of Procredit. Failing to effectively handle communication aspects during an M&A could create room for panic withdrawals which is likely to affect the liquidity position of the company.

It is also important for management to promote equity in dealing with employees. All employees must be treated equal. It is therefore important to reorient workers already with Fidelity and those from Procredit to work as a team and further uphold the company's core values.

Finally, managerial style and IT systems were found to significantly affect post M&A integration. It is therefore important that going forward, these areas are carefully considered before merging or acquiring another firm. It is also imperative to examine the culture that exists in both entities as this has the potential to create turf battles among managers.

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## APPENDIX I

### QUESTIONNAIRE (CUSTOMERS)

My name is Agnes Ivy Bimpeh Harrison, an MBA student specializing in Strategic Management and Consulting. As part of the requirement for the programme, I have chosen to examine the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry using Fidelity Bank as a case study. I shall be grateful if you could grant me few minutes of your time. The questionnaire is in 4 parts and expected to last for a maximum of 10 minutes.

Thank you for your time

**PART A: DEMOGRAPHIC INFORMATION**

1. Please indicate the Fidelity Branch you work with…………………………………………………………………
2. How long have you been a customer of Fidelity bank? **[ ]**less than 1yr **[ ]**2-5yrs 6-9yrs **[ ]** 10yrs and above
3. Type of Account / product: **[ ]**Savings **[ ]**Current **[ ]**Investment

   **[ ]** Loans **[ ]** other (s)…………………………………..
4. Which of the following applies to you?

**[ ]** I was originally with Procredit

**[ ]** I have been with Fidelity Bank even before the acquisition Procredit

**[ ]** I became a customer of Fidelity bank after the acquisition of Procredit

5. Education **[ ]** Diploma **[ ]**First degree **[ ]**Masters
6. Customer type: **[ ]** Corporate **[ ]** Retail
7. Age (please specify)……………………………………………………………………….
8. Gender **[ ]** Male **[ ]** Female

## PART B: CUSTOMER SWITCHING BEHAVIOUR

Here, respondents are required to assess their behaviour in using the bank's service using the Likert scale anchored **(1) "Strongly Disagree to (5) "strongly Agree**

| N | **Assessing Customers switching behaviour** | **Strongly disagree** | | | **Strongly agree** | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **1.** | I feel reluctant putting money in my bank account | | | | | |
| **2.** | I make more withdrawals than deposits | | | | | |
| **3.** | I'm likely to change my bank next year | | | | | |
| **4.** | The bank makes unnecessary deductions from my account | | | | | |
| **5.** | Interest on loans are too high compared to other banks | | | | | |
| **6.** | I have multiple accounts with several banks | | | | | |
| **7.** | The bank's ATM is not reliable | | | | | |
| **8.** | I don't feel moved about the bank's promotions | | | | | |
| **9** | I have experienced ATM fraud with the bank | | | | | |
| **10** | The bank does not value customer complaints | | | | | |

## PART C: CUSTOMER SATISFACTION LEVELS

In this part, respondents are required to assess their satisfaction levels using the Likert scale anchored **(1) "Strongly Disagree to (5) "strongly Agree**

| N | **CUSTOMER SATISFACTION LEVEL** | **Strongly disagree** | | | **Strongly agree** | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **1.** | I'm pleased with the bank's services | | | | | |
| **2.** | I feel safe when doing transactions with the bank | | | | | |
| **3.** | Employees are courteous when dealing with customers | | | | | |
| **4.** | I will recommend Fidelity to family and friends | | | | | |
| **5.** | I have less complaints about service failure | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 6. | I have no plans of changing my bank anytime soon | | | | | |
| 7. | The bank's ATM services are reliable | | | | | |
| 8. | The banking hall is well arranged with easy movement | | | | | |
| 9 | The bank's security systems is robust and can be trusted | | | | | |
| 10 | The bank explains to customers when there is system failure | | | | | |

**PART D: POST INTEGRATION CHALLENGES**

Respondents are required to identify some post –acquisition integration challenges facing them suing the scale (**1) "Strongly Disagree to (5) "strongly Agree**".

| N | **Post-acquisition integration CHALLENGES** | **Strongly disagree** | | | **Strongly agree** | |
|---|---|---|---|---|---|---|
| | **CULTURAL VALUES** | 1 | 2 | 3 | 4 | 5 |
| 1. | Customers were not well communicated to during the acquisition | | | | | |
| 2. | I still struggle to understand the company's core values | | | | | |
| 3. | Some workers have little knowledge about the bank's products | | | | | |
| 4. | There is less team work among frontline executives | | | | | |
| | **IT INFRASTRUCTURE** | | | | | |
| 5. | There is are frequent system failures when using ATMs | | | | | |
| 6. | The bank runs different I.T systems that affect operations | | | | | |
| 7. | Security systems have not been well integrated | | | | | |
| 8. | There is need for periodic reviews on accounting software | | | | | |
| 9 | There are reports of ATM thefts | | | | | |
| | | | | | | |
| | **MANAGERIAL STYLE** | | | | | |
| 10 | There bureaucracies when one wants to see a branch manager | | | | | |
| 11 | Some managers are impatient when dealing with customers | | | | | |
| 12 | The bank does not listen to customers when designing new products | | | | | |
| 13 | There is little room customer complaints | | | | | |

## APPENDIX II

### QUESTIONNAIRE (STAFF)

My name is Agnes Ivy Bimpeh Harrison, an MBA student specializing in Strategic Management and Consulting. As part of the requirement for the programme, I have chosen to examine the effect of Post-M&A integration on Customers' switching behaviour in the Ghanaian banking industry using Fidelity Bank as a case study. I shall be grateful if you could grant me few minutes of your time. The questionnaire is in 4 parts and expected to last for a maximum of 10 minutes.

Thank you for your time

**PART A: DEMOGRAPHIC INFORMATION**

1. Please indicate the Fidelity Branch you work with…………………………………………………………………

2. How long have you worked with Fidelity bank? **[ ]**less than 1yr **[ ]**2-5yrs 6-9yrs **[ ]** 10yrs and above

3. Department: **[ ]**Sales & Marketing **[ ]**Retail **[ ]**Corporate banking **[ ]** Operations **[ ]** Enterprise Risk **[ ]** other (s)…………………………………..

4. Which of the following applies to you?

**[ ]** I was originally with Procredit

**[ ]** I have been with Fidelity Bank even before the acquisition Procredit

**[ ]** I joined Fidelity after Fidelity acquired Procredit

5. Education **[ ]** Diploma **[ ]**First degree **[ ]**Masters

6. Category of employee: **[ ]** Junior staff **[ ]** Senior staff/Management

7. Age (please specify)…………………………………………………………………………….

8. Gender **[ ]** Male **[ ]** Female

## PART B: MANAGEMENT'S COMMITMENT TO POST-M&A INTEGRATION ACTIVITIES

In this part, respondents are required to assess management's commitment to post –acquisition integration. **(1) "Strongly Disagree to (5) "strongly Agree**".

| N | **Assessing Management's commitment to post-acquisition integration** | **Strongly disagree** | | | **Strongly agree** | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **1.** | Management has invested in new I.T systems after acquiring Procredit | | | | | |
| **2.** | There are on-going projects to integrate all I.T software | | | | | |
| **3.** | Security systems have been well integrated | | | | | |
| **4.** | There are periodic reviews on accounting software | | | | | |
| **5.** | Management is committed to risk reduction after the acquisition | | | | | |
| **6.** | Management ensured that workers from Procredit are taken through orientation | | | | | |
| **7.** | Staff from Procredit are exposed to reporting structures of Fidelity | | | | | |
| **8.** | Management ensures that all core values are upheld | | | | | |
| **9** | Communication and reporting channels are known to all employees | | | | | |
| **10** | Managers from ProCredit branches have been taken through training programs | | | | | |
| **11** | Managers were taken through strategic and policy issues of the bank | | | | | |
| **12** | Management promotes participatory decision making | | | | | |
| **13** | There is on-going training and orientation for all workers | | | | | |
| **14** | Management is committed to team work | | | | | |
| **15** | Management ensures that all workers are treated equally | | | | | |

**PART C: CUSTOMER SWITCHING BEHAVIOUR**

Here, respondents are required to assess the behaviour of their CUSTOMERS using the Likert scale anchored **(1) "Strongly Disagree to (5) "strongly Agree**

| N | **Assessing Customers switching behaviour** | **Strongly disagree** | | | **Strongly agree** | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **1.** | We have recorded several inactive accounts | | | | | |
| **2.** | There is decline in deposits | | | | | |
| **3.** | There is decline in investment services | | | | | |
| **4.** | There is high loan default among customers | | | | | |
| **5.** | We received high level of complaints after acquiring ProCredit | | | | | |
| **6.** | Some customers threatened leaving the bank when the acquisition was announced | | | | | |
| **7.** | Customers complain about ATM systems failures | | | | | |
| **8.** | We run more promotions to win old customers back to the bank | | | | | |
| **9** | It is has become difficult to keep a customer consistently for 2years | | | | | |
| **10** | Some customers complain about our I.T system | | | | | |

**PART D: CUSTOMER SATISFACTION LEVELS**

In this part, respondents are required to assess the satisfaction levels of CUSTOMERS using the Likert scale anchored **(1) "Strongly Disagree to (5) "strongly Agree**

| N | **CUSTOMER SATISFACTION LEVEL** | **Strongly disagree** | | | **Strongly agree** | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **1.** | We have received positive feedback on our services | | | | | |
| **2.** | There has been an increase in deposits | | | | | |
| **3.** | Customers continue to show more interest investment services | | | | | |
| **4.** | There is low loan default among customers | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5. | There is less customer complaints | | | | | |
| 6. | Customer defection is low | | | | | |
| 7. | There is less complaints about ATM services | | | | | |
| 8. | Customers respond positively to the bank's promotions | | | | | |
| 9 | Our customers remain loyal to the bank, this is evident in the volume of transactions | | | | | |
| 10 | We have won several customer service awards by the CIMG | | | | | |

## PART E: POST INTEGRATION CHALLENGES

Respondents are required to identify some post –acquisition integration challenges facing the bank. **(1) "Strongly Disagree to (5) "strongly Agree".**

| N | Post-acquisition integration CHALLENGES | Strongly disagree | | | Strongly agree | |
|---|---|---|---|---|---|---|
| | CULTURAL VALUES | 1 | 2 | 3 | 4 | 5 |
| 1. | Most core values are not upheld by workers | | | | | |
| 2. | Staff who joined Fidelity from Procredit are still not fully oriented | | | | | |
| 3. | There are cases of turf battles among workers from the two banks | | | | | |
| 4. | Communication and reporting channels are yet to be fully complied with | | | | | |
| | I.T INFRASTRUCTURE | | | | | |
| 5. | There is less investment in new I.T systems | | | | | |
| 6. | The bank runs different I.T systems that affect operations | | | | | |
| 7. | Security systems have not been well integrated | | | | | |
| 8. | There is need for periodic reviews on accounting software | | | | | |
| 9 | There are reports of ATM thefts | | | | | |
| | | | | | | |
| | MANAGERIAL STYLE | | | | | |
| 10 | Some managers exhibit autocratic leadership style | | | | | |
| 11 | There are some turf battles among managers | | | | | |
| 12 | Decision making is top-down approach | | | | | |
| 13 | There is little room mentorship and personal development | | | | | |