



A Post-mortem Analysis of a Merger and a Rightsizing Exercise: The Case of Ecobank Ghana Limited and the Trust Bank Limited

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Abstract. The study examined the after effect of a merger and rightsizing strategy employed by Ecobank Ghana Limited and the Trust Bank Limited when they merged in the year 2012. The aim of the study was to gather data to be able to create a practice guide for future corporate restructurings. As a qualitative study, data was collected from twenty (20) survivors using a semi-structured interview and secondary information for the period 2012–2019. The study found that while the merger had a significant effect on role and workload, it had little effect on productivity and job security. Although the merger had to an extent brought on certain efficiencies for EGH in terms of its share of operating assets and its asset quality, it had not achieved efficiency regarding its cost-to-income ratio and liquidity.

Keywords: Merger · Rightsizing · Survivors · Role change · Productivity · Efficiency

1 Introduction

In the year 2012, Ecobank Ghana (EGH) underwent a merger with The Trust Bank with its resultant rightsizing exercise. At the 2012 extra-ordinary general meeting therefore held on 20th January 2012, shareholders of EGH were asked to consider the benefits of the merger and so began the marriage of EGH and TTB. The anticipated benefits to be gained among others were being number one in terms of assets and profitability out of 26 banks operating in Ghana as at June 30, 2011; enhanced treasury base, wider geographical presence and enhanced shareholder value through improved financial performance. Sometimes, companies use mergers as strategic positioning tools to perform their rightsizing activities and stay competitive despite the internal and external challenges they face in the markets they operate in Osei-Bonsu [14]. A merger is therefore ‘a corporate event in which two companies consolidate to form a new company’ [2, p. 6]. The merging process can result in some form of rightsizing due to the duplication of functions. Rightsizing is not something that can be done overnight or rushed hence involves carefully structured actions or processes to readjust the organisation or parts of it in order to increase efficiency [11].

Thus, rightsizing could involve a reduction in employees, a reduction of the divisions or units in a firm or even reductions in the hierarchical structure [8]. Anytime a rightsizing activity is done, there are two groups of people; i.e. victims and survivors. The term survivors originate from the idea of the survivor syndrome which reflects the physical and psychological effects that affects workers that are not laid off during a downsizing activity [20]. Essentially these are employees who remain with the organisation after rightsizing and are the ones responsible for new business performance and the successful implementation of the organisation's restructuring [21]. The factors accounting for rightsizing can be both internal and external and usually involves the reduction in employees to improve productivity and efficiency and also gain competitive advantage in the market [6]. Apart from some negative consequences of rightsizing such as producing an undesired culture, there are some positives including cost cutting, financial benefits and overall organisational performance [12]. Rightsizing could even be considered now as a standard management practice or a corporate strategy [13].

Literature on the effects of mergers and rightsizing on the role change, the productivity, the workload of survivors and the efficiency of the organization abound. For instance, roles do change thereby leading to role ambiguity, lower commitment, feelings of insecurity and increase turnover decisions [17]. A relevant explanation for these role changes in mergers and their resultant rightsizing is that the different processes and policies of the firm need to be harmonised [16]. It is therefore important that management of companies provide some coping mechanisms such as rigorous debriefing processes for survivors since these could improve survivors' attitudes to their work roles [21]. Poor communication could lead to mistrust between management and survivors which could affect the productivity of the survivors [10]. Therefore, a healthy organisational climate is key to determining whether a survivor would be productive or not [14]. Applying the equity theory, "during times of organisational change, perceptions of injustice may not only lead to dissatisfaction, but also to decreased job performance, poor quality of work, decreased job involvement, increased intentions to leave and less co-operation with co-workers" [21 p. 23]. Following the distributive justice theory, when employees "develop negative perceptions about merger-induced organizational changes and also distrust those managing the changes, their job satisfactions and commitments will also be negatively affected" [16, p. 30]. An increased workload would not be viewed as a negative outcome if the increased workload resulted in an increase in income [19]. According to the Social Identity Theory, employees may experience a change or "break in their comfort zones" pertaining to their colleagues and work [17]. The Threat-Rigidity theory also suggests that people respond when they feel threatened whether it is at the individual, group or even organisational level [18]. In order to improve efficiency of the organisation, some organisations consider merging and rightsizing as a strategic option [19]. For instance, Aidoo and Mensah [3] found that an organisation's share of industry operating assets can increase after a merging exercise.

The paper examines the effect that the merger had on the survivors regarding (a) their role changes; (b) productivity; (c) workload; and (d) the efficiency of the merged bank. Interestingly, while earlier studies had discussed mergers, there always seemed to be a focus on the financials and a neglect on the effect of the mergers/rightsizing on the survivors and what became of them after the merger. These earlier studies had

confirmed that “when a decision is taken to merge or acquire, a company analyses its feasibility on the business’ financial and legal fronts, but fails to recognise the importance attached to the human resources of the organizations involved” [17, p. 4]. Thus, there is a need to review the case of the neglect of the survivors and also prove the case of efficiency through merging and resultant rightsizing in order to develop a practice guide on survivors and also bridge the knowledge gap in merging and rightsizing activities.

2 Methodology

This study employed a qualitative approach and the case analysis technique using a semi-structured interview with twenty survivors of the merged EGH and TTB. This was most appropriate because it provided the opportunity to have in-depth understanding of the participants’ experiences and was “particularly helpful in the generation of an intensive, detailed examination of a case” [5, p. 49]. A purposive sampling technique was used to select the participants of the study who were survivors from the erstwhile EGH and TTB, now the merged bank and experienced the merger and resultant rightsizing over the period of the study (2012–2019). These survivors were identified with the help of the snowballing technique, where an initial contact was made and further recommendations of others who shared similar experiences. This technique was most appropriate because this study excluded workers who were not involved in the merging process. An online mode was used in collecting data due to the Covid-19 pandemic which prevented an ideal face to face interview. A semi-structured interview guide was designed comprising 26 questions with data collected between October 2019 to July 2020. There were equal numbers of males against females in the participants, 95% of them were married, and 80% of them had worked between 5–10 years and 0–5 years at EGH or TTB before the merger. The remaining 20% of the survivors had been with the company for between 15–20 years and 95% of the participants were full-timers. Secondary information was sourced from the annual reports and financial information of EGH. The primary data collected was processed with Microsoft Excel for the demographic details and a thematic analysis done where themes that flowed from common threads in the responses of the participants were utilized. Using Braun and Clarke’s (2006) thematic analysis, the study identified, analysed and reported patterns within the data. The secondary information from the annual reports of Ecobank Ghana Limited and the PricewaterhouseCoopers (PWC)’s Annual Banking Surveys reports for the period 2012–2019 were analysed by way of document analysis to show whether the efficiency of the merged bank had increased and if the goal of the merged bank to achieve efficiency through the merger had been successful.

3 Findings and Discussion

The effect of the merging and resultant rightsizing strategy employed by Ecobank Ghana Limited and The Trust Bank are summarised hereunder.

3.1 The Effect of Merger on Role Changes of Survivors

The study showed movement of survivors from one department to another. Ten out of 20 different departments existing before the merger experienced this movement of survivors. In the study, 30% of the participants experienced role changes and others (70%) remained in their roles but experienced different business processes confirming that roles could be affected because of the “harmonization of the different business processes and policies of the old firms that merged to form the new firm” [16, p. 32]. Although there had been role changes, some survivors did not have the adequate support or funding to perform their roles properly and this made closing deals quite difficult. The changes in roles at the new Ecobank required that the company have some coping mechanisms in place for survivors so training was common place at the new Ecobank confirming Tetteh’s [21] suggestion that training was important for survivors after a rightsizing exercise. Role ambiguity came up during the study because some survivors claimed that their managers were not very competent in the roles they had been assigned so this has the tendency of affecting commitment negatively and increasing turnover decisions of survivors as advanced by Sassah [17]. Others believed that their colleagues did not understand their roles and even their management information system (MIS) was inadequate for management decision making. The study found that job security was not threatened at the new Ecobank although earlier studies had found that survivors faced job insecurities in such cases [19]. Job security could however be threatened because more technology was being employed at the new Ecobank through the outsourcing of banking processes and also because there is no clear understanding by survivors of their career progression.

3.2 The Effect of Merging and Rightsizing on the Productivity of Survivors

Some survivors (40%) at the new Ecobank found the organisational climate quite pleasing. However, some survivors found the environment rigid and initially unfriendly resonating with earlier studies that found that survivors could have negative perceptions of merging and rightsizing [21]. These negative perceptions must be managed because according to the distributive justice theory, these could affect commitment and productivity of survivors. Also, if survivors felt that there was injustice, this could lead to decreased job performance and lower productivity based on the equity theory [21]. The Social Identity Theory also came to light as the new environment had brought a change in the bonds that employees had before the merger and the disruption in their comfort zones could affect their commitment too. A good corporate environment is however necessary for survivors to be productive. Also, a small cohort of 30% survivors had issues with trust and 55% of the participants indicated that the merger had not affected their trust of management. Rather, the merger had helped to improve the relationship between management and employees. On the whole however, the trust situation at the new Ecobank was improving and survivors did not let it affect their productivity at all.

Participants (25%) indicated that management did not share information with staff, communication was generally poor, and relationships were not cordial at all especially among EGH and TTB staff because of the unfriendly environment. Organisational Justice had a key role to play here as the concern was not just on the communication

of the decision of management to employees but also how management implemented these decisions. 25% of survivors blamed the communication problems on the merger but further confirmed that communication had become better over time. The issue of communication was important because it was essential in making employees know what management expected from them and helped to prevent rumours and speculations among employees. Furthermore, the study showed that 60% of participants perceived that office politics was rife at the new Ecobank. 30% of the participants also indicated that office politics featured prominently in top positions and some employees were placed in positions they were not competent enough to handle. There was also the case that not many TTB staff were in key management positions. Thus, some survivors instead of working did a lot of bootlicking which wasted time and resources and affected not just the productivity of the survivors but also impacted the performance of the merged bank. Issues of unfairness and inequity therefore came up confirming the distributive justice theory which could lead to a reduction in effort and a decrease in productivity. A key driver of productivity at the new Ecobank was self-motivation but not extrinsic motivation from management. Survivors were self-motivated and neither the motivation by management nor the lack thereof could drive their motivation nor affect their productivity. Survivors however were acting in order to conform to expected behaviour at the new Ecobank.

3.3 Effect of Rightsizing on Workload of Survivors

Mergers have been associated with increased workload [21]. The merger at the new Ecobank had caused an increase in the workload of some of the survivors with some even experiencing a doubling of their workload. The changes in responsibility made some participants (50%) to have a change from their previous departments but some participants did not experience any change in their responsibilities/or workload since technology reduced their workload and made them more efficient. The concern though was that the increased workload for some survivors could lead to stress and a decrease in productivity. The responses of a minority of participants (5%) indicated that some survivors experienced loss of prestige, recognition, and tangible benefits after the merger. Benefits at the merged bank were different for non-full-time employees. Also, the merger had negatively impacted work life/family balance as it brought with it increased workload, working more hours including weekends, stress and less time spent with family. Family-life based interaction among staff could be rejuvenated and this would improve the work-life balance. There were elements of unfairness and inequity regarding responsibility and the sharing of work at the new Ecobank. These elements stemmed from differences in the workforce and then survivor's commitment to work such that hard-working people were given more work to do. Also, there was an inherent problem in the distribution of work because of the structure of roles at the new Ecobank. This created a situation where some survivors had little to do while others were inundated with work confirming the distributive justice theory of perceptions of survivors regarding unfairness to them. The bigger problem was that survivors were not being compensated or rewarded for the additional workload and the no-reward could lead to underperformance and a reduction in productivity over time.

3.4 Effect of Merger on the Efficiency of the Merged Bank

Before the merger, that is in 2011, EGH held 10.2% of the 33% share of industry assets held by the four largest banks in Ghana. This increased to 12.4% after the merger in the year 2012. The new Ecobank held its position as having significant share of industry operating assets over the period 2012 to 2019 and was only second to Ghana Commercial Bank (GCB) after it rebranded in 2014. The efficiency of the merged bank had therefore increased based on this measurement and this confirmed that merging could cause an increase in an organisation's share of industry operating assets [3]. Also, EGH's cost-to-income ratio before the merger was 52% in 2011 but this fell to 50% in 2012 and was attributed to the merger. The cost-to-income ratio of the merged bank experienced several fluctuations over the period 2012–2019 with greater efficiency experienced in some years. On the score of cost-to-income ratio therefore, the efficiency of the merged bank had increased. The asset quality of the merged bank faced a few challenges. Though its loan profitability improved to 1.7% in 2012 because of its expansion into the small-medium enterprise (SME) sector, it had to make provision for credit losses to cater for the expansion. A decline in specific term loans also led to a decline in its profitability in 2014. By 2018, the new Ecobank had addressed its impairment losses including its legacy Bulk Oil Distributor Company (BDC) loan book and thus encouraging a new phase in the merged bank's asset quality. In terms of liquid funds/total deposits, the new Ecobank did not achieve the efficiency intended by the merger. Its liquidity fell over the period 2012–2015 to an all-time low of 57% in 2015 from 68% in 2011. Even though the new Ecobank increased its loans and advances in 2018, its liquidity still fell from 76% in 2017 to 71% in 2018. The liquid funds/total assets of EGH was 0.55 in 2011. After the merger, this continued to fall for the period between 2012–2019. It was at an all-time low of 0.43 in 2015 and increased to 0.47 in 2016. The liquid funds/total interest-bearing liabilities of the merged bank fell generally over the period 2012–2019 even to a low of 0.53 from 0.64 in 2011 before the merger. The merged bank however saw an increase to 0.74 in 2017 but again fell to 0.70 in 2018. The low values of the three liquidity ratios show a bank that is less than efficient than its counterparts, a finding consistent with Amoako-Boateng [4]. Thus, regarding liquidity, the efficiency of the merged bank did not increase with the merger.

4 Conclusion

The case of Ecobank Ghana Limited and The Trust Bank showed that mergers when used by organisations could affect not just the survivors in the organisation but also have an effect on how effective the bank could be. Particularly in this case, the mergers had changed the roles of some survivors and increased others workload. Their productivity had however not been impacted as they were self-motivated. The fear though was that having merged for just under a decade, it would be possible that if the corporate environment was not improved and compensation made fair, employees would leave the organisation especially since the increased workload did not come with increased compensation but rather promotions were biased. The efficiencies of the merger included a bigger market share and a more favourable asset quality. However, the cost-to-income ratio and liquidity over the decade were below expectations considering the benefits that

were to be derived from the merger. Consequently, the study brought to light certain critical points which needed further attention for future corporate restructurings. To begin, mergers would come with role changes but it was important for management to ensure that survivors did not lose prestige and recognition in the organisation with the role changes. Productivity of survivors was a lifeline to the performance of the organisation. In order for survivors to stay productive after a merger strategy with role changes, there was the need to ensure that survivors remained self-motivated, are well compensated for their workload, had a conducive work environment and there was opportunity for career progression in the organisation. If these are absent, in the long run, survivors would re-adjust their attitude to work and this would affect their productivity and the performance of the organisation. A merging/rightsizing activity could bring on board technological change and advancement which would cause the organisation to outsource some of its processes or practices and this could displace survivors, make them underutilized or ultimately, render them redundant. Considering that with a merger, there would be a scramble for positions, it is possible that unhealthy feelings would be created especially for upper management at the helm of affairs. There was therefore the need to resolve any differences generated as differences unresolved could fuel bad internal politics not just for management but also trickle down to all nooks and crannies of the organisation. An organisation that intended to improve its efficiency could look to other means aside a merger because it was not a guarantee that it would lead to efficiency of the organisation as the conditions for efficiency including liquidity and cost-to-income ratio were determined by the market which was ever competitive and dynamic.

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