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ANALYZING HOW CHANGE MANAGEMENT AND LEADERSHIP APPLY TO MERGERS AND ACQUISITIONS: FOCUS ON THE BANKING SECTOR OF GHANA

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ABSTRACT

The ability to thrive in the face of organizational change is, in fact, a common challenge for leaders in organisations. The way changes recipients respond is undoubtedly one of the most important factors in determining how well any organizational change succeeds. An organisation must constantly change to keep up with industry changes if it wants to remain competitive. If the current leadership is not performing well, changing leadership is required. However, there aren't many studies that back up this assertion. This has necessitated a study on the applicability of change management and leadership in organisations that have merged or been acquired. Examining the value of change management and leadership in mergers and acquisitions with an emphasis on Ghana's banking industry is the aim of this study. Consolidated Bank Ghana data was extracted and analysed using a descriptive survey design. Profitability as a metric for two (2) years of organizational performance was extracted from the bank's records. The quantitative method was the research strategy used for this investigation. According to the study's findings, organizational performance in the banking industry with regard to mergers and acquisitions is influenced by both change management and leadership in a number of ways. Practically speaking, this study suggests that new banks focus mostly on change management and leadership. To align with the emerging external and internal pressures, these banks' leadership must embrace a transformational approach that facilitates change. **Keywords:** *Change Leadership, Change Management, Banking sector, Mergers and Acquisitions, Profitability, Ghana.*

INTRODUCTION

According to Schuiling (2014), leaders are sensitive to pressure from both internal and external expectations. Overall, employees turn to their leaders for a lot of accountability, clarity, and connection, especially during times of upheaval. Every organisation requires change, and it is the responsibility of its leaders to initiate and support that change. Due to the reluctance of their top leadership to make the necessary adjustments, many organisations have experienced sluggishness. In actuality, an organisation must experience and endure its cycle of change with great dedication and commitment (Fenton & Pettigrew, 2006). When things appear to be going well for them, many leaders tend to support themselves and try to control organisations. However, failure of such leaders' creeps in if good decisions need to be taken and supported. This sets genuine leaders apart from figureheads. According to research, most changing customs are out of date. Employee resistance is one of the main reasons why most change initiatives fall short of

their objectives. The terms "change management" and "change leadership" are frequently used interchangeably. These two terms, however, are very different from one another. The word "change management," which is used by most people, refers to a collection of basic tools or structures intended to keep any change endeavour under control, according to Forbes (Sarfraz, 2017). The main aim to lessen the interruptions and bearings of the change on the organisation. In contrast, change leadership deals with the powerful forces, visions, and procedures that facilitate large-scale revolution (Surty & Scheepers, 2020).

Change often due to numerous reasons such as taking on new business ventures, favourable or unfavourable weather conditions which affect the products of the firm, fitting into the new trends of the society, merging or acquiring a new firm and to mention a few. These and many other factors obviously can push for organizational change. However, the most prevailing one among these is the merger or acquisition of an organisation. Evidently, these more often lead to change management as well as change leadership. A typical case is that of the Ghanaian banking sector. A wave of market departures began in August 2017 as a result of a supervisory crackdown on bad business practices and inadequate capital positions in Ghana's banking industry. The result was a smaller, but perhaps more justified, banking sector, but at a significant cost. There were 36 banks in the country at the beginning of 2017, but by 2019, there were just 23. This indicates that certain banks have been removed from the system, while others have merged and been purchased by the government. The entire cost of its cleanup strategy is estimated by the Bank of Ghana (BoG) to be GHS10.98 billion (\$2.1 billion), or slightly more than 3% of the country's 2019 GDP (Bank of Ghana, 2020).

The activity has raised concerns about how these banks were managed abysmally by their leadership and management. The case also suggests that the Bank of Ghana realised there is a need for change leaders as well as management in these banks, rather than giving monetary support. The change has an impact on these merged banks for which it will be learned later, but this shows that change is assumed to have an impact on productivity. This necessitates research on the significance of leadership and management changes in an organisation that has acquired or merged with to determine how the changes affect productivity. The lack of research on issue change in relation to mergers and acquisitions in the banking industry is another reason why the study is required.

OBJECTIVE OF THE STUDY

This study's main goal was to analyse the relationship between leadership and change management and mergers and acquisitions, with a particular emphasis on Ghana's banking industry.

Specific Objectives

1. To ascertain whether mergers and acquisition cause a change in management and leadership.
2. To determine effect of mergers and acquisitions on Ghana's banking industry.

RESEARCH QUESTIONS

The research questions are stated as;

1. Do mergers and acquisitions directly cause a change in management and leadership in the banking sector of Ghana?
2. What is the effect of mergers and acquisitions on Ghana's banking industry?

SIGNIFICANCE OF THE STUDY

This study focuses on the importance of change management and leadership in mergers and acquisitions, with a particular emphasis on Ghana's banking industry. Because it will emphasise the theoretical, practical, and policy significance, the study is important. In terms of theoretical significance, the study evaluates how the theories of action regulation and change leadership shed light on the difficulties in implementing change in failing companies, particularly in the banking industry. Practically, the findings of the study on performance of banking due to change leaders and management in this era will prove the gravity of the crisis in most banking sectors and how it can be alleviated. In terms of policy significance, this study might be important since it could give decision-makers the chance to update regulations governing the banking industry's viability in recessions and prepare for shocks in times of crisis in Ghana. In the end, the study will be used as a basis for further research and as a point of reference for many of the industry's younger banks, researchers, managers, and executives to help them be aware of future uncertainties.

LITERATURE REVIEW

The pertinent literature for this investigation is presented in this chapter. Theoretical literature is presented in the first section. Two theories are the main emphasis of this: action regulation theory, social change model, and organizational change theory. A review of concepts is included in the second section to provide more context for the study's scope and the conceptual framework's development.

Theoretical Review

Organizational Change Theory

According to research, although many theories of organizational change have been developed over the past 50 years, most of them can be traced back to Kurt Lewin's change theory from the 1940s until about 2000. (Huarng & Mas-Tur, 2016). According to these views, there are three or four stages to the organizational transformation process. Rogers' Diffusion of Innovation theory, which divides people into groups depending on their propensity to embrace or oppose change, is now incorporated like stage change theory (Perri & Strike, 2020). Many of these twentieth-century ideas stated, either explicitly or implicitly, that organizational changes are primarily accomplished from the top down (Li & Wang, 2020). The fact that innovators and change leaders are not always CEOs and senior management, demonstrating that change leaders can now be found at any level in a company, has been demonstrated on several occasions over the past few years. As a result, once motivated, they may aid in bringing about change inside an organization (Onufrey & Bergek, 2020). The organizational change hypothesis is useful for this study and correlates with change leadership.

Social Change Model

According to the Social Change Model (SCM) of Leadership Development, which was developed in 1994, leadership is viewed as a deliberate, cooperative, values-based process that produces good social change (Ospina et al., 2012). The notion goes a step further and

asserts that leaders make a commitment to enhancing the organizations or communities into which they are born. According to this approach of leadership, a "leader" is anyone who wishes to work alongside others to bring about a shift (Holten et al., 2019). As part of this collaborative process, organizations must be trusted, and members must act in a way that is consistent with both their personal morals and standards and the objectives of the group. The model helps us comprehend how social change may be implemented by having leaders work as a team to accomplish a task while also changing the organization.

Action Regulatory Theory

Action regulation theory (ART) is a psychological theory that studies how people use control and action to accomplish their objectives (Jones, 2012). The idea is particularly useful for understanding workflow analysis and organizational design, which may be used to identify issues and roadblocks in work processes. The idea is cognitive, and it draws from research done in Germany and Scandinavia (Kodama, 2017). The foundation of the theory is a synthesis of Lewin's Field theories with the basic ideas of Activity Theory; however, whereas Activity Theory examines events, which are made up of cliques of activities, ART focuses on particular acts. The idea explains the psychological underpinnings of people's goal-directed behavior. It goes further to describe how different cognitive processes are used by employees to control their behavior. The theory also explains connections between these behavioral patterns, cognitive processes, and the real world. The idea will be highly beneficial since it will show how leaders may execute change by controlling employee behavior in corporate mergers or acquisitions.

CONCEPTUAL REVIEW

Change Leadership

Change leadership, according to Schell (2019), is a proactive approach to change management in which transformation is viewed as an opportunity for growth and development rather than a preset project. More specifically, change leaders create an inspiring vision and spread it throughout the company. Change leaders adopt a people-centric strategy by taking into account how change affects personnel, their processes, and their tools (Brueller et al., 2018). In order to effectively internalize the change rather than force it, change leaders collaborate with business executives, human resources, and workers.

Change Management

Typically reactive, change management may be seen of as a linear procedure with a single aim and pre-established checkpoints (Schell, 2019). Anyone who has experienced a significant transition inside an organization understands that it is rarely that simple. This results from the fact that change is an iterative process that needs strong minds, but change managers mainly focus on the control of the change in dealing with resistance and disruptions.

Mergers and Acquisitions

According to Saksonova & Kantne (2016), a merger is the intentional combination of two businesses into a single new legal company on typically equal terms. The businesses that decide to combine are fundamentally comparable in terms of their clientele, size, and range of operations. The term "union of equals" is therefore sometimes used. In contrast

to mergers, acquisitions frequently include one company aggressively purchasing another with no clear objectives ("Business Evaluation and Mergers and Acquisitions," 2014). Since around seven banks were combined and bought by the state and given the name Consolidated Bank Ghana, the situation in Ghana's banking industry entailed both merging and acquisition.

CONCEPTUAL FRAMEWORK

This subdivision examines how the concepts may be applied to create a framework that will serve as the cornerstone for the achievement of the study's primary goal. It became clear from the conceptual assessment that change leadership and change management all point to the notion that mergers and acquisitions have a substantial impact on a company's success. Therefore, these ideas serve as the foundation for elaborating on the significance of change leadership and change management in mergers and acquisitions.

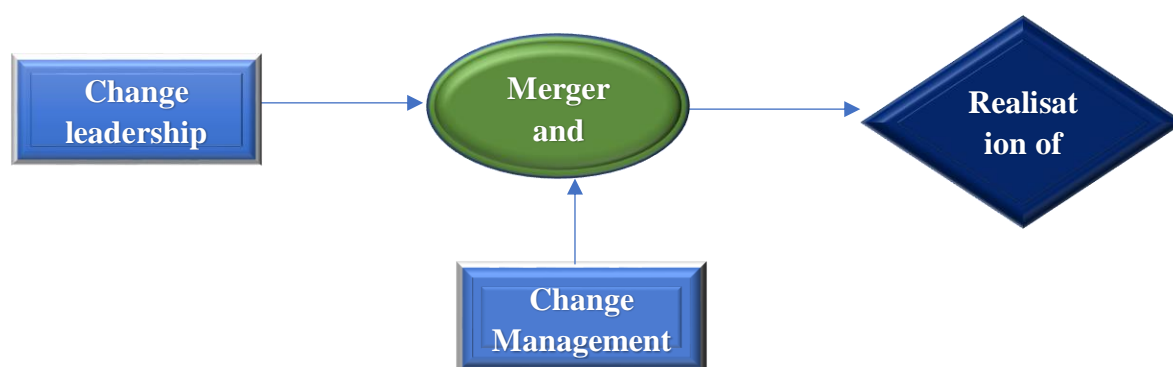


Figure 1: Conceptual Framework

METHODOLOGY

Study Design and Approach

The population of the descriptive research was the banking industry. The research used a quantitative technique to analyse the information gathered. In quantitative research, connections between variables are examined by testing statistical hypotheses, measuring quantitatively, and analysing results (Wiley et al., 2021). A total of 120 participants were chosen from the merging banks. Primary and secondary data gathering methods have been categorized as the two types of data collection employed in research (Creswell, 2011). This study did not employ primary data, which is defined as information gathered directly from the fields. Secondary data, on the other hand, refers to information that was gathered from books, papers, journals, and other significant online sources and was the sole information used in the study. This information on current concepts and pertinent information for this study was given by this data independent factors. Primary data was analysed using Excel tools and the statistical program for social sciences (SPSS). An independent t-test was used to find differences between the independent variable and the dependent variable. Regression analysis was also used to determine how M&A directly affected leadership and change management. The value of a dependent variable is ascertained from an independent variable using a statistical technique known as linear regression (Schneider et al., 2010). Linear regression is a statistical method used to evaluate the relationship between two variables. This modelling strategy uses one or more independent factors to predict a dependent variable.

RESULTS

To ascertain how the independent variable, mergers and acquisitions, predicts the dependent variable, change management and leadership, the researcher performed a linear regression study.

Table 1: Model Summary of the Regression Analysis

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Durbin-Watson
1	.833 ^a	.693	.649	53.746	1.677

Note. *a.* Predictors: (Constant), Mergers and Acquisitions.

b. Dependent Variable: Change Management and Leadership.

The statistical significance of the entire model is the next crucial factor to consider while creating this model. This will show whether or not the model fits. Since the R-square and Adjusted R-square are both over 0.5, it can be deduced from Table 4.1 that the model is jointly suited for further interpretation and calculations. The model is therefore jointly fit for estimating the regression equation.

Table 2: ANOVA Summary (F-Statistics)

Model	Source	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45,693.022	1	45,693.022	15.818	.005 ^b
	Residual	20,220.685	7	2,888.669	—	—
	Total	65,913.707	8	—	—	—

Note. *a.* Dependent Variable: Change Management and Leadership.

b. Predictors: (Constant), Mergers and Acquisitions.

This paragraph interprets the individual significance and the coefficient of the predictor variable once the model's fitness and significance have been established. Since every merger and/or acquisition has a positive f-statistic, it is clear from Table 4.2 that they all forecast a rise in change management and leadership. The fact that the has a p-value under 0.05 indicates that it is also statistically significant.

Table 3: Regression Coefficients

Model	Predictor	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (β)	t	Sig.
1	(Constant)	192.714	97.803	—	1.970	.089
	Mergers and Acquisitions	0.050	0.001	.833	3.977	.005

According to the computed regression equation, the predictor variable increases or influences change management and leadership by 0.05 units or percent on average for every unit rise in mergers and acquisitions in Ghana's banking industry. This demonstrates that management and leadership are likely to change if mergers and acquisitions are on the rise.

Test for the effect of mergers and acquisitions on Ghana's banking industry.

According to research findings, there was a substantial difference in the profitability of the merging Banks, which is now CBG, between the time periods under a prior leader and that of change leadership and management ($p < 0.05$), with a confidence level of 95%. A t-statistic of 6.275 proves this. It revealed which banks are currently prospering under new management and direction. The tables 4.4 and 4.5 demonstrate this.

Table 4: Group Statistics for the effect of mergers and acquisitions on Ghana's banking industry

Variable	Leadership Stage	N	Mean	Bootstrap Bias	Std. Error	95% Confidence Interval	Std. Deviation	Bootstrap Bias (SD)	Bootstrap Std. Error	95% CI (SD)	Std. Error Mean
Profitability	After Merging	10	7,671.89	27.55	765.30	[6,121.71, 9,154.67]	2,320.97	-179.14	448.03	[1,142.52, 2,958.12]	773.66
Profitability	Before Merging	10	2,537.78	2.87	268.65	[2,057.83, 3,112.46]	798.34	-69.85	174.36	[359.17, 1,052.51]	266.11

Note. *a.* Unless otherwise noted, bootstrap results are based on 1,000 bootstrap samples.

Table 4: Independent Samples test for effect of mergers and acquisitions on Ghana's banking industry

Variable	Test Assumption	Levene's F	Sig.	<i>t</i>	<i>df</i>	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference
Profitability	Equal variances assumed	8.189	.011	6.275	18	.000	5,134.11	818.15	[3,399.72, 6,868.50]
Profitability	Equal variances not assumed	—	—	6.275	9.867	.000	5,134.11	818.15	[3,307.83, 6,960.39]

DISCUSSION OF THE STUDY FINDINGS

The answers to the relevant research question are covered in this section. Each study question's results are summarized, and each research question's findings are compared to those of other researchers' work in a comparison analysis. In response to study question number one, it was discovered that merger and acquisitions had a big impact on leadership and change management in Ghana's banking industry. The results of this investigation concurred with Schuiling's (2014) findings. Their findings suggested that acquisition and merger activities considerably benefit financial firms. In a similar vein, Ghavifekr & Adewale (2019) discovered that banks employ mergers and acquisitions to join areas that are rapidly developing and performing well as well as to acquire deposits. Edwards et al., (2015) affirmed that mergers and acquisitions had a positive influence in banks. In response to study question number two, the results showed that the banking sector's financial performance significantly improved in December 2019, precisely one year after the sector's modifications were completed. As a result, banks' balance sheets grew in size and profitability, and significant financial soundness indexes also improved. The results validate the claims made by the researchers (Edwards et al., 2015; Huang & Kleiner, 2004; Ghavifekr & Adewale, 2019). The sector saw a significant increase in total assets over the course of the year, supported mostly by deposits, which indicated a return of trust in the banking industry. Strong credit expansion was stimulated throughout the review period by the increase of deposits and higher capital levels. Additionally, profitability increased compared to the previous year, with banks reporting a higher

profit outturn in December 2019. Furthermore, considerable improvements in the industry's main Financial Soundness Indicators (FSIs) highlight the banking sector's increased stability and resiliency.

CONCLUSION AND RECOMMENDATIONS

The study's findings provide ample evidence for the conclusion that, in the banking industry, both change leadership and management have a large influence on organizational performance. The banks have changed from being on the verge of failure to becoming profitable when CBG's operations were changed from substandard management to a new management by incorporating new concepts and visions. Without a leadership team with a clear vision, a role model, and rigid standards in changing the status quo of the bank, this transition would not have been tenable. In order to keep up with the competition, looking at the transformation of CBG, emerging banks are recommended to focus the majority of their effort on change leadership and change management. The leadership of these banks must embrace a transformational approach to facilitate the transition. It is advised that more study be done to examine the difficulties in implementing change in the banking industry.

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