MANAGEMENT CONTROL SYSTEMS DESIGN UNDER MERGERS: EVIDENCE FROM THE NIGERIAN BANKING SECTOR

BY

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Abstract

This thesis is based on a case study of the design and use of management control systems (MCS) in a post-merger organisation. The study, which is motivated by the lack of literature on management control systems under mergers and acquisitions, is based on a Nigerian bank that has gone through a merger under the Central Bank of Nigeria's (CBN) directives to consolidate the banking sector. Data for the analysis was gathered from two sources. Firstly, semi-structured interviews were conducted with managers at various levels of the bank. Secondly, various internal and external documents were examined to corroborate the findings from the interviews. Theoretically speaking, the study drew on different strands of institutional theory to provide an understanding and interpretation of the results. First, new institutional sociology (NIS) provided an explanation of the impacts of external institutions on the merger as well as the design and use of post-merger controls. Old institutional economics (OIE) and power framework were also drawn on to explain the impact of internal institutions and power relations on the merger and the design and use of post-merger controls. The study found evidence of how various coercive, mimetic, and normative isomorphic forces as well as intra-organisational power relations contributed to the institutionalisation of controls as rules and routines in the post-merger organisation. The study contributes to knowledge by extending our understanding of the management controls literature on mergers and acquisitions.

Dedication

I would like to dedicate this Thesis to my late mother (Onyanji Anya) who is not around to witness all that I have achieved but would be very proud of me.

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The completion of this thesis has come at the end of a very challenging and interesting journey which I would not have achieved without the help, guidance and support of many people. First of all, I would like to say a special thank you to Pharmacist Garba Innocent Audu, my uncle who has given me a great deal of support, encouragement and advice from the beginning through to the end of this journey.

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List of Abbreviations

CBN	Central Bank of Nigeria
MCS	Management Control Systems
M&A	Mergers and Acquisitions
NGB	New Generation Bank
NIS	New Institutional Sociology
OIE	Old institutional Economies
SGBN	Societie Generale Bank of Nigeria
MAS	Management Accounting Systems

CHAPTER ONE

INTRODUCTION

1.1 Overview of the research

This research seeks to investigate how management control systems (MCS) are designed and used in a post-merger environment. The study uses the Nigerian banking sector as a case and focuses on a case study of a merger that has occurred as a result of Central Bank directives for the consolidation of banks in the country. Banking sector reforms have been an on-going practice around the world since the 1980s, and more of such reforms have been witnessed in recent years because of the impact of globalisation which has been caused by the continuous integration of the world economy and markets (Elumilade, 2010; Guo and Petmezas, 2012). The activities of banking sector reforms involve several components that are unique to a particular country and are based on history, economics and institutional norms and values (Galpin and Herndon, 2007; Lupin-Wegener et al., 2011). The reform of the Nigerian banking sector was carried out after a crisis in the sector caused by undercapitalisation of banks, weak management practices, weak regulatory and supervisory framework and deficiencies in the corporate governance of banks (Abdul-Rhman and Ayorinde, 2013).

The reform of the Nigerian banking sector was a government motivated strategy aimed at clearing up the mess in the sector so that it could be more integrated into the global financial systems (Soludo, 2004; Adegbaju and Olokoyo, 2008). The Central Bank of Nigeria (CBN) announced a comprehensive reform of the sector on 6th July 2004 with the overall requirement of increasing the banks' capitalisation. The argument was that a strong capital base would be able to help the banks to absorb losses arising from non-performing liabilities, and therefore improve the overall performance of the sector (Ajayi, 2005). Prior to the reform exercise, Soludo (2004) the then Governor of the CBN described the sector as "being generally characterised by small-size and marginal players with very high overhead costs" (p.1). In addition, many of the banks in the sector had shown symptoms of under-capitalisation, poor earnings, illiquidity and weak asset quality, which led to high profile bank failures such as those of the Savannah Bank of Nigerian and Societie Generale Bank of Nigeria (SGBN) (Onwumere and Ogamba, 2006).

One of the strategies adopted by the CBN was to prescribe a minimum capital base of N25 billion and this was achieved by consolidation through mergers and acquisitions (M&A). The CBN's recommended option of an M&A was hailed as the most appropriate corporate strategic option used in various economies to strengthen the capitalisation of banks (Abdul-Rhman and Ayorinde, 2013). The idea here is that consolidation through M&A eliminates the marginal banks and makes way for the strong banks to achieve economies of scale through reduced overheads and earning volatility (Acua and Ola, 2013). It is now a global phenomenon to use M&A to strengthen and enhance the performance of the banking sector (Mantravadi and Reddy, 2008; Elumilade, 2010). The CBN Governor justified the M&A strategy by arguing that "in the United States of America, there have been over 7,000 cases of bank mergers since 1980, while the same trend occurred in the United Kingdom and other European countries. Specifically, in the period 1997-1998, 203 bank mergers and acquisitions took place. In 1998 a merger in France resulted in a new bank with a capital base of $688 billion while the merger of two banks in Germany in the same year created the second largest bank in Germany with a capital base of $541 billion" (p.3).

The Cowry Asset Management Report (2009) noted that while the Nigerian banking sector is an important sector for economic development, the sector is also exposed to international best practices and standards. Some of the banks operating in Nigeria are affiliated to international banks such as Barclays Bank, Standard Chartered Bank and Citibank. The report also recognised that the banks operating in the sector need to be strong, have professional management in place and pay more attention to their internal control systems. It is inevitable that as the operations of banks become globalised and internationalised there will be constant pressure on them to be more efficient. The use of MCS is one of the means by which banks can enhance their efficiency (Yan and Gray, 1994; Mohammed, 2010).

MCS are techniques used to gather and use information for planning and making control decisions, to motivate the behaviour of employees and to evaluate overall organisational performance (Horngren et al., 2002; Langfield-Smith, 2007). According to Anthony and Govindarajan (2007), MCS is "the processes by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives" (p.5). Thus, MCS is the system that links an organisation's strategic planning and operational control (Brickley et al., 2009). It is also concerned with both strategic issues (impacts of the environment on the organisation) and operational issues (mechanisms for achieving organisational goals). As a result, the study will examine how MCS are designed and used in the post-merger environment to achieve the objective of the merger.

1.2 Statement of research problem and area of study

Very few empirical studies have attempted to study the post-merger integration of MCS. Moreover these studies have been largely based on voluntary and planned M&A activities (see for instance, Jones 1985a, 1985b, 1986, 1992; Roberts, 1990; Granlund, 2003). It is assumed that organisations decide themselves who to acquire or merge with, so that post-merger integration (including MCS integration) can be properly planned. The case of the Nigerian banking sector is somewhat different, as the M&A was imposed by the regulator, with the selection of M&A partners also determined by the regulator. There is little research exploring post-merger MCS integration when the M&A is non-voluntary and imposed.

Although M&A is a popular strategic option used by organisations for business growth and expansion (Granlund, 2003; Danzon et al., 2007), the motivation and the manner in which it is carried out are important in determining its outcome. The strategic option offered by M&A is complementary to the option of organic growth (Valdsman 2002; Danielsson, 2010). Despite the strategic importance and popularity of M&A, it has been argued that about 60-80% of all M&A have failed in terms of their ability to increase profits or wealth gains (Galpin and Herndon, 2007; Boateng and Bampton, 2010; Steynberg and Veldsman 2011). Systematic studies into why M&A have failed to create the expected value for shareholders have identified a lack of effective and successful integration of the merging companies as the main reason (Mehta and Hirschheim, 2004; Homburg and Bucerius, 2006; Boateng and Bampton, 2010).

In addition, despite the continuous increase in the number of M&A activities we have seen globally and the vast number of studies conducted in this area, very little is known about how MCS are integrated in merged organisations. Jones (1985a) stated that “the conditions of rapid change which frequently accompany mergers and acquisitions present considerable challenges to both users and designers of accounting information systems” (p.303). Management accounting systems (MAS), which include cost accounting, inventory management systems, price- optimising systems, job-costing systems etc., are designed to provide useful information to be used by managers within the organisation and are regarded as the main formal source of information for planning and control (Abernethy and Chua, 1996; Chenhall, 2003; Merchant and Van der Stede, 2007). Furthermore, it has been argued that M&A success is to some extent contingent on the effective management of the integration process (Granlund, 2003; Homburg and Bucerius, 2006; Boateng and Bampton, 2010). Therefore, the actions taken in managing the activities of MCS integration are vital in the successful performance of the organisations.

The high percentage of M&A failures which have been attributed to a lack of an effective and successful integration of MCS, the limited empirical studies into post-M&A MCS integration and the lack of a clear theoretical framework for explaining the process of MCS integration under M&A have raised important questions for senior managers responsible for undertaking the various functions and tasks of the MCS integration process (Jones, 1992; Roberts, 1990; Granlund, 2003). Nearly three decades ago, Jones (1985a, 1985b, 1986, 1992) argued that studies into MCS integration under M&A would provide a ‘richer’ understanding and outline factors responsible for the outcome of MAS design in organisations that have gone through M&A, and yet this important area has been ignored by researchers. The recent approaches to the topic have added a behavioural perspective to the integration of MCS following M&A (Granlund, 2003). Granlund’s (2003) longitudinal case study discussed MCS integration under M&A. The focus was on the integration of two companies of equal sizes but with different MAS and cultures. The study was based on a behavioural perspective which examined the principles and practices of MAS at the corporate level of the merged companies. For the first time, the MCS integration process was laid out and the findings were compared with the conclusions of earlier studies by Jones (1985a, 1985b, 1986, 1992) and Roberts (1990).

This research will bridge the above gap in the literature by examining the process of how MCS are integrated in merged organisations in a developing country context - Nigeria. The research provides evidence of how MCS are designed and used in four Nigerian banks that merged due to the CBN directive requiring all the banks operating in the sector to increase their capital base to N25 billion. The Nigerian banking sector plays an important role in the economy's development and therefore is the appropriate sector for the research. In addition, the banking sector has been deregulated so it provides an opportunity for examining the MCS of banks.

Specifically, the study examines how the MCS of the merged bank are shaped by the institutional environment as well as by intra-organisational power relations. The study draws on New Institutional Sociology (NIS) (DiMaggio and Powell, 1983, 1991) but extends this by engaging Old Institutional Economics (OIE) (Burns and Scapens, 2000; Yazdifar et al., 2008) and power theory (Hardy, 1996). The area of study is presented in Figure 1.1 below.

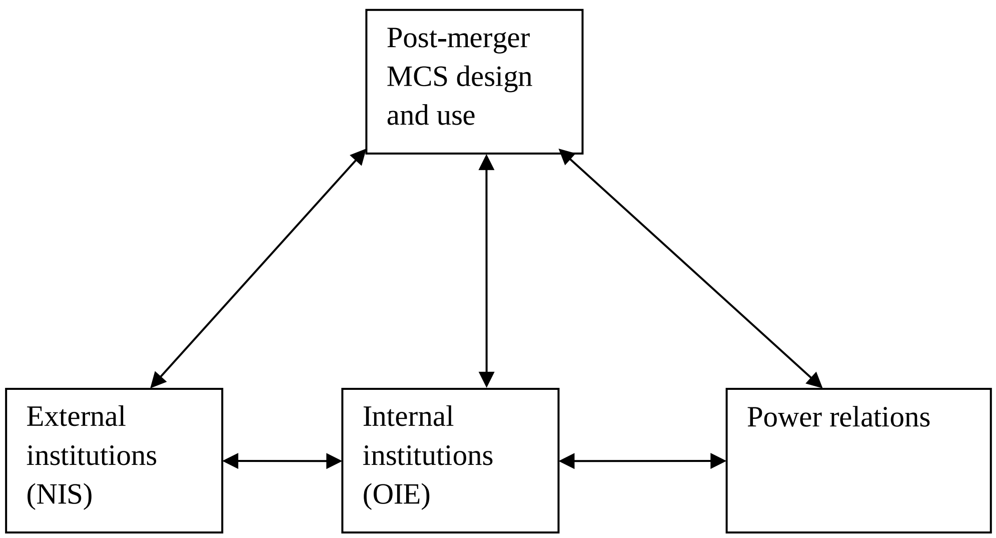


Figure 1.1 Area of study

As presented in Figure 1.1, the focus of the study is on the design and use of MCS in the post-merger environment. In order to understand and make sense of the results the study draws on institutional theory to examine how MCS are shaped by external and internal institutions and also engages with the power mobilisation theory to examine the influence of intra-organisational power relations in the design and use of MCS in the post-merger environment (DiMaggio and Powell, 1983; Burns and Scapens, 2000; Oliver, 1992; Collier, 2001; Tsamenyi et al., 2006; Yazdifar et al., 2008).

From Figure 1.1 it can be argued that the design and use of post-merger MCS in the bank is shaped by various external and internal institutional forces (DiMaggio and Powell, 1983, 1991) and intra-organisational power relations (Hardy, 1996; Collier 2001). Previous studies conducted on organisations operating in developing countries have shown that the ways in which MCS operate in practice are different because of differences in the institutional environment. The operation of MCS in this context is governed by the political, economic, social and institutional environment (Hoque and Hopper, 1994; Kattan et al., 2007). For instance, ethnicity, industrial and social relations, politics and economic turbulence were argued by Hopper et al. (2003) to have impacted on MCS operations in three countries (Bangladesh, Ghana and Sri-Lanka).

Based on the argument presented above, it is can be argued that the way in which MCS are designed and used in a post-merger environment are shaped by the institutional environment (political, economic, cultural) and the nature of power relations in the organisation. Having identified the research focus above, the research will seek to answer the following questions:

1. What types of MCS are used in the merged bank studied?
2. How are these MCS designed and used by the merged bank studied?
3. How is the design and use of the MCS in the merged bank studied shaped by the external and internal institutions as well as intra-organisational power relations?

1.3 Research aims and objectives

The motivation for studying MCS integration in a Nigerian bank stems from the important role that banks play in the economy. The banking sector is one of the most important sectors in Nigeria and contributes significantly to employment and development. The sector features prominently in the government's development plans and poverty alleviation programmes. Hence, a study that focuses on the banking sector is very useful to policy-makers and prospective foreign investors. This study will provide important evidence to encourage policy-makers in carrying out further reform of the banking sector and a better understanding of the implications of the reform exercise.

The aim of this study is to provide empirical evidence of how MCS are designed and used in a post-merger environment, especially where the merger is imposed. While the results from the study are not intended to be generalisable, they will provide an insight into how the studied organisation designs and uses MCS and how the actions of the organisation are shaped by the institutional environment. In addition, the study contributes to existing literature on the use of management accounting systems in developing countries.

The objectives of the research are as follows:

1. To investigate the types of MCS used in the merged bank studied.
2. To examine how MCS are designed and used in the merged bank studied.
3. To examine how the design and use of MCS in the merged bank are shaped by institutional forces and power relations.

1.4 Proposed research methodology

There is a growing trend among management accounting researchers to adopt an organisational perspective that can interact with the various organisational participants in order to explain the dynamics of organisational practice including MCS (Burchell et al., 1980; Covaleski et al., 1996; Ahrens and Chapman, 2006). According to Ryan et al. (2002) those researchers aim at examining how accounting realities are socially constructed and negotiated in an organisational perspective. The organisational perspective of management accounting studies is concerned with understanding the social nature of accounting practices and procedures and studying real world accounting systems decisions and their nature, with the aim of interpreting, analysing and understanding them and providing solutions to problems (Ryan et al., 2002; Ahrens and Chapman, 2006).

As a result, the approach adopted in this research followed the organisational perspective, whereby qualitative data were relied on. In order to investigate how the merged banks design and use MCS, the research adopted a case study method. The case study approach enables the researcher gain a better understanding of how the control systems operate in practice (Vaivio, 2008). Yin (2003) recommends the use of case study in newer and less well-developed research areas (in this case post-merger MCS in a bank in a developing country) where analysis of the context and dynamics of the environment are very important.

Scholars have recommended the use of case studies in studying accounting practices to provide detailed and rich descriptions of the investigated phenomenon (Ryan et al., 2002) and to offer a better understanding of the context and factors that shape organisations management accounting practices (Patton and Appelbaum, 2003; Otley, 2001). The case study research method is considered to be important for its ability to reveal detailed and rich information of how MCS function and the factors that influence organisational change (Scapen, 2004). The benefit of using the case study method in this research is its ability to offer a holistic approach in understanding the impact of the environment on the implementation of accounting systems. This is achieved by developing a theoretical framework that is capable of providing an explanation of the observed social systems and the actions of human beings.

The researcher assumed that the investigated MCS are socially constructed and therefore they can be understood by relying on the subjective interpretation of various organisational actors (Ryan et al., 2002; Moll et al., 2006). In this context, it is assumed in this research that reality is constructed through individual action; therefore, practices (MCS) are socially constructed and not natural phenomena.

According to Ahrens and Chapman (2006) qualitative research is most appropriate where little is known about the investigated phenomena, where much is known but new insights need to be gained, or where it is hard to access information through quantitative methods. Given the fact that limited studies have been conducted on MCS in Nigerian banks qualitative research is the most appropriate approach to be used in this research. The choice of the qualitative methods is theoretically justified because, as argued before, accounting systems are socially constructed and not natural phenomena and therefore can be influenced by the actions of social actors (Ryan et al., 2002). As a result, the adopted methodology will give the researcher the opportunity to focus on examining the context within which the decisions are made and how individuals perceive and interpret the world. Adopting this approach enables the researcher to focus on issues that relate to individuals in the case organisation.

The main data collection techniques adopted in this research are semi-structured interviews and documents analysis. Chapter 6 provides a detailed explanation of the research methods.

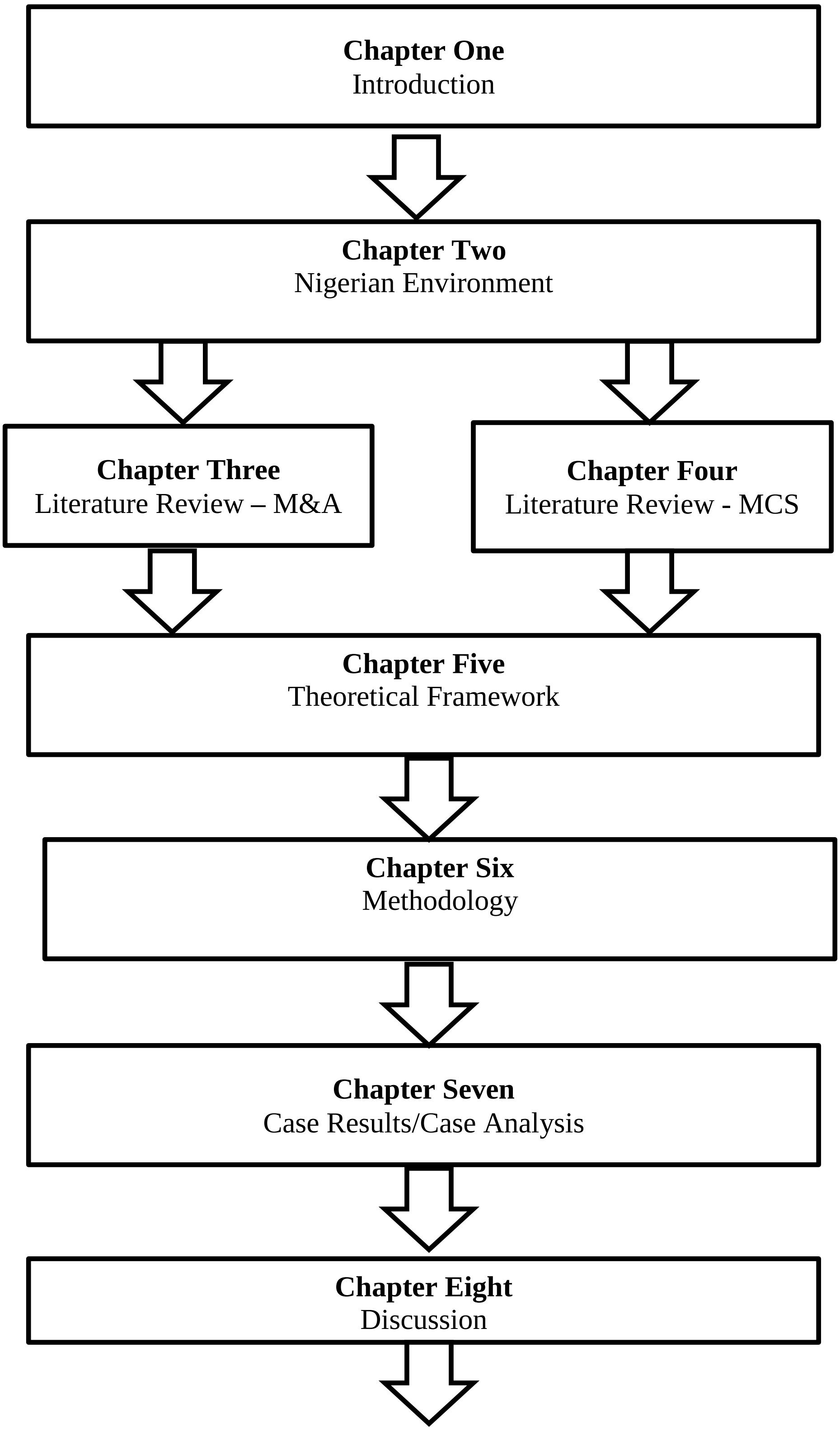
1.5 Structure of thesis

The thesis is organised into nine chapters. Chapter 1, which is the introductory chapter, presents the overall background to the study, discusses the research problems and identifies the study gap. Also discussed in this chapter are the research objectives, questions and proposed research method, and the structure of the thesis. Chapter 2 provides an overview of the Nigerian institutional environment while Chapters 3 and 4 provide a review of the literature. Chapter 3 reviews the literature on M&A and chapter 4 reviews the literature on management control systems under M&A.

Chapter 5 presents the theoretical framework of the thesis. This chapter discusses the New Institutional Sociology, Old Institutional Economics and Power Mobilisation theory as a framework guiding the study. The chapter also justifies the adopted theoretical framework. Chapter 6 presents the research methodology, by first discussing the philosophical assumptions of the researcher and then the specific approach adopted in conducting the study. Chapter 7 presents the results of the study; and the results are subsequently discussed in

Chapter 8 in line with the theoretical framework. The final chapter, which is Chapter 9, provides a summary and conclusion for the thesis.

The structure of the thesis is presented in Figure 1.2 below.



Chapter Nine Conclusion

Figure 1.2 Structure of the thesis

CHAPTER TWO

OVERVIEW OF THE BANKING SECTOR IN NIGERIA

2.1 Introduction

This chapter provides an overview of the Nigerian banking sector. The discussion in this chapter covers the environment (political, economy and globalisation) in which the banks operate, also the organisational structure, the various actors (regulators, operators, support groups and depositors) and the previous and current reforms that have been undertaken in the sector in order to identify the factors which influence the mergers and acquisitions investigated in the research. Hence, this chapter consists of four sections. Section 2.2 presents a brief history of Nigeria and the banking sector, while Section 2.3 discusses the regulatory bodies (Central Bank of Nigeria and the Nigerian Deposit Insurance Company) that regulate, monitor and control the financial system. Section 2.4 discusses the reforms in 2004 that led to banks to merge and acquire others.

2.2 History of Nigeria and the banking sector

2.2.1 History of Nigeria

Nigeria is one of the most populated countries in Africa and is the tenth largest producer of crude oil in the world (OPEC Annual Statistical Bulletin, 2011). This has contributed to making Nigeria the second largest economy in Africa (US Department of State, 2009; Chiejine, 2010). This resource, however, has come with a price, as it has led to the country having an unhealthy over-dependence on crude oil, while other sectors of the economy are neglected. As of 2008, export of oil and gas accounted for over 90% of export earnings and over 80% of the Federal Government revenue (Chiejine 2010).

2.2.2 The Nigerian banking sector

The Nigerian banking sector has been at the centre of the economy and has been evolving since before independence from Britain in October 1960 (Cowry Asset Management Limited, 2009; Chiejine, 2010). According to Somoye (2008), formal banking in Nigeria began in 1892. From the country's colonial era to date, the banking sector has witnessed massive transformations in its organisation, structure and character. The table below shows a summary of the various reforms that have been undertaken in the Nigerian banking sector so far.

1st Reform Era 1929-1951	**2nd Reform Era 1952-1971**	**3rd Reform Era 1982-2004**	**4th Reform Era July 2004-Date**

Over 100 banks established in the banking boom between 1940 and 1950 Attrition of 30 private banks due to poor management, low capital, debt overhang and the financial shock induced by the recession of the 1930s British and French Bank established in 1949 Agbonmagbe (Wema Bank) established in 1945, ACB in 1948	Enactment of the 1952 Banking Ordinance. Establishment of Central Bank of Nigeria The number of tradable financial instruments increased in the money market increased: Treasury bills (1960), Money Fund (1962), Commercial Bills (1968), Treasury Certificates (1968), Certificate of Deposit, Banker's Unit Fund and Eligible Loan Stock (1968). Banking Amendment Act of June 1962 raised the minimum share capital to GBP250,000. Banking Decree No. 1 of February 1969 and the Banking Amendment Decree No. 3 of 1970 imposed more stringent conditions on the industry. Industry dominated by government-owned banks via Indigenization Act of 1971. Share capital raised to GBP600,000 (local) and GBP1.5m (foreign) By 1980 there were 26 banks.	National Economic Emergence Decree in the wake of financial distress in the 1980s and 1990s (SAP era) 120 banks (66 commercial, 54 merchant) Prudential Guidelines Introduced in 1990 Bank branches jumped from 40 in 1985 to over 2000 in 1992. Public sector accounts transferred from CBN to banks in 1999. Universal Banking in 2001 with N1bn capital base, later increased to N2bn with 2004 as deadline.	Increase in capitalisation requirements by 1,150% to N25bn. Number of Banks revolutionised with competition leading to increased product rollout and growth in credit to economy. Total assets rose 439% to N15trn (latest available figures). International expansion with over 43 branches in foreign markets. Nigerian banks accounted for over 65% of stock market capitalisation. Global economic crisis plus structural lapses in NSE forced collapse of the stock market with banks exposed to increased NPLs. Sharp downturn in oil price and revenue lead to introduction of unorthodox policies. Standard & Poor's downgraded Nigeria's outlook. New CBN Governor vowed to sanitise banking system with emphasis on regulation, reporting and risk management. CBN sacked the CEOs of eight banks and their respective board- injected N420billion ($2.8bn) into banking systems to stabilise insolvent banks

Table 2.1: Historical review of reforms in the Nigerian banking sector
Source: Atuche (2009, p.4)

Goldsmith (2008) and Shaw (2006) argued that the financial system of any country is very important and the banking sector was identified as playing a significant role in the economy development of the country. They also argued that the banking sector could be used to facilitate economic growth if the sector is well developed and healthy. As provided in the table above, it can be argued that the Nigeria banking sectors in conjunction with other non-banking sector such as the security market may form the core basis for economic development. Thus, the functions of the banking sector in Nigeria include development, administration and monetary policy implementation that can ensure stability in the economy; the management and provision of financial services to society that can drive economic activities; the management/storage of financial instruments of negotiation and exchange; the mobilisation of resources to places where they are most needed; and the provision of advanced technologies and platforms for economic sustainability within and beyond Nigeria. It can also be argued that the roles of the banking sector in developed or developing countries comprise of financial intermediation, efficient payments systems and serving as a channel for implementing monetary policies. Egels-Zandén and Sandberg (2010) argued that “if these functions are efficiently carried out, the economy would be able to mobilise meaningful level of savings and channel these funds in an efficient and effective manner to ensure that no viable project is frustrated due to lack of funds” (p. 8).

2.2.3 Actors and their roles in the Nigerian banking sector

The Nigerian banking sector is made up of four groups: the regulators (government), the operators (different banks), the support groups (Mint, electronic switches and the platforms) and the depositors (individuals, corporate organisations and the government). The roles of these actors in the Nigerian banking sector are discussed below.

The first group are the regulators. The Nigerian banking sector is regulated by the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Company (NDIC). Both are government organisations that were set up and are backed by law to regulate, control and monitor the activities of the banks and the entire financial system in Nigeria. They are charged with responsibility for formulating policies and procedures to ensure that the sector is sound and stable. They also make sure that other actors (e.g. the banks) in the system follow the laid down rules and practices. The CBN is the principal regulatory body and is discussed later in the chapter, while the NDIC is an agency of the government which is responsible for ensuring the payment of deposits in accordance with the maximum limit set by its statute when insured financial institutions fail. It also supervises the activities of the banks in order to protect depositors; promotes monetary stability and effective and efficient payments; and encourages competitive and innovation in the sector. Chiejine (2010) stated that “for The NDIC, banking supervision is an essential element of the Nigeria deposit insurance scheme as it seeks to reduce the potential risk of failure and ensures the unsafe and unsound banking practices do not go unchecked”(p.9). The NDIC is managed by a managing director who oversees the Board of Directors and the management team. It uses three types of supervision to monitor and control the banks in the banking sector: transaction-based supervision, consolidated supervision and risk-based supervision. These supervisions involve on-site surveillance and off-site inspection of the commercial banks and supervision activities for microfinance banks and the use of primary mortgage institutions supervision for other financial institutions.

The second group are the operators; these include all licensed banks that are operating and providing financial services to the public. This depends on the type of financial services provided; the banks in the sector are grouped into commercial banks (deposit money bank), microfinance banks, finance companies, primary mortgage institutions, bureaux-de-change and development finance institutions. These groups provide different financial services to individuals and the private and public sectors in the economy. The services offered include storage of deposits and mobilisation, short and long term loans, mortgages and other forms of credit facilities. They also offer financial advisory services and automated teller machine (ATM) for Electron payment cards. These financial institutions operating in the sector are managed by boards of directors and management teams and are vetted and approved by the regulators (CBN and NDIC). Currently they are 24 Commercial Banks, 5 Discount Houses, 84 Finance Companies, 98 Primary Mortgage Institutions, 649 Bureaux-de-change, and 900 Microfinance Banks (CBN Supervisory Framework, 2010).

The third group are the support groups. These groups are the institutions that offer the services and platforms that support the activities of the system, and include the following:

1. Nigerian Security Printing and Minting Plc (NSPM): this institution produces the coins, bank notes and other security documents (e.g. cheques and stamps) used in the financial sector.

2. Nigerian Inter-Bank Settlement System Plc: this institution is owned by all of the licensed banks operating in the sector and the CBN. It operates the automated clearing system that enables the clearing of cheques, funds transfer, automated direct credits and debits occurring between banks and the CBN.

3. Private Owned Electronic Switches: a group of individual companies (card providers) that provide cards (point of sale terminals) for electronic payment and offer card support. Examples are VISA, InterSwitch, MasterCard and Extranzact.

4. External Auditors: a group of private institutions that periodically audit the financial records of the operators (the banks). They are tasked with offering fair judgements as to the truthfulness of the operators' published financial statements and the correctness of their adopted methods. These auditors are engaged by the operators and they must be vetted and approved by the CBN.

The fourth group are the depositors: these are the beneficiaries of the services offered by the operators in the sector. The depositors are individuals (formal and informal groups of people), small and large corporate bodies and the three tiers of government (Federal, state and local) and their sub-agencies. These groups supply (depositors) or demand (in the form of loans) financial resources from the operators whose activities are regulated by the regulators.

2.2.4 Organisation and structure

The organisation of the Nigerian banking sector is structured around the activities and interactions of the various groups discussed above. The most important activities include taking deposits and granting credit facilities (loans) by the commercial banks. Ezeoha (2007) stated that these are the two main functions performed by banks in Nigeria. The various commercial banks in the sector through their nationwide branches provide financial services to the public which can be individuals (formal and informal), small, medium and large corporate bodies and the government (Federal, state and local), including ministries, departments and agencies.

The commercial banks are usually owned by indigenous Nigerian people and other institutional bodies; however, some banks have foreign part-ownerships. While 21 out of the 24 banks in the sector are listed on the Nigerian Stock Exchange (NSE), the ownership of those banks is mainly by single individuals and families (Adegbaju and Olokoyo, 2008). The management and control of these banks are generally influenced by individuals or members of the family, who normally appoint individuals to the Board of Directors. The CBN in most cases approves the appointment of the directors.

The 24 emerging banks conduct their operations and provide records of their activities using a 12-month financial accounting year end. Currently, the financial year for each bank in the sector varies. In 2008, the CBN, which regulates bank activities, introduced a financial reporting/year end in December for the banks, but later cancelled the plan (CBN Monetary Policy Committee, 2008). This scenario describes the impact of stiff competition amongst the commercial banks in the sector. The external private audit companies that are engaged by the commercial banks but are vetted by the CBN confirm the reliability of the published financial statements of the banks. During the financial year, the CBN and the NDIC, through their representatives enforce their statutory right to monitor and supervise the banks by using off-site and on-site inspection of the books and operations of the banks. According to Soludo (2009), "the activities of banks account for over 90% of the Nigerian financial system assets and are an increasing dominant source of financing for the economy. These activities in the banking system form a significant part of, and determine to a great extent, the economic fortunes of Nigeria" (p. 26).

2.2.5 Regulation and supervision of the banks

The regulation and supervision of the banking sector is one of the most important aspects of the mechanisms that can be used to ensure safe and sound practices that stabilise the Nigerian economy. The CBN is at the top of this regulatory framework. Although, the focus of this research is to examine how merged banks integrate/design their MCS following M&A, it is important to provide a brief description of the CBN and the supervision of the banks, as the M&A investigated in this research was driven by the CBN reform of the sector. The NDIC, as discussed earlier, shares responsibility with the CBN in the supervision of the banks in the sector. There is good cooperation between the two bodies (CBN and NDIC) on the focus and way in which the banks are regulated and supervised. This is demonstrated in the formulation of the supervisory strategies and surveillance activities of the banks, removal of supervisory overlap, formation of a reliable system of data management and sound information-sharing system (CBN Supervision framework, 2000). According to the framework, bank regulation is defined as "the provisioning of inputs into developing and interpreting legislation and regulations, issuing guidelines, and approving requests from regulated financial institutions". It also involves on-site and off-site examinations of the banks' records (annual reports) and other affairs of the banks and if anything is detected that is contrary to what is required, recommendations are provided and how such lapses can be avoided in the future.

On-site and off-site supervisions is usually conducted manually and is intended to identify and detect emerging problems in the banks with the aim of providing the most efficient solution. The on-site supervision could be a routine exercise which involves a regular physical check of the bank records (reports and financial statements) and other affairs in order to ascertain their financial condition and compliance with the recommended rules and regulations. This can be general or an attempt to examine a specific aspect of the target bank's operations. On-site supervisions are intense and are conducted once a year on sound banks and at shorter intervals on banks that have problems. The CBN uses three types of supervisions: transaction-based, consolidation and risk-based supervision.

2.3 Regulatory bodies

2.3.1 Central Bank of Nigeria

The CBN is the main regulatory body that regulates the financial system in Nigeria. It was formed by the Central Bank of Nigeria Act of 1958 (amended in 1991, 1993, 1997, 1999 and 2007). It started operations on 1st July 1959. The 1991 Decree 24 and decree 25 (Banks and Other Financial Institutions) gave the CBN more flexibility in regulating and supervising the banks in the sector and also the licensing of financial companies that have previously operated outside any regulations (CBN Statement of Core Mandate, 2006). The CBN is tasked by the Federal Government with four main statutory functions:

1. The issue of legal tender currency in Nigeria.
2. To maintain external reserves that will safeguard the international value of the legal tender currency.
3. To promote monetary stability and a sound financial system in Nigeria.
4. To act as banker and financial adviser to the Federal Government.

Another main function of the CBN is the Amendment to the CBN Act 1991, Decree 25 Banks and Other Financial Institutions (BOFI). This decree gives the CBN the power to provide a high standard of practices and financial stability through its exercise of supervision exercise and promotion of effective payment systems in the sector. This is one of the core functions performed by the CBN. The CBN has also performed some developmental roles that have focused on key sectors of the economy (the agricultural and industrial sectors). In March 2010, the CBN launched a restructuring programme called Project ACE, with the aim of repositioning and reinventing the body for supporting overall accountability, good communication, efficiency and effectiveness. Thus, the CBN has 25 departments, which are grouped into five directorates by their, job descriptions and related performance to enhance smooth operations and management of the departments. The Board of Directors runs the CBN and is led by a Governor. Each of the directorates is led by a Deputy Governor. The diagram below shows the structure and organisation of the CBN.

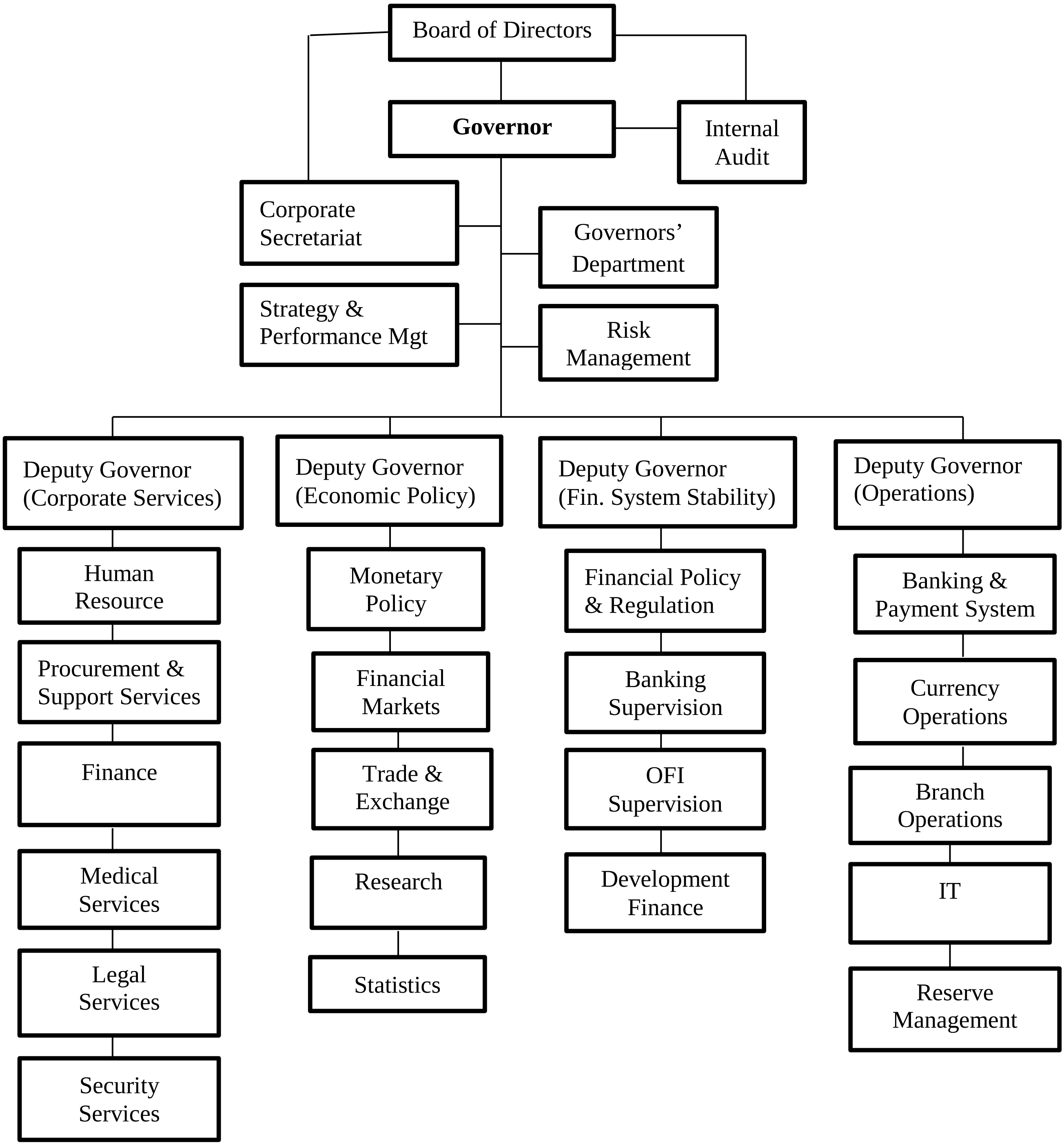


Figure 2.1: Central Bank of Nigeria organogram

2.3.2 Directorate of Financial System Stability

The CBN performs its regulatory and supervisory functions under the directorate of Financial System Stability, which is divided into four main departments:

1. Banking Supervision Department: this department conducts off-site surveillance and one-site inspection of the commercial banks, Specialised Institutions Credit Registry Bureaux (SICRB) and other related institutions. This department also formulates policies for examination and consolidated supervision for merged and acquired banks.

2. Development Finance Department: this department develops and implements the various policies, procedures and programmes that are aimed at delivering effective, efficient and sustainable financial services to certain sectors of the economy.

3. Financial Policy and Regulation Department: this department develops and implements the policies and regulations that are aimed at ensuring stability in the financial system. It also issues licences to banks and other financial institutions.

4. Other Financial Institutions Supervision Department: this department conducts off-site supervision and on-site inspection of the Microfinance Banks, Finance Companies, Bureaux-de-change, Primary Mortgage Institutions and Development Finance Institutions.

The CBN conducts its regulatory and supervisory functions in conjunction with the Banking Supervision Department, where the department conducts independent on-site examination of the banks' corporate governance system and, internal control system and, the reliability of the information the banks provide. The field inspections conducted by the department are usually grouped into 'maiden', usually carried out every six months from the commencement of a new bank; 'routine' conducted on a regular basis; 'target' which are conducted to address specific areas of the banks' operation (e.g. credit); and 'special', conducted if the need arises. A 'special' inspection is usually conducted in line with Section 32 of the BOFI Act. Spot-checks are also conducted by the departments for quick confirmation and verification. All of the inspections described above are on-site functions conducted by the Banking Supervision Department. On the other hand, off-site inspection are used to review and analyse the financial position and condition of a bank by using prudential reports, statutory returns and other relevant information. They are also used to monitor trends and developments of the banks in the sector. The CBN and NDIC, in keeping with international standards, have continued to stress the importance of risk-focused supervision in the sector. They have adopted 25 core principles of the Basle Committee on bank supervision as the key elements of the framework for bank supervision. Other important features of their supervision activities include regular contact with the bank management, combining supervision of banks and non-bank financial affiliates and conducting independent validation of supervisory information.

2.4 Reformation plan for the Nigerian Banking sector

2.4.1 The 2004 reform

Nigerian banking sector reforms have been driven by the requirement to improve the financial sector and reposition of the economy of the country for growth and sustainability. According to Adegbaju and Olokoyo (2008), the reforms make the sector "become integrated into the global financial structural design and evolve a banking sector that is consistent with regional integration requirements and international best practices" (p. 3). This reform was also aimed at addressing other issues such as cooperate governance, the risk management of the banks, and operational inefficiencies, the main aim of the reform was to increase the capital of the banks (Ajayi, 2005). Capitalisation has been an important element of Nigerian banking sector reform; this is largely due to the fact that banks that have strong capital base always have the capacity to absolve losses from non-performing liabilities. Capitalisation requirements may be achieved through consolidation of the existing banks in the sector or raising funds through the capital market.

When the then CBN Governor (Prof Charles Soludo) resumed office in 2004, in his first speech at the Special Meeting of the Bankers' Committee which was held on 6th July 2004, he stated, "the Nigerian banking system today is fragile and marginal. Our vision is a banking system that is part of the global change, and which is strong, competitive and reliable. It is a banking system which depositors can trust, and investors can rely upon" (Cowry Research Desk, 2009, p. 5). The governor announced a 13-point reform exercise of the banking sector. The primary objective of the sector reforms was to guarantee a sound and efficient financial system. Owolabi et al. (2013) stated, "the reforms are designed to enable the banking system to develop the required flexibility to support the economic development of the nation by efficiently performing its functions as the pivot of financial intermediation" (p.6). Hence, the reforms were aimed at diversification, a strong and reliable banking sector where the safety of depositors' money is guaranteed, and positioning the Nigerian banks to play a more developmental role in the economy.

The 13-point key elements of the CBN reform programme are as follows:

i. "Requirement that the minimum capitalisation for banks should be N25 billion with full compliance before end-December 2005 (that is, 18 months normally given in many countries).

   a. Only a bank that meets the requirement can hold public sector deposits, and participate in the DAS auction by end 2005.
   b. Publish the names of banks that qualify by 31 December 2005.

ii. Phased withdrawal of public sector funds from banks, beginning from July, 2004.

iii. Consolidation of banking institutions through mergers and acquisitions.

iv. Adoption of a risk-focused and rule-based regulatory framework. We will always pre-announce the rules of the game and stick to them. Arbitrariness will be reduced to the minimum. Often, operators who run foul of the rules plead for 'political solution'. Those who petition for 'political solutions' to otherwise strictly economic and financial problems should understand the damages that such arbitrariness can do to the system and the wrong signals and moral hazard that it creates. Once we start with one 'political solution', there is no end to it and the system will suffer. In the interest of preserving the integrity of the system, transparency and probity, we will insist on the rules and regulatory framework, in the interests of Nigeria and Nigerians.

v. Adoption of zero tolerance in the regulatory framework; especially in the area of data/information rendition/reporting. All returns by bank must now be signed by the MDs of the banks. The so-called 're-engineering' or manipulation of accounts especially in hiding of information under 'other assets'/liabilities' and off-balance sheets will hence attract serious sanctions.

vi. The automation process for rendition of returns by banks and other financial institutions through the electronic Financial Analysis and Surveillance System (e-FASS) will be completed expeditiously.

vii. Establishment of a hotline, confidential internet address (Governor@cenbank.org) for all Nigerians wishing to share any confidential information with the Governor of the Central Bank on the operations of any bank or the financial system. Only the Governor has access to this address.

viii. Strict enforcement of the contingency planning framework for systemic banking distress.

ix. Work towards the establishment of an Assets Management Company as an important element of distress resolution;

x. Promotion of the enforcement of dormant laws, especially those relating to the issuance of dud cheques, and the law relating to the vicarious liabilities of the Board members of banks in cases of failing by the banks. A situation where a bank collapses due to negligence and mismanagement is unjust and unfair. There is a law which makes the directors and the bank directors move about in their limousine while the poor deposits languish management liable, and we will henceforth enforce them.

xi. Revision and updating of relevant laws, and drafting of new ones relating to the effective operations of the banking system.

xii. Closer collaboration with the Economic and (FIU), and the en financial Crime Commission (EFCC) in the establishment of the Financial Intelligence Unit for enforcement of anti-money laundering and other economic crime measures. Greater transparency and accountability will be the hallmark of the system.

xiii. Rehabilitation and effective management of the Mint to meet the security printing needs of Nigeria, including the banking system which constitutes over 90 percent of the Mint's business. In due course, you will not need to print your cheques abroad".

2.4.2 The 24 emerging banks in Nigeria after the reforms

At the end of the recapitalisation exercise (after the 31st December 2005 deadline), 24 banks emerged by either means of mergers and acquisitions or standing alone to raise the minimum N25 billion capital base. The table below shows a list of the 24 commercial banks after the exercise and their respective capital base.

Bank	**Constituents**	**Capital base (N Billion)**
First Bank Group	First Bank, MBC International, FBN Merchant Bankers Ltd	44.62
Diamond Bank Group	Diamond Bank, Lion Bank	33.25
Oceanic Bank*	Oceanic Bank International, International Trust Bank	33.10
Intercontinental Bank Group	Intercontinental Bank, Global Bank, Gate way Bank, Equity Bank	51.70
Fidelity Bank Group	Fidelity Bank, FSB International Bank, Manny Bank	29.00
UBA Group	UBA, Standard Trust Bank	50.00
FCMB	FCMB, Coop Dev. Bank, Nigerian. American Bank Ltd	30.00
Spring Bank Group	Citizen Bank International, ACB International, Guardian Express Bank, Oceanic Bank, Trans-international Bank, Fountain Trust Bank	25.00
Access Bank Group	Access Bank, Marina International Bank, Capital Bank International	28.50
Unity Bank Group	Intercity Bank, First Interstate Bank, Tropical Commercial Bank, Centre Point Bank, Bank of the North, Societe Bancaire, Pacific Bank, NNB	30.00
Equitorial Trust Bank Group	Equitorial Trust Bank, Devcom Bank	26.50
Union Bank Group	Union Bank of Nigeria, Union Merchant Bank, Broad Bank, Universal Trust Bank	58.00
First Inland Bank Group	First Atlantic Bank, Inland Bank, IMB, NUB	28.00
Afribank Group	Afribank International (Merchant) Bank, Afribank of Nigeria, Trade Bank	29.00
IBTC Chartered Group*	IBTC, Chartered Bank, Regent Bank	35.00
Skye Bank Group	Prudent Bank, EIB, Bond Bank, Reliance Bank, Cooperative Bank	37.00
WEMA Bank	Wema Bank, Lead Bank, National Bank of Nigeria	26.20

Group		
Sterling Bank Group	Trust Bank, NBM Bank, Magnum Bank, NAL Bank, Indo Nigeria Bank	25.00
Platinum Habib Bank*	Habib Bank, Platinum Bank	26.00
Zenith Bank	Alone	38.00
Nigeria International Bank	Alone	25.00
Ecobank	Alone	25.00
Standard Chartered*	Alone	26.00
Guaranty Trust Bank	Alone	34.00
Stanbic Bank	Alone	25.00

Table 2.2: List of consolidated banks in Nigeria after reform of the sector in 2004
Cowry Research Desk (2009), Nigeria Banking Report, following the progress of Nigerian Banks in the last 10 years (p. 7).

*Recent development
IBTC Chartered Bank have merged with Stanbic Bank, Platinum Habib acquired Spring Bank, Ocean Bank has been taken over by Ecobank

2.5 Chapter summary

This chapter demonstrates that the Nigerian banking sector is an important sector of the economy even though the country depends more on crude oil. The sector can be used to facilitate economic growth. Four major reforms have been conducted in the sector: the first reform led to the establishment of over 100 banks and the attrition of 30 private banks due to poor management. The second reform resulted in the enactment of the 1952 Banking Ordinance and the establishment of the Central Bank of Nigeria as the regulatory body of the sector. The third reform resulted in the National Emergency Decree during the 1980s and 1990s financial distress. This was also a period when there were 120 banks (66 commercial and 54 merchant banks) in the sector. Prudential Guidelines were introduced during the third reform period and the number of bank branches jumped from 40 in 1985 to over 2000 in

1991. The fourth and current reforms have led to an increase in the required capital base of the banks to N25 billion.

CHAPTER THREE

LITERATURE REVIEW: MERGERS AND ACQUISITIONS (M&A)

3.1 Introduction

This chapter reviews the literature on M&A studies. The rationale for doing this is to identify the various factors which M&A researchers think are responsible for companies merging or acquiring and also to provide an explanation of how culture may impact the integration process. As described earlier, M&A have taken place in various sector of the economy. They are therefore studied from different perspectives and this has impacted on the structure of this chapter.

3.2 History of M&A

3.2.1What is mergers and acquisitions?

The terms ‘merger’ and ‘acquisition’ are sometimes confused or used interchangeably (Schuler and Jackson, 2001; Martynova and Renneboog, 2008). Whether a combination of companies is considered a merger or an acquisition really depends on whether the purchase is friendly or hostile and how it is announced (Gaughan, 2007; Cummins and Xie, 2008). In other words, the real difference lies in how the purchase is communicated to and received by the target company's Board of Directors, employees and shareholders (Harford, 2005). The main difference between a merger and an acquisition is the manner in which the combinations of the businesses occur. In the case of a merger, there is usually a process of negotiation between the companies involved, and this usually takes place prior to the merging of the companies (Galpin and Herndon, 2007).

A merger happens when two firms, often of about the same size, agree to go forward as a single new company rather than remain separately owned and operated (Steynberg and Veldsman, 2011). This kind of action is more precisely referred to as a 'merger of equals.' Both companies' stocks are surrendered and new company stock is issued in its place. For example, both Daimler-Benz and Chrysler ceased to exist when the two firms merged, and a new company, DaimlerChrysler, was created (Vaara, 2002; Gaughan, 2007). In practice, however, actual mergers of equals do not happen very often. Usually, one company will buy another and, as part of the deal's terms, allow the acquired firm to proclaim that the action is a merger of equals, even if is technically an acquisition (DePamphilis, 2010).

In the case of acquisition there may not necessarily be a process of negotiation as it is often an outright acquisition of one company by another. When one company takes over another and clearly establishes itself as the new owner, the purchase is called an acquisition. From a legal point of view, the target company ceases to exist, the buyer 'swallows' the business and the buyer's stock continues to be traded (Parvinen, 2003; Danzon et al., 2007).

3.2.2 The six M&A waves

Martynova and Renneboog (2008) identified six M&A waves (1900s, 1920s, 1960s, 1990s and 2003 to date) that have taken place within the last century in their study, *A century of corporate takeovers: What have we learned and where do we stand?* Organisational restructuring by means of M&A is still very strong, and the sixth M&A wave cannot be said to have finished yet. According to Jensen (1993), who identified four M&A waves, each of the M&A waves has had specific focus and was driven by certain factors. For example, the Industrial Revolution was seen as the main force behind the first M&A wave (1897-1904). Martynova and Renneboog (2008) also stated that the occurrence of M&A waves has coincided with either economic, political or,regulatory changes. Table 3.1 shows a summary of the M&A waves and their characteristics.

The first M&A wave started in the late 1890s; this wave has been referred to as the "great M&A wave", which occurred at a time of radical changes in technology, innovation in industrial processes, economic expansion, new company legislation and the development of industrial stock in the stock market. The wave was characterised by horizontal consolidation of private companies and closure of smaller companies (Martynova and Renneboog 2008, p. 2149). Stigler (1950, p.27) described this type of consolidation as "merging to form monopolies", because it led to large companies emerging which took control of market share in their respective industries. The crash of the equity market (1903-1905) brought an end to the first wave.

The First World War resulted in slow M&A activity until the late 1910s before the second wave began and continued through the 1920s. This wave was referred to by Stigler (1950) as a wave of oligopolies, because by the end of the wave, industries were not dominated by one company as in the first, but where now controlled by two or more companies. Most of the companies that merged in the second wave were those smaller companies left out in the previous wave. The main aim of the companies merging was to achieve economies of scale and also to be able to compete with the dominant companies in their respective industries. Stigler (1950) showed that those companies that dominated their various industries in the first wave did not make any attempt to regain power in the second wave, because of lack of sufficient capital to pursue further expansion and the introduction of anti-monopoly laws (for example, Northern Securities of 1904). The second wave came to an end with the stock market crash and the economic depression of 1929.

The economic depression of the 1930s and the Second World War prevented a new merger wave for some decades. The third M&A wave finally began in the 1950s and lasted for almost two decades. This wave began in the US and coincided with the tightening of the Anti-Trust Law in 1953.[1] The main characteristic of this wave was a high number of diversifying mergers/takeovers which led to large conglomerates. These conglomerates were targeted towards benefitting from investments in new markets that were not related to their primary business. This enabled the companies involved to reduce volatility in their earnings, enhance value and overcome the imperfections of the external capital markets. The third wave was at its peak in 1968 but collapsed in 1973 due to the oil crisis which caused a recession in the world economy.

The fourth wave started in 1981 after the recovery of the Stock Market from the 1973 economic recession. The start of this wave coincided with changes in policy (anti-trust), deregulation of the financial services sector, creation of new financial instruments markets (e.g. the junk bond market) and technological advancement in the electronics sector. The characteristics of this wave were hostile takeovers, 'going-private transactions' (LBOs and MBOs) and unprecedented numbers of divestitures. The motive for this wave was that the conglomerates formed in the third waves had become inefficient and the companies were forced to reorganise Shleifer and Vishny, 1991). Similar to other waves, the fourth wave declined shortly after the crash of the stock market in 1987.

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[1] Section 7 of the 1914 Clayton Act was amended by the Celler-Kefauver Act to prevent anti-competitive mergers

The fifth M&A wave started in 1993. The increase in economic globalisation, technological advancement, privatisation and deregulation and economic and financial market boom, were responsible for the fifth wave. One of the main features of the fifth wave was the international nature of the takeovers. There were massive takeovers in Europe, the US and Asia and also cross-border transactions. Companies that were involved in takeovers abroad saw it as a way of overcoming the challenges of international competition created by the global markets. The fifth wave was dominated by industry-related takeovers (horizontal and vertical) and a decline in the number of divestitures, which suggests that the main motive behind the wave was participation in globalised markets. The collapse of the equity market in 2000 brought an end to the fifth wave.

	Wave 1	Wave 2	Wave 3	Wave 4	Wave 5	New wave
Period	1890-1903	1910s-1929	1950s-1973	1981-1989	1993-2001	2003-present
Geographical scope	US	US	US, UK, Europe	US, UK, Europe, Asia	US, UK, Europe, Asia	US, UK, Europe, Asia
M&A outcome	Formation of monopolies	Formation of oligopolies	Growth through diversification	Elimination of inefficiences	Adjustments to globalisation processes	Global expansion
Industry-relatedness	Focus	Focus	Diversification	Focus	Focus	Focus
Industries	Hydraulic power, textiles industry, iron industry	Steam engine, steel, railways	Electricity, chemicals combustion engines	Petrochemicals, aviation electronic, communication industry	Communications/ information technology	n.a.
Dominant sources of financing means of payment	Cash	Equity	Equity	Debt financed/ cash paid	Equity	Debt and cash financed/ cash paid
Hostile Takeover activity	n.a.	n.a.	None (US&UK)	High (US&UK)	Some (US&UK)	Some (US&UK)
			None (US&UK)	None (Europe)	High (Europe)	Some (Europe)
			None (Asia)	None (Asia)	None (Asia)	Some (Asia)
Cross-border M&A	n.a.	n.a.	n.a.	Some	Medium	High

activity						
Other Specifics				LBOs, MBOs, going-privates and divestiture	Mega-deals, divestitures	Deals by private equity funds
Events coinciding with beginning of wave	Economic expansion; industrialisation processes; introduction of new state legislation on incorporations; development of trading on NYSE; radical changes in technology	Economic recovery after the crash and the First World war; strengthened enforcement of anti-monopoly law	Economic recovery after the second World war; tightening of ant-trust regime in 1950	Economic recovery after recession; changes in anti-trust policy; deregulation of financial services sector; new financial instruments and markets (e.g. junk bonds); technology process in electronics	Economic and financial market booms; globalisation process; technological innovation, deregulation and privatisation	Economic recovery after the downturn in 2000-2001
Events coinciding with end of wave	Stock market crash; economic stagnation; beginning of First World War	Stock market crash; beginning of Great Depression	Stock market crash; oil crisis; economic slowdown	Stock market crash	Stock market crash; 9/11 terrorist attack	n.a.

Table 3.1: Summary of M&A waves

Source: Martynova and Renneboog (2008, p. 2151)

3.3 M&A studies at macro level

The above brief discussion of the history of M&A, clearly shows that M&A deals have taken place due to different underlying ‘macro’ factors under different environmental conditions. Also, historical developments (e.g. the First and Second World War) had a significant impact on the studies of M&A; this is due to the fact that researchers are part of the environment in which they conduct their studies. Thus, within the study of M&A, different streams of studies have been conducted from different perspectives. According to the evidence in the literature, the various perspectives determine how M&A have been reported and the role or function that management control systems play in such processes. This is why a straight-forward combination of M&A and MCS has not been possible and studies on this area have been sparse. Therefore, the combined studies of Vaara, (2002) and Epstein, (2004) have been used to shape the next section. The work of Vaara is quite simple, as summaries of the literature on organisational restructuring/integration after M&A were provided in three perspectives. Epstein’s (2004), study on the other hand, was more focused on post-merger integration, where he discussed five key drivers for successful integration.

Vaara (2002) stated that even though studies of M&A have been going on for the past century, an attempt to actually understand what happens after the completion of M&A deals only started in the mid-1980s when researchers became interested in investigating the integration process. This argument is in line with the conclusion made by Martynova and Renneboog (2008) that competence in integration processes was on the rise during the last

M&A wave (1993-2001). Three perspectives were identified by Vaara, the, 'managerial perspective', 'human-resources-orientated perspective' and 'cultural perspective'. He further emphasised that the last perspective (cultural perspective) also includes an aspect that focuses on 'acculturation processes'. The most important idea of the 'managerial perspective' is that "managers should strive for such benefits by carefully examining the opportunities provided by the organisations and then take into account the possible reactions in the organisations" (Vaara, 2002, p.213). This perspective shows that the management of the organisations lead the process and employees constitute the changes. It also deals with the various activities and possible problems arising during and after M&A. The main focus of studies conducted within this perspective is on changes. However, this was not the case in the 1980s where the primary concerns were on financial issues, and M&A was mostly used to acquire undervalued assets. However, from the early 1990s, integration became an important matter for managers, consultants and academicians, to try and find the appropriate methods in managing the process (Galpin and Herndon, 2007).

Epstein (2004, p.176), in contrast to Vaara's (2002) framework considered five drivers to be relevant and that should be carefully considered, as "failure on any one of the five can impede the achievement of merger goals". The five drivers are: 'coherent integration strategy', 'strong integration team', 'communication', 'speed in implementation', and 'aligned measurement'. The discussion of these drivers overlaps some of the issues discussed in Vaara's three perspectives. The difference in Epstein's framework was that he provided a detailed post-merger process for J. P. Morgan and Chase Manhattan Bank (JPMC).

Epstein’s framework is very important to this research as the issues covered (post-merger integration) is what the research seeks to achieve, but from a management accounting perspective. Most importantly, the five drivers stipulate that the mergers should be of equals and involve, dedicated integration teams, communication with various constituencies (namely staff and customers), fast integration for stability and reduction of unnecessary panic and provide both financial and non-financial measures. These will therefore be the issues to be considered in addition to the work of Vaara since it will be impossible to separate the two.

The ‘strong integration team’ in Epstein’s framework is similar to the managerial perspective in Vaara since the team leader is responsible for successful integration. Epstein gave an/the example of how lack of leadership in the merger of DaimlerChrysler leads to strife between members of the management team.

Discussion of the ‘strong integration team’ in Epstein’s framework includes human beings which is the third perspective (cultural perspective) in Vaara. The idea here includes discussion of human resource management, cultural compatibility and crisis management between employees of the company. The cultural perspective from Vaara’s framework was included as it is unthinkable to separate culture from people. Culture has been an integral part of the organisation and also where two or more companies merge.

3.3.1 Managerial and strategic planning as macro-variables

From the available evidence, one may conclude that the managerial perspective is one of the areas on which researchers have focused their attention, and also the area that has been researched most in M&A studies. This perspective has dominated in many academic areas. The key idea of the managerial perspective is that organisational success depends on the actions of the managers, whereby every activity is planned (Vaara, 2002). Studies conducted in this area agreed that organisational restructuring by means of M&A imposes systems, people and cultures on the newly formed company which means it is not possible to integrate one part without taking a reasonable step to integrate other parts. According to Gancel et al. (2002), integration includes two aspects ‘operational’ and ‘cultural’. The operational aspect includes bringing together the systems, processes and procedures of the organisation. The managerial perspective also sees integration as a cybernetic system where control can be achieved in an organisation by proper flow of accounting information (Otley, 1994).

On the other hand, strategic perspectives have mainly focused on how growth is achieved in organisations. Studies within this area combine various theories in order to understand the impact of strategy and structure on organisational behaviour. Under this perspective, researchers have addressed the problem of integration by emphasising pre-M&A analysis and post-M&A planning (Parvinen, 2003). This implies that the steps in M&A integration processes should be clearly defined (Haspeslagh and Jemison, 1991).

On the whole, the ethical norms of both the managerial and strategic perspectives are that of operational view, where the operational activities of the organisations are considered to be more important, although rational models may be used in order for the strategies to be followed in an unproblematic way. This is the main reason for combining the two perspectives, as both are closer to the normative assumption as applied in the M&A literature (Vaara, 2002). The two perspectives seem to contain some ideas that fit into 'normative' or 'coercive' rather than a 'mimetic' assunption within the total operation of the organisation.

3.3.2 Rationale for mergers and acquisitions as determinants of post-merger integration

Various reasons have been provided in the literature for M&A. In trying to actually understand the underlying motives two theories have been used to explain the reasons for this phenomenon, the, neoclassical hypothesis and behavioural hypothesis. The neoclassical view is that M&A may occur as a result of firms in a particular industry reacting to an environmental shock (Gort, 1969; Mitchell and Mulherin, 1996; Martynova and Renneboog, 2008). Mitchell and Mulherin (1996) argued that changes in technology lead to organisations merging. Using models, Jovanovic and Rousseau (2002) confirmed that technological change played a significant role when an organisation with advanced technology merged with one with low technology. The behavioural view of M&A is based on stock price misevaluation. It posits that managers use stocks that are overvalued to acquire assets of undervalued firms. For M&A to occur under this theory, the measurement of companies' valuations in terms of their market-to-book or price-to-earnings ratios when compared to other companies must increase at the same time. This enables managers with overvalued stock to move simultaneously in acquiring companies with less valued stock prices (Rhodes-Kropf and Viswanathan, 2004; Shleifer and Vishny, 2003). Below are some of the most commonly mentioned motives for M&A, the reasons discussed here are not exclusive as there are other classifications.

3.3.2.1 Operational synergy effects

One of the most common rationales given for M&A is economies of scale. This implies that organisations are more efficient when their size is expanded. This expansion in size will lead to gains in overall operating scale which then reduces the average unit costs in production (Preyra and Pink, 2006; Cummins and Xie, 2008). The findings of Cummins et al. (1999) from research conducted US on the life insurance industry showed that economy of scale is important to insurers in achieving diversification. Based on the ‘law of large numbers’ in insurance, expected losses are easily predicted when there is an increase in the size of insured pools. The “enhanced predictability implies that large insurers have less volatile earnings and thus need to hold less equity capital per policy underwritten, providing a potentially powerful source of cost reduction” (Cummins and Xie 2008, p. 326). It was also argued that an increase in the underwriting diversification allows insurers to employ higher risk and high risk strategies without increasing cost of capital.

Achieving economies of scope is also a rationale for M&A. This is achieved if an organisation is able to reduce the overall costs of production by offering different kinds of product rather than specialising in a particular product line. Examples include gains obtained from sharing resources such as brand name, customer lists, managerial talent, customer service capabilities and information technology (Cummins and Xie, 2008). An organisation may achieve revenue economies of scope where the customers prefer to go to an organisation that offers different services in order to reduce the cost of searching and “other factors that may create preferences for one-stop shopping”. Thus, for mergers to enable an organisation to achieve economies of scope, such mergers should focus on increasing geographical or product line diversification which will lead to productivity gains and higher efficiency than mergers focusing on a particular product or service (Preyra and Pink, 2006).

3.3. 2.2 Financial synergy theory

Financial synergy theory also explains motivation for M&A. This theory argues that due to asymmetry of information in the financial markets, an organisation which has a problem of liquid assets or financial slack may not be able to undertake valuable investment strategies (Inderst and Muller, 2003; Lambrecht, 2004). According to Leland (2007) “in a Modigliani-Miller (1958) world without taxes, bankruptcy costs, informational asymmetries, or agency costs, there are no purely financial synergies, and capital structure is irrelevant to total firm value. In a world with taxes and default costs, however, capital structure matters. Therefore, changes in the scope of the firm that affect optimal capital structure typically create financial synergies” (p.766). In this case, the best chance of increasing company’s market value is to merge with a slack-rich organisation if the information asymmetry existing between the organisation with the poor slack is smaller than that outside investors. Thus, a merger is the best means of reducing the information asymmetries in order to achieve financial synergies.

The prediction of the financial synergy theory is that organisations which are in financial distress but have good investment prospects are likely to merge or acquire other organisations.

3.3. 2. 3 Agency costs

The agency cost theory of M&A argues that mergers may result from managers of the organisations acting in their own self-interest rather than that of the organisation (Jensen, 1986). In attempt to increase compensation packages, managers may increase the size of the organisations through non-value-adding mergers or engage in 'expense preference' that focuses on maximising utilities (office furniture, staff size and luxuriousness of premises) rather than profit generating projects (Schuler and Vishny, 1989). This theory also argues that managers may intentionally engage in mergers or acquire organisations that require high skills to manage in order to make it almost impossible and costly for the owners to replace them. Shleifer and Vishny's (2003) view concentrated on mis-valuations of stocks, believing that managers understand the inefficiencies of the stock market and use this as an advantage in making merger decisions.

3.3.2. 4 Industry shock theory

The industry shock theory of M&A posits that organisational restructuring by means of M&A is not simply an industry specific phenomenon, but is rather a result of adapting to a changing economic environment or 'industry shock' which may include one of the following:

technology, deregulation, regulation and supply shocks such as high oil prices (Mitchell and Mulherin, 1996; Andrade et al., 2001; Hartford, 2005). This gives rise to the view that M&A occur in waves and cluster within industries (Brealey and Myers, 2003). Mitchell and Mulherin's (1996, p.220) argued that takeovers or mergers are the cheapest means for organisations to restructure when there are economic shocks. However, they stated that such takeovers or mergers do not guarantee performance after the process. "If industry shocks are a source of takeover and restructuring activity, then post-takeover performance should not necessarily be expected to improve, especially compared to a pre-shock benchmark or to industry cohorts".

2.3.3 M&A integration framework: Kitching approach

The study *Why do mergers miscarry?* by Kitching (1967) is one of the most cited studies in this area. It was the first empirical study to investigate why mergers miscarry. The study combined a survey review of literature on management and interviews conducted with top managers in 22 companies in order to investigate why merger miscarry and the relationship between types of mergers (vertical and horizontal). What Kitching found in the process was not exactly what he expected. One of his discoveries was that when companies of different sizes merge, the acquisitions or mergers often fail because the headquarters may not be interested or could not force the "little entrepreneurs to think like big businessmen" (p.92).

3.3.4 New M&A integration framework: Epstein's (2004) study

The most current integration framework is the study of Epstein (2004). In the study, Epstein provided explanation for why some mergers are successful and others fail. A distinction was also made between mergers (J.P. Morgan Chase, a merger of equals), acquisitions (Cisco Systems Inc.'s model) and conglomerates (General Electric Co), which said have been taken to mean the same thing. On merger failures, he said that most executives pretend to understand how merger integration should be done, but it often results in "lack of synergies, an unrealistic vision, or an outrageous premium price" (p. 175). This means the process lacks clarity about best practice and errors in the post-merger integration process. The focus of the study was on both success and failure, but more attention was given to successful post-merger integration (PMI) processes. Epstein (2004) examined common problems in merged companies and identified five drivers which he believed are relevant for successful integration (see Table 3.2).

	Merger
Integration Strategy	Promote merger of equals Meritocratic decisions Clean slate with respect to structure; practices chosen without respect to previous companies' practices
Integration Team	Full-time, discrete team with ample resources and contributions from senior management Equal contributions from both companies
Communication	Customers of both companies must understand changes in business Employees of both companies must

	understand new roles and opportunities Focus on how companies fit together
Speed	Fast decisions are key for both strategic goals and promoting stability and reducing uncertainty in organisation
Aligned Measures	Balance between financial and financial measures Tracking of revenue and cost synergies Both process and results measures

Table 3.2: Summary of five key drivers for post-merger integration.
Source: Epstein, 2004, p.180).

3.3.4.1 Coherent integration strategy

It is important for a newly formed organisation to have a clear integration strategy stating that the merger is one of equals rather than an acquisition. This integration strategy should state how the merger will be achieved. The distinction between a merger of equals and an acquisition is very important, as this reflects different priorities in the process and also has implications for employees in terms of ‘process and content’. The opportunity to implement the integration strategy arises when decisions are made on the organisational structure. “It is preferable that companies begin with an open mind when designing the structure and not be constrained by the structure of either previous company” and “decisions should not be made on the basis of imitating the status quo from one organisation or the other” (Epstein, 2004, p.176). In making personnel decisions, the same standards should be used to judge the employees of both companies and selection for a position should be based on merit and not on the basis of power a struggle. Regarding the company name adopted, where the name of one company is chosen, an effort should be made to contact the customers of the other so that they understand their importance in the newly formed company.

3.3.4.2 Strong integration team

The 'strong integration team' is demonstrated through an organised structure, leadership and integration team which must be separate from the management of the newly merged company. It is important for the integration team to follow a plan (project-management approach). The team should be made up of equal numbers from each company involved in the merger and should be dedicated full-time to the PMI process. An ambitious, confident and dedicated leader should be selected and should be someone who is not biased. Epstein (2004, p.177) stated, "the strength of the PMI leadership proved to be problematic in the AOL Time Warner merger, when it has been reported that executives from the two companies failed to communicate effectively with one another throughout the integration process". The main idea of the integration team is to make sure that the integration process does not affect the customers since is not the customers, merging but the company. It is also the task of the integration team to eliminate cultural differences in the organisation, as failure on the part of the leadership to do this may be disastrous.

3.3.4.3 Communication

Communication is also very important at the beginning and during the PMI process. There should be constant and consistent communication from the organisation's senior management. This builds confidence in the process and will "reinforce the purpose of the merger with a tangible set of goals, and provide decisive responses to a variety of stakeholder concerns". Each constituency (customers and employees) should be provided with information that explains the role they play in the merger. This is "because of high levels of concerns about the impact of the merger on their individual well-being, customers and employees need a very high level of communication through the process" (Epstein, 2004, p. 177). Communication is the key driver for human resources management. In order to retain key employees, information on appointments to key positions and severance policies must be made available as soon as possible. Those employees who are made redundant should be treated with respect and assisted in getting another job. Customers should also be advised of the new direction of the company. Mergers bring uncertainty, therefore the best way of reassuring the customers is through communication. Poor communication, on the other hand, has been argued to confuse employees and customers and scare investors. An example is the merger between Pharmacia and Upjohn in 1995. "Communication from senior management was poor, confusion was rampant in the organisation, and internal politics replaced business as the primary concern. Cultural problems began to escalate and were not addressed by senior management. Sales and earnings plummeted, and merger costs were considerably higher than expected" (Epstein, 2004, p.178).

3.3.4.4 Speed in implementation

Speed is also an essential aspect of the PMI process. Fear and indecisiveness have always been a major problem for rapid progress. Integrations which are done early mitigate risk and allow the realisation of early benefits. The planning and design should be done immediately the merger is announced. Normally, the planning should be completed prior to the public announcement. After the announcement is made, there should be a timetable, and integration of the front office should be completed immediately. Some companies include speed of implementation as one of the goals. An xxample is Lucent Technologies Inc., where the integration programme took 100 days to complete. Companies that delay their integration processes are normally faced with threats, especially to the two constituencies (employees and customers). Employees may see the delay as a "sign of uncertainty and may pursue opportunities at rival firms where the situation seems more stable. Customers may likewise fear instability and seek competitors' products if the visible aspects of the integration are not achieved rapidly" (Epstein, 2004, p.177).

3.3.4.5 Aligned measurements

For mergers to be successful, there must be a clear definition of the drivers and appropriate measures of the drives in place. "A successful PMI requires the creation of measures that are well-aligned with the merger strategy and vision. Targets and milestones must be created in all areas, especially for the measurement of synergies, and sophisticated tracking systems must be created so integration leaders can monitor progress throughout the organisation" (Epstein, 2004, p.179). The responsibility for setting these metrics up should be with the integration team, functional areas and business units. It is the duty of the team leader to provide a consistent set of goals to leaders in both functional areas and business units which will be used to direct each metric in line with organisational goals and will be meaningful to employees in the organisation. An example is the acquisition of The Quaker Oats Co., by

PepsiCo Inc, where expectations of the synergies were described in detail. Also included in the description was a metric for comparing the growth rates of the financial performance for both companies standing as a single entity. There was clear information on what employees and investors expected from every part of the business. It is important to include financial and non-financial measures for effective monitoring of performance, which may include processes and results for reporting past performance and a predictor for future performance. The organisation should also measure cost savings and financial synergies to enable employees and investors to have a better understanding of the integration process. Customer satisfaction, employee satisfaction, cultural integration, retention, risk management and operational reliability should be included under non-financial measures.

The PMI example (J.P. Morgan Chase) used by Epstein (2004) suits the five drivers described above. For instance, communication to interested parties (employees, customers, shareholders, media and regulators) was not only a top priority but was made an important strategy of the PMI. The merger philosophy was clearly stated to be a ‘merger of equals’ where the names of both companies were adopted. JPMC agreed to conduct the merger quickly and a timetable was set; most of the key decisions (branding strategy and appointment to key positions) were made in four months. Experience gained from previous mergers also plays a key role in the process, as the setup of the integration team was based on past experience. The merger of JPMC was considered to be successful: in financial terms, half of the merger costs were achieved within a year and the financial synergies exceeded expectations. In the area of employee satisfactions, was high and cultural differences were quickly eliminated.

3.4 Human resources and cultural perspective

3.4.1Culture in M&A research

From the discussion in the last section one can draw the conclusion that human resources and cultural issues are very important in M&A. The high rate of M&A failures over the years has increased the need for this aspect of integration (Stahl and Voigt, 2008). King et al. (2004) concluded that “despite decades of research, what impacts the financial performance of firms engaging in M&A activity remains largely unexplained” (p.198). Although the traditional focus of studies conducted into M&A success and failures has been on financial and strategic factors, studies looking at the implications of organisational and human resources have increased in recent years. One of the emerging fields in such studies has been looking at cultural dynamics and its implications for the post-merger integration process (Cartwright and Schoenberg, 2006). The discussion in this section is on this phenomenon of culture. The word ‘culture’ has many different meanings, but organisational researchers have a general consensus despite the difference in definitions. According to Hofstede (1980),[2] culture is the “patterns of beliefs and values that are manifested in practices, behaviour and various artifacts shared by members of an organisation or a nation” (p.13). From this definition, culture is observed within different units (e.g. organisations, or nations).

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[2] Another definition of culture provided by Hofstede (1980) is the collective programming of the mind which distinguishes one group of people from another in terms of norms and values, and that it is this part of our conditioning that we share with other members of our nation, region, or group (p.13).

Human resources and cultural issues involve dealing with people or actors. The focus of attention is often more on the actors and what they do and less on systems or operations. For example, the attention is usually on those that provide what accounting system to be used and how the M&A integration process is described by them. According to Schuler and Jackson (2001), this perspective "sees reality as a social construction, derived from, and rising out of, social interaction" (p.243). This means that actors behave towards something based on the meaning of that thing to them, and meanings are attached to situations through interaction. M&A brings organisational changes that affect everyone in the company involved (from CEO down to the lowest member of staff). Therefore, human resources researchers have emphasised the significance of understanding issues relating to human resources in order to be able to manage the challenges from such processes.

Investigating culture in M&A, Schuler and Jackson (2001) claimed that the major problem in most failures is neglecting human resource issues and the reasons given are "cultural clashes, gaps, or incompatibility and loss of key talent" (p.241). This view was also expressed by Slowinski et al. (2002), who argued that the announcement of M&A makes the employees lose priority in the list of the company's needs. However, Bower (2001) warned that where a strong culture is already in place, the introduction of new values should be implemented with care; he used the phrase "use carrots, not sticks," since changing the values of a company is harder than changing the processes. For him values included "shared assumptions about what the company owes its employees and vice versa, which kind of behaviours is rewarded, and what the company stands for" (p.95).

Buono and Bowditch (2003) reported dissatisfaction expressed by employees about M&A. Organisational restructuring through M&A can cause uncertainty, ambiguity and anxiety which can result in “decreased organisational satisfaction and commitment, increased turnover and absenteeism, power struggles among those managers who stay, and poorer job related attitudes and performance for a significant proportion of the new firm’s work force” (p. 108). Also, Hudson and Barnfield (2001) stated that most failures in M&A can be attributed to inadequate handling of human resources, especially the effect of redundancies which was considered to weaken “operational capabilities and the morale of employees”. They also concluded that those employees who survive the restructuring normally experience “reduced job security, increased workloads, anxiety and stress” (p.37). In terms of cultural integration, Slowinski et al. (2002) argued that it is important for senior managers to be committed, implementing regular training and communicating values and norms. Their findings also showed that most researchers have cited organisational culture as the main problem of integration, but stated that this has nothing to do with culture.

The studies summarised above are just some of those that have discussed human resources issues in M&A. What has been noticed from the focus of these studies is somewhat different to what has been discussed earlier. The focus here is on the third level (managerial and socio-cultural level) of Shrivastava’s (1986) post-merger integration task but looking at it from a different perspective (i.e. a bottom-up perspective). Referring to Shrivastava’s (1986, p.67) framework at this level, coordination is achieved by creating ‘integrator role’ and changes to organisational structure. Control is achieved through the design of ‘compensation and reward systems’ and allocation of ‘authority and responsibility’. Resolving conflict is by ‘stabilising power sharing tools and other mechanism'. Birkinshaw et al. (2000) particularly looked at human resources (integration of humans), as they argued that the integration process also requires the integration of human beings.

However, this does not mean that the other variables and factors discussed earlier should be forgotten. The human resources literature argued that many such 'task related' factors are caused by psychological and behavioural effects; an example of such studies is Galpin and Herndon (2007). This may include motives for the merger (growth versus survival), the nature of the merger (hostile or friendly), the organisational size, success and cultural compatibility (Datta, 1991; Cartwright and Cooper, 1996; Buono and Bowditch, 2003). Other factors are the managerial practice adopted during the integration process and 'communication' with the employees. For example, Galpin and Herndon (2007) argued that accurate and timely communication with employees could improve the outcomes of M&A to a large extent.

3.4.2 Organisational culture as a variable

There is a difference between organisational and national culture. While organisational culture is more about shared views of daily practices, national culture is all about values. This was the finding of Hofstede (1991) when he compared organisations operating in different countries. The conclusion was that 'cultural differences' are more often found in organisational practices and less in values. In a real sense, the difference in 'organisational culture' in any given national culture (values) is very little, as employees' only distinguish themselves with respect to shared views of daily practices. Culture has been recognised by most researchers as a problem area and it has mostly been looked at from a ‘managerial perspective’. For example, Slowinski et al. (2002) interviewed managers in various companies and most of those interviewed emphasised the need for cultural integration as central to a successful merger. However, none of the managers interviewed were able to provide solutions for cultural challenges in mergers.

Cartwright and Cooper (1992, 2006) also showed that it is important to manage the total integration process correctly and classified integration of culture into four different types: power culture (clear centralisation of power, management making the decisions), role culture (systems for managing should be logic, rational and efficient, where organisational function appears to be more important than people, many rules and formalised hierarchy), task culture (the centre of attention should be on actual tasks, flexible, independent and creative work groups), and person culture (egalitarian with minimal structures, individual in centre). Their investigation was mainly horizontal M&A which involve large-scale integration. The manner in which employees’ personal freedom was affected was the main issue for Cartwright and Cooper (1992), rather than cultural differences. This means that if employees’ freedom increases, things normally go very well and a reduction in freedom leads to problem. Cartwright and Cooper believed that is better to combine the cultures of companies involved in a merger as they normally prefer to retain their own cultures.

Larsson (1990) investigated post-M&A integration and how synergy may be achieved. His study presented four drivers which he believed may have an impact on synergy realisation.

The first driver is 'synergy potential', which he says is related to production similarity and market similarity, that is, relatively dependent on initial business and initial cultural relationship. The second is 'firm interaction', which depends on the integration mechanisms (how to structure M&A deals in terms of accumulating, stabilising, combining and timing). The third is 'coordinative efforts', which includes formal planning, integrators, management information systems, transition teams and socialisation (common training, orientation and joint activities).

The last is employees' reaction, which he referred to as 'employee resistance'. The resistance in question correlates with the realisation of synergy and results from four main elements. The first is how the acculturation process was presented, which is the process of choosing the socialisation mechanisms (i.e. components of coordinative efforts, formal planning such as budgeting and product costing and management information systems). Imposed forms of control is another factor that Larsson considered to be responsible for employee resistance, and this is also combined with the third element which is attributed hostility, 'the result of the utilisation of mutual consideration'. The considerations can be one of the following: 'communality of interests', 'equal influences', or 'maintaining others' integrity'. Career implications were considered by Larsson to be the fourth element which may impact employees' reactions and the extent of their resistance after M&A has more to do with the kind of human resources systems in place in the merging organisations. The most important factors to consider are design of jobs, reward systems, administration of personnel policies and career planning.

3.5 Chapter summary

The evidence in the studies reviewed in this chapter shows that there have been different waves of M&A. The studies suggest that all the waves show unique patterns and underlying motives. The various waves discussed have some common characteristics. First, all of the waves have occurred at times of economic recovery (e.g. from economic depression, market crash, energy crisis etc.). Second, most of the waves have coincided with a rapidly booming stock market and credit expansion. Interestingly all five waves have ended with a stock market collapse. Hence, it appears that a growing external market is a key condition responsible for an M&A wave to emerge. Third, M&A waves are motivated by technological and industrial shocks which may come in the form of financial innovations, technological advancement, supply shocks (e.g. oil price crisis), deregulation and increased global competition. Finally, M&A also takes place in periods of regulatory change (e.g. anti-trust).

One of the most important ideas from the managerial and strategic perspective is ‘the assumption’ that M&A process can be ‘planned and led’. This idea was not found within the various papers that were reviewed in this area, but was based on the statement that it is possible for managers to manage and plan integration processes and the outcomes will depend on their actions. This belief is therefore one of the most used ideas the field. Although the idea is abstract, as it is not possible to classify as a contingency variable or compare it with another method, an example is the internal and external characteristics of the organisation. The idea came from the framework mentioned above as the authors try to connect the idea to the integration process, as best described within the strategic perspective (Kitching, 1967, Epstein, 2004).

The motives for M&A are important ingredients for the ‘planned’ and ‘managed’ approach, as the two perspectives try to find the best kind of integration that is appropriate for any of the motives. However, from the various motives and the integration framework discussed above, different conclusions may be drawn about the role and function of the MAC from the M&A research perspective. The MAC could therefore be perceived as ‘systems’ designed for control, coordination and conflict resolution. This usually happens at the ‘procedural’ or ‘task related level’ (Shrivastava 1986). The framework (e.g. Kitching, 1967; Shrivastava, 1986) places MAC under the group of task and procedures which is separate from human beings, cultural and social aspects. In such a way, management accounting systems are not considered to be a ‘hard’ variable but a foundation of rational and functional actions. However, Epstein (2004) provided a different view with the use of five drivers where he emphasises the importance of integrating human culture in the PMI process.

Human resources and cultural studies mainly focus on actors and their actions and this appears to be a bottom-up approach compared to earlier studies. The actors in this perspective describe themselves in groups (small or large) where the large group is the newly formed companies (company A and B merged together) within the same environment or cross-border. Here, culture and people are considered to be the backbone of actions that make the systems and processes work. Hence, culture and people are macro-variables and they determine the outcome of M&A integration. Culture therefore forms part of everything in the organisation, this starts from every individual to the whole organisation or country, which explains the reason why researchers have categorically classified cultures into organisational and national culture. From above, it is difficult to identify the differences between each of the cultures mentioned, but the most significant aspect is culture, which can be found in various practices at the organisational level. Culture has been regarded as problem area by most researchers and practitioners when it comes to M&A integration.

Culture is a relatively abstract issue, which means is not possible to use it as a contingency variable in analysing M&A integration in a rational way. It is therefore not possible from the studies within this area to determine if the culture difference could be considered as a variable, which most of the studies referred to as an advantage or disadvantage in the post-M&A period and the majority of studies have emphasised that the problems normally increase where the cultural difference is large. One important factor that may determine good results for M&A integration appears to be the personal freedom given to the actors in the merging companies as reduced or lack of freedom leads to negative result. In addition, the cultural relationship between merging companies is a variable that is considered to enhance the realisation of synergy, as it has been argued that only employees who are motivated can add extra value to the company. The combination of acculturation and socialisation with formal integration mechanisms tools helps in M&A success. Leadership features were also considered to be an essential element, but there was a clear difference between ‘modern’ and ‘old fashioned’ leadership styles.

CHAPTER FOUR

LITERATURE REVIEW: MANAGEMENT CONTROL SYSTEMS

4.1 Introduction

The review of studies in this chapter relates to MCS, exploring the role and functions it plays in the M&A of organisations. This is similar to the previous chapter only that the focus here is more on typical accounting related-studies. Also included in this chapter are studies that have explicitly looked at both MCS and M&A. It is important to look at accounting studies which have described issues and other tasks in M&A, although this has only been done in an implicit way. The next section introduces a textbook view of how managers and accountants have dealt with M&A. This is referred to as micro-level integration, with a broader picture presented as the thesis progresses.

4.2 Suggested integration process of M&A by accounting textbooks

The previous chapters have made it clear that the objective of this research is about the integration of organisations after merging and other stages in such a process. But above all this research is about the integration of MCS in general, and in order to answer the research questions it is important to know what the textbooks have recommended concerning the M&A process. This has been referred to as the ‘textbook view’ of mergers from the accounting perspective, as the books used have been written by accountants, finance scholars and controllers within the field (Johnson et al., 2008; Risberg, 2013). Three textbooks were selected for review and the decision to include these books was based on two main reasons. Firstly, these books are the available and most comprehensive ones, and secondly, other books have covered similar materials but do not offer a new perspective in terms of accounting professionals (see Johnson et al., 2008). The table below gives a summary of the framework adopted in the three books and their similiar arrangements.

Morris (2000)	Willson et al. (1999)	DePamphilis (2010)
1. Acquisition team 2. Acquisition strategy 3. Identify candidate 4. Evaluate candidate 5. Structure acquisition 6. Establish price 7. Finance acquisition 8. Tax issues 9. Formalise deal and due diligence 10. Consummate acquisition 11. Post acquisition matters	1. Strategic planning 2. Establish criteria 3. Search candidates 4. Screen 5. First analysis 6. In-depth analysis of most suitable candidates 7. Negotiation (terms and conditions) 8. Acquire 9. Integration 10. Evaluation	1. Business plan 2. Acquisition plan 3. Search 4. Screen 5. First contact 6. Negotiation (refine value, structure deal, perform due diligence, financing plan, decision) 7. Integration plan 8. Closing 9. Integration 10. Evaluation

Table 4.1: Summary of textbook view of M&A integration process from three accounting authors (Source: Morris (2000), Willson et al. (1999) and DePamphilis (2010)

Clearly from the table, the majority of the steps in M&A activities are about pre-acquisition or merging. Eight out of ten items in Willson et al. (1999), ten out of eleven in Morris (2000) and nine out of ten in DePamphilis (2010) are about pre-acquisition or merger. Only the eleventh item in Morris (2000) and the second to last item in Willson et al. (1999) and DePamphilis (2010) are on integration following M&A, while evaluation was included as a tenth step in Willson et al. (1999). Grouping the M&A activities into ten or eleven main steps seems to be very common in an accounting and finance perspective. This simply implies that the role accountants and controllers play is to support and manage the pre-M&A steps. This assumption appears to be relevant considering the discussion of the integration steps in the books.

4.2.1 Pre-M&A steps

Before proceeding to integration, here is a brief account of pre-M&A steps, variables and other factors provided by accountants, controllers and finance scholars. The first important variable that was highlighted in all the three books mentioned above is that the acquisition team should be selected from the start until the integration process is completed. It is indicated that the team should be made up of accountants and other specialists who will be involved in the integration process from the beginning when the decisions are made. The essence of having accountants present relates to making fundamental decisions relating to whether or not to acquire or merge with other organisations. Morris (2000) argued that this is necessary for strategies and criteria. Willson et al., (1999) argued it is needed in order to plan strategy and DePamphilis (2010) argued for an acquisition and business plan. The next item to be considered is the criteria for acquiring or merging balance sheet concrete ‘assets and liabilities’ and intangible assets in the form of market shares, competence, people and other abilities. This is where the advice of the expert is required, as it is important for them to know the business very well before acquisition or merging. For this reason, the three authors saw acquiring or merging as a simple valuation of potential companies.

The next step is to identify and evaluate the right company to acquire or merge with. This appears rational, but is how two out of the three books express it. Hence from an MCS perspective, Willson et al. (1999, p.1116) was the only study to indicate that valuation of the financial statements, securities, bank account, insurance policies, credit report and so on should also include the “chart of accounts and/or description of accounting practices relative to inventories, fixed assets, and the like”. On the other hand, DePamphilis (2010) seemed to prefer “brokers and finders” and would rather want them to carry out the search. The “’creening’ in DePamphilis’ (2010) framework only looked at product line, market segment, profitability, market share and the level of leverage. However, Morris (2000, p.80) provided the most useful approach. He stated that “differences between US GAAP and international GAAP are one of the potentially critical issues that should be identified in the screening process”. However, information about why this is necessary and how it should be performed was omitted. What he did provide was an emphasis on the need for internal control systems to be evaluated, as companies operating in the stock exchange are bound to report within specific time-frames. On internal control, Morris (2000, p.84) stated that “the accountant must attempt to understand the target’s internal control structure and the candidate’s attitude towards controls. Basic elements of control that should exist include adequate segregation of duties and responsibilities, clearly defined authority and responsibility of each function and person, an accounting system that provides control overall assets and transactions, and documented statements of policies and procedures. Internal controls and financial reporting procedures are especially important to the acquirer’s ability to rely on financial statements and financial data provided by the potential acquisition candidate and to the acquirer's operation of the acquired company after the acquisitions".

Morris (2000, p.123-125) offered 16 questions to be asked relating to the financial management area. The questions were developed based on Cooper and Lybrand's checklist, a predecessor company to PricewaterhouseCoopers. A summary of the checklist is shown in Table 4.2; it demonstrates how management control should be evaluated prior to an M&A deal. Questions 5, 6, and 8–16 are related to the definition of what management control means in this research. The remaining points are finance-related. These questions show that management controls are relevant issues.

1. Have you formed an opinion about the overall credibility and reliability of the accounting and reporting of the company?
2. Do you know to what extent the company's earnings have been 'managed'?
3. Is the company audited by an independent accounting firm?
4. Have the accountants for the buyer reviewed the working papers of the company's auditors to note the adequacy work, the adjustments proposed by the auditors, problem areas, and any differences of opinion between the company and its auditors?
5. Have you reviewed the adequacy and sophistication of the internal auditing department?
6. Have you assessed the adequacy of internal accounting controls and the company's attitude towards strong controls?
7. Are you alert to any practices adopted to make the company appear more attractive?
8. Have you assessed the adequacy of internal accounting controls and the company's attitude towards strong controls?
9. Have you assessed: How often internal reports are issued (monthly, quarterly, or not at all)? How soon after the end of the period the reports are available and if they are used?

Whether the internal reporting timetable and content are consistent with your monthly closing requirements?

10. Have you reviewed how centralised the accounting functions is, and whether subsidiaries have autonomous accounting departments or not?

11. Do you know how accurate interim reports are?
12. Have you investigated: If interim reports are prepared on a consolidated basis or only by autonomous entities?
13. Do you know how management information reporting is integrated with financial accounting?
14. Are controllable and uncontrollable costs separated in departmental reporting?
15. Does management reporting provide the right information, the right amount, and a sufficient base to take corrective action as needed?
16. Have you considered how exceptional reporting is used?

Table 4.2: Accountants and controllers' checklist during evaluation stage in M&A
Source: Morris (2000, p. 123-125)

From Table 4.2, the next step in the three classifications, after identifying and screening a potential company to be acquired or merged with are very similar. Acquisition structures will be set up to enable further analysis to be done, such as negotiations and an integration plan; in the case of acquisitions, a price will be agreed and finance issues sorted out; tax issues are discussed and other conditions of the M&A unravelled. Although these steps are not relevant to this research as they are more about the legal and financial phase of the M&A deal and not about management controls, they pave the way to the real deal to be done (Steps 8 and 9 respectively). Looking at the steps from an accounting viewpoint is relatively essential, because merging with or acquiring a suitable company has a significant impact on how the long-term relationship will be managed. There are different possibilities, though, one of which is to buy assets in which case liabilities are normally assumed, or buying shares. Another possibility is through merger.

4.2.2 Integration steps

The ten pre-M&A steps in Morris (2000), and eight in Willson et al. (1999) and DePamphilis (2010) respectively are very important to accountants, and this may apply to other experts in other fields. Half of Morris (2000) and 60 pages of Willson et al. (1999) were devoted to the issue, and 650 out of 700 pages of DePamphilis (2010) discussed pre-M&A steps or other related issues. However, the main focus of this research is on integration stage and hence the main issues to be discussed in the next part. Morris (2000) argued that the most important aspect of M&A is after the deal has been concluded. This leaves the essential question of whether M&A works for both parties?

The approach taken by Morris (2000) to post-acquisition and integration is different from the other authors. A separate chapter deals with relative issues of mergers, especially the emotional effect such deals may have on employees of the company. What Morris (2000) was talking about is that the work climate in the newly formed organisation will change, and as changes are inevitable under such circumstances, everyone should try to deal with such change. He also talked about personnel matters when he mentioned “great concerns to employees about job security” and that “morale and productivity may decline” (p. 126-126). On this basis, Morris (2000) appears to be the only one out of the three authors to mention employees’ problems in an extensive way, which seems to be revolutionary when compared to Willson et al. (1999, p.1159), where a half-page discussion simply mentioned that “successful integration of two cultures involves a mutual educational process”.

Willson et al. (1999) had a different view on the importance of integration, as expressed in their limited coverage of the issue (one page). Their argument did not provide real answers to the ways management control systems should be dealt with in the process of M&A, although some useful insights were provided. For example, they stated that "the policies and procedures of each company, acquiring and acquired, ought to be examined to see if changes should be made in either segment to benefit the new operations. It well may be that many of the acquirer's practices should be continued and not changed to that of the acquirer" (p.1159). They continued "the organisational structure, reporting relationships, and authority and responsibility of each manager should be examined for any desired changes. Each manager should know his status or position in the new scheme of things. He should be made to feel comfortable and a part of the organisation".

On the other hand, DePamphilis (2010) presented everything possible about the integration process, ranging from time factors to employee turnover and careful planning to leverage issues which are discussed at micro level. Table 4.3 shows the points that Morris (2000, p.185-199) highlighted is important during the integration period.

1. A transitional team develops a priority list of the most critical areas that should immediately be under control
2. Systems should be in place (or brought into place) to handle processing of transactions with minimum of slowing down or loss of control over the on-going flow of business.
3. Procedures for e.g., regular monthly closing and operational and functional reporting are established by the acquired company.
4. Formats for providing the different financial reports (balance sheets, income statement, etc.) for consolidation must be developed.
5. Set up procedures for periodic written reports analysing and commenting on operational results by management of the acquiring company.
6. Management of the acquirer should prepare a list of information they would like to be provided with to monitor the performance of the acquired company.

7. Accounting personnel should be assigned responsibility for handling tasks like accounting for the acquisition, reviewing internal control, reviewing accounting policies and procedures of the acquired company for compatibility with those of the acquirer and ensuring that any required reclassification or adjustments are properly made in consolidations. 8. To handle personnel aspects, the transfer of supervisory or management individuals from the acquirer to the acquired company should be considered. As an alternative, assigning someone from the acquirer organisation as liaison to the newly acquired company is recommended.

Table 4.3: Accountants and controllers' checklist during evaluation stage in M&A
Source: Morris (2000, p. 185-199)

Table 4.3 comprehensively shows the that majority of the work to be done is to establish control; this is particularly reflected by points 1, 2, 6 and 7. Formalising processes and procedures are covered by points 3, 4, and 5, which is considered to be a major task in M&A integration processes. Morris (2000, p.125) regarded that point 8 "provides the acquired company ready access to someone familiar with the acquirer's systems, procedures, and accepted ways of operating. It also gives the acquirer comfort to know that one of its own management personnel is 'minding the store' at its newly acquired or merged operation".

Morris (2000) also emphasised that employees of some acquired or merged companies will resign due to work changes they may find difficult to accept. He however noted that such behaviour may be a positive news to others, namely that "the remaining employees may see more potential for security and career opportunities" (p.187). DePamphilis (2010, p.278) referred to a similar 'managerial view' in a study conducted by Galpin and Herndon 2007), where more than 75% of 190 chief executive officers and chief financial officers interviewed stated that retention of 'key talent and managers' is vital in the success of M&A. Morris (2000) also highlights the importance of the professional expertise (skills, resources and competence level) of the accounting department of the acquired or merging company, as perfect operation of the department is vital in the integration process.

4. 3. An expanded view of organisational behaviour

The textbook description above clearly shows that there is need for organisational systems to be changed, practices adapted, routines changed and other activities completed in order to change the structure of one company to that of another. Based on the textbook approach, it all seems to be an easy task but such explanations only provide a micro account of organisational settings where everything is planned and followed step by step and where solutions can easily be provided for difficult situations. This view is identical to organisations in a simple form, that is to say as a single entity. Such solutions could only be possible where the organisations are independent of the environment in which they operate, where they behave rationally and where the managers operating the organisations are focused on achieving common goals. However, it is generally accepted that for organisations to survive they must adapt to the environment in which they operate. It is also assumed that organisations that are able to respond to the changing environment and demands of stakeholders will survive (Otley, 1994). According to Johnson et al. (2008), merging organisations should be looked at as several environments where each company operates in its own environment and is faced with different challenges.

For many, the solution is that management control systems in organisations should reflect the different situations that organisations face. This could be situations of the organisation operating in different countries, which have been described in the literature on multinationals, for example, Radebaugh and Gray (1997), or within the same country but faced with different environmental factors in terms of competition or technological changes (e.g., rapid changes and complex production methods). Thus, the system should be suitable for taking care of the needs and complexity of every environment or country. In addition, it is highly important to also meet the needs of the organisation as a whole.

From the studies examined, it is evident that control systems should be designed in line with the strategic plans of the organisation, since the main focus of planning is to provide the organisation with strategic direction and an operational plan to enable the organisation to achieve set objectives, and today more than ever before, organisational strategies differ from one organisation to the other (Emmanual, 1992; Ghoshal and Nohiria, 1993). The role management accountants play in such planning processes is to assist the senior managers to identify criteria for performance measurement and then monitor achievements against the set out criteria.

Most of the literature on M&A has cited economies of scope and scale as one of the main reason why companies merge or acquire others. Thus, it is believed that similar business processes and effective accounting systems enhance the chance of achieving such objectives. As a result of this, managers within merged or acquiring companies will force the implementation of new management control systems in a newly merged or acquired company. These complex issues are discussed in the next section, but prior to that, a brief introduction of contingency theory must be provided, since most evidence in the literature relates to this stream of thought.

4.3.1 M&A and contingency theory

The ideas and views provided in this section are located purely within the contingency-based studies where the focus has been on the structural and control systems of an organisation. Examples include degree of centralisation, formalisation, specialisation and also the relationship of these with other related factors (Bhimani, 1999). It is believed that organisations are faced with the challenges of balancing organisational fit and environmental fit. This makes it important to consider contingency theory, as it has played a significant role in providing an explanation of how organisations have successfully adapted to their business environment (Scott, 1998) and how managers have also used accounting and control systems to support organisations with new contingent variables. This view has become very popular within management accounting and control studies since the 1970s (Kloot, 1997; Chenhall, 2003), and on this basis, the theory cannot be ignored.

Donaldson (2001) summarised various studies and different thoughts on contingency theory of organisations. He showed that the facts provided by old and current studies differed when it came to providing explanations and descriptions of how events occur in organisations. The main essence of contingency theory, according to Donaldson, is that an organisation's effectiveness results from the relationship of the characteristics of organisational fit (such as structure) to certain contingent variables which reflect the condition of the organisation. Therefore, organisations tend to maximise organisational performance when the right level of organisational variables are adopted. This means that the design of management accounting systems for organisations under the theory posits that there is no generally accepted method of designing control systems for organisations, even if they are faced with the same circumstances. From this standpoint, for organisations to remain effective, the management accounting systems of the organisation should be altered as circumstances dictate. This means that different management controls systems are required in merged or acquired companies in order “to be able to get the right fit between the environment and the organisational parts” (Donaldson, 2001, p.20). However, the older view of contingency theory concentrated on the combination of organisational characteristics and structure to explain the phenomena of the organisations (Otley, 2001; Chenhall, 2003).

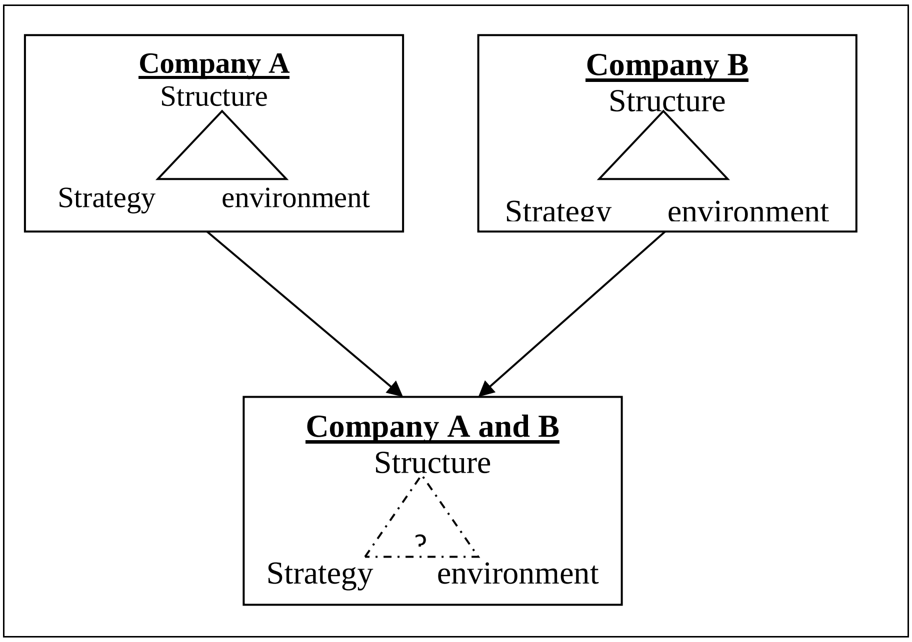

Figure 4.1: The integration of structure, strategy and environment companies before and after M&A

4.4 Studies combining management accounting control systems (MACS) and M&A

4.4.1 MACS and M&A in the business environment

The previous sections of this chapter have provided two different account of the research area. The first is the textbook perspective (micro level) that has explained M&A integration as a very easy and straight-forward approach. The second perspective puts organisations into the real-life context, which sees the world as a component of different environments. The question to be asked now is how does the organisation react? Is it what the textbook has prescribed or is the contingency theory explanation more relevant when it comes to the role that MACS plays in M&A integration processes? To be able to know which perspective, six studies will be used to find out what other researchers have done by looking at the organisations in real environment contexts. The six studies include four studies from Jones (1985a, 1985b, 1986, and 1992). The Jones studies are old but are still relevant as they are the only studies to have explicitly combined MACS and M&A. The remaining studies are Roberts (1990) and a longitudinal case study by Granlund (2003), which is new compared to the other five studies.

4.4.2 Jones' (1985a) study

Jones (1985a) conducted 41 interviews with financial executives and accountants of 30 firms in his first empirical study. Everyone interviewed held managerial positions in their respective firms. The study provides an explanation of the post-M&A integration process and the main focus is on the role management accounting systems (MAS) play within the first two years of post-acquisition. The study contains some quantitative analysis looking at the importance and compliance of each management accounting technique (MAT) before acquisition and after. The MAT was evaluated in three different ways. Firstly, an appraisal of the long-term strategic planning, control techniques and existing capital expenditure. Secondly, control systems at the operational level, which include budgeting, delegating, monthly reports, weekly profit reports, cost and profit control, variance analysis reports and marginal costing used for making decisions. Thirdly, administrative control such as internal auditing, cash flow reports and centralised methods of funds control.

One of the most important findings of Jones (1985a) was that order cannot be restored in an acquired company by simply adopting the control systems of the acquirer company. A critical look at the findings of post-M&A problems in Jones (1985a) shows a division in the response provided by the financial managers and accountants interviewed when it comes to MAS and management problems. In terms of MAS problems, 38% is attributed to operation control problems, 29% to management style, 14% for planning procedures and 9% to capital expenditure appraisal and technical aspects of reporting. Regarding the general problems faced by the company, 38% were given as being due to a lack of change in leadership and

25% each to management style and the personality of some key staff. Lack of planning had 10% and expenses incurred during the integration process was considered to be minor, at 2%.

The findings of Jones (1985a) also showed that MAT becomes very important immediately after acquisition is completed. According to Jones, monthly reports, capital expenditure appraisal and budget planning in the companies' operations become very important. Although there is a decrease in the need for long-term planning, cost control and investment in capital expenditure and also in large organisations with sophisticated MAS that may be acquired by smaller companies who see such systems as less important, in cases where all information becomes important, the monthly accounting reports are paramount, and then affect information for the daily running of the newly acquired company. This means a change in the use of control for internal purposes by companies towards a system which is capable of allowing the acquirer to exercise some power over acquired companies.

The type of acquisition (horizontal or vertical) does not have any impact on changes in MAT. However, the size of company acquired was found to be a driving force that could make some difference. Jones (1985a) interpreted this in two ways. Firstly, he stated that it is not possible for managers to use MAT to achieve certain organisational goals in post-acquisition, and secondly, MAT cannot be used after acquisition to achieve organisational needs. Hence, he was unable to decide on the role that MAT plays during certain methods of acquisitions, for example, control, integration, or motivation, as achieving these goals was similar in nature. However, Jones (1985a) found in the process that there was a significant increase in the frequency of report (enhance decision making process and motivation) and a high degree of control mechanisms was introduced after acquisition. The importance of some of the MAT was reflected in the time it took to implement in the acquired company, as the most important ones were introduced immediately. This suggests that control systems must be implemented in acquired companies as they cannot be 'trusted'. Thus, total centralised control was exercised over funds in acquired and subsidiary companies by the acquirer.

In general, the findings of Jones (1985a) suggested that acquiring companies normally implement MAS in their acquired companies in a controlling and mechanistic way, and that the main reason for doing this was to increase control and reduce freedom. However, this is often faced with uncertainty and undesired outcomes. Jones identified political processes as the key determinant of the adopted MAS in operations, rather than structural logic. Changes in long-term planning and strategies were considered to be the biggest challenges responsible for co-operation and resistance from staff in acquired companies. Furthermore, the study showed that increased changes in the MAT significantly improved performance rather than the usual 'hands-off' approach previously in place. However, the procedures of getting things done became over-formulised as senior executive powers were removed; this resulted in changes in reporting and reduced quality of the information produced, which may be regarded as one of the main problems of changes in MAS.

4.4.3 Jones' (1985b) study

In Jones (1985b), the evidence used was the same as in Jones' (1985a), but here he tried to answer some of the criticism levelled against contingency research. Hence, a contingency theory perspective was adopted, where the findings of the earlier study were referred to as a hypothesis. He examined two environmental variables, technology and competition, in addition to six other internal variables (organisational size, organisational goals, management philosophies, culture, degree of structural differentiation, and choice of integration) and in conjunction with other management accounting variables such as budgeting, planning, capital expenditure controls, administrative control and operational controls. These are dependent variables which were collected under MAT. Jones' aim was to discover whether the use of MAS was perceived as universal and to understand how acquirers are willing to accept disagreement in the adoption of such systems in relation to environmental differences and structural variables existing between the parties involved.

The conclusion Jones (1985b) made in the study was that the implementation of MAS is "subject to political processes which reflect ideological values rather than being purely mechanical devices" (p. 305), which may not fit the overall needs of the organisation. This statement was also made in the first study. However, it is worth mentioning that MAS change normally occurs in acquired companies and not in the acquirer, although these changes usually occur in line with existing MAS in the acquirer companies, with the exception of a few occurring outside what the acquirer has in place already and normally occur over a short period (roughly a year). In addition to the findings in the first study, Jones also showed implicit evidence to suggest that non-financial information gained significant importance in the post-acquisition period, and an increase in forecast information.

The result of the statistical analysis evaluating the combination of the different types of acquisition and their association of divergence and conformity in relation to all organisational variables in Jones (1985b) showed weak evidence. This can be seen in Figure 4.2. Conglomerate acquisitions that usually occurred between business partners with different interest now preferred less conformity in the MAS, whereas horizontal acquisitions involving partners of similar business interests and with the intention of merging were interested in higher levels of conformity. Also included in the figures is a combination of 'concentric marketing and technology acquisitions' which Jones stated it had similar features to horizontal acquisitions but were a little different in terms of conformity.

Conformity of different types of acquisition

Relatively low	Concentric Acquisition	Conglomerate acquisition
Relatively high	Horizontal acquisition	Vertical acquisition
	Low	High

Figure 4.2: the relationship between conformity of all MAS and divergence all of organisational variables: Source: Jones (1985b, p.313)

In general, Jones' (1985b) conclusion from the empirical evidence through the correlation tests was that MAS are used in accordance with generally accepted principles of 'conformity and carry-over' rather than the contingency principle of MAS. As a result, only in a few cases were contingent variables considered to be a relevant factor in the effective design and use of MAS, and such cases were said to be coincidental. In comparing the success and failure of MAS adaptation, Jones (1985b) concluded that the overall conformity level was quite high, but only four companies were able to achieve post-acquisition success and were consistent with the theoretical assumption of MAS conformity.

4.4.4 Jones' (1986) study

Jones (1986) was based on the analysis of two companies that were acquired by one company. The study used the organisational and contingency theory of accounting and control systems (ACS). The focus of the study is on changes of ACS and their effect in the first two years of acquisitions. The acquirer in question is a large public company with 19,000 employees, whereas the two companies acquired are relatively small with a few hundred employees. As in the last study, Jones (1986) also examined organisational variables: seven environmental and eleven internal variables.[3] These variables were combined with eleven features of ACS.[4] Looking at these variables in the acquired companies, Subsidiary A, which was the first to be acquired, did not match the 18 mentioned organisational variables. However, Subsidiary B, the second acquired company, matched about a quarter of the variables. Therefore, Jones (1986) expected the integration of subsidiary B to be less problematic.

[3] The variables were (Jones, 1986, p. 290): **Environmental variables**: competition in price (1) and product (2), business climate (3), technology of production (4) of pace of change (5) of sophistication (6) of administration (7), **Internal variables**: Goals and values (8), size in % of group turnover (9), structural differentiation (10), interdependence of supplies (11), formal responsibilities (12), methods of integration (13), control systems (14 (14), structure, leadership style (16) culture of senior management (17), culture of middle management (18).
[4] The eleven features of ACS (Jones, 1986, p. 292) were orientation, formal responsibility, quickness, detail, accuracy, relevance and selectivity, consultation, style and control, availability as data- base, technology and procedural rigidity.

One of the most significant finding of Jones (1986) was that many of the ACS before acquisition were divided into several units to improve control in the new acquired company. This often included informal controls which are normally used to react to changing situations. There were 82% radical changes made in Subsidiary A in terms of the factors evaluated, and 76% in Subsidiary B: the management style and organisational culture observed in both companies were similar. The orientation of the ACS changed towards ‘the future’ and the volume of financial reporting and descriptive data used increased for most of the functions. Accounting information became the basis for decision making rather than just being used as information. There was an increase in the frequency of formal reporting, and also increased interest in functional responsibility accounting, but a decline in costs classification. There was stricter introduction of accounting and improved internal control systems. There was a significant emphasis on budget and forecast participation but it resulted in a decline in the use of informal chats. The control style became more dependent on accounting information prepared and increased delegation of authority. Accessing accounting information was restricted to a few and there was a change in the accounting information from the old ad hoc system to a more formalised way.

These radical changes in this study underlined the findings of Jones (1985a) that the adoption of management accounting systems (ACS in this case) seems to follow the universalistic theory. These complete changes may have some negative impact on the employees of the organisations. For example, senior managers of the acquired companies will not be motivated if performance declines and control systems become tighter, as this may result in conflicts and power struggles that will lead to unnecessary delays and reduced employee motivation.

To solve the problems, senior managers could be replaced by ‘professional’ managers and middle managers trained. Thus, neither acquired company ended very well, as Subsidiary A was divested after three years for not meeting expectations and a new appointment (professional finance director) was made to replace the old one after three years for not meeting expectations. The company was subsequently sold when the results become very bad.

4.4.5 Jones’ (1992) study - management buyouts

In the last study, Jones (1992) looked at mergers and acquisitions deals, investigating changes made to ACS during the first two years of acquisitions. In this study, Jones investigated management buyouts, which is more or less the opposite of mergers and acquisitions, as they normally involve separation from a parent company in the form of reducing the size, simplifying integration problems and reducing conformity needs. In this context, Jones introduced the outlook of ACS by matching related organisational variables that are ‘free’. Here senior managers of 17 companies were interviewed by Jones and he found that operational efficiency will be achieved if the organisational structures are modified and attitudes of the participants changed to suit such changes. Such change was argued by Jones to have some connection with changes in the ACS, as the changes were made in line with the organisational contexts. Operational control became the main focus for MAT after the buyout and there was increased quality in the information produced. Formal control was also intensified afterwards, which was similar to the cases of acquisitions in earlier studies. Hence, it appears that ACS is used more than other forms of control, and formal control is used by most managers as soon as organisations are experiencing structural changes.

4.4.6 Roberts' (1990) study

Roberts (1990) is a case study of a large company acquisition where an in-depth analysis was made of control mechanisms and strategic issues during the merger process of a company. The focus of the study was to explore the relationship between how accounting information has been used for control, performance reporting and the development of corporate business and strategy. He used a large British company that acquired a company twice its size which was in a bad economic state prior to the acquisition. The findings from Roberts (1990) provided two accounts of the success and failure of integration and the relationship between two companies after acquisitions. The first account showed that autonomy was given to various divisions of the acquired company, where a system of socialisation and conferences were used to supervise and control the activities. This system was argued to help in building mutual knowledge and trust, resulting in high productivity gains and returns on the capital employed. However, the second account showed a less important picture of the integration process. Here, the volume of production and people employed was also considered, but there was significant decrease in the percentage of production and a high percentage of employees left (four out of five) during the first four of the acquisition.

Based on the available evidence of the study, the integration process could be considered to be a success or a total failure. Externally, Roberts used accounting information to give the image of a ‘success story’ but there is no information on internal organisational processes or how the ‘success’ was realised. The findings of Roberts also suggested that the concerns of corporate financial strategy are more important than long-term investment. The use of conferences in this context is for accountability in other to reduce tension between accounting and strategy. Roberts showed that the management of the acquired company had no power, even though the acquirer did not tamper with the MAS in the early stage of the acquisition. However, the acquired company developed a new cost accounting system due to fear of rationalisation, but introduction of certain practices in the parent company restricted capital investments in the acquired company. Roberts (1990) further showed how organisational rules, norms and values are established during the post-merger period and also emphasised the use of conferences in such a process to implement new strategies and practices in acquired companies.

4.4.7 Granlund’s (2003) study

Granlund (2003) is the latest study and most relevant to this research. The study is a longitudinal case study, providing some answers as to how management accounting and control systems are designed and implemented in a merged company with different cultural backgrounds. Granlund examined the integration process of management accounting systems (MAS) of a corporate merger between two companies of equal size but different cultures and MAS. The company used as the case was a large Finnish food producer (Proco) that acquired another large food producer (Unico) in 1993. The information for analysis was collected between 1993 and 1996 through interviews, participative observation, document analysis and informal conversations. Comparing this study to the studies mentioned above, Granlund provided detailed information on the role management accounting played in the M&A process by explaining the integration process of MAS and also the role corporate cultures played in such process.

Granlund (2003, p.208) discovered four main factors that played an important role in the integration process: “goal ambiguity, cultural conflicts, unintended consequences, and dominant individuals”. The major problem was not just different goals and too many goals to address at the same time, but at certain times, there appeared to be no goals all at, which often resulted in unintended consequences. Culture collision was observed within the management structure as the acquisition happened suddenly, which was a shock to some employees in the acquired company. The different management styles of the two companies hindered and delayed implementation of uniform control systems within the newly formed company. Cultural conflicts within the group was considered to be a key reason why managing the company was difficult, since there is no common tone. The implementation of the management accounting systems did not start until two years of the acquisition. This is largely due to the fact that the companies involved were of equal size, and simply replacing the management accounting systems appeared impossible. The Chief Financial Officer of the acquired company saw this as the main reason for the failure in the integration process, something that may have been easy if it was a smaller company.

A dominant individual was also considered to play an important role in Granlund (2003): the Group Controller from the acquired company. He had unlimited power to make key decisions and acted autocratically. The problem with the Group Controller was that he waited too long before he started the integration process after evaluating and selecting the best MAS from each company, then made the decisions alone. This increased the pace of the integration process after the delay but it was very value-laden and was not accepted by everyone.

In general, the findings of Granlund (2003) supported most of the findings of Jones (1985a, 1985b, 1986 and 1992) and also that of Roberts (1990). There appears to be some differences which are due to the fact that Granlund (2003) included companies of equal size, but if compared with earlier acquisitions made by Proco between companies of different sizes the result would have been the same. The difference in Granlund’s study in comparison with Jones (1985a) is that he did not find whether management accounting systems became important in the post-acquisition era, which is opposite to Jones’ findings. This was seen in the decrease in the frequency of reports. Another difference is the use of informal cultural control in Granlund (2003), which was used to facilitate change in the Proco group’s organisational structures and attitudes of the employees, whereas Jones (1992) showed that accounting and control systems were used by new owners and managers to achieve similar purposes. But in contrast to Roberts (1990), he did not state whether the acquirer (Proco) did allowed the acquired company (Unico) to use the earlier MAS; on the other hand, nothing was reported on capital investment restriction on the acquired company.

4.5 Chapter summary and identification of gap in the literature

This chapter has reviewed the literature on MCS under M&A. The review suggests that there are different views on MCS under M&A. One view is the rational and mechanical extension of control systems where the acquirer wants its systems to be adopted or in the case of mergers where the bigger company tries to dominate. Some authors were not in support of this approach. A more rational and functional way to achieve a good organisational climate within newly formed company would be less control from the acquirer or the larger company in mergers. In such circumstances, the most important variables are the presence of the accountants and finance managers from the beginning of the M&A process, retention of key personnel and understanding of the role of accounting or finance department. Furthermore, when carrying out this integration it is vital that activities of the business are not disrupted in any form this means that controls should be in place and periodic reporting, and procedures established and followed. All these processes are considered to be simple tasks by the textbooks.

From the review of studies from contingency theory and MAS, a number of variables and concept are relevant to this research. The most important concept of contingency theory is that the organisational structure, strategy and environment have to integrate in order to attain good performance. This appears to be the basic factor in determining how these organisational parts should be related after M&A. The concept has meaning when it comes to allowing merged or acquired companies to act as subunits that have separate environments, structures and strategies. Therefore, it is opposite to the assumption that in order to achieve economies of scale and scope, centralisation within the organisation should be increased. Moreover ‘object of control’ and ‘type of control’ are two important factors to be looked at when examining M&A and depending on the methods, the right mix of tools have to be used.

The variables provided so far are at the macro level, as they are not concrete but in models. The models have provided new variables but in a comprehensible way. The authors mentioned above discussed formalised/bureaucratised and cultural controls as such variables in the organisations. Here training, socialisation, and transfer of managers are considered to be important at the micro level.

This section continued with the principle of contingency theory as three out of the six studies have adopted such an approach. The use of many variables in the studies is normal when contingency studies are being examined and this was particularly the case with Jones’ studies, as he identified several factors to be important in influencing the use of MAS in the first two years of M&A. The findings from Jones’ four studies and those of Roberts (1992) and Granlund (2003) have not provided a clear picture of the implications of the contingency variables. However, a ‘difference in size’ between the acquirer and the acquired company appears to be the determining variable so far for changes in MAS, and the fact that the findings of Granlund differed from Jones based on this issues underlines the argument, as the results have come from companies of similar size and not companies of different sizes, which was the case in Jones. The type of acquisition may also be seen as a driver. ‘Time’ was also considered to be a variable, as important changes being implemented by the acquirer immediately after the deal enhances outcomes than more slower implementations.

‘Performance’ is also an important variable when control in the acquired company becomes tighter as performance declines. A further variable highlighted by the studies is ‘politics’ or ‘ideology’. The designs of MAS have been done in accordance to such variable rather than in accordance with structural logic. This suggests that systems are designed and implemented according to possibilities and needs.

The studies discussed above have provided some fascinating results when it comes to the role of MAS during integration processes and the changing role of such systems throughout the processes. Apart from Granlund’s (2003) study, there is evidence which suggests that management accounting systems in acquired companies become more important in terms of strategic and long-term functioning of the organisation. On the other hand, the operational functions of the systems begin to lose some importance. This view is in line with earlier studies’ findings that the focus of the acquirer shifts from internal control to external control. Moreover, since an increase or decrease in report frequency cannot be determined as the results have pointed to different directions, or to be determined if certain roles are given to systems for different types of acquisitions. However, it must be remembered that the design of MAS is towards the existing systems of the acquirer in most cases, and the findings from older studies suggest that implementation of new systems or any alteration to existing MAS in the acquired company is done immediately after acquisition (normally within the first year). However, this was not the case in Granlund (2003), which is a newer study, as the implementation of new systems took a little longer. The reason for this is that the Granlund (2003) looks at the design of MAS in M&A from a more socio-cultural perspective and not from the rational systems perspective (contingency theory-based) as adopted in Jones’ studies. Culture appears to take longer to change or implement than control systems, which could be the reason for the different time frames in the studies.

In addition, non-financial information of the ‘subdivision’ appears to gain some importance after the completion of M&A deals, as headquarters use forecasts and long-term planning to control and direct the new subdivision. This means that the focus of management accounting systems has changed towards a future orientation. The findings from the studies above emphasised that the frequency of formal reporting and volume of data increase, which certainly increases the work-load of the department involved at a time of organisational restructuring.

The problem encountered during the integration process is another issue that needs to be summarised. The studies have clearly showed that MAS is one of the problems mentioned by accounting and control managers (everyone interviewed is a manager). From the evidence provided in the studies and particularly from Jones’ (1985a) study, one may conclude that half of the problems during integration process are related to MAS and the remaining half to other management issues. Changing the strategies and long-term planning appear to be more difficult than changing operational issues. Another problem is a reduction in the quality of accounting information provided. Furthermore, the political and ideological forces explain that MAS designs in acquired companies are not meant to function properly. Finally, most of the formal and informal control systems in the acquired companies are destroyed but no explanations are given as to why this is done.

CHAPTER FIVE

THEORETICAL FRAMEWORK

5.1 Introduction

The aim of this research is to investigate the design and uses of management control systems under post-merger conditions. The aim of this chapter is to present the theoretical framework that is used to explain and understand the phenomena being investigated; that is, to explain how the environment (as discussed in Chapter 6) impacted on the structure and design of the new MCS in the studied bank.

The literature on the study of organisational change has argued for the use of Pettigrew's (1995) and Dawson's (1994) processual/contextualist perspective. Burns (2000) referred to the processual approach as a "means of exploring the temporal dimension of change, unfolding over time, through references to the past, the present and the future" (p.568). This perspective was argued to offer richer and more detailed information for understanding the process of change in organisations as compared to contingency theory and the organisational development model (Burns, 2000; Siti-Nabiha and Scapens, 2005). The processes of change in this perspective are studied within their 'historical and organisational context'. The historical events that take place prior to the change are vital in the investigation of change processes. According to Dawson (1994), the process of change should be analysed in three time frames: the reasons for change, the transition process of the organisation and the adoption of new techniques and technologies. Dawson (1994) also identified three major determinants of change. The first is the substance of change which he referred to as the adoption and introduction of new procedures and techniques. Second is the politics of change which includes consultation, conflict, negotiation and resistance. The third is the context in which the change has occurred: this looks at the past and present state of the environment (both internal and external).

While the processual/contextualist approach provides useful and rich information for a better understanding of organisational change processes. It only covers general issues and focuses on a particular time frame to be used for studying organisational change. It does not draw on any theoretical concepts. The questions of how systems (e.g. accounting systems) come into existence in organisations or how they are shaped/influenced by other environmental forces are ignored. Also the question of why adopted systems are resisted in organisations is not covered by this approach. The aim of this research is to investigate the process of how a merged bank from the Nigerian banking sector has integrated and designed MCS. The investigated bank operates in a dynamic business environment where its operations are influenced by the environmental factors of regulations, unstable government policies, culture, competition and technological advancement. In order to be able to explain the environment in which the studied bank operates, the research draws on institutional theory and power mobilisation theory (Hardy's 1996 framework) as the theoretical framework.

The use of institutional theory in management accounting studies has increased in recent years (Burns and Scapens, 2000; Carpenter and Feroz, 2001; Moll et al., 2006; Ribeiro and

Scapens, 2006; Tsamenyi et al., 2006). The theory has been extended to include social and institutional aspects of organisations and their various environments (Moll et al., 2006; Ribeiro and Scapens, 2006). From an institutional theory perspective, management accounting systems in organisations are linked to established rules and norms which coordinate behaviour and organisational life (Burns and Scapens, 2000; Ribeiro and Scapens, 2006). According to Burns and Scapens (2000), "management accounting practices can both shape and be shaped by the institutions which govern organisational activity" (p.5). The objective of this research is to investigate intra-organisation change (integration and design of management control systems) in a processual manner. A merged bank from the Nigerian banking sector has been selected to be used as a case study. This bank merged because of pressure from the regulatory body (Central Bank of Nigeria) which resulted in the bank integrating and designing new MCS.

At the early stage of the research, the branch of institutional theory that was planned to be adopted was Old Institutional Economics (OIE), as proposed by Burns and Scapens (2000), which had been used in other management accounting studies (see Dillard et al., 2004; Burns and Baldvinsdotir, 2005; Siti-Nabiha, 2005; Tsamenyi et al., 2006; Yazdifar et al., 2008). However, due to the reform of the banking sector by the Central bank of Nigeria which influenced the studied bank to merge, it became obvious that there was a need to develop the theory in order for the conceptual framework to be able to explain what the research intended to achieve. This led to the development of the OIE framework proposed by Burns and Scapens (2000). The particular aspect that needed to be developed was the way in which to provide explanation on what caused the investigated bank to merge. Although the OIE is capable of providing an explanation of the design and use of new MCS following mergers and acquisitions, it may not be able to provide the reasons and processes for the mergers and acquisitions. For this reason, it was also necessary to use New Institutional Sociology (NIS). The focus of NIS is more on institutions at the ‘macro’ level of organisational fields or sectors. It is very useful for explaining how institutionalised organisations adopt certain practices in order to achieve operational efficiency (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). However, the NIS framework has some limitations; it has been criticised for dichotomising legitimacy and economic issues, private and public organisations (Hopper and Major, 2007). In addition, it is not flexible when it comes to the conceptualisation of institutional pressures and is very weak at addressing internal issues within the organisation (Burns and Scapens, 2000; Scott, 2001; Ribeiro and Scapens, 2006).

Evidence from the case study organisation and review of studies conducted into OIE showed that the theory needed to be further developed in two ways. Firstly, studies that have used OIE have not demonstrated how and when fundamental institutional change occurred (Burns and Scapens, 2000; Busco et al., 2002; Burns and Baldvinsdottir, 2005). Secondly, observation from the case bank showed that rules and routines in the bank can be distorted to suit the activities of certain individuals (senior managers from the dominant bank). Also appointment into positions can be predicted, which indicates dominant individuals and power struggles. These issues led to the extension of the conceptual framework whereby power theory was drawn on. Hardy’s (1996) framework was drawn on to address the shortcomings of both OIE and NIS in the research.

The chapter is structured as follows. To understand the role theory plays in this research, Section 5.2 discusses the role and purpose of the theories used in this research. Following this is an examination of the concept of institutional theory, including discussion of the two branches (OIE and NIS) that were adopted in the research and their underlying assumptions. The final section looks at the extension of institutional theory.

5.2 Role of theory

The theory adopted in conducting research should be in line with the adopted methodology and the underlying epistemology of the researcher (Silverman, 2001; Anfara and Mertz, 2006). Denzin and Lincoln (2005, p.30) stated that the problem being investigated determines the choice of the theory which is then reflected in the researcher's "epistemological, ontological and methodological premises" which guide the way in which the research is conducted. In reality, a researcher "approaches the world with a set of idea, a framework (ontological view) that specifies a set of questions (epistemology) that he/she examines in specific ways (methodology, analysis)". The ontological view of a researcher shows the clear link between the adopted theory and methodology of the research.

The role theory plays in research depend on the adopted research design (Creswell, 2007). The role of theory in case study design show how issues are discovered from one or more cases within units. The focus of a case study is on issues which are investigated within a limited system. In other words, the phenomena being investigated in case studies are studied within a specific time frame (Stake 1995; Yin, 2003; Denzin and Lincoln, 2005). In contrast to other interpretive research designs, Yin (2003) argued that case studies require the use of theory at the beginning of the research in formulating the research questions and also to help in the interpretation of the findings and analysis. Yin (2003, p. 28) further stated that "the complete (case study) research design embodies a theory of what is being studied drawn from the existing knowledge base".

It has been acknowledged that "all knowledge is theory-laden and all methods are theory-driven". It is assumed that interpretive research should start without theory (Mitchell and Cody, 1993, p.174). However, the question to be asked here is how can a phenomenon be explained without the use of theory? This research uses institutional theory and power theory in order to explain the phenomena being investigated. The use of theory in this research is not to test but to explain the process of mergers and the design of MCS in the studied bank.

5.3 Institutional theory

The focus of institutional theory is centred on how an organisation's key constituents (structures and practices) become established in a particular social setting and the interaction process occurring between these groups (Scott, 1995; Scott, 2001; Fogarty and Rogers, 2005; Mohammed, 2010). The theory sees organisations as operating in a social framework of norms, values and taken-for-granted assumptions of acceptable behaviour in order to achieve high standards of operational efficiency (DiMaggio and Powell, 1991; Carpenter and Forez, 2001; Tsamenyi et al., 2006). According to Scott (1987), “organisations conform to institutional pressures for changes because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities” (p.498).

The literature has identified three institutional theories that are more commonly adopted and discussed (Miller, 1994; Covaleski et al., 1996; Burns and Scapens, 2000; Moll et al., 2006; Mohammed, 2010), namely old institutional economics (Scapens, 1994); new institutional economics (Walker, 1998); and new institutional sociology (DiMaggio and Powell, 1983; DiMaggio and Powell, 1991; Carruthers, 1995; Hussain and Hoque, 2002; Tsamenyi et al., 2006). While there is no generally accepted definition of the term institution, Scapens (1994) defines institution as “a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people” (p.306). The difficulty in choosing a specific definition reflects the various branches of the theory (DiMaggio and Powell, 1991). The views of institutionalism by the three branches of institutional theory inevitably give rise to questions regarding their differences. What are the differences between them? How are they applied and related? And most importantly in the adoption of the theory in this research: how can these views of institutional theory help in the phenomena being investigated? In order to examine the usefulness of the various views of institutional theory for the study of how merged organisations design and use management control systems, it is important to know their properties and assumptions. The next section provides information on the properties of the two branches of institutional theory adopted in this research.

	Old Institutional Economics	**New Institutional Economics**	**New Institutional Sociology**
Unit of analysis	Social (sub) group	Transaction	Organisation
Assumption on individual	Individual constructs social reality	Bounded rational	Institutional determinism
Process view	Yes	No	No
Changes addressed	Behavioural regularities	Governance structure	Institutionalised formal practices
Institutional focus	Behavioural regularities	Efficiency	External legitimacy

Table 5.1: Features of the three branches of institutional theory

5.3.1 New institutional sociology (NIS)

The two main foundations of the new institutional sociology framework are the works of Meyer and Rowan (1977) and DiMaggio and Powell (1983). NIS is based on how organisations respond to environmental pressures and how they adopt practices and procedures that are generally accepted as the best organisational choice (Carpenter and Feroz, 2001). It discusses the pressures exerted on the organisations by external regulatory bodies and other social actions (Scott, 1987; Scott, 2001). According to DiMaggio and Powell (1983), organisations are constantly pressurised to conform to standards set by the external environment in order to ensure stability and have access to resource and legitimacy. It is argued that only those organisations that respond to such external pressures are expected to survive (DiMaggio and Powell, 1983; McKay, 2001; Mohammed, 2010). This conceptualisation of the NIS framework was repeated by Carpenter and Feroz (2001), "that organisations adopt structures and management practices that are considered legitimate by other organisations in their fields, regardless of their actual usefulness. Legitimated structures or practices can be transmitted to organisations in a field through tradition (organisation imprinting at founding), through imitation, by coercion, and through normative pressures" (p.569).

NIS offers an insight beyond the traditional view that sees organisations as a collection of technical environment or production systems (Scott and Meyer, 1991; Dambrin et al., 2007). DiMaggio and Powell (1991) argued that "the new institutionalism in organisation theory and sociology comprises a rejection of rational-actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supra-individual units of analysis that cannot be reduced to aggregations or direct consequences of individuals' attitudes or motives" (p.12). The assumption of NIS take into account the institutional environment (social, political and cultural rules) that organisations are subject to. This means that actors and organisations share common interests within the organisational field. DiMaggio and Powell (1983) referred to this organisational field as "those organisations that, in the aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products" (p.148).

According to the NIS framework, for organisations to increase their survival and legitimacy prospects, they must adopt accepted external standards (practices and procedures) and also conform to the norms and expectations in the environment in which they operate (Meyer and Rowan, 1977; DiMaggio and Powell, 1991; Scott, 1995). These practices and procedures come from institutionalisation which is established through organisational processes. The argument of NIS is that organisations adopt these practices in order to coordinate their operational activities. The co-ordination of organisations activities is important to achieve competitive advantage and enhance efficiency (Meyer and Rowan, 1977). The focus of NIS is on the impact that the social and economic environment have the organisations (DiMaggio and Powell, 1983; Carruthers, 1995; Tsamenyi et al., 2006; Dambrin et al., 2007). According to NIS, the components of organisational structure, policies and practices usually come from 'social expectation' and 'myths' about what is regarded as acceptable practice (Meyer and Rowan, 1977, DiMaggio and Powell, 1983).

5.3.2 Institutional isomorphism

The search for legitimacy and resources by organisations explains why some specific organisational forms and procedures are being diffused across organisations that operate in similar business environments – examples are societal sectors (Scott and Meyer, 1992), similar environments (Scott, 1992) and organisational fields (DiMaggio and Powel, 1983). DiMaggio and Powell (1983) argued that this process of diffusion may increase the pressure on organisations to become isomorphic. The process whereby organisations adopt similar structures, systems and operational procedures was referred to as isomorphism by DiMaggio and Powell (1983). They defined isomorphism as a "constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (p.149). There are two types of isomorphisms: competitive isomorphism and institutional isomorphism. Competitive isomorphism applies to the business environment where there is open and free competition which can be used to describe an emerging field. Carruthers

(1995) stated that "competitive isomorphism concerns efficiency. When there is one best, cheapest or most efficient way to do things, then the forces of competition will eventually impose upon organisations that one best way" (p.317). The view of competitive isomorphism is more relevant to those organisations that operate in environment where there is free and open competition. DiMaggio and Powell (1983) stated that this view does not provide sufficient information on modern organisations. However, the use of institutional isomorphism has been identified for understanding the politics and ceremony that most modern organisation faces.

DiMaggio and Powell (1983) identified three mechanisms of isomorphic pressure: coercive, mimetic and normative pressures. These three mechanisms were argued by DiMaggio and Powell to cause organisations to look similar. Greenwood and Hinings (1996) stated that NIS is a theory that provides explanation on why organisations are similar rather than explaining change in the organisations. The three institutional isomorphisms are discussed next.

	Drivers of management accounting practices			
	Economic pressures	Coercive Pressures	Normatic Pressures	Mimetic Pressures
Factors driving convergence	Global economic Fluctuations/ Recessions, Deregulation of markets Increased competition (globalisation of markets) Advanced production technology Advanced information technology	Transactional Legislation Transactional trade agreements Harmonisation of financial accounting legislation Transactional (especially global firms') influence on their subsidiaries Headquarters influence in general	Management accounting professionalisation University research and teaching	Limitation of leading companies' practices International/global consultancy industry
Factors driving divergence		National legislation National institutions/regulation (labour unions, financial institutions, etc.)	National cultures Corporate cultures	

Table 5.2: Drivers of management accounting convergence and divergence (Granlund and Lukka 1998, p.157).

5.3.2.1 Coercive isomorphism

According to DiMaggio and Powell (1983), "Coercive isomorphism results from both formal and informal pressures exerted on organisations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations functions" (p. 150). In most cases, changes in organisational structure are a reaction to government directives (DiMaggio and Powell, 1983). According to Mizruchi and Fein (1999), "Coercive isomorphism is driven by two forces: pressures from other organisations on which a focal organisation is dependent and an organization's pressure to conform to the cultural expectations of the larger society. Coercive isomorphism, at least in the first instance, is thus analogous to formulations of the resources dependence model, in which organizations are viewed as constrained by those on whom they depend for resources" (p.657).

A good example of coercive isomorphism is when organisations change their practices and processes in reaction to a government decision (Abernethy and Chua, 1996). The Central Bank of Nigeria reformed the banking sector by issuing a directive that directly impacted on the structure and performance of the banks. Every bank was asked to increase their capital base to N25 billion and were given the option of either merging or acquiring others. The reform reduced the number of banks in the sector from 87 to 25. In order to meet the increased capital base, banks that were unable to stand alone, as the larger ones could, had to merge or acquire s. In regard to the bank used as a case study, it involved a merger of five banks that came together to meet the capital base required by the regulatory body. This merger was in direct response to the Central Bank of Nigeria's directive.

DiMaggio and Powell (1983, p.150) provided some examples of coercive isomorphism. One example is manufacturing companies adopting "new pollution control technologies to conform to environmental regulations". Also, non-profit making organisations may keep accounts and employ accountants for tax law purposes. Organisations may also employ "affirmative officers to fend off allegations of discrimination". According to Greening and Gray (1994), the public interest group is another form of coercive isomorphism which may pressurise organisations to initiate organisational practices in response to some issues. The conclusion from Greening and Gray (1994) was that "it would make sense that pressures from interest groups might motivate top managers to provide additional resources to those committees to analyse and develop responses to emerging issue. Interest group pressure was significantly correlated with issues management formalisation, but the regression results did not support this relationship. It appears that other elements, such as organisation size or commitment by top management, better explain the formalisation of issues management activities in organisations" (p.1046).

5.3.2.2 Mimetic isomorphism

According to DiMaggio and Powell (1983), mimetic isomorphism is a "standard response to uncertainty" (p. 151). They stated that not all forms of institutional isomorphism are derived from coercive pressure. Aside from coercive isomorphism, there are also forces that support imitation. This is what Haveman (1993) referred to as 'obligatory action' which can also encourage mimetic isomorphism. Mimetic isomorphism arises when systems and structures of organisations are not understood, also when goals appear to be ambiguous or when there is uncertainty in the environment; organisations tend to copy the rules and routines of other successful and legitimate organisations (DiMaggio and Powell, 1983; DiMaggio and Powell, 1991; Carruthers, 1995; Moll et al., 2006; Yazdifar, et al., 2008). During uncertainty, DiMaggio and Powell (1983) stated that "organisations tend to model themselves after similar organisations in their field that they perceive to be more legitimate or successful. The ubiquity of certain kinds of structural arrangements can more likely be credited to the universality of mimetic processes than any concrete evidence that the adopted models enhance efficiency" (p.152).

In most cases, organisations copy or imitate others not for efficiency but for legitimacy. Palmer et al. (1993) showed how organisations in a particular sector adopted practices which they considered to be legitimate regardless of their actual efficiency. According to Abernethy and Chua (1996), organisations are likely to copy the practices of those organisations they believe to be legitimate or successful or those facing similar environmental factors.

5.4.2.3 Normative isomorphism

The "third source of isomorphic organizational change is normative and stems primarily from professionalization as the collective struggle of members of an occupation to define the conditions and methods of their work, to control the production of producer" (DiMaggio and Powell, 1983, p.152). The sources of normative isomorphism can be membership of professional organisations and formal education. Normative isomorphism can also stem from an organisation's desire for cultural support. Meyer and Scott (1983) stated that 'institutional legitimacy' refers to the amount of cultural support organisations ge; that is, the level at which established culture can provide explanations for an organisation's existence, jurisdiction, functions and lack of alternatives. DiMaggio and Powell (1983) identified two professional areas that are important source of normative isomorphism: formal university education and professional training.

According to Abernethy and Chua (1996), normative isomorphism occurs "when professionals operating in organisations are subjective to pressures to confirm to a set of norms and rules developed by occupational/professional groups" (p.574). Carruthers (1995) argued that education, experience, and participation in professional activities can influence how professional people may conduct themselves in an organisation. Nigeria, for example, has various professional training bodies (e.g. Institute of Chartered Accountants of Nigeria and Chartered Institute of Bankers of Nigeria). Most senior bank managers are trained by these professional bodies in addition to their undergraduate and postgraduate degrees.

5.4 Old institutional economics

The discussion of NIS in the previous sections has provided comprehensive details of environmental forces (regulations, uncertainty and professional bodies) and how these forces have influenced the structure and behaviour of organisations. Based on the principle of NIS, organisations are seen as actors that respond to the pressures of the environment in which they operate. However, the assumptions of NIS do not cover issues of internal conflicts and power in the organisation, or their description and how these events and actions lead to the organisation's responses. This is where studies that draw on OIE in providing explanations for accounting change and resistance to practices in organisations differ from and potentially complement the NIS framework. The studies that have used OIE have tried to investigate organisational change processes and resistance to change.

The OIE begins by questioning some of the basic principles of neoclassical economics (Scapens, 2006; Rebeira and Scapens, 2006; Moll, et al., 2006). OIE researchers have recognised that people operate in a particular social environment of institutionalised rules and values rather than the principle of rationality controlling their behaviour (Scapens, 1994; Moll et al., 2006; Ribeiro and Scapens, 2006; Scapens, 2006). Scapens (2006) stated that "instead of simply assuming bounded rationality and opportunism, it seeks to explain why people appear to be opportunistic, and why we see particular types of economic behaviour. It recognises that behaviour within economic systems (and organisations) can become institutionalised: i.e. embedded in and shaped by institutions" (p.14). OIE also rejects the 'comparative-statics' approach of analysing change and tries to go beyond the neo-classical approach which focuses mainly on the outcome of change processes.

Institutions (the settled ways of how individuals think and do things in a social system) are important to the OIE approach of investigating the process of change. Studies that draw on OIE have not only ben concerned with analysing the role of existing institutions in the change processes but also with investigating the reproduction and changes over time in the institutions (Scapens, 1994; Burns and Scapens, 2000; Scapens, 2006). Habits and routines have been considered as important elements of institutions. Both elements refer to ways in which individuals think and do things that will become regular over time in any setting. While habits are individual features, routines include ways of thinking and doing things for both individuals and groups. The recurrent reproduction of both habits and routines over time may lead to institutionalisation, which normally takes time and is sometimes a natural process where specific patterns of behaviour and actions become the common and taken-for-granted ways of doing things (Burns and Scapens, 2000; Scapens 2006; Rebeira and Scapens, 2006).

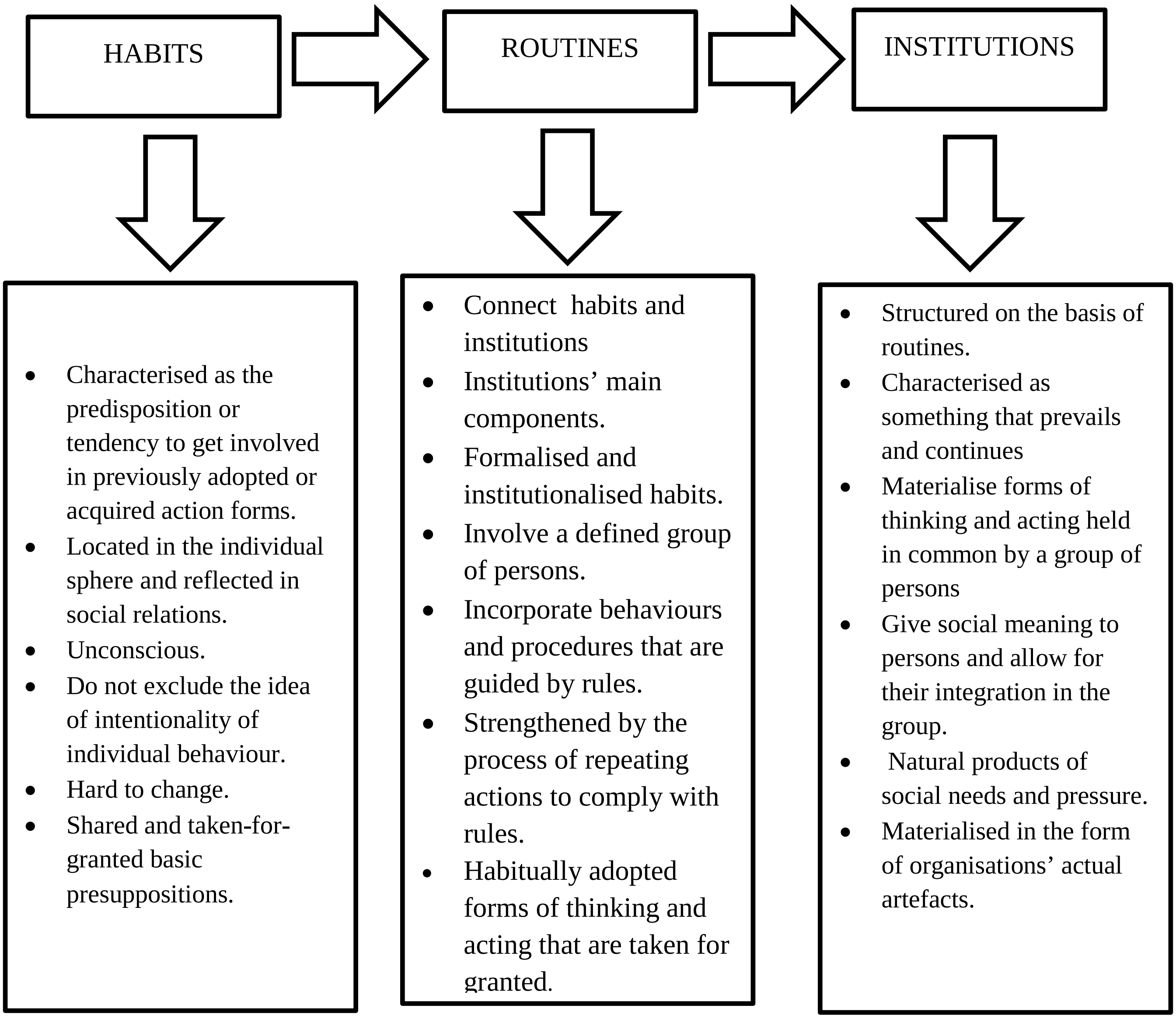

Figure 5.1 : Institutional dimensions: Source : Guerreiro et al. (2006, p.199).

The features of OIE mentioned above have underpinned various research approaches. According to Rutherford (1994), “OIE does not represent a single well-defined or unified body of thought, methodology, or program of research” (p.1). This has made it difficult to pinpoint the core theoretical framework of OIE. For this reason the focus of the application of OIE in this research will be on the study of how management control systems were integrated, changed and introduced in the studied bank. Scapens (1994), Soin et al. (2002), Busco et al. (2006) and Scapens (2006) have drawn insights from the OIE framework. These insights were based on the work of Hodgson (1988) and Tool (1993), where evolutionary economics (Nelson and Winter, 1982), Giddens (1979, 1984) structuration theory and certain aspects of NIS (Barley and Tolbert, 1997) were combined to develop a theory capable of investigating the intra-organisational processes of how management accounting has evolved in an organisation. This framework viewed management accounting as a set of rules and routines in addition to other rules and routines in the organisation that allow the reproduction and unification of organisational life (Scapens, 1994).

The main purpose of most of the OIE studies of management accounting is to provide an explanation of the processes by which management accounting rules and routines in the organisation can become institutionalised. In other words, this is how management accounting systems in the organisation can be shaped by the “the taken-for-granted assumptions which inform and shape the actions of individual actors” (Burns and Scapens, 2000, p.8). An insight from the framework of Burns and Scapens (2000) and Barley and Tolbert (1997) in the study of the relationship between rules and routines, actions and interactions and institutions suggested that management accounting systems (for example budgeting) can carry financial orientation and values of rationality into the organisation. Over time, the budgeting systems become rules and taken-for-granted assumptions which can produce and reproduce the institutions of the organisation. However, Burns and Scapens (2000) stated that not every rule and routine (including management accounting systems) will become institutionalised. In particular, if the new accounting systems (or other practices) challenge the existing institution of the organisation, “they may not be reproduced and as a result fail to become institutionalised as the taken-for-granted basis for actions and interactions” (Rebeiro and Scapens, 2006, p.99). This leads to the subject of power. The organisational managers responsible for the introduction and implementation of new practices (management accounting) may use their resources and other strategic means to mobilise power. But the managers may face some resistance (power of the systems) from existing institutions (Burns, 2000b; Ribeiro and Scapens, 2006).

5.5 Difference between OIE and NIS

Table 5.3 gives a summary of the differences between OIE and NIS presented in the organisational and management accounting literature.

		Old institutional Economics	**New institutional sociology**
Organisational theory literature	Locus of institutionalisation	Organisation	Field or society
	Organisational dynamics	Change	Persistence
	Conflict of interest	Central	Peripheral
	Structure emphasis	Informal structure	Symbolic role of informal structures
	Dynamics	Change	Resistance and decoupling

Management accounting literature	Power	Facilitator or barrier for change	Moderate institutional pressures Enabler or constraint
	Contradictions	Create conditions for change	Create resistance and decoupling Facilitate internalisation of norms
	Accounting	Facilitate Organisational Transformation	Facilitate decoupling Symbol Legitimisation tool

Table 5.3: Differences between NIS and OIE: Source: Arroyo (2012, p.5).

In the studies that draw assumptions from OIE (Scapens, 1994; Dillard, 2004; Ribeiro and Scapens, 2006; Demers, 2007), the main weakness of the framework is it focuses on intra-organisational analysis and pays less attention to the environment (Demers, 2007; Arroyo, 2012). According to Dillard et al. (2004), the OIE has limited power in recognising the economic, social and political issues that influence an organisation's structure and systems. NIS has also been criticised for focusing on providing an explanation for why organisations appear to be similar but failing to address how organisational practices have evolved over time Sastry et al., 2002). In addition, NIS has difficulty explaining how new organisational new practices acquire legitimacy (Arroyo, 2012).

5.6 Extending institutional theory – power theory

In using institutional theory to study organisational change (for example structure and MAS), prior studies have extended OIE by applying some aspect of NIS. Three such studies from the management accounting literature (Siti-Nabiha and Scapens, 2005; Rebeiro and Scapens, 2006; Yazdifar, et al., 2008) argued that the OIE framework is very useful for understanding the change process in organisations but does not explain why organisations change or adopt certain accounting systems. But when it came to dealing with intra-organisational issues (internal conflict, resistance to change and power distribution) OIE was preferred to NIS (Ribeiro and Scapens, 2006; Yazdifar et al., 2008; Arroyo 2012). While the two branches of OIE and NIS differ in their analysis, these perspectives were considered by these studies to be complementary because they shared conceptual foundations.

The main issues that discussed by the three management accounting studies were external factors, decoupling and power. The external pressures are those exerted by the regulatory bodies or through competition or technological advancement. Decoupling refers to complex and dynamic processes of resistance to change that includes the stability of decisions and changes in the rules and routines of organisational accounting systems (Siti-Nabiha and Scapens, 2005) which are not seen as responses to external pressures. In terms of power, Yazdifar et al. (2008) argued that in studying organisational accounting change emphasis should be given to local power, politics and culture as organisations are faced with conflicting and inconsistent demands. This approach seems to be a direct response to external pressure. Ribeiro and Scapens (2006) used the ‘circuit of power’ in their study to understand institutionalisation and the decoupling process in an organisation. Although the combination of the two branches of the institutional theory provides a useful explanation for the phenomena being investigated, they both underestimate the importance of how the use of power and politics by institutional actors (senior managers and the dominant party in mergers and acquisitions) can influence the design and change of accounting systems in organisations. This gap can be bridged by extending institutional theory by using another theoretical framework, namely the power mobilisation framework (Hardy 1996).

According to Burns (2000), “in studying accounting change, with a view to teasing the complex characteristics of the process of change through time, the centrality of organisational politics and power mobilisation is assumed” (p.569). Therefore, it is important to discuss the concept of both politics and power in this research. In so doing, insights have been drawn from the management literature that has investigated politics and power (Pettigrew, 1973; Pfeffer, 1981; Dawson, 1994; Burns, 2000b). Dawson (1994) argued that politics is very important when it comes to issues of change. It has also been argued that politics plays an important role (in addition to other factors) in driving and shaping organisational change processes (Buchanan and Badham, 1999; Burns, 2000). It is important to note that the focus in this research is not on politics but rather on power, so the discussion of politics is brief.

In general terms, politics is viewed as “attaining interest-based demands” (Pettigrew, 1973, p. 354) and “getting things done your way” (Buchanan and Badham, 1999, p.267). Pfeffer (1981) stated that “Organizational politics involves those activities taken within organizations to acquire, develop and use power and other resources to obtain one's preferred outcomes in a situation in which there is uncertainty or dissensus about choices” (p. 7). Dawson stated during the process of change, political activities (consultation and negotiation) take place at different levels within and outside the organisation. However, in terms of achieving personal or collective goals, politics is likely to be resisted and conflicts of interest may emerge (Burn, 2000). The means of achieving intentions and actions in an organisation is through power.

Power is “to produce intended effects” that are in line with the perceived interests (Pettigrew and McNulty, 1995, p.845), while politics is “the practical domain of power in action”

(Buchanan and Badham, 1999, p.9). According to Pfeffer (1981), “if power is a force, a store of potential influence through which events can be affected, politics involves those activities or behaviours through which power is developed and used in organisational settings” (p.7). Mintzberg (1983) stated that “a basis of power in itself is not necessarily sufficient to achieve intended outcomes; it is important that individuals act” (p.25). In adittion, in order to reduce complications (resistance to change and conflicts) when using power to implement change, the actions of those implementing the change must be congruent with the organisation’s objectives (Pettigrew and McNulty, 1995; Buchanan and Badham, 1999; Burns, 2000). In this research, the framework of power mobilisation developed by Hardy (1996) was adopted to help to explain the dynamics of the processes of the design and use of management control systems in the studied bank. Although Hardy’s framework was used to explore changes in the strategies adopted by organisations, the contribution from the framework can justifiably be applied in the context of the phenomena being investigated in order to unravel the complex process of how merged organisations design and use MCS. More specifically, Hardy’s framework, along with institutional theory, explains the processes of why and how the management control systems have unfolded over time in the bank.

According to Hardy (1996), power can be categorised into four dimensions. The first dimension is ‘power of resources’, which describes where actors use or restrict key resources (information, control of money, expertise, political access, stature, credibility, prestige, rewards and sanctions) to change the behaviour of others. This tends to be challenging and often involves ‘carrot and stick’ persuasion and the use of force (coercion). The second is ‘power over decision-making’, which is exercising influence over subordinates to participate in the decision-making process. This type of power mobilisation usually takes place ‘from behind the scenes’ and is very effective in working towards increasing and decreasing the participation of subordinates. The third dimension is ‘power over meaning’, which involves influencing the perceptions and cognitions of actors in order to convince them to accept the status quo (prevention from accepting other alternatives) or that change is ‘desirable’, ‘rational’ and ‘legitimate’. The fourth dimension is ‘power of the system’, which is embedded in the system and taken for granted. According to Hardy (1996), this power “lies in the unconscious acceptance of the values, traditions, cultures and structures of a given institution and it captures all organizational members in its web” (p. S8). The four dimensions of power defined above and their underlying politics are key facilitators through which management control systems in the studied bank evolved over time. The table below shows the differences between the three main dimensions of power.

	Power of resources	**Power of processes**	**Power of meaning**
Power of resources	Ability to hear and fire, reward, punishments, funding, authority, expertise, etc.	Decision-making processes, participation and agendas, etc.	Symbols, rituals, language, etc.
Power of processes	Principles of behaviour modifications are used to influence specific actions	New awareness is created by opening up processes to new participants, issues and agendas	Change is new meaning making it appear legitimate, desirable, rational or inevitable
Power of meaning	Continual use of ‘carrot’ or ‘stick’ is required to ensure continued change, repeated use of the ‘stick’ may be	New awareness helps to sustain new behaviour as long as it remains within existing values and norms	Change in some underlying values and norms may be possible but specific change in behaviour will be difficult to

	counter-productive		effect.

Table 5.4: The three dimensions of power: Source: Hardy (1996, p.7).

This research will adopt Hardy's (1996) four dimensions of power. Despite the usefulness of power in the analysis, it also has both positive and negative dimensions (Gidens, 1984; Mohammed, 2010). The positive aspect of the use of power is that it makes sure things are done, while the negative aspect is that it may create conflict (Hardy, 1996; Burns, 2000). According to Rus (1980), the positive use of power has the ability to create activity and the negative use has the ability to hinder some activities.

This means when power is used as a positive product it can be used by agents (or actors) to achieve an objective even when it is exercised to the detriment of people who may not assist in the process. This type of positive power can be used by agents to introduce new practices (e.g. management control systems) in an organisation, whereas negative power can be used to resist the new practices (Kholeif et al., 2007). Previous studies such as Collier (2001) and Tsamenyi et al. (2006) have employed the notions of positive and negative power to study the design and use of management accounting systems in organisations. According to Meyer and Rowan (1977), organisations may use inconsistent and conflicting practices to gain legitimacy. However, D' Aunno et al. (1991) argued that organisations have limited capacity to respond to conflicting institutional pressures, which means conformity is partial. Collier (2001) stated that institutional power comes from an organisation's search for legitimacy. The use of power in any social settings depends on formal sources (responsibility and hierarchy of authority) and informal sources (experience, knowledge, mobilisation of authority, significance of the institution, personal relations and connections with power holders). In this research, the focus will be on the power relations among the regulator, management, senior managers and ordinary staff of the studied bank. In so doing, the importance of how power is used to help or hinder the design and use of management control systems in the bank will be explained.

5.7 Theoretical framework adopted in this research

This research investigates how a merged bank designs and uses MCS. In line with the research questions, this section provides the theoretical framework that has been adopted to understand the processes of how the existing accounting systems and practices come about in the studied bank. The theoretical framework combines institutional theory and the power mobilisation framework. At the early stage of the research, the OIE proposed by Burns and Scapens (2000) was considered for the main conceptual framework, as it investigates intra-organisational (institutionalisation) of MCS in the organisation. However, the framework had to be developed further to take account of the external forces (the regulatory body's influence on the structure of the bank). This led to the adoption of NIS (DiMaggio and Power, 1983; Meyer and Rowan, 1977). The limitations of both strands of institutional theory led to the extension of the theory and adoption of the power mobilisation framework (Hardy, 1996). The diagram below shows the theoretical framework of the research.

Research Theoretical Framework

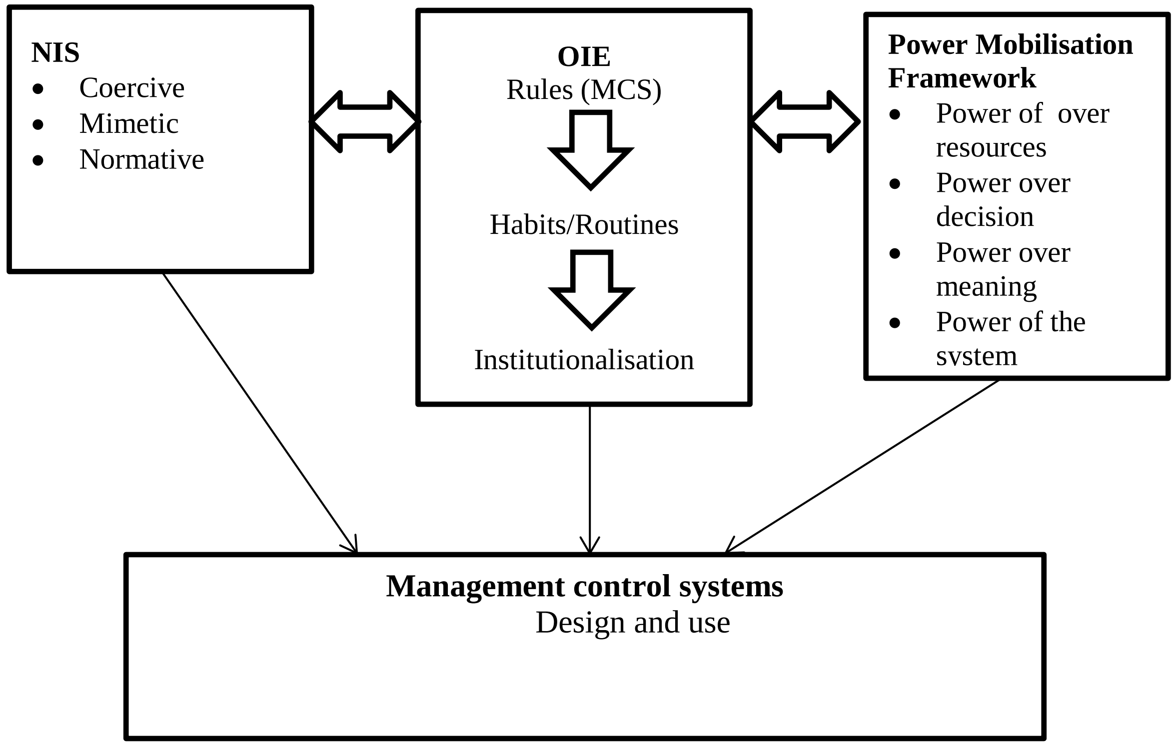

Figure 5:2 Theoretical framework of the research

Figure 5.2 shows the theoretical framework of the research. This framework was used in analysing the data; for example in the merged organisation, the researcher explored the coercive forces such as regulatory bodies. The practice and activities of banks in Nigeria are influenced by the Central bank of Nigeria and the Nigeria Insurance Deposit Corporation (NDIC). According to Scot (1995), what defines an institution are the external pressures (rules, procedures, myths and norms) that are exerted on organisations. He argued that “institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – cultures, structures, and routines – and they operate at multiple levels of jurisdiction” (Scott, 1995, p.33). In terms of mimetic forces (copying from others), the studied bank operates in a competitive and dynamic environment where there is a tendency to copying the successful banks. Prior to the reform, the sector was dominated by a few banks in terms of resources (assets) which had the resources to implement sophisticated systems (advanced technology) that gave them the competitive advantage. In terms of normative forces (such as professionalisation), the banking sector is dominated by a number of professional bodies (the Chartered Institute of Bankers of Nigeria (CIBN) and Institute of Chartered Accountants of Nigeria (ICAN) for instance, employees at a certain level are member of the CIBN and the body also has a list of dismissed members to prevent their employment at other banks.

In terms of the OIE, the emphasis was on exploring how the MCS became rules and routines in the merged bank (Burns and Scapens (2000). The starting point of the OIE framework is the recognition that accounting systems (including management control systems) in the organisation can both shape and be influenced by the institutions that govern the activities of organisations (Burns and Scapens, 2000). An institution was defined as “as a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people” (Hamilton, 1932, p.84). This means that institutions (e.g. the merged bank) try to impose some form of consistency on human behaviour “through the production and reproduction of settled habits of thought and action" (Burns and Scapens, 2000, p.6). Burns and Scapens' (2000) framework conceptualised management accounting systems as a process that comes into existence in the organisation over time. It saw management accounting as an organisational practice that is filled with rules (formal practices) and routines which may or may not evolve into practice that is reproduced in some way. For example "we do budgeting because we have always done budgeting; it is an unquestionable aspect of our day-to-day organisational life" (Burns, 2009, p.7). In this research, the OIE framework was used to explain how new practices and procedures (rules) were introduced and become the way of doing things in the merged bank, looking at individual roles (habits) in the process.

The use of power theory (Hardy1996) was used to supplement the institutional theory. Both branches (NIS and OIE) of institutional theory were appropriate for explaining how external forces (regulatory bodies, uncertainty and professionalisation) make organisations in the same field look similar (DiMaggio and Power, 1983; Meyer and Rowan, 1977). The framework also facilitates the implementation of practices and procedures (management control systems) in the merged bank. The analysis focused on how people or dominant parties may have power of resource (resources, statutes, etc.) to implement practices as presented in Burns (2000). Hardy (1996) identified four such powers, which were used to explain the situation within the studied bank.

CHAPTER SIX

RESEARCH METHODOLOGY AND METHODS

6.1 Introduction

This research investigates how a merged bank from the Nigerian banking sector designed and used management control systems after merging with other banks. In order to achieve the purpose of the research, Chapters 2 and 3 reviewed the relevant studies on mergers and acquisitions and management control systems. Chapter 4 covered the theoretical issues of the research, drawing on two branches of institutional theory (OIE and NIS) mobilisation theory (Hardy, 1996). The reason for the use of multiple theory triangulation was the limitations of institutional theory in explaining the phenomena being investigated.

As outlined above, the aim of this research is to investigate the process of how management control systems have been designed and used by merged banks in Nigeria. This was done by using one of the Nigerian merged banks as a case study. In order to achieve the aim of the research, various steps needed to be implemented, involving the selection of the appropriate research paradigm (Saunders et al., 2011). The discussion in this chapter includes the research approach, which is in line with the adopted philosophy, and also covers the adopted research design and research strategy. The adopted research approach is divided into three parts. The first part is the research design: this research adopts a single case study and discussion in this section includes the strengths and weaknesses of using a case study and the validity and reliability of the design. The second part is on data triangulation: how mixed methods (interviews, observation, documents and archival records) were integrated. The third part consists of the steps adopted steps in conducting this research. The method of data analysis is provided in the last section.

6.2 Research paradigm and philosophy

There are two types of research approach in the management and organisational literature: quantitative and qualitative. Other terms used are functionalist, positivist or objectivist to describe the quantitative and interpretivist or subjectivist to describe the qualitative approach (Maxwell and Delaney, 2004). Studies within the management and organisational literature have seen the quantitative approach as objective, stating phenomena or events to be independent of people's thought and observable to everyone and relying heavily on the use of statistics and figures (Jean, 1992; Saunders et al., 2011), while studies using the qualitative approach have been seen as subjective and relating to knowledge or experience that are conditioned by individual mental states or characteristics and preferring the use of language and description (Guba and Lincoln, 2002; Schwandt, 2007). According to Maanen (1983), the qualitative approach is an attempt to reduce the distance between "context and actions" through "trade in linguistic symbols" (p. 9). The qualitative approach involves the analysis of opinions in order to understand social and human activities.

The distinctions between the quantitative and qualitative approaches above are useful, however they do not describe the different paradigms that underpin both approaches and how these may influence the research process. For this reason, the concept of the paradigm is important to explain the relationship between the research, the process and their underlying philosophy. A paradigm offers the conceptual framework that can be used to investigate and to make sense of the social world. According to Burrell and Morgan (1979) “to be located in a particular paradigm is to view the world in a particular way” (p. 24) and Patton (2002) termed paradigm as “world view”. However, the term paradigm became prominent in the social science studies following Kuhn (1962) publication of “Structure of scientific Revolutions”. Kuhn referred to paradigms as “universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners” (p.113). He also referred to a paradigm as “the entire constellation of beliefs, values and techniques and so on shared by the members of a community” (p.175).

It is often challenging to choose the research approach: according to Snape and Spencer (2003), “deciding how to study the social world has always raised a number of key philosophical debates” (p.11). The questions asked in this research focused on the structure and integration of people and design of management control systems of a merged bank. It involved interviewing and observing people in their working environment and interpreting people’s experience. Burrell and Morgan’s (1979) two-dimensional matrix proposed different ontological and epistemological concepts for reference. The first dimension is the nature of social science and the second dimension is the nature of society (Hopper and Powell, 1985). These dimensions allow the classification of research into one of the four paradigms proposed by Burrell and Morgan (1979).

6.2.1 Burrell and Morgan's (1979) framework

The basic assumption of Burrell and Morgan's framework is that all organisational theories are based on the principle and theory of science (Burrell and Morgan, 1979). This is analysed in a two-dimensional matrix made up of four paradigms. According to Burrell and Morgan (1979), "the four paradigms are mutually exclusive. They offer alternative views of social reality, and to understand the nature of all the four is to understand four different views of society. They offer differ ways of seeing. A synthesis is not possible, since in their pure forms they are contradictory, being based on at least one set of opposing meta-theoretical assumptions. They are alternatives, in the sense that one can operate in different paradigms sequentially over time, but mutually exclusive, in the sense that one cannot operate in more than one paradigm at any given point in time, since in accepting the assumptions of one, we defy the assumptions of all the others" (p.25).

Burrell and Morgan (1979) started from two dimensions which are based on the assumptions about the nature of social science, which consist of four elements (ontology, epistemology, human nature and methodology) and the nature of society classified into two dissimilar approaches. In Hopper and Powell's (1985) terms, "one is concerned with regulation, order and stability and sets out to explain why society tends to hold together, the other focuses on fundamental divisions of interests, conflicts and unequal distributions of power that provide the potential for radical change" (p.432).

<table>
<tr><td colspan="4">SOCIOLOGY OF RADICAL CHANGE</td></tr>
<tr><td rowspan="2">SUBJECTIVE</td><td>Radical humanist</td><td>Radical structuralist</td><td rowspan="2">OBJECTIIVE</td></tr>
<tr><td>Interpretative</td><td>Functionalist</td></tr>
<tr><td colspan="4">SOCIOLOGY OF REGULATION</td></tr>
</table>

Figure 6.1 Burrell and Morgan's (1979) theoretical framework: Source: Burrell and Morgan (1979, p.22)

The horizontal line in Table 6.1 above the middle represents assumptions about 'the nature of social science': at each end are subjectivism and objectivism. The view of the subjectivist supports that of the social sciences and it tends to be anti-positivist, nominalist, ideographic and voluntarist (Burrell and Morgan, 1979). The objective stance on social science has positivist, realist, deterministic and nomothetic assumptions (Burrell and Morgan, 1979). The vertical line in the middle explains assumptions about the nature of society from regulation to radical change. These arrangements of subjective to objective and regulation to radical change are combined to form the four research paradigms (interpretive, functionalist, radical structuralist and radical humanist) of Burrell and Morgan's framework. According to Ryan et al. (2002), the four paradigms are used to classify organisational studies. Chua (1986) argued that these paradigms are combined to form the three paradigms in accounting research:

critical accounting research, interpretive research, and mainstream accounting research. Burrell and Morgan (1979) referred to the paradigms thus “it will be clear from the diagram that each of the paradigms shares a common set of features with its neighbours on the horizontal and vertical axis in terms of one of the two dimensions but is differentiated in the other dimension. For this reason they should be viewed as contiguous but separate – contiguous because of the shared characteristics, but separate because the differentiation is of sufficient importance to warrant treatment of the paradigms as four distinct entities. The four paradigms define fundamentally different perspectives for the analysis of social phenomena. They approach this endeavour from contrasting standpoints and generate quite different concepts and analytical tools” (p.23). The next subsections provide a detailed account of each paradigm.

6.2.2 The functionalist paradigm

The functionalist paradigm in the table originated from the sociology of regulation and its approach is based on objectivism. According to Burrell and Morgan (1979), the functionalist paradigm is distinguished by concern, social order, social integration, consensus, solidarity, actuality, need satisfaction and introduction of descriptions for status quo. The social science characteristics of functionalism are rooted in positivism, which uses models and scientific methods to study human behaviour (Hopper and Powell, 1985). In Burrell and Morgan’s (1979) terms, “the functionalist approach to social science tends to assume that the social world is composed of relatively concrete empirical artefacts and relationships which can be identified, studied and measured through approaches derived from the natural sciences” (p.26). This means that functionalism's approach to the social realm requires reality and knowledge to be tangible. When it comes to introducing change, Burrell and Morgan (1979) stated that the functionalist approach is unable to provide explanation for social change. The functionalist paradigm can be used to explain social phenomena for the purpose of organisation. However, Berry and Otley (1998) argued that the approach is often rejected in the accounting and sociology literature. They also stated that the functionalist approach lacked an accumulation of research.

6.2.2 Interpretive paradigm

The interpretive paradigm is positioned in the table within subjectivism and the sociology of regulation. This paradigm shares the same perspective of sociology of regulation with the functionalist paradigm. However, both paradigms have adopted different approaches to the study of the social world. Thus, the interpretive paradigm uses the methods many authors have referred to as sociology of regulation through a subjective perspective to investigate the social world (Burrell and Morgan, 1979; Dent, 1991; Kakkuri-Knuuttila et al., 2008). According to Kakkuri-Knuuttila et al. (2008), the analysis of the understanding of social phenomena or human actions differs from the investigation of natural phenomena that is motivated by the subjective paradigm adopted in interpretive social research. Burrell and Morgan (1979) stated that the interpretive paradigm offers a framework for investigating the world as it is and also understanding the importance of the nature of the social world by using a subjective approach. Ryan et al. (2002) argued that the focus of the interpretive paradigm is to understand the social world and social nature of accounting practices. This means that the interpretive paradigm comprises subjective studies that investigate how people attach meanings to things (Lukka, 2010). In addition, Ryan et al. (2002) stated that the paradigm is concerned with making sense of people's daily life. According to Lukka (2010), the interpretive paradigm sees the world as socially constructed.

6.2.3 Radical humanist paradigm

The radical humanist paradigm is located in the top left in the table between the sociology of radical change and the subjective quadrant. This paradigm adopts the subjective view on the meaning of reality. According to Burrell and Morgan (1979), the radical humanist paradigm has common characteristics with the interpretive paradigm as it shares the nominalist, voluntarist, anti-positivist and ideological methodology characteristics with the interpretive paradigm. The sociology of radical change assumes a critical view of organisational life (Saunders et al., 2011). This means that researchers who adopt the paradigm are concerned with changes in the current situation. Burrell and Morgan (1979) referred to the paradigm as "a brand of social theorising to provide a critique of the status quo. It tends to view society as anti-human and it is concerned to articulate ways in which human beings can transcend the spirit bonds and fetters which tie them into existing social patterns and thus realise their full potential" (p.32).

6.2.4 Radical structuralist paradigm

The radical structuralist paradigm is located in the top right in the table and is rooted between the sociology of radical change and objective quadrant. This paradigm supports the sociology of radical change in the organisation from the perspective of objectivism. The radical structuralist and radical humanist paradigms share some basic assumptions in terms of the nature of society, however, they differ in the analysis of the social phenomena as the radical humanist paradigm does this through a subjective perspective (Saunders et al., 2011). The radical structuralist also shares assumption with the functionalist paradigm from the realist, deterministic, positivist and nomothetic perspectives (Burrell and Morgan, 1979). According to Saunders et al. (2011), “the radical structuralist paradigm is involved with structural patterns with work organisation such as hierarchies and reporting relationships and the extent to which these may produce dysfunctionalities” (p.113).

	Goals	Theoretical concerns	Theoretical building approaches
Functional paradigm	To search for regularities and test in order to predict and control	Relations Causation Generalisation	Refinement through causal analysis
Interpretive paradigm	To describe and explain in order to diagnose and understand	Social construction of reality Reification process Interpretation	Discovery through code analysis
Radical change humanist paradigm	To describe and critique in order to change	Social construction of reality Distortion Interest served	Disclosure through critical analysis
Structuralist paradigm	To identity sources of domination and persuade in order to guide revolutionary practices		

Table 6.1: Key assumptions of Burrell and Morgan’s four paradigms
Source: Gioia and Pitre (1990, p. 590)

6. 3 Adopted research paradigm

The aim of this research is to investigate the interplay between the environment and the structure and design of MCS in the Nigeria banking sector. The environment and organisations are regarded as socially constructed structures of reality (Burrell and Morgan, 1979, Hopper and Powell, 1985; Chua, 1986; Saunders et al., 2011). Moreover, the management control systems in organisation are socially constructed, as their design and use are influenced by actors (managers) who run the organisation on a daily basis and the environment (political, economic and social). This research seeks to provide an in-depth account of how the merged organisation designed and used management control systems after merging. In order to achieve that, the adopted paradigm has to recognise the importance of the environment to the organisation. The social reality which the researcher seeks to investigate is constructed by people in the environment, which is a characteristic of the nominalism view of the ontological assumption of Burrell and Morgan's (1979) framework. This stance of ontological assumption has implications for the approach of the research. Different people in the investigated organisation use actions, language, and routines as a means of communication. Based on this assumption, the research is located in the subjective paradigm of the Burrell and Morgan framework, particularly in the data collection and how the data are analysed and interpreted. Therefore, this rejects the views of the functionalist and radical structuralism paradigms and is located in the interpretive and radical humanist paradigms.

This is exploratory research; the researcher is seeking to explore the impact of the environment on the structure and design of management control systems in merged organisations. There is substantial literature on mergers and acquisitions and management accounting systems. The majority of these studies relate to organisations in developed countries. This has led to domination in the development of practice and conceptual frameworks by western organisations, academics and consultants (Hopper et al., 2001). Very few studies have investigated management accounting and mergers and acquisitions, and even the studies that have tried to do so were conducted in developed countries (Jones, 1985a, Jones, 1985b, 1986, 1992; Granlund, 2003). The context of those studies is different from that of Nigeria, where organisations are influenced by many environmental factors. Moreover, there is a lack of information on how merged organisations design and use management control systems after merging with others, and there is no available or published research in this area in Nigeria. Thus, this research uses the existing literature to inform the investigation and to focus and determine the boundaries of this research. However, the research does not seek to test any hypotheses, as the issues to be addressed in the research relate to the process of MCS integration and use and how newly introduced practices become institutionalised.

This means a qualitative approach is appropriate for this research; Creswell (2002) stated that "for the qualitative studies the research problem needs to be explored because little information exists on the topic. The variables are largely unknown, and researcher wants to focus on the context that may shape the understanding of the phenomena being studied. In many qualitative studies a theory base does not guide the study because those available are inadequate, incomplete, or simply missing" (p.10). Chua (1986) also argued that "interpretive science does not seek to control empirical phenomena; it has no technical application. Instead, the aim of the interpretive scientist is to enrich people's understanding of the meanings of their actions, thus increasing the possibility of mutual communication and influence" (p.601). As this research seeks to understand human beings and the social environment and cultural contexts which they live in, it adopted a qualitative approach for data collection. The selection of methods fits well with Hussey and Hussey's (1997) definition of the qualitative approach as "a subjective approach which includes examining and reflecting on perceptions in order to gain understanding of social and human activities" (p.20). This is the planned objective of the research.

This research seeks to understand how social reality is constructed. It does not seek to offer explanations or predict what is happening in the social world by examining laws and causal relationships between the various elements. This view makes it possible to accept the idea of anti-positivism as the epistemological assumption. According to Burrell and Morgan (1979), anti-positivism is "firmly set against the utility of a search for laws or underlying regularities in the world of social affairs; for the anti-positivist, the social world is essentially relativistic and can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied; one has to understand from the inside rather than the outside" (p.5). In Hopper and Powell's (1985) view, "people constantly create their social reality in interaction with others. It is the aim of an interpretive approach to analyse such social realities and the ways in which they are socially constructed and negotiated" (p.446).

Regarding the aspect of human beings in the research, an intermediate stance between voluntarism and determinism was adopted. This is because in the context of the Nigerian banking sector, which is controlled by a regulatory body (the Central Bank of Nigeria) which regulates and influence the activities of the banks, human beings have the ability to interact and manage the banks in the sector. There have been regulatory changes in the Nigerian banking sector over the last four decades. While these changes have been evolutionary and revolutionary, and accompanied by government instability, the researcher accepts the status quo of the Nigerian environment and therefore rejects the view of the radical humanism paradigm in Burrell and Morgan's (1979) framework for the purpose of this research. Also, using the nominalist ontology, which is against the view of the positivist epistemology, a perspective on the assumptions of human beings has led to the use of the ideographic methodology. This perspective locates the research approach in the interpretive paradigm.

6.3.1 Research method

This section presents details of the research design and the methods of data collection adopted in this research. According to Saunders et al. (2000) "a research method is the broad plan of action of how one intends to go about answering the research questions one asked" (p.98). The type of questions defines the specific research methods to be adopted (Silverman, 2005). In the conduct of social science research, various research methods can be adopted. The chosen research method adopted in this research is the case study. According to Yin

(2003), a case study is an empirical study that "investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident, and which multiple sources of evidence are used" (p.23). Yin (2003) identified three criteria where case studies can be very useful: "(a) the type of research questions, (b) the control a researcher has over the actual behavioural events and (c) the focus on contemporary, as opposed to historical, events" (p.1). He also argued that the "case study approach is the most appropriate research strategy when the research question is concerned with addressing 'what' question in exploratory form; 'how' and 'why' questions as more explanatory. The second condition is the control of the contextual variables is not an option. The third is the focus, preferably, on contemporary as opposed to phenomena" (p.16).

This research adopts a case study approach according to Yin (2003). In the context of this research, the focus is on the subjective opinion of people and a regulatory body imposing change on the investigated sector. The researcher has no control over events and how the implemented policies have affected banks operating in the sector. In addition, the researcher has the option of adopting a qualitative or quantitative approach. As explained in previous sections, the research adopted an interpretive paradigm which means the personal experiences of managers and staff in the studied bank were very important. The option for adopting a case study approach in this research is justified in the following ways: (1) the research questions the researcher wanted answers were of the why, how and what type; (2) the phenomena being investigated and analysed were contemporary; (3) the researcher believed that the respondents to be interviewed in the studied bank had no control over the phenomena being investigated or influence over the regulatory body that control/regulates the banking sector.

Scapens (1990) recommended the use of the case study approach in order to understand how management accounting practices have developed and been used in a particular country. He argued that the case study is the most appropriate when the researcher is concerned with issues in one or more organisations. Morever, Ryan et al. (2002) argued that “a case study, however, usually implies a single unit of analysis. This might be a company, but it could also be a more aggregated units of analysis” (p.113). They gave the example that a case study of accounting practices in a country can be undertaken.

Yin (2003) argued that case study research approach should be informed by a theory. In this research, firstly, a detailed review of literature on mergers and management control systems under mergers and secondly a theoretical framework (using institutional theory and power mobilisation) have been undertaken to aid the research design.

The aim of this research is to examine the processes of how a merged organisation designed and used management control systems in the Nigerian context. Most studies in both research areas (mergers and management accounting studies) have been conducted in developed countries with few studies conducted in the context of less developed countries. The motivation for this research is derived from the extant literature in both areas of research which show the lack of studies investigating MCS following mergers and acquisitions in the Nigerian context. The next sections provide an overview of the research methods.

6.3.2 Main research methods

This section explains the main research methods; it an provides explanation of how the case organisation was selected, the criteria for selecting the organisation and the selection of the respondents who were interviewed. Also discussed in this section are the techniques used for data collection and the interview process.

6.3.2.1 Selection of New Generation Bank (NGB) and criteria for selection.

The selection of New Generation Bank (NGB) involved obtaining a list of all of the banks operating in the Nigeria banking sector after the completion of the reform of the Nigeria banking sector in December 2005. In total there were 24 banks after the reform of the sector which required the banks to increase its capital base to N25 billion.[5] The selection criteria the researcher used to select the case bank are as follows:

- The aim of this research is to investigate how merged organisation integrate and design management control systems. In order to do that the researcher chose to study one organisation. This increases the possibility of providing a better understanding of the phenomena being investigated and to achieve an adequate analysis. This restriction implies that general conclusions cannot be drawn from the evidence provided in this research as the findings of this research relate to one organisation.

[5] N25 billion is equivalent to £104,166,666.67 at £1 to N240.

- According to the gap in the literature identified in this research and the research questions the researcher seeks to answer, it is important to select a bank that meets the purposes and aim of this research. This means the selected bank must have merged because of the Central Bank of Nigeria directive. The selected bank must also reflect the impact of the environment on its control systems, services and operations.

- The bank must be a merged bank between two or more banks, the banks in the merger must have been operating in the sector before the reform. Banks that were able to raise the N25 billion capital base on their own were omitted. Also, newly formed banks were not considered.

Table 6.2 below shows list of the banks in the sector;

Bank	**Constituents**
First Bank Group	First Bank, MBC International, FBN Merchant Bankers Ltd
Diamond Bank Group	Diamond Bank, Lion Bank
Oceanic Bank*	Oceanic Bank International, International Trust Bank
Intercontinental Bank Group	Intercontinental Bank, Global Bank, Gate way Bank, Equity Bank
Fidelity Bank Group	Fidelity Bank, FSB International Bank, Manny Bank
UBA Group	UBA, Standard Trust Bank
FCMB	FCMB, Coop Dev. Bank, Nigerian American Bank Ltd
Spring Bank Group	Citizen Bank International, ACB International, Guardian Express Bank, Oceanic Bank, Trans-international Bank, Fountain Trust Bank
Access Bank Group	Access Bank, Marina International Bank, Capital Bank International
Unity Bank Group	Intercity Bank, First Interstate Bank, Tropical Commercial Bank, Centre Point Bank, Bank of the North, Societe Bancaire, Pacific Bank, NNB
Equitorial Trust Bank Group	Equitorial Trust Bank, Devcom Bank

Union Bank Group	Union Bank of Nigeria, Union Merchant Bank, Broad Bank, Universal Trust Bank
First Inland Bank Group	First Atlantic Bank, Inland Bank, IMB, NUB
Afribank Group	Afribank International (Merchant) Bank, Afribank of Nigeria, Trade Bank
IBTC Chartered Group*	IBTC, Chartered Bank, Regent Bank
Skye Bank Group	Prudent Bank, EIB, Bond Bank, Reliance Bank, Cooperative Bank
WEMA Bank Group	Wema Bank, Lead Bank, National Bank of Nigeria
Sterling Bank Group	Trust Bank, NBM Bank, Magnum Bank, NAL Bank, Indo Nigeria Bank
Platinum Habib Bank*	Habib Bank, Platinum Bank
Zenith Bank	Alone
Nigeria International Bank	Alone
Ecobank	Alone
Standard Chartered*	Alone
Guaranty Trust Bank	Alone
Stanbic Bank	Alone

Table 6.2: List of banks operating in Nigeria after reform of the sector in 2004
Source: Cowry Research Desk (2009), Nigeria Banking Report, following the progress of Nigerian Banks in the last 10 years (p. 7).

*Recent developments
IBTC Chartered Bank have merged with Stanbic Bank, Platinum Habib acquired Spring Bank, Ocean Bank has been taken over by Ecobank.

Table 6.2 shows that 18 of the banks have either merged or larger banks acquired other smaller ones. In the case where there was an outright acquisition by a bigger bank, the researcher omitted such a bank from the selection criteria. The reason for the omission is that the focus in this research is on mergers and not acquisitions. The researcher obtained this information from the Central Bank of Nigeria's documents and websites. Five banks finally met the criteria to be selected and used as a case study in this research. The next stage of the selection process was a written application to the five banks to use them as a case study, included in the application was the type of information the researcher would be looking for and some questions to be asked and how long each interview and observation will take. Only one of the banks replied and was willing to participate in the research. The table below shows a summary of whole research process.

Stage of research	**Task**	**Justification**
1	Identifying the sector/industry	The banking sector was selected because it is the engine of every economy and is a sector where both state and private companies can operate freely.
2	University of Birmingham ethics review process and formulation of research instruments (interview questions) to be used	Research must be conducted in line with guidelines set by the University of Birmingham. Application was made to the University Ethics Committee explaining the process of data collection and how issues of confidentiality would be maintained. The interview questions were formulated to investigate how management control system integration was achieved in the merged bank (see appendix for interview questions).
3	Selection of organisation	A merged bank was selected for semi-structured interviews with staff to investigate how they integrate their management control systems and interact with another.
4	Selection of participants	Senior managers and staff to be interviewed from different

		banks in the merged bank.
5	Data collection methods	Semi-structured interviews, observation and document analysis for data collection in the merged bank.
6	Data analysis	Qualitative data analysis to be employed manually.

Table 6.3: Summary of research process

6.3.3 Overview of the research process

Based on the selection criteria set by the researcher and one response from the five banks contacted, the only bank that responded and was willing to grant full access for interviews was selected for the research. For the purpose of this research, the bank is referred to as the New Generation Bank (NGB). The rationale for choosing the banking sector is because of the important role the sector plays by providing mass employment to the people and its contribution to national revenue. According to Sanusi (2011), the current Governor of the Central Bank, the "banking sector played a pivotal role in economic development by affecting the allocation of savings, thereby improving productivity, technical change and the rate of economic growth" (p.2). The Nigerian banking sector is one of the few sectors in the country where the state (government) and private companies operate on the same commercial level and therefore it offers an interesting research area. The sector has experienced significant changes over the years in relation to the business environment. Examples of such changes are those wrought by the regulatory body (prudential guidelines, universal banking recommendations, etc.) and changes brought about by competition and globalisation. Early discussion with some of the staff of the selected bank before the actual data collection suggested that the procedures proposed and adopted in the bank were unique and peculiar to the changing environment of the banking sector. Based on this, there was a positive expectation and impression that there would be an interesting outcome, especially as the merger was between four banks. The four banks that came together were strong banks in their own rights, their process of integration to work as one was interesting.

It is always a challenge and concern for researchers to gain access to organisations (Patton, 2002; Shenton and Hayter, 2004) and in this research access was gained through a family friend. The initial approach was a written request to five merged banks that met the criteria to be selected and used as the case study. However, due to the lack of replies and uninterested attitude from three of the five banks, the researcher decided to contact a family member who knows one of the managers in the selected bank, and access was granted. Access and proximity were an important factor in selecting this particular bank. Okumus et al. (2007) argued that the ideal research field should be a place the researcher can easily access, have immediate rapport with the participants and collect data relevant to the research. The researcher and the key contact person are based in Abuja, so the interviews were conducted in all of the branches in Abuja. A formal request in the form of a letter written and signed by the researcher's supervisor was sent to the head office; also included was an information sheet about the type of questions to be asked during the interview, a clear statement of the aim of the research, how long each interview will take and a copy of a consent form was attached. There was a visit to the head office in to meet with the bank's Head of Human

Resources to discuss the research in detail and how confidentiality and anonymity would be maintained.

As stated earlier, the approach adopted in this research can be referred to as exploratory. It is an exploratory approach due to the fact that the research seeks to explore how integration of management control systems was achieved in the studied bank and the impact of the environment on the process. The data collection methods were conducted in three ways: interviews (semi-structured interview), observation, and documents review (literature reviews, financial statements, analysts' reviews and artefacts). The means of data collection were in accordance with the proposition made by Bassey (1999) "asking questions (and listening intently to the answers), observing events (and noting carefully what happens) and reading documents" (p. 60). Three of these methods were employed in this research: staff from the bank were asked questions through semi-structured interviews and were also observed (during working hours), and documents were reviewed in terms of what other researchers have done. In order to collect rich and detailed information on how new practices (accounting systems) were used and if there was any resistance in the bank, more than one method was used. This gave the researcher the opportunity to carefully listen to the staff when they talked about their personal experience before (their legacy bank) and currently (post-merger) during the interview and to examine, how the staff from each bank in the merger interacted with each other through observation. This was done to allow for verification or refutation of the data collection instruments. For instance, one of the interviewees said "you can easily identify certain staff from their appearance and the way they talk". This process was referred to as "eclectic" by Bassey (1999) when he argued that there are various ways data can be collected, but "in preparing a case researchers use whatever methods seem to them to be appropriate and practical" (p.62).

These are the details of the interviews conducted during the data collection period in Nigeria. A total of 46 interviews were conducted between December 2011 and April 2012. The 46 participants were as follows: 41 were from the merged bank, 5 directors from the regulatory body, CBN. The age of the staff ranged from 25-56. The 41 interviews conducted with the staff of the bank were conducted across different functional departments. Since the subject applies to everyone working in the bank, the interviews were conducted with senior managers who are responsible for the day-to-day activities of the bank and junior staff who have direct and most contact with the customers. The working experience of the staff interviewed ranges from 4 to 20 years and they all had a formal education and professional qualifications. Some of them were not trained bankers.

Table 6.4 shows the number, organisation, responsibilities and location of each interviewee:

No.	**Designation**	**Organ-isation**	**Responsibilities**	**Location**
1	Group Head of Human Resources	NGB	Oversees employee related issues (staff employment, training and disciplinary issues)	Head office – Lagos
2	Group Finance Director	NGB	Heads the accounts department of the bank	Head office – Lagos
3	Director of Investment	NGB	Heads investment plans of the bank	Head office – Lagos
4	Branch Manager 1	NGB	Head of the branch	Asokoro- Abuja
5	Branch Manager 2	NGB	Head of the branch	Ikeja – Lagos
6	Branch Manager 3	NGB	Head of the branch	Maitama – Abuja
7	Branch Manager 4	NGB	Head of the branch	Central Area – Abuja

8	Branch Manager 5	NGB	Head of the branch	Garki – Abuja
9	Branch Manager 6	NGB	Head of the branch	Gwarimpa – Abuja
10	Branch Manager 7	NGB	Head of the branch	Life Camp – Abuja
11	Head of Operations 1	NGB	Head of a branch’s operations	Head office – Lagos
12	Head of Operations 2	NGB	Head of a branch’s operations	Life Camp – Abuja
13	Head of Operations 3	NGB	Head of a branch’s operations	Central Area – Abuja
14	Head of Operations 4	NGB	Head of a branch’s operations	Asokoro- Abuja
15	Head of Operations 5	NGB	Head of a branch’s operations	Ikeja – Lagos
16	Head of Operations 6	NGB	Head of a branch’s operations	Maitama – Abuja
17	Head of Operations 7	NGB	Head of a branch’s operations	Kubwa – Abuja
18	Head of Operations 8	NGB	Head of a branch’s operations	Bwari – Abuja
19	Head of Operations 9	NGB	Head of a branch’s operations	Ikoyi – Lagos
20	Head of Accounts 1	NGB	Head of branch accounts	Asokoro- Abuja
21	Head of Accounts 2	NGB	Assistant Head of Accounts	Bwari – Abuja
22	Head of Accounts 3	NGB	Head of branch accounts	Ikeja – Lagos
23	Head of Accounts 4	NGB	Head of branch accounts	Garki – Abuja
24	Head of Accounts 5	NGB	Head of branch accounts	Central Area – Abuja
25	Head of Accounts 6	NGB	Head of branch accounts	Maitama – Abuja
26	Head of Accounts 7	NGB	Head of branch accounts	Life Camp – Abuja
27	Head of Accounts 8	NGB	Head of branch accounts	Bwari – Abuja
28	Head of Accounts 9	NGB	Head of branch accounts	Mararaba - Abuja
29	Head of Accounts 10	NGB	Head of branch accounts	Wuse - Abuja
30	Head of Accounts 11	NGB	Head of branch	Jabi - Abuja

			accounts	
31	Cashier 1	NGB	Receiving deposits and paying customers withdrawals	Asokoro- Abuja
32	Cashier 2	NGB	Receiving deposits and paying customers withdrawals	Asokoro- Abuja
33	Cashier 3	NGB	Receiving deposits and paying customers withdrawals	Bwari – Abuja
34	Cashier 4	NGB	Receiving deposits and paying customers withdrawals	Life Camp – Abuja
35	Cashier 5	NGB	Receiving deposits and paying customers withdrawals	Life Camp – Abuja
36	Cashier 6	NGB	Receiving deposits and paying customers withdrawals	Ikeja – Lagos
37	Cashier 7	NGB	Receiving deposits and paying customers withdrawals	Central Area – Abuja
38	Cashier 8	NGB	Receiving deposits and paying customers withdrawals	Ikeja – Lagos
39	Cashier 9	NGB	Receiving deposits and paying customers withdrawals	Central Area – Abuja
40	Cashier 10	NGB	Receiving deposits and paying customers withdrawals	Central Area – Abuja
41	Cashier 11	NGB	Receiving deposits and paying customers withdrawals	Maitama – Abuja
42	Director	CBN		Abuja
43	Director	CBN		Abuja
44	Director	CBN		Abuja
45	Director	CBN		Abuja

46	Director	CBN		Abuja

Table 6.4: Details of interviewees

Each interview was recorded using a voice recorder device. The participants were informed prior to each interview about the recording and note-taking. The participants were also provided with information about the research through the participants' information sheet, which stated the aim and objective of the research, and the type of questions the researcher sought to ask. Also included in the participants' sheet was a consent form and the option to opt out at any time without any explanation. All interviewees were reassured of anonymity (not disclosing their identity). A copy of the participants' information sheet and a consent form is provided in the appendix. Some of the interviewees signed the consent form and some gave verbal approval for the interview to be conducted. Each interview lasted between an hour and an hour and a half.

6.4 Data analysis

The notion of data analysis implies transformation (Bogdan and Biklen, 2007; Gibbs, 2007; Liamputtong, 2009). Qualitative research focuses on human beings and their behaviour in natural environments. Its richness and difficulty mean that different methods are used to analyse investigated phenomena and therefore multiple perspectives are used in analysing qualitative data (Punch, 2009). According to Coffey at el. (1996), "there is variety in techniques because there are different questions to be addressed and different versions of social reality that can be elaborated" (p.14). The different methods are often complementary, interconnected and overlapping (Punch, 2009); Miles and Huberman (1994) referred to this as "irreconcilable couples" (p.9). Through the analytic processes a researcher transforms voluminous data into "a clear, understandable, insightful, trustworthy and even original analysis" (Gibbs, 2007, p.1). Different types of qualitative data analysis can be employed (Green et al., 2007). The most common methods are thematic analysis, narrative analysis, discourse and semiotic analysis. The aim of each method is to "understand the subject at hand" (Green et al., 2007, p.545). All of these methods have been used in qualitative research analysis (Marvasti, 2004).

6.4.1 Qualitative data analysis: an interpretive perspective

The conduct of qualitative data analysis from interpretive perspective needs rigour and care (Coffey et al., 1996). In interpretive research, the data analysis begins once the data have been collected (Liamputtong, 2009). The data for analysis may consist of a set of interviews conducted within a specific time. When a researcher is ready to work with the data, the first task is to conceptualise them: an explanation of the phenomenon that is being investigated. This is what Oliver-Hoyo and Allen (2006) referred to as a "bracket" and it means "suspending as much as possible the researcher's meanings and interpretations and entering into the world of the individual who was interviewed" (p.92). The actual data analysis begins when the researcher reads through the whole data set. This reading is more than mere note taking of the contents. In so doing, the researcher tries to engage themselves in the data, where they read and reread, and live with the data, in order to achieve closeness and make sense out of the data. When the researcher is satisfied with the text, they can now define all of the "meaning units" in the entire interview transcription and decide which are relevant to the research questions asked and are bound with the meaning units containing them (Oliver-Hoyo and Allen, 2006, p.45).

The essence of data analysis is for researchers to live or engage with the data. This is done to reserve the uniqueness of each respondent's real-life experience and permission to understand the phenomena being investigated. Streubert and Carpenter (1999) opined that "this begins with listening to the participants' descriptions and is followed by reading and rereading the verbatim transcriptions or written responses" (p.60). Furthermore, Hatch (2002) stated that "data analysis is a systematic search for meaning. It is a way to process qualitative data so that what has been learned can be communicated to others. Analysis means organizing and interrogating data in ways that allow researchers to see patterns, identify themes, discover relationships, develop explanations, make interpretations, mount critiques, or generate theories. It often involves synthesis, evaluation, interpretation, categorization, hypothesizing, comparison, and pattern finding" (p.148). Wolcott (2001) referred to data analysis as 'mindwork', which he explained thus: "researchers always engage their own intellectual capacities to make sense of qualitative data".

6.4.2 Data analysis process

In this research, the researcher used a thematic approach in analysing the data and the data analysis was done manually. Thematic analysis is the most common type of analysis used in qualitative studies. It is sometimes referred to as interpretive thematic analysis (Braun and Clarke, 2006; Markovic, 2006; Laimputtong, 2009). According to Braun and Clarke (2006), thematic analysis is "a method for identifying, analysing and reporting patterns (themes) within the data" (p.79). The analytical methods used in thematic analysis and grounded theory are basically the same; the only difference is that grounded theory uses theoretical sampling (Charmaz, 2006), while thematic analysis has no theoretical sampling. Thematic analysis is done in two ways. The first phase of the data analysis in this research was done by transcribing the whole interviews in order to make sense of the data. This was done in addition to data collected through other means (observation, documents, analysts' reports and annual reports). Then the data was grouped as a set and each transcript was examined to make sense of what the participants said as a group. Analysis using thematic analysis "involves searching across a data set – be that a number of interviews or groups, or a range of texts – to find repeated patterns of meaning" (Braun and Clarke, 2006, p.86).

The use of codes plays an important role in thematic analysis: the starting point is to perform initial and axial coding to be used to deconstruct the data, assign codes and look for links between them (Boeije, 2009; Saldana, 2009). Axial coding was used to identify and connect different codes in the initial coding into different categories and sub-categories by making connections between the main categories and sub-categories: this enabled the researcher to find themes in the data. The coding process is explained in the next section.

6.4.3 Coding

Coding is the starting point for qualitative data analysis (Boeije, 2009; Saldana, 2009). Charmaz (2006) referred to the coding process as defining the data (what the data are about), and this is usually the first stage in data analysis. The coding in this research was conducted by labelling a chunk of data. Codes are often a word or short phrases; according to Saldana (2009) "they symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based data" (p.3). The coding of the data was the first step the researcher adopted in order to move from raw data to making analytical interpretations (Holton, 2007). Table 6.5 shows the list of basic questions used by the researcher in the coding process.

Theme 1- Control systems in the bank	**Theme 2 – Use of corporate strategic plan**	**Theme 3 – control of budget**	**Theme 4 – Relevance of the budget**	**Theme 5 – institutional factors**	**Theme 6 – Performance measurement**
Main MCS in the bank – performance budgeting imposed by CBN	Strategic control is concentrated at the top.	Budget is imposed mainly from head office.	Mixed views on the relevance of imposed performance budgets – both positive and negative Difference in views between head office and branches	Both external and internal forces were recognised as influencing budgeting performance measurement decisions.	The performance of branches/managers and staff is regularly monitored via both accounting and non-accounting indicators.

Table 6.5: Coding themes

The data analysis stage commenced after the completion of the data collection. This stage involved transcription of the interviews; summarising of documents and annual reports of the bank; and codification of observations. The collected data were repeatedly checked during the analysis period. The analysis process started through open coding of the translated data. This process started by allocating concepts and symbols to main themes, sentences and paragraphs following the research methods (Miles and Huberman, 1994; Strauss and Corbin, 1998; Yin, 2003). All of the coded data were manually typed and entered in Microsoft Word.

6.5 Chapter summary

This chapter has presented the research methods. It has discussed the philosophical assumptions underpinning the study and then discussed the research process. The chapter also provides a justification for the approach adopted.

The study draws on an interpretive paradigm and believes in social construction. As a result, a qualitative approach was adopted. Data was collected from a case study of a bank that has undergone a merger in Nigeria. Data was gathered by way of interviews, observation and document analysis. The chapter also discusses the procedures for data analysis. The next chapter provides the findings of the research.

CHAPTER SEVEN

CASE RESULTS

7.1 Introduction

This chapter presents the findings from the case. It has been argued that the study of MAS should be investigated within their organisational context (Hopper and Powell, 1985; Burns and Scapens, 2000; Hopper et al., 2001; Hopper et al., 2007). This chapter is important as it helps to provide readers with information that is useful for understanding the organisational contexts within which the management control systems (MCS) in the studied bank are located. The chapter provides a brief history, the management structure in the bank, organisational changes and the MCS and procedures found in the case study bank. The chapter is divided into four main sections. The first section discusses background of the case study bank, New Generation Bank (NGB). The following section is on the merger integration process; this section explains the integration process and how it was achieved. The third section discusses the MCS found in NGB and the final section provides and the final section provides a chapter summary.

7.2 Background of NGB

7.2.1 Brief history of NGB

NGB PLc was formed by the merger of four banks. The banks were compelled to come together to merge as none of them were able to raise the N25 billion minimum capital base requirements set by the Central Bank of Nigeria as part of the reform of the sector in 2004. NGB was formed [redacted] and its head office is located in [redacted]. The bank has evolved and become one of the top commercial banks in Nigeria. The bank operates as a group that offers different types of financial services, powered by advanced technologies to support these services. The bank engages in universal banking in accordance with its banking licence and provides services to individual and corporate customers through the various local branches and its international branches and subsidiaries. The bank is quoted on the Nigerian Stock Exchange (NSE) and has over 400,000 shareholders with a shareholding system of everyone having less than 5% control. NGB has a shareholders' fund of over N90 billion and has excellent customer service that is driven by passionate staff and investment in modern technology.

7.2.2 Operations and services provided by NGB

The bank has a very strong retail, corporate, commercial and investment banking system. It has over 250 branches across Nigerian cities and is run by over 5,500 experienced and professional bankers and business experts. The balance sheet of the bank is over N1 Trillion[6] (NGB Annual Report, 2012). The bank operates over 500 ATM machines within its branches and other strategic locations in Nigeria. As part of the bank's expansion and growth strategy, it has explored business opportunities in other African countries. The initial target was countries within the West African region, with particular interest in the English speaking-countries. The primary aim of this was to develop competencies in those countries as they have a similar culture to Nigeria and the experiences in those countries can be replicated in other countries. The bank has a presence in the Gambia, Sierra Leone, Liberia, Congo (DRC), Angola, Sao Tome and Principe, Guinea Republic and Equatorial Guinea. The bank is also a major player in manufacturing, telecommunications, oil and gas, transportation, power and infrastructural financing and has investments in insurance, capital markets, asset management and mortgage finance and trustees. NGB is a leading bank and is ranked one of the top banks in Nigeria (Vanguard, 2013).

NGB has continued to grow immensely; the bank recorded gross earnings of N120.57 billion in 2009 as against N70.32 billion achieved in 2008 (NGB Annual Report, 2009). This represents an incredible growth rate of 63.15%. In December 2011, the bank released its audited results on the Nigerian Stock Exchange which showed a rise in its net interest of 51.74% from N25.67 billion to N45.19 billion; this shows a high degree of efficiency on the part of the management in managing its interest expenses and earning potential. The bank's operating earnings also increased from N49.86 billion to N70.05 billion, which represents a remarkable growth of 58%. Despite the severe operating environment and the challenges

[6] ($7 Billion)

faced by financial institutions worldwide in 2008 and 2009, the bank was able to achieve a profit of N2.05 billion and profit after tax of N1.01 billion. In the same financial year, the bank's loan portfolio increased by 27.90%, from N243.27 billion to N315.6 billion. The increment evidently shows high level of sound management, organisational focus and consumer confidence in the NGB brand, considering the widespread lack of trust in the sector in terms of risk asset creation. According to one of NGB's retired chairman, "*we want the bank to be known as a provider of solutions for clients' problems, NGB has fresh ideas for and prioritises all its clients. We will bring about practical solutions, which are derived from our experiences and skills in the market*".

NGB aims to be one of the top ten banks in the country and aims to invest in areas (such as housing and telecommunications) where little has been done by past and current governments. The bank has been referred to as a newcomer in the sector. The management wants to make the bank as the biggest lender for housing and telecommunications projects in Nigeria. It is estimated that Nigeria needs about N90 trillion in long-term investment in building new houses to expand the housing stock in order to improve the quality of houses (Akinlusi, 2007). In this view, the Director of Investment stated "the figures from the housing sector estimate that less than 20 per cent of Nigeria's population of over 140 million live in homes and most Nigerians live in sub-standard accommodation. This is an area we want the bank to do very well and also a business opportunity for the bank". The housing sector represents a huge business opportunity for lenders and NGB is trying to be ahead of its competitors in this area. An example is the bank's introduction of the first Real Estate Investment Trust Unit (REIT).

The goal of NGB is to become one of the leading banks in Nigeria and the sub region of West Africa in the shortest period. This aspiration can only be achieved through a dedicated and determined approach in their business activities. An analysis of NGB’s annual report shows the goal of the bank in their vision, mission and corporate values. This is reflected in their business activities such as investment plans and how customers are highly respected. For example, the vision that was identified in the bank’s 2007 annual report was “ ” and the mission was “ ” (NGB Annual Report, 2007, p.2). The same report also identified the bank’s mission to be an institution that will concentrate on retail business leveraging built on the platform of modern information technology. The bank’s corporate value identified in the 2007 annual report defined the corporate identity of the bank and rested on four important values: accessibility, integrity, mutual respect and continuously learning (NGB Annual Report, 2007, p. 4).

Accessibility: easy access to the bank is a priority to the management. The bank aims to make sure all its customers have easy access to their money, wherever the customers are. According to Branch Manager 8, “*gone are the days when customers have to spend the whole day in the bank trying to deposit or withdraw their money, now customers have 24 hours access to their money, people may argue that the modern information technology has made things easy but long queues still exist in other banks due to their systems not working properly or systems are down”*. According to the interviewees, there is a belief in the bank that “*the doorway to the heart is the most important doorway*”. Hence the bank’s motto has been based on the premise that an open heart represents warmth and care; life’s fulfilment is its ultimate reward.

Integrity: integrity is something the bank takes seriously. They try not to make promises they cannot keep. It is believed that banks only say things they want their customers to hear in order to entice them to open an account with them. NGB thinks differently and believes integrity is very important to its survival and growth. As stated in the 2007 annual report “[redacted]” (p.4).

Mutual Respect: customers are treated with respect and dignity at NGB bank. The bank adopts a means of checking how the customers are spoken to/treated by every branch of the bank by using a method called mystery shoppers. The mystery shoppers are inspectors from the bank who go to every branch unannounced as a customer to assess how ordinary customers are spoken to or treated. The branches do not know who these people are, so it makes the staff be very polite and show respect to their customers. According to Head of Operation 4, “*you have to be very careful the way you talk to every customers as you don’t know who the person is*”. Respect according to the Human Resources Manager “*is a virtue loved by all. At NGB, we place a high value on respect as an essential ingredient for a fulfilled life*”.

Continuous learning: the ability to continue to learn and improve is key to greatness. At NGB, continuous learning is very important. The bank is continuously adopting new practices and procedures as the environment dictates. According to Manager 2, "*the banking sector is very competitive so you have to always be on your toes, if not you can't compete with the best. Also, considering the fact that the bank is new, you have to be innovative, inventive and continuously learning to be able to deliver*". According to NGB, "*continuously learning is the foundation for continuously growth and improvement. We continue to challenge ourselves to attain greater excellence through continuously learning*".

7.2.3 Management of NGB

The management of NGB is made up of a group of experienced bankers with many years of various experiences from different areas of banking, finance and business including corporate banking, strategic planning and management, international trade finance, project finance, development and structured finance, consumer and retail banking, treasury and money market operations, audit and accounting. The Board of NGB is comprised of talented men and women of integrity and proven track records.

In terms of decision-making at NGB, the organisational chart is presented in Figure 7.1.

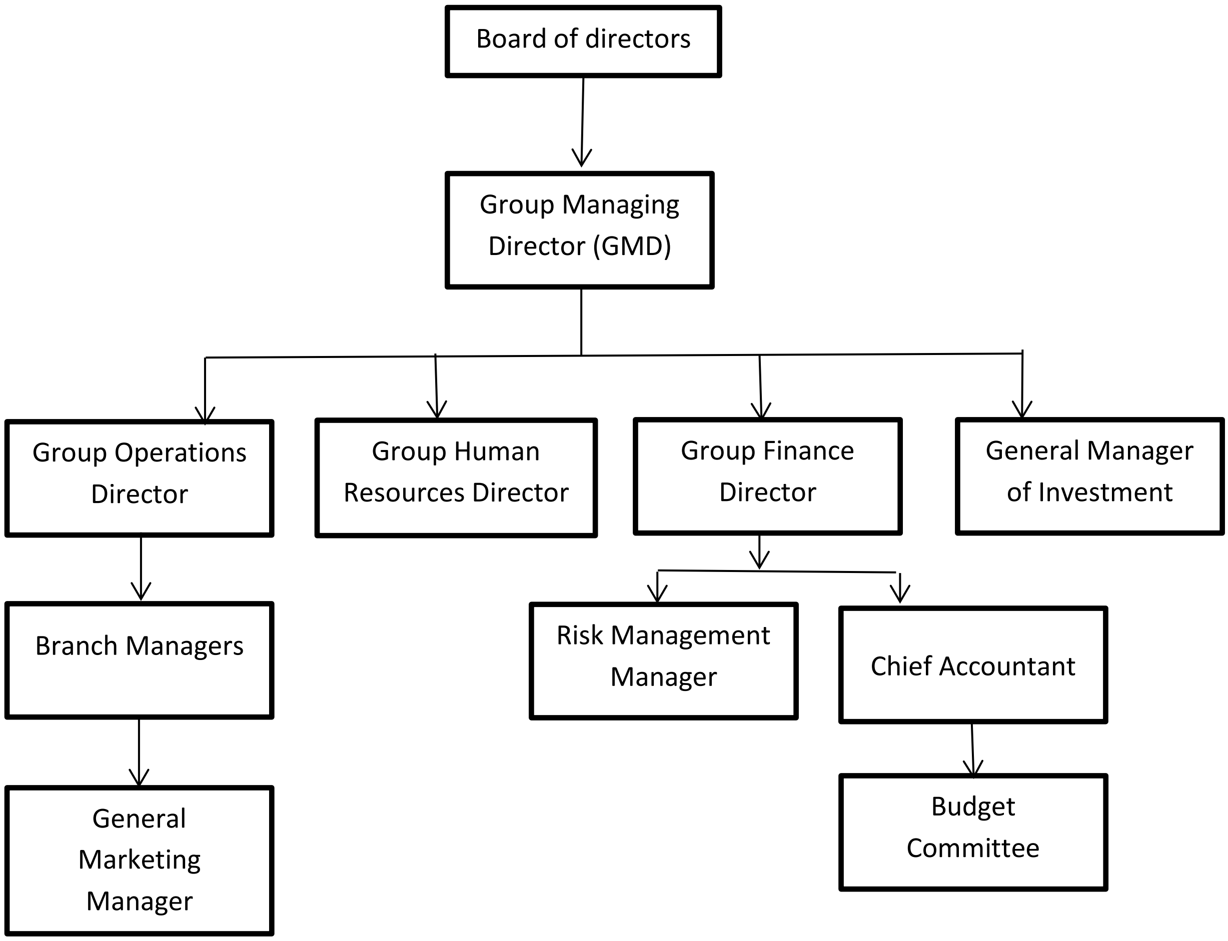

Figure 7.1: Structure of decision- making at NGB
Source: information collected by author during site visit.

The Board of Directors is the body responsible for decision-making at NGB. There are 20 members of the Board who are responsible for all strategic business decisions. Day-to-day running and decision-making are delegated to the Group Operations Director and the various branch managers. The Group Operations Director reports to the Group Managing Director. In terms of the decision-making structure, the Group Operations Director acts as the deputy managing director. All of the branch managers of the banks report to the Group Operation Director and General Marketing Manager. The finance department of the bank is divided into two units (risk management and accounts). The risk section of the account department is responsible for risk management and derivates at the bank and the accounts unit is responsible for preparing the budget for the bank. At branch level, there are two major departments (marketing and operations). The operations handle staff and customers and are on the ground to attend to customers. Marketing basically seeks business and handles relationships. There are three types of marketing, public sector group which handles government related issues they do not deal with individuals and corporates as government organisations have a peculiar way of doing businesses; commercial banking that deals with companies and retail banking that deals with individuals' banking. Normally every branch has a commercial; and retail department. Only one branch, located in Abuja has a public sector group. At every branch, there is a manager, assistant manager also referred to as the backup and other marketing staff. In operations there is a business service manager (BSM) who the people in operations report to, and all the marketing people report to the manager. There is a synergy between operations and marketing. The head of operations in some cases may report to the manager.

7.3 Integration process at NGB

This section explains the integration process of the four banks. It provides information on how the banks merged, the factors that influenced the integration process, and how long the integration process took.

7.3.1 The emergence of NGB

The merger of NGB was a policy-motivated merger. The CBN, which regulates the banking sector, issued a directive in July 2004 requiring all banks operating in the sector to increase their capital base to N25 billion by 31st December 2005. The banks were given the option of meeting the minimum capital base of N25 billion through mergers and acquisitions. Banks that were able to raise the new minimum capital base on their own stood alone and those that were unable to meet the new requirement were acquired by larger banks or merged with other banks.

An integration team at the NGB bank was responsible for the integration process. The team comprised the heads of key departments from each bank, the Head of Human Resources, Head of Information Technology (IT), accountants and lawyers. The team head was selected by the members. The aim of this, according to Branch Manager 5, was "*to make sure every member from each bank in the merger is represented and their opinions are heard. It was also important so that no party will feel left out in the integration process*". In terms of how the name of the bank was adopted, the Heads of IT from each bank were asked to submit names. The preferred name was selected from the submitted names. The merger was a merger of equals; however, one of the banks was the main driver and the largest out of the four banks. This bank had the largest balance sheet size out of the four banks.

After the announcement of the directive by the CBN, all of the banks started having different thoughts on how to meet the new capital base (N25 billion). Those that were strong had the advantage (the bigger banks). The approach was based on two factors (type of business and strength of a bank in a location). According to the Head of Accounts 3, "*if a bank wants to operate in a particular geographical location, the bank looks for a bank that is the strongest in that location. One of the factors that can be used to assess how strong a bank is could be that a bank having an account of a multinational company. The bank may be small but the fact that it has account of a multinational company is a reason to be approached and merged with*". For example, Head of Accounts 3 explained that one of the banks in the merger was approached because it had the account of Shell, the largest multinational oil company in Nigeria.

7.3.2 The integration process

The evidence gathered from the fieldwork showed that the integration of NGB's internal control systems and other systems (such as computer software) went through four stages: the pre-integration stage where senior staff were selected to head various departments and provide the needed training; the integration planning stage where the integration team was selected and the integration action plan prepared; the implementation stage where the choice of the accounting software to be used by the bank was decided and the decision was made to close down the previous control systems of each bank; the review and evaluation stage, a feedback stage where feedbacks was received on the implemented internal control systems in the bank. Figure 7.2 shows the various stages of the bank integration process.

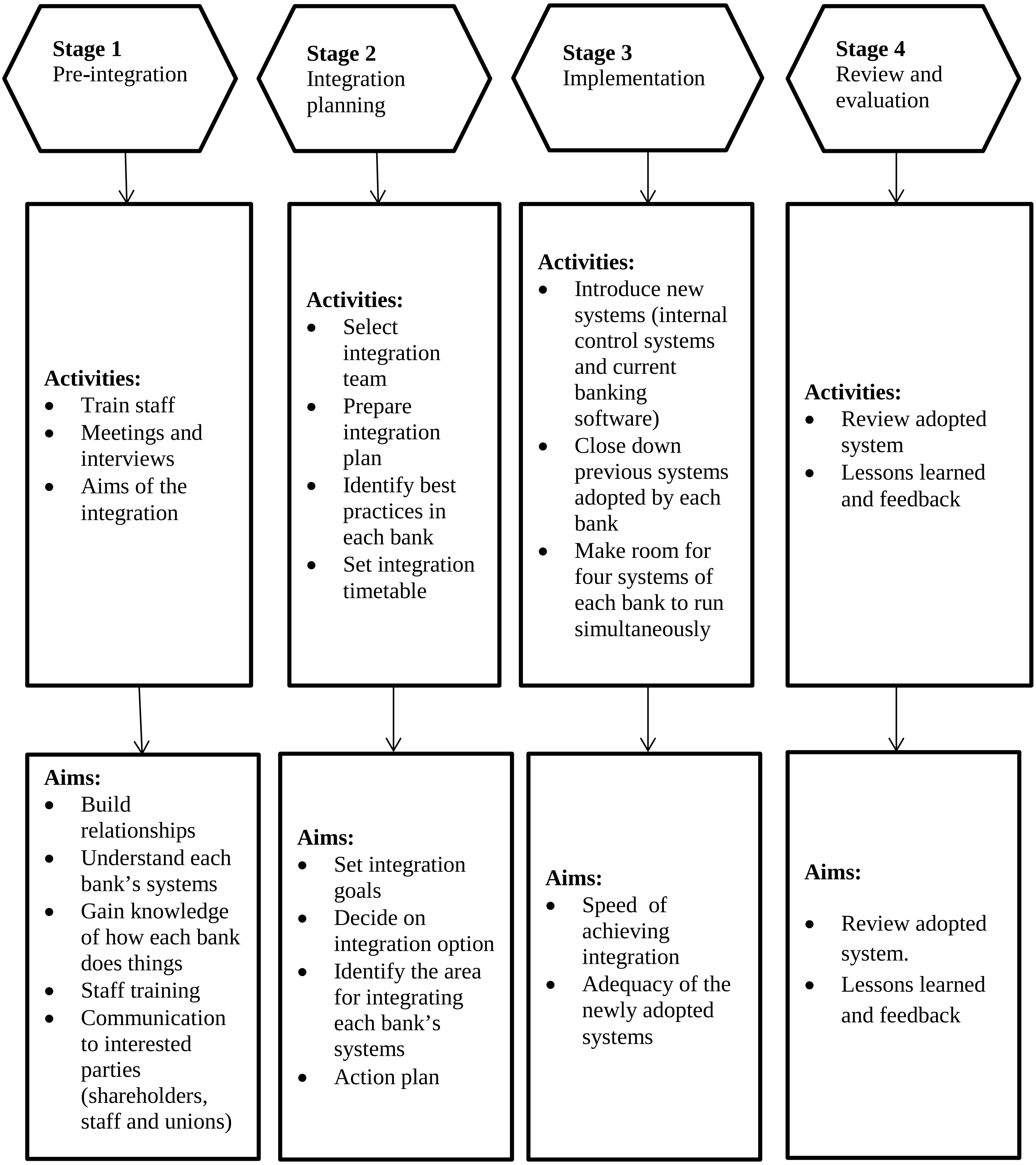

Figure 7.2: Summary of NGB systems integration process

Pre-integration stage: this was the first stage in the integration process; it was the stage where the chairmen, CEO/MD, Human Resources Managers, lawyers, Head of Information Technology and accountants from each of the banks in the merger met and discuss issues regarding the banks' merger and the integration of all of the banks' systems into one. This involved gathering information about each bank with a view to developing trust and communication to interested parties (the Central Bank, employees and shareholders). According to the Group Head of Human Resources, "*this stage is very important as there is panic. Interested parties need to be communicated about what is going on as there are rumours flying around. Communication at this stage to the employees is vital as most of them fear for their jobs*". It was during this stage that it was pointed out to everyone present that everyone would have to work as a team regardless of their legacy bank for successful integration and for the good of the newly merged bank. The intensity of communication was very high at this stage: most of the communication was done through emails, phones and face-to-face with the staff by means of training. Branch Manager 3 stated, "*being a manager from one of the biggest banks in the merger really put me under pressure as I was constantly conducting seminars with staff and giving them assurance that their job is safe. It was really hard to be honest*". There was also constant communication with the head of accounts from each bank to understand the type of system each of them was using, and communication with the unions to discuss and clarify the issue of possible redundancies of some staff.

Integration planning stage: this was the second stage of the integration process where the necessary plans were made for the successful integration of the banks' systems. This stage of the process was very important as the plans for the integration and how it would be achieved were outlined. It was at this stage that the goals of the integration were stated and the selection of members of the integration team made. According to Branch Manager 4, "*the heads of information technology (IT) of each bank were the first to be selected into the team. This is because the four banks were all computerised at the time of the merger and it will be fair for them to compare each of the systems used by each bank. Then the heads of accounts from each bank were nominated, also present in the team are the HR managers for staff related issues and lawyers representing each bank for paperwork*". From the planning timetable it was agreed that integration would be achieved within six months.

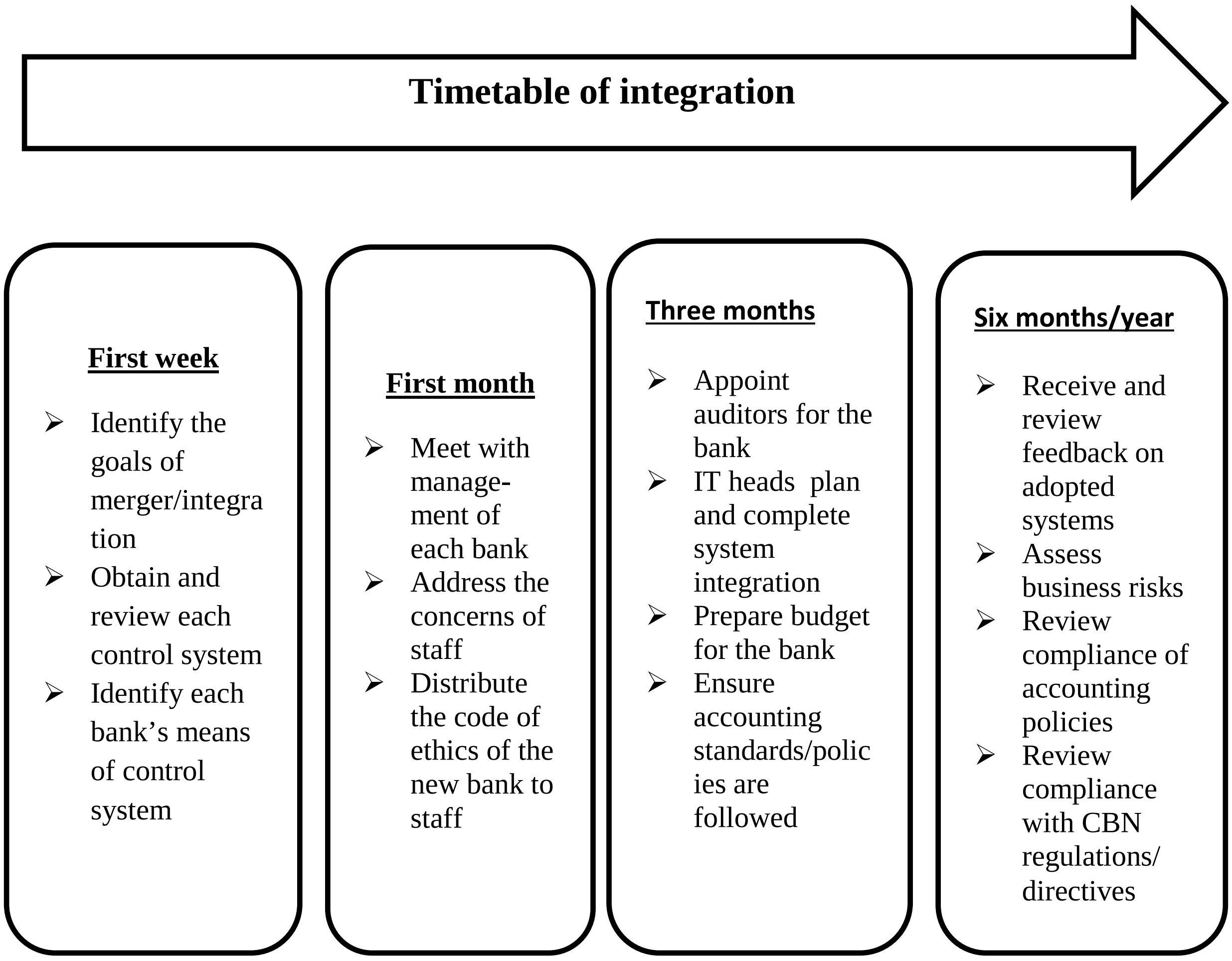

Figure 7.3: Integration processes of MCS at NGB

Implementation stage: this was the third stage of the integration process; at this stage, the integration strategy and how the MCS were going to be integrated with structure and control systems were decided. According to Branch Manager 3, "this is the stage where the MCS and practices of the newly merged bank are integrated and introduced". The evidence from the case showed that two integration strategies were employed by the bank;

1. **Immediate absorption**: the primary aim of this approach was to completely consolidate the MCS of the four merged banks by introducing the CBN's prescribed budgetary system and the recommended MCS by the integration team. Here new systems such as the bank's accounting software and the best MCS and practice selected from some of the banks were introduced.
2. **Gradual integration**: this approach involved training of staff/development, coordination, standardisation of documents and consolidation and regular review. In addition, many of the activities involved in the immediate absorption were also undertaken. This approach was relatively slow and the bank 6-18 months to complete.

Review and evaluation stage: following the implementation of the MCS and practices, the review and evaluation of outcomes came next. Here lessons were learned and fed back into the process for future reference. At this stage, the bank was able to measure the success of the post-merger MCS. This may include the improvement of MCS, staff and customer retention, speed of integration and realisation of operational synergies.

The main activities that were performed by the bank at this stage were coordination, standardisation, absorption of the control systems of each bank and closing down the systems the integration team considered were not needed. According to Head of Accounts 5, “this is the main integration stage of the various MCS of each bank”.

By Nigerian standards, NGB is a large organisation (considering the size of its balance sheet). The bank has a wide geographical spread of branches (retail offices) and subsidiaries and has organised their operational structure into a head office located in Lagos, regional offices divided into four geographical regions (South, North, East and West) and branches in every town and state in Nigeria. The branches of the bank are the lowest operating unit and are the main unit as it deals directly with the customers. Banks operating in Nigeria are faced with intense competition as a result of the deregulation of the sector (Babajide, 2008; Ofoegbu and Iyewumi, 2013). The evidence from the interviews showed that competition in the sector is very high, and this has increased the quality of services offered to the customers and the need to be innovative in providing customer-orientated products/services periodically. According to Head of Operations 2, “*the banking sector is very competitive and banks are faced with intense pressure in recent years. This pressure stems from the regulatory body (CBN); fellow banks, technological advancement, changing in customers’ needs and the shareholders of the banks to improve profits and to enhance the non-fund income. This pressure has resulted in a decline on loan interest and the interest paid to depositors*”. The Head of Operations in one of the branches said that in order for the banks to increase profits, it is important to embark on long-term planning and investment, be innovative, and have effective internal control systems and risk management.

At the beginning of the research, the initial plan was to examine the whole MCS of the bank to be used as a case study, but during the data collection stage it emerged that the main forms of MCS in the studied bank were strategic planning, budgeting and performance measurement systems. The evidence from the interviews showed that the bank's corporate strategy influenced the design and use of MCS in the bank. The bank's aspiration is to be one of the top ten banks in the sector. In order to achieve this, the Board of Directors has implemented strategic planning for the bank. This process involves identifying the available resources, skills (experience and training of staff) and technology, the gap between the top banks and NGB and actions to be taken to bridge the gap. As part of this planning the budget committee comes up with a plan of responsibility and accountability of different strategic plans and how these can be monitored, and the review processes are developed in the budget.

Table 7.3 summarises the key findings on the MCS found at NGB and the factors influencing them.

Type of MCS found in NGB	**Budget process**	**Environmental and Institutional factors**
✓ Strategic planning ✓ Budgetary controls ✓ Performance measurement systems and reward system ✓ Banking software	✓ Evidence of participatory budget ✓ Evidence of zero based budget	✓ Central bank of Nigeria directives/policies ✓ Previous economic reforms (SAP) ✓ Competition ✓ Technological advancement ✓ Social and societal factors

Table 7.3: Summary of main MCS found in NGB and factors influencing them

Table 7.3 shows that the main MCS in NGB are strategic planning, budgetary controls and performance measurement. The reward systems fall under the performance measurement systems. The rewards are given based on setting financial targets for managers and staff that match specific targets given to them. These systems were well known to the managers/staff interviewed and they knew how they operate. In terms of the factors influencing the design and use of MCS in the bank, the CBN directives/policies, previous economic reforms and competitions are the main drivers of the design and use of MCS in the bank. Details of the factors influencing the MCS in the bank are provided in the next section.

7.4 Factors influencing the MCS of NGB

It is evident that the MCS found in NGB are specific to the Nigerian business environment. The Central bank of Nigeria's reform of the sector in 2004 was one of the main driving forces in the bank's organisational structure (to merge and on the design of the MCS). In addition, the deregulation and liberalisation of the sector in the past has made the banking sector more competitive, and operators in the sector have to be more proactive. The bank's Chairman Commented, "*the thrust of the reforms instituted by the CBN in the banking systems were largely geared towards enhancing the quality of banks, establishing financial stability, enabling healthy financial sector evolution, and ensuring that the financial sector contributes to the real economy. The reforms have strengthened the industry, and have improved its capacity to focus on delivering its primary role of financial intermediation in the economy. Therefore, we expect that the banking terrain will become much more competitive for operators as increasingly discerning customers seek quality of accounts, service delivery and* *competitive pricing*". Accordingly, providing quality service to the customers became a top priority as Head of Operations 1 commented: "*the bank instituted the 'manager on the shop floor' concept, with a view to proactively escalating and resolving customer service issue in all our locations. The concept involved entire day visits to branches by senior managers who act as customer service officers and shop floor managers, watching out for unsolicited concerns, offering on the-spot solutions, holding review meetings, and entrenching learning points that are usable for better customer service*".

7.4.1 Budgetary control systems of NGB

This section discusses the budgeting systems in NGB. The aim of this section is to discuss the budgeting system of the bank. The issues discussed under this section include the motivation for adopting budgeting, the process of how it is formulated and the importance of budgeting to the bank. The origin of the use of budgeting control by the banks was largely influenced by pressure from the government and the regulatory body (CBN). The Federal Ministry of Finance made budgeting systems mandatory for Nigerian banks in 1986. The argument then was that for the banks to improve their operational efficiency, they needed to adopt performance budgeting. Dabor and Modugu (2013) stated that the Central Bank's Department of the Supervision of Banks directed all the emerging banks in early 2006 to prepare periodic business plans and take adequate measures to introduce performance budgeting. The interviewed directors from the Central Bank stated that the CBN conducts a seminar with top management in March and June to promote implementation of budgeting systems in all banks. The Nigeria Deposit insurance commission (NDIC), which complements the supervision and regulation of Nigerian banks alongside the CBN in 2006 stressed the importance of adopting performance budgeting by the banks in its report:

[redacted] (CBN Report, 2006).

According to the CBN Report (2006), the main purposes of banks preparing budgeting are:

[redacted]

The budget was referred to as the monthly performance review (MPR) at NGB. The MPR was one of the main MCS in the bank, as it was used to measure individuals, departments and branches of the bank. The evidence from NGB showed that the performance monthly review in place was driven by external pressure (to meet the regulatory body requirements). According to Head of Accounts 8, "*it is a good idea for every business to have a plan of actions so that performance can be assessed. The Head of Accounts would have to implement a similar approach anyway even if is not mandatory. But the type of budgeting operated by the bank is because of meeting the CBN requirement. The CBN/NDIC has attached so much importance to the preparation of budgets by the banks*".

Before the process of the NGB budgeting system is discussed, it is important to explain the strategic plan of the bank. This is necessary because evidence from the fieldwork suggests that preparation of the bank's budget is driven by the requirement in the strategy and corporate values of the bank. Accordingly, the Head of Operations 6 commented that "*the budget is prepared based on the strategic plan and corporate values of the bank. Before the budgets are prepares, the committee responsible for this looks at the strategic plan to prepare the budget*".

7.4.2 Corporate strategic plan of NGB

The evidence suggested that there is a strategic plan and control system that is delegated by the budget committee of the bank. According to the interview evidence, the strategic plan of the bank clearly states the corporate objectives of the bank. The Head of Operations 5 explained that "*the strategic planning of the bank is the process of formulating the organisation's vision, mission, objective and goals and developing strategies to achieve them. It creates a conceptual framework that incorporates the external bank environment that is characterised by risk, change and uncertainty into the bank's long-term decisions. It involves deciding upon the major goals of the bank and what policies will be used to achieve them, and also involves a long-term forecast and occurs at the top level at the bank*". The bank strategies take into account what is going to happen in the future but the strategic decisions are made in the present to achieve them in the future, and the strategies are translated into detailed operational activities for various departments, region and branches of the bank and ensure that the plans are contained in the budget for execution. NGB aspires to be among the top ten banks in the country and they seek to extend their brand of successful commercial banking to international markets within western African and beyond. Based on the aspiration of the bank, the bank embarked on a strategic plan that would deliver their mission. According to Branch Manager 7, "*the thrust of our strategy at bank level over medium term is to defend our industry leadership position, while extending it across key dimensions (customer service rankings, brand appeal/health) and to achieve superior financial results while planting the seeds for sustainable long-term growth*".

The strategic planning of NGB has two cycles: a new planning cycle and prior planning cycle. The new cycle marks the beginning of the period for the bank and presents an opportunity for the bank to review their strategies and set a new direction for the bank for another four years. According to Branch Manager 5, "*the objective of the new planning cycle is based on development of the strategic business unit, identification of financial and non-*

financial levers that are crucial to short and long-term performance of the bank and the integration of these elements into the corporate strategy for the period”. Figure 7.4 shows details of the bank’s approach in strategic planning.

Strategic priorities of New Generation Bank

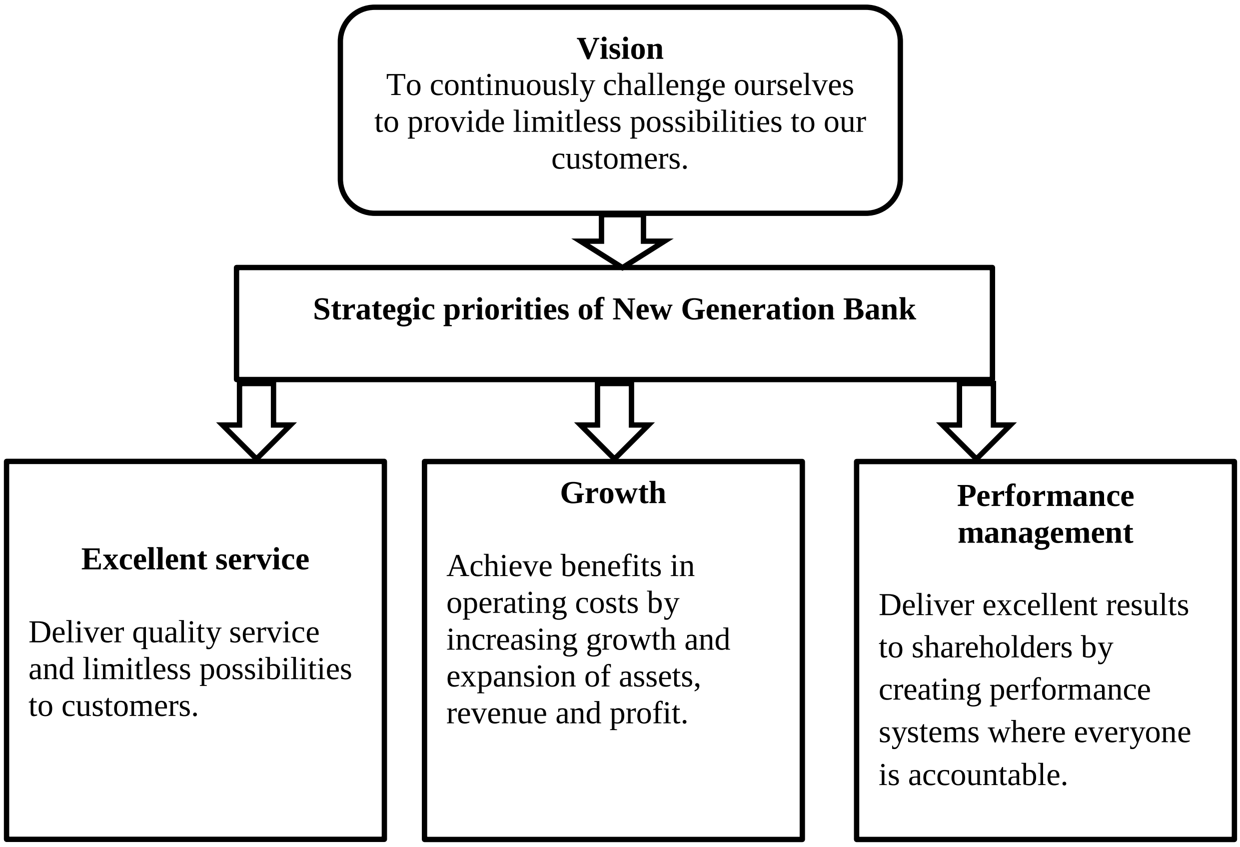

Figure 7.4 MCS at NGB.

Delivering excellent service to the customers is paramount at NGB. An excellent service to customers is a key element of the bank’s strategic plan, as the management of the bank is driven to continuously challenge themselves to provide limitless possibilities to their customers. The GMD/CEO in the bank’s Annual Report (2012) commented “

[redacted]". The bank aimed to provide incomparable services to their diverse mix of customers by adopting world-class technologies and massive investments in staff training and capabilities. According to the Investment Manager, "*we aim to not just provide excellent service, but to do so at optimal cost, and in a manner that embeds continuous improvement across all processes*". Strategic planning in this area is defined based on the response and feedback received from customers. The focus is on five key areas: customer issue/experience resolution; branch process re-engineering and centralised processing; brand optimisation; channel optimisation and migration and manning/front-line transformation. According to Head of Accounts 3, "*we believe a focused execution in each of these five focus areas over a four-year horizon will ensure we achieve tangible and measurable impact that is aligned with our customers' priority*".

Growth is an important priority at NGB, given the fact that the Nigerian banking sector is very competitive and also the aim of the Central Bank to make the banking sector stronger to be able to compete within Africa and the rest of the world. According to Soludo (2004), "the goal of the reforms is to help the banks become stronger players, and in a manner that will ensure longevity and hence higher returns to the shareholders over time and greater impacts on the Nigerian economy" (p.1). Growth according to NGB "is to consolidate the bank's market leadership and build critical competencies across the group by effectively unlocking innate capacities and synergies to fast track and sustain our market share and leadership position in the medium term". Achieving growth is pursued in two ways: organic growth and inorganic growth. Organic growth remains the bank's primary means of achieving sustainable growth. The bank makes strategic plans on how to increase their penetration into new market and customers. According to Head of Operation 9, "*we focused on increasing our market share by increasing our share of customers' wallets and prospecting new customers. Hence, we segregated our market along business lines, allowing for specialisation and closer relationship management. Consequently we embarked on an extensive project to develop a strategy framework in our monthly performance review*". Also, price optimisation is important: since the bank merger in 2006, the bank has always made strategic plans on effective cost management and revenue initiatives that will boost return on equity by improving leverage (the emphasis is to reduce costs and increase deposits). Head of Accounts 10 commented "*in previous year we plan to aggressively re-priced deposit liabilities bringing our cost of funds down significantly without sacrificing deposit growth*". The bank's inorganic growth strategy is pursued through acquisitions. The bank seeks growth through this means because of the rigorous requirements set by the regulatory body.

Performance management became an issue in the bank's strategic plan to create a working environment that will make the employees productive and protect the performance culture of the bank. In doing this, the bank developed strategic initiatives and mandates to make sure that the goals set in the MPR are constantly met and rewards are given for good performance.

The Head of Accounts 11 commented, "*our priorities will be to continuously review our performance system to ensure an appropriate platform is in place to reinforce the bank's stance as a performance and merit-driven organisation. These will include publishing a staff performance appraisal handbook to serve as a guide for the process, ensuring staff compensation remains competitive, considering additional reward systems and reviewing promotion and pay performance criteria. We shall also focus on effective remedial management to ensure staff undergo counselling, coaching and training as applicable. We expect to create and preserve the bank's value within the highly competitive environment in a bid to retain and sustain an outstanding workforce that will propel the bank to achieve its strategic objectives*".

7.4.3 Performance measurement system of NGB

The previous sections have described the various MCS found in NGB; the aim of this section is to examine the performance measurement systems in the bank. To create a working environment where the employees are productive and to maintain a high standard of performance culture, the bank has developed systems and procedures to ensure that the missions, values and goals of the bank are consistently achieved. According to the Group Head of Human Resources, "*the management of the bank is aware that the market today is all about job variety, choice and change management. The department of Human Capital Management (HCM) which was formed by the current CEO of the bank will continue to make strategic plans to effectively manage human talents that will subsequently increase the staff performance and lead to a high productivity*". Thus, the achievement of the bank is geared towards building and sustaining the superior performance necessary to achieve its goals and objectives. The Head of Accounts 1 commented, "*the key priority is to continuously review the bank's performance management system so that there is an appropriate platform in place that can reinforce the bank's position as a performing and merit-driven bank*". This according to him included giving a performance appraisal handbook to staff that can serve as a guide, to ensuring that the compensation given to staff remains competitive and also considering other means of reward systems.

The performance measurement at NGB was established to drive the bank's overall performance and also to encourage a healthy performance-driven environment for the staff. The key focus of the bank's performance systems was to motivate and create an environment that can encourage the staff to meet their specific goals and the overall objectives of the bank. In this regards the bank has the following systems in place (Table 7.4)

Performance measurement system	**Purpose**
Performance appraisals	Review of the performance of each employee to access how each is doing. This review includes actual targets given to an individual with the actual result achieved.
Quarterly performance evaluation	Due to competitiveness of the sector, this measures the overall performance and competency level of staff in order to have an edge over competitors. The bank introduced quarterly performance evaluation to ensure there was accurate monitoring of performance. This evaluation is merged into the half year and end of year appraisals.
New scorecard	In attempt to ensure that the scorecards reflect the job functions of each employee, the bank's Human Capital Management department in conjunction with KPMG reviewed the scorecards of the functions of front and back office staff.
Compensation strategy	This formed an integral part of the bank's overall performance management systems in order to encourage staff to be productive and reposition the bank as the 'Employer of Choice'. This was adopted in line with the bank's aspiration of being a'top 10' paying bank in the sector. In 2010 the bank sought approval from the Central Bank to introduce a new compensation structure and the new structure took

	effect from 2011. Key components of the compensation structure: • Pay for performance (PFP) introduced to reward and retain staff who meet their targets and create a very strong incentive for adding value to bank and organisational objectives. • Pay for role (PFR) introduced to ensure there is equity and is usually applicable to back office functions.
Employee health and well-being	'Prevention is better than cure' with the focus now more on preventive measures, the bank introduced a programme to increase staff awareness on health issues. The bank has a contract with a private clinic that gives basic vaccination to staff, annual check-ups and health education. This programme helps in stabilising the health of staff and reduces the rate of calling in sick. This helps in the supervision of the bank's medical bills and helps to reduce wasteful and unnecessary spending.
Promotion of ethical standards/Employee relations	To improve performance and productivity, the bank has a system that encourages staff to join the union. This helps to bridge the gap for the bank to take corrective actions on staff that might have fallen below the ethical standards set by the bank. In this view, the Accountant commented that "the bank adopted what is called 'employer branding activities' that aim to transform the mind-set and behaviours of staff in line with the bank's core values, the expected performance and customer service attitudes". According to him, was achieved through periodic staff meetings, village meetings, employee branding campaigns and focus group sessions.

Table 7.4: Types of MCS in the bank

7.5 Chapter summary

In this chapter the findings from the case organisation have been presented: the investigated merger was policy-motivated, as the CBN required all banks in the sector to increase their capital base to N25 billion in 2004. The bank selected and used as a case study is a merger of four banks coming together to form NGB (the criteria for case selection was presented in Chapter 5). The approach was based on geographical location and how strong a bank was in terms of whether they had the accounts of multinational companies. Responsibility for integrating the banks' MCS was shared by the four banks in the merger. There as an integration team made up of the head of information technology from each bank, head of accounts, human resources managers and lawyers. The team had a timetable of completion and the integration was completed within three months. There were four stages in the integration process: pre-integration, integration planning, implementation and a review and evaluation stage in the sixth month and after a year.

The bank has three main control systems in place: strategic planning, budgetary control system and performance measurement system. The strategic planning of the bank is the corporate objectives of the bank. It deals with the long-term business plan of the bank. The budgetary control system is used to set targets and how the targets can be achieved; the bank has a budget committee responsible for doing this. The budget is what is used to access the performance of the branches, departments, managers and individual staff. The bank has various means of measuring performance, ranging across financial measurement in the form of appraisals and quarterly performance evaluation to non-financial measures such as employee health and well-being programmes.

CHAPTER EIGHT

DISCUSSION

8.1 Introduction

The objective of this thesis is to examine the design and use of accounting systems under mergers. The study is necessary to understand the tensions and pressures that shape the design and use of MCS when two or more firms come together. The preceding chapter presented the empirical results from the study. The purpose of this chapter is to discuss the results by integrating the empirical evidence, literature and theoretical framework. The chapter engages the theoretical framework, institutional theory, and argues that MCS operate in a multifaceted set of institutions (Burchell et al., 1980; Mouristen, 1994) and therefore should be analysed and understood within this context (Miller, 1994).

The remainder of the chapter is divided into five sections. The first part discusses the types of MCS observed in the case study firm. This is followed by a discussion of the impact of the merger on the organisation. The following section discusses the impact of the merger on the MCS. Following this, the theoretical framework is engaged to provide a discussion of the impacts of external institutions on the MCS in the organisation. This is then followed by a discussion of effect of the internal institutions and organisational power relations on the MCS. The final section provides a chapter summary.

8.2 Interpreting the MCS

The MCS are the procedures and structures established towards the collection of financial and other data for management decision-making. MCS are considered as the most important formal and informal source of information for business planning and control (Boateng and Bampton, 2010), facilitating the execution of corporate strategy as well as the encouragement of employee engagement in the fulfilment of organisational objectives (Gomes & Salas, 1997; cited in Jordao et al., 2014). In this case study, the researcher found the existence of MCS. The objective of this system was identified by managers as being to provide the organisation with a competitive advantage especially as it operates in a very competitive environment. As indicated by Branch Manager 1, without proper management information and accounting systems the bank would find it difficult to be competitive.

The literature on MAS (Burns and Vaivio, 2001; Jordao et al, 2014) has broadly discussed formal and informal and financial and non-financial information in decision-making. These elements of MCS exist in the case study organisation. The formal MCS which comprises budgeting and performance measurement, for example, was identified by interviewees as contributing to high levels of output and process control. The informal MCS, on the other hand was found to contribute to high levels of professional and cultural control, which is similar to the arguments advanced in the literature (Cravens et al., 2004).

Although the studied organisation was considered by its employees as innovative, the researcher was surprised to find that some of the new MAS techniques, such as activity-based, cost management, target costing, life cycle costing, quality costing, and performance management innovations such as EVA, non-financial measures and balanced scorecards were not given much attention. The popularity of traditional management accounting techniques such as budgeting had not decreased and this might have contributed to the minimal use of the new approaches.

An important theme echoing through the MAS literature is the need for control systems to be flexible enough to be adapted to ever-changing business environments (Chenhall and Euske, 2007). Unfortunately for the case study organisation, there was limited flexibility in terms of the design and use of MCS. However there was clear evidence that organisational changes in terms of the merger influenced the development of the MCS.

8.3 Impact of merger on the organisation

Since the late twentieth century, business landscapes across the world have been increasingly reshaped through M&A. Organisations have turned to M&A for both economic and managerial reasons; that is, in order to face adverse challenges such as market downturns, government reforms and technological changes as well as to enjoy benefits such as synergistic gains, most of which accrue to the target's shareholders (Andreou et al., 2012); economies of scale and scope, revenue efficiency and overall organisational and economic growth. In this case study, the merger was a result of the reform of the Nigerian banking sector which was driven by the requirement to improve the financial sector and reposition the economy of the country for growth and sustainability. There were particularly major issues in the Nigerian banking sector which necessitated intervention. The reforms were targeted at improving the corporate governance and risk management of the banks, and operational inefficiencies.

Overall, the motivation for the mergers could be said to be economic failures in the banking sector. It has been argued that about 60-80% of all mergers are unable to remarkably increase profit or wealth gains (KPMG, 1999; Boateng and Bampton, 2010). Surprisingly, much of the blame is attributed not to the known risks of M&A, including: regulatory requirements, foreign exchange risk and shareholder backlash, but to inefficiency of the post-merger integration of corporate systems (Boateng and Bampton, 2010; Jordao et al., 2014). In this case study, this argument was very critical as the focus of the study was on how control systems are designed post-merger. Understanding this will enable us tease out how such post-merger design of control systems can contribute to the success or failure of merged organisations.

The literature has largely argued that failure may occur because since members of the merging groups may not easily assimilate changes to established practices, policies and systems and thus meet organisational change with resistance (Liu and Fehling, 2006). Factors such as goal ambiguity, cultural conflicts, unintended consequences and dominant individuals are observed to play a crucial role in the process of developing new MAS after an acquisition (Granlund, 2003). Also, regarding the key players in the post-merger MCS development system, there appears to be consensus in the literature about the ideal source and direction of change efforts. Scholars favour a bottom-up approach to managing change, where local and peripheral agents initiate and drive MCS changes upward to the management level (Burns &

Vaivio 2001; Jordao et al., 2014). In this case study there was clear evidence that the merger influenced the design of control systems.

Incongruence of systems including that of management accounting and control affected the way in which controls were used in the studied organisation. Post-acquisition management is described as a mechanism to increase managerial efficiency in the introduction of post-acquisition changes and in the consequent integration of the companies to achieve the expected results (Child, 2001; Barros, 2003). In this case study, the researcher found that the management of the merged banks attempted to introduce new work methods and new follow-up and control systems, but there were challenges in terms of acceptance of the control systems across the organisation.

8.4 Impact of the merger on the MCS

There has been growing scholarly and practitioner interest in the role of MCS in planned organisational change such as mergers (Burns and Vaivio, 2001; Chenhall and Euske, 2007). MCS has been identified as a critical mechanism of organisational integration, coordination and monitoring in the post-acquisition period. Upsets to MCS after mergers may thus jeopardise the success of the change. In light of the critical role played by MCS in the post-acquisition period, it is essential that management pay particular attention to the development of MCS after mergers.

In terms of this case study, there was evidence that the merger shaped the design of the MCS although it was difficult to observe how the MCS integration unfolded after the merger. The evidence gathered suggested that the design of the post-merger MCS went through a number of stages, namely, pre-integration, integration planning, implementation and review and evaluation phases. Thus, as presented earlier there was a pre-integration stage where senior staff were selected to head various departments and trained. The integration planning stage involved the selection of the integration team and the preparation of the integration action plan. The implementation stage involved a decision about the choice of the accounting software to be used by the bank. As the researcher iterated earlier, this was also the stage where the decision was made to close down the previous control systems of each bank. The final stage the researcher identified was the review and evaluation stage, where feedback was received for the implemented internal control systems in the bank. These stages are similar to the process of post-merger control systems design identified in the literature.

Boateng and Bampton (2010) observed that MCS design in the post-merger environment could take three forms: (i) immediate wholesale, involving the complete shutdown of the existing system; (ii) gradual absorption, where either the acquired out acquiring entity's system is gradually phased out; and (iii) maintenance of a dual system, where both acquirer an acquired entity's systems are operated independently. The evidence gathered in the case study organisation suggested that the approach adopted was similar to the second form, as the adoption of the post-merger control was very gradual.

Some researchers have argued that acquiring companies are better off conceiving new MCS for acquired companies rather than extending current control measures to acquired companies (Jones, 1985; Jordao et al., 2014). However, in this case study the researcher found that because it was a merger, the best practices of the various banks involved in the merger were identified and adopted. Boateng and Bampton (2010) argued that the choice of integration approach is influenced by either firm-specific factors (e.g. firm size, MCS complexity, familiarity of target with acquirer and reporting requirements) or performance evaluation factors (comparability, timeliness and adequacy of MCS, perceived level of staff resistance and future information needs). In the case of the studied organisation different internal and external factors influenced the design of the control systems. These are discussed drawing on the theoretical framework below.

8.5 How institutions shaped the MCS in the post-merger environment

The objective of this section is to draw on the theoretical framework proposed in Chapter 5 to make sense of the observations during the fieldwork. This approach will enable us to understand the interrelationship between the organisation and its environment, as well as how that environment shaped the formation and entrenchment of the organisation's processes and procedures, including the MCS in this case study. Traditional institutional theory holds that higher-level factors such as government, profession and society explain processes and outcomes at lower levels of analysis (Amenta and Ramsey, 2010). Thus organisations are empowered and controlled by the environments they occupy (Meyer, 2007).

In recent years attempts have been made to extend institutional understanding of organisational change. The theoretical framework adopted in this thesis recognises the limitations of the different strands of institutional theory and therefore combines New Institutional Sociology (NIS) (DiMaggio and Power, 1983; Meyer and Rowan, 1977) and Old Institutional Economics (OIE) (Burns and Scapens, 2000) to expand our understanding of the design of MCS in the post-merger environment. The thesis also integrates the power mobilisation framework (Hardy, 1996) to complement the analysis given that power is not given much attention in NIS or OIE.

Institutional theory offers several explanations for the actions and reactions arising from mergers. According to Burns and Scapens (2000), mergers are never likely to be unproblematic from an institutional theory perspective, because institutional practices engender behaviour that impedes change. In organisations with institutionalised practices, movements towards efficiencies may be suppressed in favour of the maintenance of current structures from which members derive support and legitimacy (Granlund, 2003; Liu and Fehling, 2006). It is therefore suggested that organisational members' resistance to change may arise from efforts to maintain the status quo. Liu and Fehling (2006) however acknowledged that in the M&A domain, behavioural manifestations of resistance to change may not be entirely predicated upon institutionalisation within the organisation.

Furthermore, institutional theory provides grounds for both the facilitation and hindrance of MCS integration. On one hand, institutionalisation is said to enhance inter-organisational learning because the formalisation of rules and practices facilitates the process of transferring knowledge from one organisation to the other (Strange and Meyer, 1993; Liu and Fielding, 2006). Without such formalisation, members would have to rely on tacit modes of learning which may give rise to ambiguity and uncertainty in MAS integration (Singh and Zollo, 1998; Liu and Fehling, 2006). On the other hand, institutionalisation of the components of MCS, including processes, tools and methods within one or both organisations, may make integration difficult due to members' tendencies to uphold the status quo.

8.5.1 NIS and the design of MCS

From an NIS perspective, the thesis starts from the premise that the activities and operations of the studied organisation are shaped by external forces. This is in line with arguments that what define an institution are the external pressures (rules, procedures, myths and norms) that are exerted on organisations (Scott, 1995). At the heart of NIS analysis is the search for legitimacy and resources by organisations. The proponents of NIS have suggested that legitimacy, as opposed to efficiency, drives the adoption of organisational practices. In other words, practices are adopted and diffused across organisations because of the need to maintain legitimacy and not necessarily for the purpose of achieving economic efficiency (DiMaggio and Powell, 1983).

NIS is regarded as ideal for examining changes in MAS because it considers both the external (macro) and internal (micro) contexts which an organisation operates within (Hussain and Hoque, 2002; Jalaludin et al., 2011). NIS explains how organisational practices and systems, including MAS, are formed, changed and become entrenched or institutionalised in order to legitimise their existence (Liu and Fielding, 2006; Tsamenyi et al., 2006). NIS proposes that processes and actions that are required of an organisation eventually become institutionalised; that is, widely accepted as both appropriate and necessary (Tolbert and Zucker, 1983), regardless of whether those processes and actions serve the organisation's economic interests (Jalaludin et al., 2011), and that this institutionalisation is catalysed be three overlapping mechanisms.

As presented in Chapter 4, the process of diffusion may increase the pressure on organisations to become isomorphic, or similar (DiMaggio and Powell, 1983). DiMaggio and Powell (1983) identified three mechanisms of isomorphic pressure: coercive, mimetic and normative pressures (see also, Greenwood and Hinings, 1996).

8.5.1.1 Coercive isomorphism

As presented in Chapter 5, coercive isomorphism refers to organisational change and subsequent institutionalisation occurring as a result of an organisation's need to conform to political or regulatory requirements (DiMaggio and Powell, 1983, 1991). Evidence obtained during the study suggested that the Nigerian banking regulatory environment has changed significantly over the years. Banks have to operate within the rules imposed by the regulatory environment so as to be able to gain external legitimacy. Moreover, Nigeria has gone through high political instability since independence from the British in 1960. The country has faced frequent military interventions, bloody inter-ethnic and religious conflict, and unending corruption scandals.

All these have contributed to poor government policies and macro-economic mismanagement, with the resultant financial crises in Nigeria over the years (Bakre, 2008). Thus there have been years of mismanagement of the Nigerian economy, and despite the country's rich natural resources, the majority of the population is poor.

The poor government policies impacted negatively on the banking sector which culminated in the decision on the merger under study. It has been argued (Lewis, 1994; Ezedinma et al., 2008) that these inappropriate economic policies have had a negative impact on the banking sector; for example, the country's reserves are still deposited in foreign banks due to the low capacity of the local banks. The banking sector is relatively small in relation to the size of economic activities in the country. Prior to the merger, a significant number of Nigerian banks had very low capital base, in some cases as low as US$5 million. External economic crisis and international pressure culminated in changes in the banking sector resulting in reforms which led to the consolidation through the merger.

As reported earlier in the thesis, the reforms of the Nigerian banking system were necessitated by a desire to correct anomalies in the banking sector and also to align the sector with global trends. As revealed by Branch Manager 2, this reform will protect customers and make the banking sector strong, competitive and reliable. As was presented earlier, Lemo

(2005) argued that the reforms were aimed at diversification and a strong and reliable banking sector where the safety of depositors' money was guaranteed, and a positioning of the Nigerian banks to play a more developmental role in the economy.

Clearly, the reforms of the Nigerian banking were coerced by the Central Bank and other regulatory bodies as well as the government. The legitimacy and external support from the Central Bank and the government as the regulators is essential for the survival of the Nigerian banking sector (D'Aunno et al., 1991). Hussain and Hoque (2002) showed how the central bank regulation coerced the adoption of performance measures in Japanese banks.

The researcher has identified that apart from the CBN, the Nigerian Deposit Insurance Company (NDIC), which is an agency of the government, is responsible for ensuring payment of deposits in accordance with the maximum limit set by its statue when insured financial institutions fail. It also supervises the activities of banks in order to protect depositors; promotes monetary stability and effective and efficient payments and encourages competitive and innovation in the sector. The NDIC is therefore essential in determining how the banks are structured and operated. It is therefore a very influential coercive force in driving change in the Nigerian banking sector (Chiejine, 2010).

To demonstrate the coercive influence of these regulatory bodies, the CBN Governor at the time vowed to sanitise banking system with an emphasis on regulation, reporting and risk management. He subsequently made the dramatic decision of sacking the CEOs of 8 banks and their respective boards and in some cases prosecuted some of these executives. The CBN subsequently injected N420billion ($2.8bn) into the banking system to stabilise insolvent banks. The Central Bank was given enormous amount of power to regulate and control the banking sector under its mandate. These reforms then resulted in the mandatory consolidation of banks, resulting in the case study merger. The evidence gathered suggested that the merger arrangements in terms of the choice of merger partners as well as the design of the post-merger control systems was influenced by these external requirements. Branch Manager 4 noted that he was very surprised that the banking system was allowed to get to that stage before being reformed. It should have been reformed earlier. To him this changed the entire landscape in the banking sector.

Institutional scholars (see for instance, Pfeffer and Salancik, 1983; Mizuchi and Fein, 1999; Carpenter and Feroz, 2001; Tsamenyi, et al., 2006) have identified that coercive isomorphism is more widespread under periods of crises or uncertainty. In this case study, clearly the banking sector was in turmoil, hence necessitating the coercive intervention of the regulators. There was a need for cleaning up the mess and making Nigerian banks more internationally competitive by adopting suitable measures that would improve the quality of the services they offered, and also by introducing more financial discipline into the banking sector.

It was also believed that the reforms would address other problems in the Nigerian banking sector such as weak corporate governance with the associated high turnover in the Board and management staff of the banks; erroneous reporting and non-compliance with regulatory requirements; non-publication of annual accounts; insider abuses; high non-performing insider related loans; and insolvency.

It was also pointed out earlier that the CBN and NDIC, in keeping to international standards have emphasised the importance of risk-focused supervision in the sector and have largely adopted the 25 core principles of the Basel Committee on Bank Supervision as the key elements of the framework for bank supervision. In discussing coercive isomorphism, it is important to stress that the Basel Accord significantly influenced how the Nigerian banking sector is structured and operated. The need to maintain a minimum capital adequacy ratio and capitalisation were all justified by the Central Bank on the basis of the Basle Accord. Hence, to maintain external legitimacy as an international banking hub, the Nigerian banking sector has to be seen as following the requirements of the Basel Accord. Cashier 5 commented, “The Basel agreement is very important for Nigeria. We are in a globalised world and we want to compete with the very best banking sectors in the world. So we have no choice but to follow the stipulations in the Basel agreement”.

Institutional theorists (see for instance, Carpenter and Feroz, 2001) have argued that for organisations to be successful they should be able to negotiate with the external environment for resources. Thus, for a Nigerian bank to be successful, it has no choice but to comply with these external regulatory requirements. This is also consistent with arguments by Tolbert and Zucker (1983) that organisations at times implement certain structures not because they are perceived as efficient but rather because they represent good governance. Similar arguments have been made by Meyer and Rowan (1977), who argued that for survival and to demonstrate responsible management it is sensible for organisations to adopt practices that are legitimate to the outside world to avoid potential claims of negligence in the events of things going wrong.

All of the interviewees claimed that the merger of the banks and the subsequent design of The MCS were largely to comply with external regulatory requirements. Branch Manager 7 for example indicated, Of course these measures would not have been implemented without external pressure. But sometimes we need these external pressures, otherwise these changes would never have taken place or even if they were implemented they would not have been implemented at the appropriate time. The evidence is similar to the argument of Covaleski, et al., (1994, p.11) that "…such externally legitimated, formal assessment criteria as managerial accounting information play a heightened though ritualistic role in a variety of settings as organisations seek to find, conform to, and demonstrate for their internal and external constituents some form of rationality in order to gain legitimacy''.

A key question to ask here is why did these banks decide to merge? The main answer that emerged from the study is that it was to comply with external regulatory requirements and directives. Branch Manager 8 indicated that the merger was never voluntary. It was imposed by the Governor of the CBN. Without these directives they would have stayed as independent banks. Thus while the merger may have strengthened the operations of the banks, it is clear that legitimacy was the main reason behind the merger and the adoption of post-merger systems and procedures, including the MCS. According to Head of Accounts 6, it is difficult to determine the actual financial outcome of the merger. But I can say that what we have achieved is that we can prove to the outside world that we have a strong banking sector. Evidence from the interview suggests that there is pressure from the regulatory body (CBN) to keep the limit of non-performing assets within a limit as recommended. Also, the interview evidence suggested that all banks are continuously subject to a rigorous system of close monitoring and supervision by the regulatory body. Therefore, it can be concluded that both efficiency and legitimacy reasons influenced the merger and post-merger management decisions. Similar arguments have been made in the literature about the influence of both efficiency and legitimacy on organisations complying with institutionalised rules and procedures (Meyer and Rowan, 1977; DiMaggio and Powell, 1983).

Table 8.1 identifies some of the key coercive isomorphic forces influencing MCS in the bank.

Coercive isomorphic forces	**Description**	**Effect on MCS**
• Government/Central Bank	• Government and CBN were central in designing external regulations and designing various policies that affected the banks in Nigeria.	• The main MCS in the bank (performance budgeting) was imposed by the CBN.
• World Bank and other international organisations	• World Bank and IMF-led economic reforms were implemented in Nigeria in response to the country's financial crisis. These reforms have brought pressure on the banks to reform their practices.	• The World Bank and IMF put pressure on the banks to implement advanced technologies (such as accounting software).
• The Basel Agreement	• The Basel Agreement stipulates how banks should operate. The capital adequacy requirement put pressure on the banks to reform their practices.	• The Basel Agreement recommended best practices for banks, for example capital adequacy stipulation which stipulates the relationship between a bank's capital or own funds.

Table 8.1 Key coercive isomorphic forces on the bank and their likely effect on the MCS.

8.5.1.2. Mimetic isomorphism

It was identified in Chapter 4 that mimetic isomorphism arises when systems and structures of organisations are not understood, also when goals appear to be ambiguous or when there is uncertainty in the environment; organisations tend to copy the rules and routines of other successful and legitimate organisations. As reported earlier, according to DiMaggio and Powell (1983), "organisations tend to model themselves after similar organisations in their field that they perceive to be more legitimate or successful". Mimetic processes therefore refer to change and institutionalisation arising from an organisation's conformity with similar organisations within the environment, in a bid to manage uncertainty of its outcomes. There was evidence in the case study of powerful environmental agents imposing structural forms and practices on the banks. Thus during the banking crisis it became necessary to copy practices that were deemed as coming from successful banking economies. Thus it can be argued that mimetic isomorphism became widespread during the banking crisis.

In the investigated case study, two types of mimetic isomorphism can be identified. First, the policy of banking sector reforms and consolidation could itself be described as deliberate copying of what pertained in other stronger economies. As suggested by Branch Manager 10 The Basel Accord has made banking uniform across the globe. It is therefore important that we look or best practice around the globe and copy this. Also Branch Manager 6 noted the CBN Governor made it clear that we have too many banks and our banks are just too small in terms of capitalisation compared to banks in other major economies. This was a major reason for the consolidation and the merger. Hence at the macro level, there was clear evidence of mimetic isomorphism as Nigeria attempted to model its banking sector on those of other successful and more efficient economies.

At the micro level, there was clear evidence that the studied bank was interested in practices in other successful merged banks. As a result, they identified some of the successful banks in Nigeria to benchmark. Head of Accounts 11 noted it was easy to identify which banks are doing well and which ones are not. The sector is competitive so we were all monitoring each other and adopting best practices. For example we were able to identify best practices across the industry in terms of designing control systems. Thus there was evidence of post-merger control system design being imitated by the studied bank from other banks. When questions were asked about the origins of practices, the response was usually that these were what other major banks are doing. Examples of banks provided included Citi Bank and Barclays Bank. Imitation was thus evidenced in the systems, structures and processes of the banks.

According to Abernethy and Chua (1996), organisations are likely to copy the practices of those organisations they believed to be legitimate or successful or those facing similar environmental factors. In the Nigerian context and also in the case organisation, most of the banks seem to be copying new practices adopted by the top banks (including accounting software, types of customer, businesses and style of management). Branch Manager 1 justified this: it is essential that we learn from other banks. We are in a global environment and the banking sector is competitive so if we can find any innovative ideas to copy from other banks this is all well and good. We need to have an outward approach so that we can be among world leaders.

Imitation is essential for identifying the best course of action. Hussain and Hoque (2002) found imitation in performance measurement practices in the Japanese banks they studied. These institutions were able to identify successful performers in the industry and benchmark against them. In the case of the studied bank, it was essential that the bank imitated best practices as a result of the intense pressure they were under to innovative and appear as a modern financial institution and thus appear legitimate to the outside world. But at the same time the researcher also found that because the studied organisation can be considered relatively successful itself, its practices were also being copied by other banks in the country. Head of Accounts 3 noted, after the merger certain aspects of our management and organisational systems have become stronger and as a result we have seen other banks also copying from us. So not only are we copying others but others are also copying us. The discussion from one of NGB's retired chairmen as reported in the case supports the success of the case studied bank "we want the bank to be known as a provider of solutions for clients' problems, NGB has fresh ideas for and prioritizes all its clients. We will bring about practical solutions, which are derived from our experiences and skills in the market". As was identified in the case the goal of the bank is to become a top ten bank in Nigeria and one of the leading banks in Nigeria and the sub region of West Africa in the shortest period possible, hence other banks are clearly interested in what the bank is doing. The bank's corporate values identified in its annual report as identified in the case results, are integrity, mutual respect and continuously learning (NGB Annual Report, 2007, p.4) and the last one in particular provides an opportunity for copying and learning from best practice.

Table 8.2 identifies some of the key mimetic isomorphic forces influencing MCS in the bank.

Mimetic isomorphic forces	**Description**	**Effect on MCS**
• Impact of other banks	• Banks have started to adopt similar structures.	• The studied bank was observed to be copying systems and structures of foreign banks (e.g. Citibank and Standard Chartered Bank) that have entered Nigeria after the deregulation of the banking sector. • One example of IT systems copied by the merged bank is accounts tracking systems which allows the bank to track their customers account.

Table 8.2 Key mimetic isomorphic forces on the bank and their likely effect on the MCS.

8.5.1.3 Normative isomorphism

Normative pressures stem from education and training associated with qualifying for a specific profession, as well as subsequent interactions with other actors belonging to that profession (DiMaggio and Powell, 1983; Meyer, 2007; Jalaludin et al., 2011). Thus normative isomorphic organisational change stems primarily from professionalisation (DiMaggio and Powell, 1983, p.152). As presented earlier, DiMaggio and Powell (1983) identified two professional areas that are important sources of normative isomorphism: formal university education and professional training.

The banking sector in Nigeria is well structured, with a significant number of employees being members of the Banking Association. Their behaviour is governed by the requirements of the association. This is consistent with Abernethy and Chua's (1996) argument that professionals operating in organisations can be subjected to pressures to confirm to a set of norms and rules developed by occupational/professional groups. The researcher also agrees with Carruther (1995) that the conduct of employees can be influenced by education, experience and participation in professional activities.

In the case organisation, there was clear evidence that most of the senior bank managers were trained by the Institute of Chartered Accountants of Nigeria and Chartered Institute of Bankers of Nigeria. This training was in addition to undergraduate and postgraduate degrees, which most of the employees have. As identified in the case results, the management of the case company is made of a group of experienced bankers with many years of various experiences from different areas of banking, finance and business including corporate banking, strategic planning and management, international trade finance, project finance, development and structured finance, consumer and retail banking, treasury and money market operations, audit and accounting. It was therefore easy for the bank to implement new banking practices as these executives all have similar professional orientations.

In addition to professionalisation, normative isomorphism can also stem from an organisation's desire for cultural support. As suggested by Scheid and Suchman (2001) normative isomorphism occurs when organisations draw on larger cultural frameworks and value orientations. An organisation's traditions, customs and methods of doing things are to some extent due to what has happened in the past and the amount of success it has previously experienced (Robbins and Judge, 2011). The ideas that form part of an organisation's culture may arise from anywhere within the organisation. This may be one or a combination of the organisation's founders, past and current management, history, crisis, events and size. Also, culture can stem from within the workforce of an organisation or the society in which the organisation operates. In the context of this research, it used a country from African that has its own unique ways of doing things. According to Amah (2012), "the ordinary African generally displays people orientation in his thought processes in contrast from things orientation as is the case in the Western World" (p.215).

A variety of cultural features and circumstances are very common in most African societies and these are similar in the life of Nigerians. These features include the family system, value system and economic system. For example, there is large and extended family culture in Nigeria, there is much value placed on material things, and the desire to become rich has become a universal norm in Nigeria. There was significant evidence of cultural support in the bank studied. Culture is particularly important in the Nigerian context because of the weaknesses of formal institutions and also the diversity of the society along both ethnic and religious lines. Writers such as Limbs and Fort (2000) have suggested that business practices and business relations in Nigeria are shaped by three main variables, ethnicity, language and religion. These factors permeate organisational life and are instrumental in control system design. For example, extended kinship and family networks, which are very influential in Nigerian society are significant in how people are hired and controlled in organisations (Limbs and Fort, 2000). Branch manager 3 commented in this context: "In designing controls you have to be aware of the socio-cultural dimensions. Relationships are very important and therefore when you want to evaluate performance for example you have to think carefully about the family and the relationship you have with your subordinates”. The family network is thus central to the Nigerian society, with the belief that individual responsibility goes beyond the confines of the immediate family. Limbs and Fort (2000) argued that superiors would need to balance the demands of business with their responsibility to the extended family. As suggested by Head of Accounts 3, It is very important to make formal control systems work. The ways these control systems are designed and used are influenced by the sort of people you work with and what relationship you have with them. Furthermore, Branch Manager 6 commented, there is a strong notion of people identifying themselves along ethnic and religious lines. These social factors were very important even in the way we did the merger and how we designed the control systems.

Thus, it can be argued that the post-merger controls were designed to conform to some sort of cultural norms (see for instance, Birnberg and Snodgrass, 1988; Granlund and Lukka, 1998; Collier, 2001). It has been argued that the Nigerian value system is based on the principles of consent, unanimous decisions, co-cooperativeness, loyalty, (family atmosphere), forgiving culture, and power distance (Birnberg and Snodgrass, 1988; Limbs and Fort, 2000; Collier, 2001).

Not keeping to time and punctuality has become a normal and acceptable way of life. Almost all Nigerians believe and recognise that there is a supreme God, with the only difference is the way of worship. The belief of most Nigerians is spiritual, which is based on the actions of Gods, ancestral spirits and other types of spirit. In Nigeria, the core values and value systems of the people have been replaced with counter norms that how people acquire and attain wealth is not questioned any more to the point where honesty, skills, competence and hard work are not respected. Corruption including that displayed by politicians is now the best way of life. According to Awoyinka and Igwe (1999), “Nigerians want to be remunerated fast, quick returns. They want to see the result of what they are doing, fast” (p.212). John Jackson, the MD/CEO of United Parcel Service said “nothing motivates Nigerians more than money I believe that more than anywhere in the world. Money counts in Nigeria, perhaps more than it should count. Certainly, it is the key factor in getting the Nigerian worker to do anything”.

Table 8.3 identifies some of the key normative isomorphic forces influencing MCS in the bank.

Normative isomorphic forces	**Description**	**Effect on MCS**
• Banking profession	• The banking profession is very influential in Nigeria in shaping banking practices.	• In addition to implementing structures and practices in line with the regulatory body, the merged bank also implements practices in line with the banking profession guidelines.

• Corruption and societal expect-ations	• Corruption permeates everyday life in Nigeria. Corruption influences how business is conducted in Nigeria. The banks are under pressure to be seen by society as eradicating corruption.	• Emphasis on social corporate responsibility. The bank focuses on what is called 'social banking' which focuses on understanding the social environment and linking this to their financial objectives.

Table 8.3 Key normative isomorphic forces on the bank and their likely effect on the MCS

8.6 Understanding intra-organisational dynamics and MCS

As discussed in Chapter 5, although NIS provides plausible explanations for institutionalisation, it fails to capture the internal dynamics of organisations. Thus, the assumptions of NIS fail to tease out issues of internal conflicts and power in the organisation and their description and how these events and actions have led to the responses. The evidence gathered from the case study, however, shows that intra-organisational dynamics are very essential in understanding how the MCS was designed and used in the post-merger environment. This section engages with the old institutional economies and power mobilisation frameworks to understand these issues (Rebeira and Scapens, 2006; Moll., et al., 2006), thus exploring how MCS was established as rules and routines and the roles of intra-organisational power relations in this establishment.

The merger involved four major banks; as a result organisational dynamics was essential in understanding how the merger unfolded and how the post-merger controls were designed and used. Head of Accounts 11 commented, though the merger between the banks is of equals, one of the banks is the main driver and the biggest out of the four banks. The bank has the biggest balance sheet size out of the four banks that came together so they call the shots. In terms of decision-making this bank was very powerful.

Decisions made under the merger were not necessarily rational but were rather influenced by the power play among the banks. Thus it can be argued that the design and use of post-merger controls was not necessarily influenced by rationality but rather shaped by the social environment of institutionalised rules and values (Scapens, 1994; Moll et al., 2006). For example, it became clear during the study that the behaviour of the managers was embedded in and shaped by the institutional environment within which the organisation operates. By drawing on OIE, the researcher was able to examine how MCS became institutionalised as rules and routines in the post-merger environment. As identified in Chapter 5, rules and routines explain how individuals think and do things in an institutional setting. Habits relate to individual features while routines relate to both individuals and groups but they both become institutionalised and therefore become the common and taken for granted ways of doing things. For the present study it was clear that MCS adopted after the merger became embedded and accepted as taken-for-granted practices. Head of Accounts 2 noted, well after the merger new budgeting and performance measurement practices were introduced. This was important as the group is now bigger and so needs more formal systems. We did not question why we are adopting these systems. Clearly, these control systems became routinised and became accepted as taken-for-granted assumptions.

While it has been argued by Rebeiro and Scapens (2006) that not all systems become institutionalised and therefore accepted as taken-for-granted assumptions, in this case study it was found that there were minimal challenges to the newly introduced MCS after the merger. As a result the researcher found that these systems were reproduced over time and therefore accepted by the organisational actors. Branch Manager 3 commented, the systems were imposed so we do not have any power to question them. Management says use them and therefore we have to use them. We also realised they are important so we did not question their validity. In this research, it was discovered that the new accounting systems hardly challenged the existing institution of the organisation, hence there was minimal resistance to the MCS.

The senior management of the company were able to mobile their power to implement the MCS, hence there was minimal resistance. As argued in the literature, managers may use their resources and other strategic means to mobilise power in the adoption of new practices in organisations (Burns, 2000b; Ribeiro and Scapens, 2006). As supported from one interviewee: "In our case top management was able to tell people what to do so people could not oppose their decisions. Anyone who opposes will be seen against management decisions and everybody came on board".

It can be argued that senior management have been able to mobilise their power in the introduction of new MCS, and this argument is consistent with Yazdifar et al. (2008), who argued that in studying organisational accounting change, emphasis should be given to local power, politics and culture (see also, Ribeiro and Scapens, 2006) and the power mobilisation framework by Hardy (1996) is useful in understanding the power dimension in the studied bank (see also Pettigrew, 1973; Pfeffer, 1981; Dawson, 1994; Burns, 2000b). As argued by Dawson (1994), power is very important when it comes to implementing change.

Clearly in the case study, Hardy's (1996) articulation of power explains the way in which power has been mobilised in initiating the changes during and after the merger. First it was found that senior management were able to initiate the change with minimal resistance because they had power over resources. Senior management controlled the key resources of the organisation such as information, money, expertise, political access, stature, credibility, prestige, rewards and sanctions and were able to draw on these to influence behaviour. In addition, power was mobilised by management because they had control over decision-making. Decisions about the merger and the design of post-merger control systems were tightly controlled by senior management. As a result it became easy to implement change. Branch Manager 4 noted, well all decisions came from senior management. They make key decisions and instruct employees to follow these decisions so we cannot oppose them especially if you want to keep your job. This view is consistent with Hardy's (1996) assertion that power over decision making involves exercising influence over subordinates to participate in the decision-making process.

Hardy's third dimension, 'power over meaning', was also useful in understanding power relations in the organisation. Senior management was able to convince employees that the merger was essential and then able to convince them that design of the post-merger controls was essential to ensure that the merger was managed effectively. As Head of Account 6 observed, the merger was complex so you need to put things into perspective. We see these controls such as budgeting and performance measurement as essential in managing the merger and the bank. Without these controls it will be difficult to manage and achieve the aim of the merger. Thus employees were made to believe that the control systems were 'desirable', 'rational' and 'legitimate'.

In effect, the merger and the subsequent post-merger controls came to be accepted and embedded in the organisation. This can be equated into Hardy's (1996) fourth dimension of power which deals with how practices become embedded and institutionalised and therefore become taken-for-granted assumptions. In Hardy's view this type of power captures all organisational members and involves in the unconscious acceptance of the values, traditions, cultures and structures of a given institution. Branch Manager 7 noted, things have been somehow smooth as we have all come to accept the change. Sometimes you don't need convincing that these systems should be accepted but you just have to think about the interest of the organisation. We are all trying to build a world-class organisation so it is important that we all understand and accept the values of the organisation.

Table 8.4 summarises the power relations and MCS in the bank.

MCS	Power relations
• Performance budgeting	• The CBN being the regulatory body has absolute power to implement their policies in the banking sector. The CBN imposed performance budgeting on the banks. • Operation of performance budgeting was influenced by the actions and behaviour of people in the bank. • Various controls from the head office affected the Branch Manager's budget.
• Power play between head office, regional and branches	• There is power play between the head office, regional offices and branches. This interplay of power affected the design and use of control systems. Control systems designed at head office were often negatively perceived at the branch level. The branch managers perceived these controls as being imposed by the head office. • There was a lack of managerial autonomy that prevented managers from responding to problems relating to their subordinates (such as rewards and sanctions).

Table 8.4: Power relations and MCS in the bank

8.7 Chapter summary

This chapter has discussed the results of the study. The discussion revealed that MCS has different impacts in the organisation. The merger changed the institutional landscape and affected the way the MCS was designed and used. Understanding the institutional environment was instrumental in understanding the way the MCS unfolded. First, the MCS was shaped by external institutions. The merger was coercively imposed on the banks by the Central Bank. This subsequently affected the MCS, which were also imposed as part of the Central Bank requirements. Evidence of mimetic and normative isomorphism were found to have significantly shaped the MCS.

The discussion has also teased out how the MCS was shaped by internal institutions. In particular the extent to which the MCS became institutionalised as rules and routines was discussed. The discussion then examined how the MCS was shaped by intra-organisational power relations. Having discussed the results in this chapter, the next chapter provides conclusions.

CHAPTER NINE

CONCLUSION

9.1 Introduction

The aim of this study is to examine the design and use of MCS in a post-merger environment. The study is based on a case study of a Nigerian bank that has gone through a merger. The preceding chapter discussed the results in line with the adopted institutional theory framework. This chapter provides conclusions to the study.

The chapter is divided into four main sections. Following this introductory section, the next section presents an overview of the research and the approach adopted. This is then followed by a summary of the major findings from the study. The contributions of the study are then discussed. The final section discusses the limitations of the study and provides suggestions for future research.

9.2 Overview of the research

The study started with a review of the literature to build the case for the study. The review suggested that although M&A are on the ascendency, limited research has focused on management accounting issues. The examination of the literature identified that merger decisions are influenced by a number of macro-variables. Previous research has studied the interaction of the aforementioned mechanisms and market forces. Some scholars have regarded the two as dichotomous and often contrasting forces on organisational actions. For example, Modell's (2002) study of institutional perspectives of cost allocation suggested that conflict may occur between coercive isomorphism and market forces. Hoque and Hopper (1997) also found that institutional and market forces had contrasting effects on the use of accounting information. However, other scholars have regarded institutional and market forces as complementary in influencing organisational action (Powell, 1991; Tsamenyi et al., 2006).

Regarding the integration of MAS after M&A, an interesting and unexplored lens through which to examine the institutional factors would be to examine their interplay as the process unfolds. Earlier studies have shown that adaptation of MAS to suit one specific institutional force may leave the organisation vulnerable to another force's demands at another time (Ezzamel and Bourn, 1990; Chenhall and Euske, 2007). Future studies may therefore examine the interplay of coercive, normative and mimetic forces on an organisation's MAS after a merger or acquisition.

Based on the gap identified in the literature, the study was designed to examine the design and use of MCS in a post-merger organisation. Figure 9.1 below presents the focus of the study.

Focus of the research

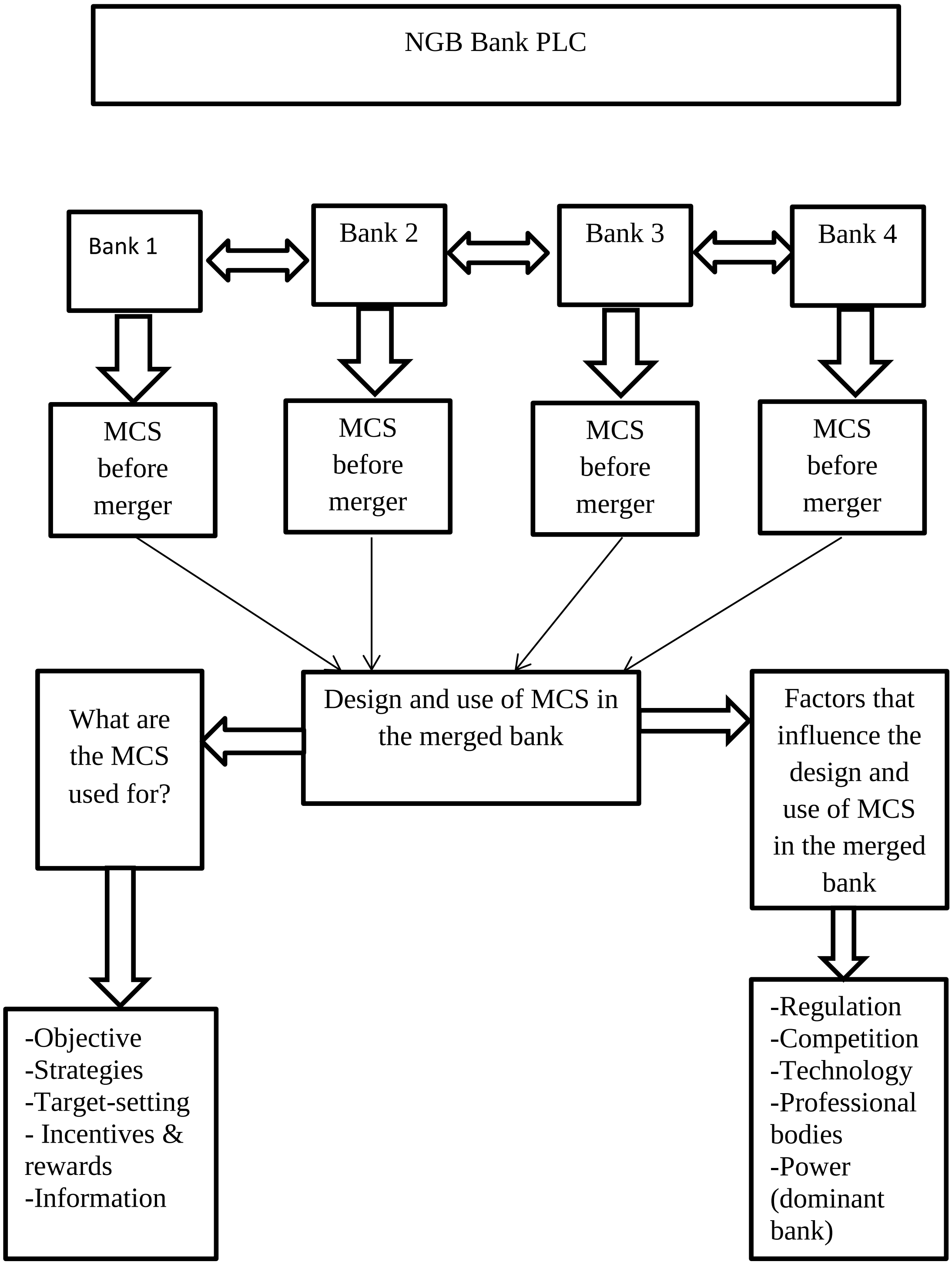

Figure 9.1: Research focus

Figure 9.1 above shows the number of banks involved in the merger used for the study. The study examined the design and use of MCS in the bank after merger. These issues were explored during the study and discussed in line with the theoretical framework. The review suggested that coercive isomorphism via regulatory changes is a key driver of M&A activity (Mitchell and Mulherin, 1996; Muehlfeld et al., 2011). This provided a justification for the adoption of NIS as an initial theoretical framework for the analysis. However some of the salient limitations of NIS were addressed by adopting OIE and a framework of power to supplement the NIS analysis.

Philosophically, the study was grounded in a social constructivist perspective where an interpretivist paradigm was adopted. As a result, the appropriate methodology adopted for the study was a case study. Data were collected by way of a qualitative approach using interviews and document analysis.

9.3 Summary of major findings

This section summarises the significant findings from the study. The key MCS observed were budgets and performance measurement.

The first major finding of the thesis was that the merger decision and the associated implementation of post-merger controls were shaped by institutional forces. This argument is consistent with the literature on institutionalisation (Powell and DiMaggio, 1988; Carpenter and Feroz, 2001; Hussain and Hoque, 2002; Tsamenyi, et al., 2006). For example, it was found that the merger decision was imposed on the banks by the Nigerian Central Bank (CBN) and in terms of post-merger controls, the CBN imposed controls such as performance budgeting on the bank. The CBN conducts a seminar with top management regularly to promote the implementation of budgeting systems in all the banks. The Nigeria Deposit insurance commission (NDIC), which complements the supervision and regulation of Nigerian banks alongside the CBN, in 2006 stressed the importance of adopting performance budgeting by the banks in its report: “The performance budget helps the management to proceed along the projected goals and the performance evaluation at monthly or quarterly intervals to indicate the deviation and corrective action that should be initiated” (NDIC Report, 2006).

In addition to the coercive isomorphism, which was described above, the researcher also found evidence of mimetic isomorphism where the bank attempted to copy the practices of other successful banks, as well as normative isomorphism where the design of control systems was shaped by professionalisation and the need to seek cultural support. As an example, in terms of normative isomorphism, the banking sector is dominated by members of the banking and accounting profession who have to comply with their professional codes of practices, which have subsequently influenced the structured decision making in the banks. For cultural support, it was argued that society in which an organisation finds itself can have an impact on the culture of that organisation, and in this case study the researcher found that the management of the bank in drawing up its mission and core values, considered some of the cultural factors mentioned above such as the extended family system, value system and economic system in order to include the culture and upbringing of its employees. These cultural values have impacts on practices such as management controls.

The study also found that the design and use of MCS was influenced by various forms of internal institutions such as power relations (Burns and Scapens, 2000; Scapens, 2006; Rebeira and Scapens, 2006; Moll., et al., 2006). These factors influenced the design and institutionalisation of MCS as rules and routines in the organisation. Power was exercised in particular by senior management to ensure that the introduction of post-merger structures and processes, including management controls, was successful. Drawing on Hardy (1996), the study was able to explain the various ways in which top management was able to exercise its power and why there was minimal resistance to the implementation of the control systems. For example, at the lower level such as branch levels, managers possessed a limited amount of bank resources, hence they were unable to counteract the power of top management. Based on the observation of the study, the researcher can conclude that power can be used to force compliance with practices and procedures (budgeting compliance and risk management systems). The use of power in this sense may reside with the regulatory body or management. The use of power of processes can provide a better understanding of how decisions are made in an organisation. In addition, power is important in order to gain legitimacy, and according to Hardy (1996) this type of power stems from control of meaning or power of meaning and can provide relevant information in the analysis due to the fact that the organisation wants to gain legitimacy by introducing new practices for acceptance and commitment.

9.4 Potential contribution of the study

This study makes a number of contributions to practice and literature. These contributions are discussed in this section.

In terms of contribution to practice or policy, the banking sector contributes substantially to economic activity in Nigeria. The banking sector is one of the fastest-growing sectors in the economy and therefore central in the government's attempt to improve the economy. Very few studies have, however, been conducted on the Nigerian bank sector from an accounting perspective. This study is therefore opportune, and will contribute to our understanding of how the decision-making and performance of the banking sector can be improved. The sector has suffered over the years as a result of bad loans and inappropriate decisions hence the decision to consolidate through mergers. The merger under investigation was driven by the policy of the regulatory body and was not voluntary. The findings from the research can be used to assess whether the decision by the CBN to reform the banking sector has yielded the desired objectives of the reform. Clearly from the study, decision-making has been streamlined and better controls have been implemented. New MCS in the form of budgeting and performance measurement systems introduced after the merger have been well integrated and therefore can be recommended as best practices.

In terms of contribution to literature and theory, previous studies on MCS integration from a management accounting perspective have focused on acquisitions, where a parent company imposes its accounting and financial information systems on an acquired company (Granlund, 2003; Tsamenyi et al., 2006; Yazdifar et al., 2008). How merged organisations design and use MCS has remained unexplored. This research, which is based on a merger as opposed to an acquisition, has therefore made a significant contribution to the management accounting literature by providing evidence on MCS practices under the conditions of a merger. The study also contributes to the growing literature on management accounting in less developed countries (see for instance, Hoque and Hopper, 1997; Uddin and Hopper, 2002, 2003; Uddin and Tsamenyi, 2005; Hopper et al., 2009).

In terms of the theory used, the triangulation of new and old institutional theory with the focus on power relations provided a rich analysis and extended the domain of institutional analysis. Institutional theory is about understanding organisational practices and decision-making beyond the rational frameworks proposed in mainstream theories such as agency and contingency theories. This thesis has therefore contributed to the increasing use of NIS to explain MCS (Brignall and Modell, 2000; Collier, 2001; Hussain and Hoque, 2002; Hopper and Major, 2007; Hopper et al., 2000). Very few studies have attempted to adopt the triangulated approach that was adopted in this study, and moreover such attempts have been based on studies conducted in the Western World. The analysis presented therefore suggests that a multi-level theoretical analysis is necessary for enhancing our understanding of practices such as post-merger control system design.

9.5 Major limitations of the study and suggestions for further research

The conclusions of the study and how these are interpreted should take the study's major limitations into consideration. The first major limitation is that it is a single case study of a merger and therefore the results may not be generalisable to other merger decisions. Although the aim of the study is not to provide a generalisation but rather to provide an in-depth understanding of the merger process and the subsequent design of control systems, the fact that this is a single company case study should be highlighted. It would have been impossible to explain the process of the merger had a large scale-survey been adopted.

Secondly, although the initial idea was to visit all of the branches of the bank and also to talk to a significant number of both current and past employees this posed a practical challenge. The views reported in the thesis are therefore mainly from the head office and also from existing employees. This may affect the understanding of power relations at the branch level and also the understanding of control systems during the pre-merger era. Attempts to interview regulators and policy-makers were also unsuccessful, as a number of interview requests were declined. Attempts were however made to get as much information as possible from documentary sources to corroborate evidence obtained from the case organisation.

Based on the above limitations, a number of future research agendas are proposed. First, in order to fully understand the outcomes and successes of mergers, more case studies are required, focusing on both successful and failed cases. Moreover attempts should be made to interview people at branch level. This will contribute to understanding how controls trickle down to the operating levels. Interviewing employees who have worked in both the pre-merger and post-merger environment will also enrich such a study. A large scale-survey approach could also be adopted to understand the outcome of the merger decisions. The key findings from this case study could be tested to see how they apply to other banks. Finally, comparative case studies could be conducted between mergers in the banking sector (which have been imposed) and mergers in other sectors (which are voluntary). This will enable an understanding of whether the differences in the manner in which mergers are initiated and implemented actually affects the design and use of post-merger control systems.

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Appendix

Interview questions

Background information

- How did the banks come together? Who approached who?
- Why is Bank PLc the dominant bank in the merger?
- What are the various departments in this branch?
- What is the organisational structure? E.g. manager, deputy manager etc.
- What does the PSG infrastructure stands for? And your role?

Budgeting

- How is the budget formulated in the bank?
- Who initiates budget figures? How are these initiated?
- Is the budget done by a committee? Who are the members?
- Are budgets usually attained? How are they attained?
- If they are not attained, what actions have been taken to address the issue?

Non-financial measures

- How are customer survey implemented?
- Who is a mystery shopper?
- are there any form of informal controls used in the bank? How are they used?

Performance measures

- What are the performance measurement systems? E.g. MPR
  - Do monthly performance reviews measure individual or department performance?
  - Who prepares MPR? Can I see a copy please?
- Is MPR the only performance measurement system?

Rewards and compensation

- How are reward targets determined? (e.g. performance)
- What are the different types of reward used? (e.g. promotion, financial bonus and share option)

Accounting systems integration

- How were the accounting systems of the four banks integrated?
- Was the integration process straight-forward?
- Was the integration process conducted by a team? If done by a team, what was the selection process?
- Was there a team leader? How is he/she referred to?
- What are the selection criteria for this position?
- Which of the companies did this person come from?
- Does the team leader have absolute power?

Determinants of accounting systems

- What are the determining factors in adopting the current accounting systems (flex cube)?
- Was the decision made on the basis of imitating the status quo of one of the companies? Or on the basis of a neutral decision making process?
- Does the current accounting system reflect the systems of other banks in the merger?
- Why is a budget and monthly performance review prepared? What are the factors considered in designing them?
- Does the preparation of budget and monthly performance review follow a format?
- What was the process of designing or introducing new accounting systems in the bank?

Management structure and cultural issues

- Who is in the management team? Does it include staff from other banks in the merger?
- Do differences in management style lead to clashes in the decision making? How is a compromise reached?
- Was culture an issue in the merger?
- Are there any cultural difference between the staff? (staff from the four banks)
- Does cultural difference affect the organisation in any way? Both positive and negative?
- How is the management handling the cultural differences?

Resistance to change

- Was there any resistance to change? Please give examples.
- How was it overcome by the management?

- What do you think of the merger?
- Have your expectations been met?
- Do you think your job is more secure as a result of the merger? Or do you feel threatened?
- Is every employee judged by the same standard? (all the four banks)
- are there any cultural difference between the staff?
- Do you think cultural difference has affected the organisation in any way?
- Is the current management style different from what you are used to?
- Do you find the current practice of the bank a problem?
- Have you experienced any resistance to change?
- Are you under pressure to perform more than before?
- What do you think is a major problem in terms of differences in ways of doing things from employees in the merger?

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Dear Sir,

Thesis title: Management control systems integration under mergers/acquisition: Evidence from the Nigerian Banking Sector.

The burst of organisational restructuring through mergers and acquisitions has been prominent in recent years. The literature on mergers and acquisitions has argued that is a way of achieving operational efficiency and cost reduction. These benefits of mergers and acquisitions have led to the adoption of similar strategies in developing countries through consolidations and reforms. Despite the increase in the number of mergers and acquisitions globally, very little has been known from the management accounting perspective about how merged organisations design and use management control systems.

In order to investigate this issue, I intend to use your bank as a case study, being the best performing bank after the consolidation exercise in 2004. The investigation is going to be on how the Accounting systems and the Culture of the merged banks were integrated. Information for analysis will be obtained through an hour and thirty (1:30) interviews with senior managers/staff in the Accounting and Human Resources Management departments and a few customers.

In return, the bank will be provided with first-class empirical evidence on better understanding of the process of mergers/acquisition and the design of management control systems post-merger. Also, information obtained from customers could be used as a competitive advantage in the industry.

All information obtained will be confidential and the names of the company and staff interviewed will be disguised, although there may be a risk that the company's name may inadvertently be identified because of reasons outside the control of the researcher (e.g. an employee revealing their participation in the research to others).

I can be contacted on the Nigerian address below.

I hope to hear from you soon.

Thank you very much for your co-operation.

Yours faithfully,

Adamu Godwin Anya

Interview Consent Form

Management control systems integration under mergers: Evidence from the Nigerian Banking Sector.

This research aims to examine the integration process of merged organisations on how management control systems are designed and used. The research is conducted in partial fulfilment of the requirements for PhD degree at the University of Birmingham, UK.

Before you commence the interview, your voluntary consent is required:

- Participating in this research is voluntary
- I agree to be interviewed for the purpose outlined in this research
- I understand my right to opt out at any point in time during the research process and any data collected will be destroyed.
- All personal information will be treated with strict confidentiality
- Data provided in this interview will be collated with other interviewees' data and the results used to answer the research question
- This research is conducted in partial fulfilment of the requirements for a PhD degree
- This research does not intend to inflict harm on any participant

I, the researcher, assure that the data collected will be strictly confidential following the **Data Protection Act (1998)**.

Name: ....

Signature: ....

Date: ....

I, the participant (interviewee), agree to take part in this research process

Name: ....

Signature: ....

Date: ....

Observation Consent Form

The purpose of this observation is to monitor how employees from the merged bank interact with each other. The observation involves monitoring how the staff interact and carry out their daily functions in the front and back office.

Before the commencement of this observation, your voluntary consent is required:

- Participating in this research is voluntary
- I agree to be observed for the purpose outlined in this research
- I understand my right to opt out at any point in time during the research process and any data collected will be destroyed.
- All personal information will be treated with strict confidentiality and a copy of the data collected may be checked for accuracy.
- Data obtained from this observation will be collated with other participants and the results will used to answer the research question
- This research is conducted in partial fulfilment of the requirements for a PhD degree
- This research does not intend to inflict harm on any participant

I, the researcher, assure that the data collected will be strictly confidential following the **Data Protection Act (1998)**.

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