

**EFFECT OF MERGERS AND ACQUISITIONS ON SERVICE DELIVERY AT
CFC STANBIC BANK KENYA LIMITED**

BY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

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This project proposal has been submitted for examination with my approval as the University supervisor

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DEDICATION

I dedicate this project to my Mother for her support and encouragement. May the good Lord keep and bless you abundantly.

ACKNOWLEDGEMENT

First, my sincere gratitude goes to Our Almighty Father who by His grace I was able to do and complete this study.

Second, for the development and production of this work I feel a deep sense of gratitude to my supervisor Dr. Kennedy Ogollah, for his guidance and supervision.

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ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machines
CBK	Central Bank of Kenya
CFC	Credit Finance Corporation
KPMG	Klynveld Peat Marwick Goerdeler Group
M & A	Mergers and Acquisitions
TAT	Turn Around Time
US	United States

ABSTRACT

Mergers and Acquisitions have taken charge in creating a market niche by making top notch service delivery achievable through the synergy that is achieved after a M & A takes place. The Kenyan banking sector has seen many large financial institutions go through mergers and acquisitions at a heightened pace so as to achieve great levels of synergy. M & As are alluded to be resultant from the dynamic operating environment. The study sought to establish the Effect of Mergers and Acquisitions on Service Delivery at CFC Stanbic Bank Kenya Limited. A cross –sectional survey was done by use of correlation, descriptive and regression analysis as it was the most applicable to study customers perception on the quality of service delivery by focusing on the SERVQUAL model which was based on; Tangibility, Reliability, Responsiveness and Convenience. The study concluded that tangibility, responsiveness, reliability and convenience had been applied after the merger and that responsiveness was the most preferred service delivery dimension by customers and the tangibility dimension had been applied the least. Further the study concluded that tangibility, reliability, responsiveness and convenience are all related to each other and contribute to the overall success of service delivery and thus none of them can be ignored. From the study, findings indicate that M & A's had an impressive positive effect on overall service delivery experience customers had after the merger. Positive relations of the variations in customer's satisfaction in service delivery are explained by variations in the four attributes. As the results indicate; mergers and acquisitions offered competitive advantage which enabled the bank to grow in ten folds. This in turn has positively contributed to increase of efficiency and reduces the amount of time taken to deliver a service through improvement in service delivery. The study recommends that the management of CFC Stanbic Bank Kenya Limited should be keen to maintain set standards in service delivery and aggressively implement other service delivery qualities to propel the company to greater heights in terms of delivering quality to its customers. Similar study should be carried out in different banks that have gone through M & A's so as to compare the findings.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Mergers and Acquisitions is whereby companies come together in order to form one organisation; mergers combine two or more organisations in order to form one organisation, whereas acquisitions partial ownership of an organisation is taken up. According to Brouters et al. (2008), Mergers and Acquisitions can be used as corporate strategies among organisations, to enable them to take advantage of synergy achieved after the M & A by giving them a competitive edge to ensure achievement of set goals and objectives. Ulwick and Bettencourt (2008) opine that service delivery has become key as part of strategy formulation as this enables the companies to have competitive advantage and help them survive in the volatile market and retain a market niche and even go further and gain new ones. Mergers and Acquisitions have taken charge in creating a market niche by making top notch service delivery achievable through the synergy of M & A's. According to Goergen and Renneboog, 2004, synergy is created when two or more organisation combine their resources and as a result are able to gain more from their market niche due to economies of scale and scope economic which is referred to as operational synergy.

The resource-based view advanced by Wernerfelt (1984) looks at resources as those items that are owned by the organisation but do not necessarily have to be tangible. Firms could be rich in terms of asset base or staff skills. As a result, the way other theories relay on the analysis of the volatile business environment, the resource-based view focuses on the other resources owned by the organisation such as staff skills, market niche and well versed systems in place. Empire building theory seeks to explain Mergers and acquisitions through reduction of competitive activities through

monopoly of power and management-entrenchment (Roll and Mueller, 2001). This is an assumption that the manager's ability has the ability to improve the performance of an organisation that is perceived not to be performing as it should. Also called the managerial discretion motive, is where by a manager expands an organisation they want to lead. The main objective is self growth through merger and acquisition Mueller (1969). The theory of efficiency implies that mergers takes place where both of the organisation are guaranteed benefits or growth, through this the merger looks beneficial and thus enticing to both parties. According to Klein (2001) indicate that efficiency theory promotes value creation which if carried out well guarantees positive outcome to both the organisations .Anticipation of positive outcome as a result of mergers and acquisition is very key before the combination of the organisation takes place. Anticipation of positive outcome would lead to the M & A taking place where as if the positive outcome is not convincing enough could lead to a deal not been sealed.

Trends in Kenya suggest that there has being a high growth rate of M & A's deals in the recent years. The banking sector in Kenya has evolved which has resulted into multinational and international banks to show interest in Kenya so as to gain from the enormous growth the sector has gone through. Some have opted to set up operations while others have chosen to take up potential and thriving organisations through mergers and acquisitions which tend to be cheaper and easier for them (KPMG's Deal Space, July 2014). The banking industry has evolved through M & A's that has seen the sector propel to greater heights and the largest financial institutions being the greatest beneficiaries (CBK Supervisory Report (2014). Some of the missing insights are to establish as to whether a bank M & A's has any effect on the quality of service delivery.

1.1.1 Mergers and Acquisitions

Merger and Acquisition study is mainly associated with terms like takeovers, mergers, amalgamations and acquisitions. Various researchers have a tendency of classifying them differently. For instance, mergers and acquisitions combination can be referred to as tender offers (Weston, Chung, & Hoag, 1996). According to Machiraju (2003), takeovers as two of its type where there is a takeover or a hostile takeover dependant on the transaction deal. Mergers and Acquisitions propels organisation to greater heights in the shortest time possible due to the synergy involved (Luypaert, 2008).

Mergers and Acquisitions is a common strategy in the corporate world that deal with the combination of organisations and similar entities that help the organisation gain a competitive edge in its sector, by establishing a market niche, as opposed to having a subsidiary or joint venture (Gaughan, 2007). According to Goergen and Renneboog, (2004), synergy is created when two or more organisation combine their resources and as a result are able to gain more from their market niche due to economies of scale and scope economic which is referred to as operational synergy. Corporates have opted for M & A's to retain clients and take over a particular market niche through service delivery (Cunningham & Young, 2002).

Mergers and Acquisitions is whereby companies come together in order to form one organisation; mergers combine two or more organisations in order to form one organisation, whereas acquisitions partial ownership of an organisation is taken up. M&A is currently the top most used corporate world strategy to achieve synergy and propel the organisation into greater heights through the shortest time possible. The corporate strategy holds water in that the main objective is growth of the company through wealth maximization. As a result of the volatile market companies keep evaluating opportunities that they can maximise use of through merger or acquisition

so as to gain competitive edge over its competitors. The main aim of M & A's of existing and new firms is to ensure optimum output through synergistic value that is brought about by consolidation of two companies which results into market niche coverage (Weber et al, 1996).

1.1.2 Service Delivery

Service delivery is a service that has the ability to provide and satisfy a need to customers (Etzel and Walker, 2001). According Wright (2003), the need for service delivery is brought about by the volatile market environment which in return alters the preferences of customers and the need for employees to continuously re-evaluate and redesign their business processes to enhance efficiency. Consequently, options have increased and consumers become keener to quality forcing organisation to toe the line by having to comply by ever improving their services. With the new technology innovations that keep coming up every now and then in the banking industry has raised the bar in terms of how fast a service is delivered and is the service effective. As a result new ways of running the businesses are introduced every time so as to have a market niche and survive the volatile market. The ultimate reason for the continuous implementation of technology is to improve service delivery (Tether and Cainelli, 2001). Implementation of technology has played a huge role in improving the banking support systems, internet banking and Automated Teller Machines (Atms).

Meeting clients' needs in time and implementation of technology innovations is vital due to time and cost efficiency that are core related when it comes to achieving service delivery. Service delivery is taking shape in the whole banking sector and making huge impact in terms of ability to meet a clients' expectation that in turn brings along good brand reputation. Implementation of technological innovations

gives the organisation a competitive edge (McClure and Joseph, 1999). Service delivery is not easily measured which proves to be evasive. However, high quality service provision is achievable and can be distinguished by the number of referrals from existing customers. Measurement of quality service delivery is evasive due to its nature of being intangible. Banking sector is gradually eliminating manual servicing to automated ones because of the need to meet and supersede the customers' expectations. Technological innovations in the banking sector has reduced the amount of time taken to deliver a service and manual efforts from employees. Amount of time spent in long queues was the norm in the banking sector but since the implementation of technological innovations this has brought efficiency in delivering services (Malhotra, 2000).

Banks delivering quality services has become essential in order for them to flourish in the volatile market that is ever changing. In the banking sector high returns seem to be directly proportional to the high quality service delivery which result to high profitability. As a result, it is vital to continually monitor and analyse current systems and ensure re-designing so as to enhance quality service delivery. One of the technology innovations which revolutionised the world is the Internet. This has improved turnaround times (TAT) in relation to how immediate clients get feedback and services. Revolutionary wave of internet has enabled clients to access services more efficiently by cutting barriers and dealing with time constraints. According to Khan 2009, volatile changes in the market and client preferences has forced banks to implement technological innovations as a strategy so as to help in improvement of service delivery. Given the fact that the banking sector is very competitive and offers an array of products then delivering service of superior quality is extremely vital so as to retain customers and maintain a market niche. Quality service delivery mostly

results to customer satisfaction (Chai et al., 2009). Comparison between service perception and service expectations is a customer's focus when it comes to measurement of quality of a service delivered by a company. This theory provides evidence that service delivery directly affects the success of an organisation (Chai et al., 2009). Today's customers are well informed and have an array of options to choose from in terms of the products and services they can access in the banking sector that has experienced enormous growth.

Customers preference is always the service that provides the highest satisfaction and is offered promptly. According to Hallowel (1995), the empirical study assumes that customer satisfaction, retention, and profitable returns in an organisation are related to one another. As a result, customer satisfaction and customer loyalty results to good returns in a company. It therefore can be assumed the banks in the banking sector that that provides exceptional services tend retain more customers and improve revenue through customer referrals and increase in market share.

1.1.3 Commercial Banks in Kenya

Commercial Banks and Mortgage Finance Institutions are licensed and governed by the Banking Act and the Regulations and Prudential Guidelines issued there under. Kenya has a total of 42 commercial banks, and one mortgage finance company, eight representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers as well as three credit reference bureau. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution CBK (2016).

Due to volatility in the banking sector as a result of new technologies and changing environment commercial banks have resulted into taking up mergers and acquisitions as corporate strategies' in order to gain competitive edge over their counter parts (Ribeiro, 2008). Mergers and acquisitions create synergistic value to companies by increasing market share, diversification of products, implementation of advanced technologies and additional skills required by the regulators such as in the banking sector (Kithinji &Waweru, 2007).

1.1.4 CfC Stanbic Bank Limited in Kenya

CFC Stanbic Kenya Limited must have been the largest Merger and acquisition in Kenya The merger and acquisition was between Credit Finance Corporation Limited and Standard Bank Investment Corporation (CFC Stanbic Kenya, (2014). Through the merger and acquisition the organisation faced many challenges as a result of the changes that had to take place. For Instance, there was an internal re-organisation, to ensure effective transfer of the banking business to CfC Stanbic Bank Kenya Limited, which is now one of the largest banks in Kenya.

The bank continually strives to achieve service delivery efficiency. One of its main objectives is to ensure exceptional services are delivered to customers in the Bank and create a relationship management ambiance whereby both the customers and bank benefit (CFC Stanbic Kenya, 2014). To ensure business continuity and sustainability provision of relevant products and services is essential so as to ensure the organisation is the customers preference so as to retain their market niche in Retail Banking in the banking sector.

CFC Stanbic Kenya Limited has given preference to knowing their customers and providing them with the relevant products and services in the right way as key. High volatility in the operating environment for retail banking has resulted in them using digital platforms to offer low-cost banking services to increase competitive advantage and reduce transaction costs. This continually dedicated resources on creating a digital bank that is aimed at creating a competitive edge and demystifying banking from non-bank players (CFC Stanbic Kenya, 2014).

1.2 Research Problem

With the increase in the need for large business so as to make profit, the fear of making loss and the inability to raise capital alone, many organisations are considering merging as a way of saving money and obtaining resources without having to borrow from financial organisations. Existing literature on Mergers and Acquisitions mainly adopt financial indicators such as financial performance, profitability analysis and gain on shareholders' value. According to Umar and Olatunde (2011), non-financial factors also give good guidance in combination with financial indicators, to ensure profits are realised in an organisation. Customer satisfaction, retention, and profits realize have relation and as a result have to be managed wholesomely to ensure profits are realized (Hallowel, 1995).

Firms are tempted into mergers and acquisitions due to the synergistic advantages that they bring along. Internet banking has brought about growth and opened up the banking sector to a wide array of products and services. The traditional wide branch network is no longer a priority in order to attract customers. In Kenyan banking sector, M&As are alluded to be resultant from the dynamic operating environment. Ribeiro (2008), concludes that financial institutions have had to combine their operations in order to gain from the synergy that comes along with M & A's. One such merger is the CFC Stanbic Kenya Limited which was consummated in June 2008.

A study done by Kioko (2010) which looked at mergers and acquisitions as a strategic entry to the market mainly focused on the need of bank mergers which has been driven by the need to integrate data in the banking industry to encourage growth of the organisations but did not highlight the importance of customer service which enables quality service delivery. Service delivery is vital in any service industry but possess a challenge due to the evasive nature when it comes to measuring the level of satisfaction. Branding campaigns heighten customer interest and improve on profitable. Brand reputation improves the perception customers have on the quality of service delivered and plays a vital role in an organization's ability to generate income that retaliates to profits (Rogers, 2008). Banking sector being customer centric enables has benefits the banks to gain competitive edge and brand image in the eyes of the customer.

Past research appears not to have studied the effect mergers and acquisition on service delivery extensively. Research gap exists since there is little research done to answer the question of whether mergers and acquisition contribute positively or negatively to service delivery and it was identified that there should be a significant study done to establish the effect. Uyuke (2009) concluded that mergers and acquisitions where not worthwhile to commercial banks in terms of service delivery. Ogada, Achoki and Njuguna (2016) did not show how managerial effort relates to improved service delivery. Murithi (2008) alluded to lack of communication on mergers with staff but did not elaborate on how this affects service delivery.

An examination of the factors used to measure service quality in this particular bank will be adopted for this study. The four dimensions include; Tangibility, Reliability, Responsiveness and Convenience. Financial institutions continually to be the preference of many qualified personnel who tend to fill in their most demanding

positions to ensure service delivery by instilling customer confidence, credibility, and trustworthiness. In return this ensures that the organisation grows and as a result service delivery remains to be the core competence in the banking sector on service delivery.

1.3 Research Objective

The research sought to establish the effect of mergers and acquisitions on service delivery at CFC Stanbic Bank Kenya Limited.

1.4 Value of the Study

The banking sector continues to grow rapidly and as a result the government will benefit to know whether the firms are growing as a result of Mergers and Acquisitions. The study would be useful to the government and other policy makers such as CBK in terms of setting of regulatory requirements of the organisations carrying out the M & A's. The government will benefit to know whether the firms are growing through expanding the banking sector through Mergers and Acquisitions.

In practice the study would be used by the management of CFC Stanbic Bank Kenya Limited. The management of the firm will gain insights on how to use service delivery quality to propel the company to greater heights after the M & A's. This meant that the organisation had to ensure excellent service delivery to its customers and keep it competitive so as to ensure overall success of the merger and acquisition. The management would be able to know which form of merger and acquisition they can use in order to achieve the set results. The shareholders who are the owners of the firms are interested in the overall success of the organisation. The management must be engaged in strategic implementation of the M & A's so as to achieve the set objectives.

In theory researchers and academicians would benefit from the study in that they may identify the researcher gap and conduct research on this topic. Also they might benefit by gaining information which can be used to conduct other studies on the area mergers and acquisition as a strategic tool to achieve service delivery. Also, this will help organisation planning to carry out an M & A's to be then keener when implementing the strategy and avoid repetitive mistakes that have already been experienced by existing firms.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a critical and in-depth evaluation of the effect of Mergers and Acquisitions on Service Delivery. It presents theoretical and empirical literature on Mergers, Acquisitions and Service Delivery. In this chapter literature carried out a study on theories and types of mergers and acquisitions and service delivery quality.

2.2 Theoretical Foundation of the Study

The foregoing study is premised on three theories from the literature namely; the resource based view, empire building theory and efficiency theory. Resource based view emphasize firms resources as contributors to competitive advantage and performance. Empire building theory considers institution's consolidation as an activity to increase market power. Efficiency theory views the mergers as an effective tool to reap organizational benefits and synergies.

2.2.1 Resource-Based View

According to Wernerfelt (2001), the resource-based theory looks at resources as those items that are owned by the organisation but do not necessarily have to be tangible. Firms could be rich in terms of asset base or staff skills. As a result, the way other theory resource-based view theory looks at other resources owned by the organisation such as staff skills, market niche and well versed systems in place. The firm's resources as a result give an organisation competitive advantage and determine the performance of an organisation. It adopts two assumptions in analyzing competitive advantage (Barney, 2003). The first model suggests that organisations within a particular industry may vary in respect to the resources available. Whereas the second model suggests that due to some of the resources are difficult to combine and mimic.

Resource uniqueness is a necessity to be able to contribute to competitive advantage. Corporate Strategy can be achieved through exploitation of a firm's strengths and opportunities and managing their weaknesses and threats. Focus on a company's competitive edge and its current market niche. As opposed to other theories the resource-based view approach is different in that it focuses more on internal attributes and not external attributes of an organisation. Quality service delivery can only be achieved if the two companies have managed to effectively integrate on the aspects of the strategic, structural, personnel, cultural and stakeholder levels (Ruess and Voelpel, 2012). Resource-based research has focused on intangible assets, which include diverse capabilities, information and knowledge (Spender, 1996). Technological strategy, Global strategy and strategic implementation have also been studied by applying the resource-based view (Van Witteloostuijn, 2000).

Mergers and Acquisitions result in a complete change or handing over in the ownership structure of the new entity in this case on completion of distribution of shares, SAHL was to acquire an additional CfC shares from existing unit holders of about 60%. Acquisitions of the shares resulted into an internal reorganisation, to move banking business to merge into one single banking operation which formed CfC Stanbic Bank Limited (CfC Stanbic Bank Kenya Limited, 2014).

2.2.2 Empire Building Theory

Banks in the same industry may result into M & A's in order to increase their market power (Ruess and Voelpel, 2012). During Merger and Acquisition deals most of the times both the organisations are ready to be combined to form one company. Also called the managerial discretion motive, is where by a manager expands an organisation they want to lead. The main objective is individual growth in their career through merger and acquisition Muller (2012). As per the theory mergers and

acquisitions are done so as to enable the manager to individually gain as opposed helping in the maximization of their shareholders' value. This approach is based on the cliché approach of divide all and rule. Most common in this theory of the company enables the manager to gain to great levels while constraining the achievement of set goals in the organization.

Various studies have shown that empire-building theory argument is not motivated by growth maximization. According to Rhoades (1983) analysis of the profit motivation and the power motivation have no connection in terms of behavioural business. In conclusion at times the power at times takes over the profit motivation as the moving force behind large financial institutions. All in all, managerial goals have never been cited to justify a merger. But the empire-building theory enjoys popularity in the business press that seems to grow proportional with the size of a merger.

2.2.3 Efficiency Theory

The efficiency theory views mergers as an effective tool to achieve synergy and is still the basis of many merger studies. The theory holds that companies achieve synergy by combining with companies that display efficiency in the way they run their business and as a result improving the performance of an M & A. This ensures the acquired company that is already performing well, performs even better when it is combination between two organisations takes place. The synergistic theory implies that target firms perform well both before and better after mergers.

The efficiency theory of mergers has dominated the field of research on merger motives for many years. Empirical research evaluating the efficiency of M&As has generated different findings. Study by Bhuyan (2002) found little evidence of efficiency gains as a result of companies taking up M&As. Whereas, Connor and

Geithman (1988), proved that many economic studies concluded that there were no returns as a result acquiring firms. However, Lichtenberg and Siegel (1992), used a balanced panel of large continuous manufacturing companies from the U.S. Census Bureau's Longitudinal Research Database, found that a company's pre-acquisition efficient productivity and that the companies enjoyed more efficiency after the merger took place. Their labour efficiency was evident following the merger.

2.3 Mergers and Acquisition and Service Delivery

Mergers and Acquisitions is a common strategy in the corporate world that deals with the consolidation of different companies that can help an enterprise experience growth in its sector, by entrance into a new market niche, without creating a subset or putting into place a joint venture (Gaughan, 2007). As earlier mentioned, this enables synergy. Synergy creates value, through economies of scale and scope economic referred to as operational synergy. Value of the merged company becomes greater in value than the total value of the two separate combining companies due to synergy (Goergen and Renneboog, 2004). Mergers and Acquisition theories are associated with takeovers, mergers, amalgamation and acquisitions in order to achieve synergy in the new formed organisation. Mergers are a result of combination of two or more companies in such a way that only one survives to form a consolidated company (Machiraju (2003).

M & A's can be based on how the merger occurred at different levels of the firm's operation whether it starts with the manufacturing or production, economic operation distribution and ending with the final consumers (Weston and Weaver, 2004). Mergers can be viewed as are vertical, conglomerate or horizontal. Weaver (2004) explained the three broad types as follows: Vertical mergers happen in instances where two firms combine when they are at different stages of production. This is

common when the merging firm's business operations involve relationship between buyer and seller. Whereas horizontal mergers entail two or more firms that operates and competes in the same type of product operations. Organisations in the corporate sector tend to embrace horizontal mergers as they realize economies of scale. Finally, conglomerate mergers take place when firms consolidating operate in unrelated industries. That is, there is no relationship whatsoever between firms engaged in the merger. The acquisition can take place in two ways in which the acquirer may take over the target firm; either through statutory merger or purchase of assets. Most of Mergers and Acquisitions take place to help with the synergetic advantages that enable the organisations to increase the market power, exploit economies of scale, to diversify through separate markets and provide different services. The growth of companies after mergers and acquisition is largely dependent on the organizational learning that occurs during the post-acquisition assessment phase. This phase of post-acquisition assessment can help the company to expand its market territory through mergers and acquisitions (Collan and Kinnunen, 2011, Ruess and Voelpel, 2012). During this phase the acquiring company has an opportunity to assess the accuracy of identifying the right company to acquire so as to enhance the achievement of the set objective.

Mergers and acquisitions involve a process that would practically involve the following steps: first, is for a firm to perform target the right company to acquire so as to enhance the growth of the affected companies. Identification; secondly, the firm get involved in acquisition/merging; thirdly, the firms integrate; finally, the firm's post-acquisition/post-merger assessment. A study done by Ruess and Voelpel (2012) noted that successful acquisitions ultimately depend on the correct timing, and they are

suitable because they help in growing and expanding of the company. They continue to note that if timing is wrong or the wrong company is acquired, then there is lack of synergy. It is for this reason that the companies should do pre-acquisition screening so as to ensure that they merging or acquisition to ensure what the organisation was set out to do is achieved.

Measure of the perceived value customers place on services received is defined as service delivery quality in literature (Cunningham & Young, 2002). Customers mainly compare service perception to service expectations when evaluating the value and quality of services offered to them. In today's banking sector competitive advantage is highly regarded in terms of delivering exceptional service and serves as key to enable an organization to flourish (Samli & Frohlich, 1992). Bastos and Gallego (2008) prove that Service delivery quality directly affects the positive client feedback and in return growth in an organization. Customers continue to enjoy a wide range of choice in the products and services they can access in the banking sector. Customers will at all times prefer the service provided that will offer the highest satisfaction. It is vital that financial institutions and mostly banks understand what brings about customer value and satisfaction in order to gain competitive advantage and retain and gain new markets. Increased customer satisfaction has positive outcomes to an organization such as; customer loyalty, customer retention, and increase in customer base (Newman, 2001). Customer-centered companies will be the greatest beneficiaries in creating a market niche by delivering high quality services to their customers in the market. Enormous knowledge is been gained by various research work and studies that reveal and strongly conclude there is a relationship among customer satisfaction, retention, and profitability (Newman, 2001).

Measurement of service delivery has proved to be evasive due to its intangible nature; the receiver and the provider of the service are as vital as the service itself as the service is consumed at the same time as its production. According to Yaylacicegi (2005), the result of mergers and acquisitions in the telecommunications industry established significant evidence that service delivery deteriorated and the company seemed not to invest in new technologies. Mergers and acquisitions had heightened competitiveness and improved the levels of efficiency of operations. In the Nigeria banking industry Elumide (2010). De-Nicolo (2003), suggests that mergers and acquisitions in the banking sector impact positively on the efficiency of the banks business processes. Akpan (2007), using chi square to test his work concluded that the policy of combination of companies through M & A's has enhanced customers confidence in the Nigerian banking industry as this has improved service delivery and in return increased the profitability in the banking sector and increased customer loyalty.

Dick (2007) studied the banking markets which depict enormous variation in population size. This study showed that markets continuously remain concentrated regardless of size and that the dominant banks are almost constant across markets. However, quality of service delivered is higher in large markets due to the heightened competition. In conclusion banks use high quality investments such as new technological innovations to retain and gain more customers. Sureshchandar, Rajendran & Anantharaman (2002) determined how customers view quality of service provided in the banking industry through factor analysis approach. This study revealed aspects of service delivery that were very vital to ensure the business survives in the volatile market but have been overlooked. The study went ahead propose a detailed model and an instrument framework for measuring customer perception on the quality of the service.

Muriithi (2008) investigated post-merger implementation strategy on merged banks. Content analysis and descriptive analysis show that most of the banks employees were aware of the government policies that affected mergers and acquisitions in the organization. The study also concludes that restructuring strategy was the main reason that prompted the banks to merge and also to increase asset/liquidity. The study also concludes that most banks did not consult their staff during a merger and or acquisition as data from the study indicated. In addition, the study found that most of the banks had been faced with communication and financial resources as barriers to the merger.

Hossain and Leo (2009) study to measure customer perception on service delivery quality in retail banking in Qatar by use of five-point Likert scale to concluded the that customer's perception in service delivery was highest in the tangible dimension and lowest in the competence dimension. A study carried out by World Bank 2002 was to test as to whether mergers result in customer defection. The area of focus was on mergers between investment banks and commercial banks during the period 1997and 2001 as a result of relaxation of regulatory restrictions. The study concluded that acquired investment banks were not able to retain customers and thus very few customers were on boarded during the initial years after the mergers. This is in comparison to the organisation's individual performance prior to the mergers.

Kaur and Kaur (2010) study on commercial banks in India for the period 2007-2008 using non-parametric data enveloped analysis technique. Conclusions of the study show that over the entire study period, the average cost efficiency resulted to 73.04% and the private banks resulted to 76.3%. The findings suggest that mergers have been a success in the Indian banking Industry. Jimmy (2008) carried out study on Access

Bank and Zenith Bank to measure the effect of M & A's had on the banks by use of financial ratio and exploratory research. The study concluded that the Zenith Bank which did not go through an M & A's but instead pursued organic growth was able to maintain high quality service standards whereas Access Bank which had undergone a merger and acquisition witnessed an increase in growth rate. In conclusion the results seemed to be consistent with the organizational economics theory especially on synergy related costs of integration and benefits due to Mergers and Acquisitions taking place especially in the banking sector.

Ogada et al. (2016) conclude that many theories conclude that organisation result to M & A's due to the synergistic value that the consolidation brings along such as; scale of economy; new market in new locations and share diversification of products and services. All these are brought about by cost efficiency but empirical studies report varied findings due to variation in the financial and technological environment. Panel data analysis and regression analysis results suggest merger brought about improved cost efficiency that resulted to the growth in the rate of return in the organisation in terms of equity and assets and overall profitability. All this was attributed use of financial resources available, managerial leadership and use of labour efficiently.

2.4 Summary of Knowledge Gaps

Quality service delivery is vital in when offering a financial service and lack of good quality could lead to complaints from customers. It is generally stated in service delivery that when a financial institution provides exceptional services to one customer, it gains three, whereas if poor service is provided the financial institution loses nine. Hence, with this knowledge in place financial institutions have continually invested heavily in technological innovations to improve services as they best

understand that it is better to gain three than lose nine (Chung & Hoag, 1999). With the right level of emphasis on service delivery can capitalise on benefits that enable the organisation to grow and retaliate profits concurrently. Customer retention through increase in the levels of service delivery business and this may lead to attract new customers as a result of referrals; hence customer retention is more cost effective. High quality in service delivery leads to increase in relationship management which results to cross-selling and distribution of up to date knowledge to customers in regards to the products and services available. manager can gain despite the benefits that come along with M & A's in the banking sector it is very clear that Banks in Kenya have not fully reaped the benefits due to failure of data integration and up-to date technology innovations being used by the industry in the rest of the world. The research gap has identified that there is a researchable study since while there are many theories that look at the reasons why companies take up mergers and acquisitions none of the theories conclusively answered the questions on the effect Mergers and acquisitions has on service delivery in banks. Banks need to take up more of mergers and acquisitions in order to capitalise on market synergies and increase product and services quality and by extension increase profitability. Measurement of service quality is purely the comparison between the perception and expectation the customer has which is referred to as the gap analysis (Gronroos, (1994). Expectations can be referred ability of a service to meet the need of a customer and also bring about customer satisfaction (Parasuraman et al., 1988).

Service in this sense comprises an array of different dimensions namely; Reliability, Convenience, Responsiveness and Tangibility. There is a wide range of service quality models that differ in terms of contents of service quality dimensions that should be studied (Suuroja, 2003).The need for banks to offer quality service delivery

cannot be assumed any more Parasuraman et al. (1988). As a result they assume that service delivery quality should be measured based on five dimensions; Reliability, Assurance, Tangibles, Responsiveness and Empathy. Service delivery quality is the comparison between the the expectancy and the performance gap along these five dimensions. Nyeck et al. (2002) did a review based on 40 articles that made use of the SERVQUAL measuring tool and concluded that the tool remains to be the most conclusive and accurate when it comes to measure service delivery quality.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology used in the study. The research design used provides a general overview of the research methods used, population size, sampling method, data collection methods including the design process and research procedures. Finally data analysis method adopted for the study is presented.

3.2 Research Design

Research design is the use of a structured plan so as to obtain answers to research questions (Saunders, Lewis and Thornhill, 2003). The plan is the overall scheme or program of the research. It includes an outline of what the researcher hopes to achieve from the hypotheses and this is interpreted from the final the implications from analysis of the data. A research design takes into account both the problem and plan of research used to obtain if there is evidence in relations of the problems (Cooper and Schindler, 2006). The research design most suitable for this study is a descriptive research. Descriptive research describes the situations and seeks to establish whether a relationship exists between two variables, which in this case is M & A's vis-à-vis Service Delivery (Cooper and Schindler, 2006).

Cross-sectional survey was carried out in this study by use of correlation, descriptive and regression analysis. Descriptive research can be either quantitative or qualitative. Quantitative data involves collections of measurable data that can be analyzed in numerical form in terms of classification. Trends of interaction when using technology in a group situation or gender can be used to collect quantitative data (Borg & Gall, 1989). Whereas, descriptive research involves collection of data that

can one can easily narrate a situation by tabulating the data collected for ease of understanding by use of graphs or charts (Glass & Hopkins, 1984). Descriptive statistics are very vital in reducing the data to manageable form which ease in understanding of the outcome emerged after the analysis.

3.3 Population of the Study

A population abstract is the unit of study that measurement is taken from. Population defines the collected elements that the researcher uses in order to come up with an inference (Cooper and Schindler, 2006). The target population usually has varying characteristics such as age, gender and education level which is referred to as theoretical population. Accessible population can be used in a study by a researcher to draw conclusions from the participant's feedback. By use of a population subset from the accessible participants that researchers draw their samples from the target population.

The target population of this study focused on the customers of CfC Stanbic Bank Kenya Limited. CfC Stanbic Bank Kenya Limited has been chosen as the basis of this study as it presents a very interesting subject of the research given that the customers can account for effects after the merger. In order to draw a conclusive end on the research it is vital that the composition of individuals varies in terms of gender, level of education and age.

3.4 Sampling Design

Based on the research questions and objectives it is vital to collect data and thereafter be able to draw conclusions. Data collection can at times prove to be hectic due to the challenges that come about with it such as availability or access to respondents, restrictions of time and money (Kothari, 2004). Sampling provides a wide array of

methods help reduce of the amount of data required to be collected as a subgroup is chosen to represent the whole group of study (Saunders, Lewis and Thornhill, 2003). Sampling simplifies data collection by enabling the researcher to collect data from a subgroup and thereafter draw conclusions about the entire population. The sampling design determines the number of people to be to be issued with questionnaires and those to be interviewed from the population as a representative of the population. The research intends to use random sampling. The study will only concentrate on the customers whose accounts are held in Nairobi (based at Chiromo Road, Off Waiyaki Highway) as that is the area of focus in this study given that it is the headquarters' and all systems used at the branch levels are centralised from there.

Jackson (2011) suggests that random sampling takes into account the different subgroups of objects in the population and helps guarantee that the sample accurately represents the population on specific characteristics. Gravertter and Forzano (2011) explain that random sampling is particularly useful when a researcher wants to describe each individual segment of the population or wants to compare segments. The population of customers in this study is more than 10,000 therefore the sample size is arrived at using the following formula by Mugenda and Mugenda (2003)

$$n = Z^2pq / d^2$$

Where:

n = the desired sample size (if the target population is greater than 10,000).

Z = the standard normal deviate at the required confidence level

p = the proportion in the target population estimated to have characteristics being measured.

$$q = 1 - p$$

d = the level of statistical significance set.

Mugenda and Mugenda (2003) asserts that if there is no estimate available of the proportion in the target population assumed to have the characteristics of interest, 50% should be used. Since the researcher desires an accuracy of at least 95% (0.05 level), the sample size was calculated as follows:

$$n = \frac{(1.96)^2 (.50)(1-.50)}{(0.05)^2}$$

$$n = 385$$

The study selected 385 consistently active customers during the pre and post-merger of the banks. The researcher believes that the 385 customers are adequately representative of the population of the bank customers.

3.5 Data Collection Methods

Structured questionnaires were used as a form of primary data collection. The questionnaires have closed questions and will be sent to the respondent both physically and on email. According to study adopted for measuring service quality in the bank was the Servqual model of Kumar, Kee and Manshor, (2009). The model is based on four service delivery dimensions namely; Tangibility, Reliability, Responsiveness and Convenience. The bank merger led to additional branches and wider array of product and services which can lead to a positive perception from the customers in regard to service delivery. The questionnaire will consist of three sections which will include; Section A; This enabled to get information about the respondents, Section B; enabled collections of data in relation to the four dimensions of service delivery namely Part A (Tangibility), Part B (Reliability), Part C (Responsiveness) Part D (Convenience) and finally Section C; where the overall effect of mergers and acquisitions on service delivery will be looked at.

Secondary data is will also be used in this study given that it has already been collected and processed and used to satisfy its own need but it is under reference when utilized. Secondary data includes; brochures, business magazine, journals, internet, and newspapers which cover the area of research, were utilized. Mutual insight into the research problem can be gained as a result of information gathered for the purposes of the research at hand that describes sources materials that are in close relation area of study. In this study, effect of M & A's on the service delivery is conceptualized to be dependent on the dimensions of service delivery quality. As a result draw conclusion the overall effect Mergers and Acquisitions have on service delivery.

3.6 Data Analysis Methods

Service delivery quality data in the form of primary data will be collected by means of questionnaire, using Servqual model of Kumar, Kee and Manshor (2009) as a guide. The responses to every question of the service delivery dimension will be tabulated by use of correlation, descriptive and regression analysis. Correlation analysis shows the significance testing between and within Means of more than two observations and difference in preference of the service delivery quality dimensions to clients. For example for each service delivery quality dimensions for instance tangibility; it is possible to test significance of Mean differences for before and after the merger on the customers' perception and expectations. Descriptive analysis will enable us to depict which of the service delivery dimensions was most preferred by customers. The regression analysis will be able to give an overall view and establish what effect of mergers and acquisition had on all the dimensions of service delivery quality.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter discusses the interpretation of data collected and proceeds to present findings obtained from the field. The chapter presents the general information of the respondents such as; age, gender and level of education to make conclusions of findings analysed based on the objective of the study.

4.2 Response Rate

The targeted population was a total of 385 respondents of which all were customers to the bank. However, Only 339 questionnaires out of 385 given out were returned. This represented 88.05% of the population that was considered a good representation of the population. Response of questionnaires collected on e-mail was 176 and from walk in clients/ physically was 163 respondents giving a total 339 questionnaires received from the respondents. The response rate was a good representation of the total target.

4.3 Respondents Characteristics

The study sought to establish the general information of the respondents which included; years of relationship with the bank, respondents' education levels, respondent's gender and respondent's age. The results from the analysis of findings are illustrated in the subsequent.

4.3.1 Years of Relationship with the Bank

The study sought to establish for how long the respondents have been customers to CFC Stanbic Bank. The results from the analysis of findings are presented in Figure 4.1.

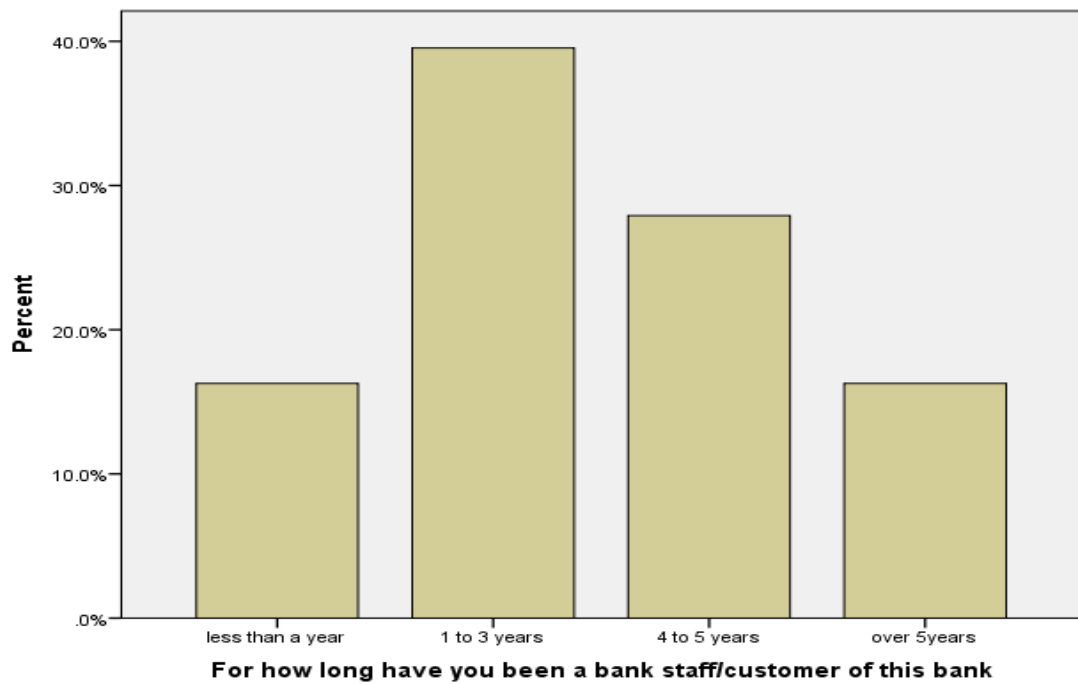


Figure 4.1 Years of Relationship with the Bank

Source: Research Data (2016)

Referring to the Figure 4.1, a good number of the respondents 39.8% showed that they had a relationship with CFC bank for a period between 1 to 3 years. This was closely followed by respondents 27% who indicated that they have had a relationship with the bank for a period between 4 to 5 years. Whereas, 16.6% of the total respondents admitted that they have had a relationship with CFC bank for over 5 years while a similar frequency of 16.6% of the total respondents indicating that they have had a relationship with the bank for less than a year. The study thus established that majority of the respondents had long enough relationship with CFC Stanbic Bank. This implied that the respondents understood well the issues related to the merger between CFC bank and Standard Investment Bank thus providing sufficient information on the objective of the study.

4.3.2 Year Respondents Education Levels

The study sought to establish level of education of the customers sampled at CFC Stanbic Bank. The results from the analysis of findings are presented in Figure 4.2.

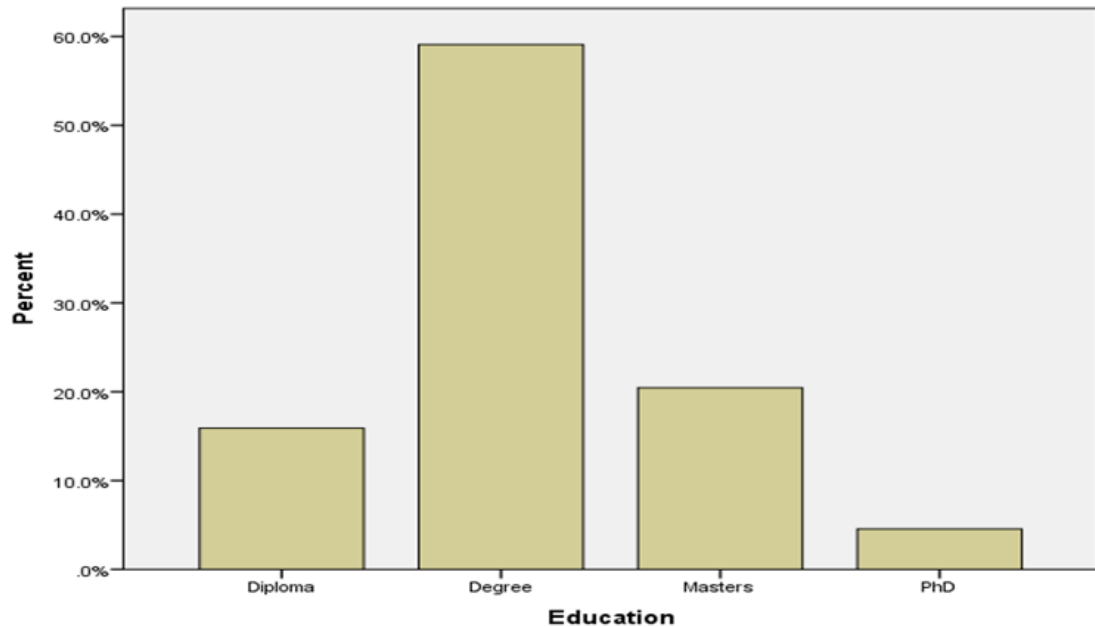


Figure 4.2 Respondents Education Levels

Source: Research Data (2016)

From the analysis of findings, most of the respondents (59.9%) showed that they were bachelor's degree certificate holders. This was followed by respondents (19.5%) who indicated that they had a master's degree certificate. 15 % of the total respondents revealed that they were diploma holders while 5.6 % of the total respondents admitted that they had PhD. These findings asserted that a greater number of the participants are well educated to provide adequate information on the objective of the study and that the respondents were well distributed in terms of their education levels.

4.3.3 Respondents Gender

The study sought to analyze and establish the gender of the respondents. The results from the analysis of findings are presented.



Figure 4.3 Respondents Gender

Source: Research Data (2016)

From the analysis of findings, it was established that the total respondents who filled and returned the questionnaires were equally distributed in terms of their gender. 50% of the total respondents indicated that they were male and a similar frequency (50%) indicated that they were female. This was an implication that both male and female were conversant with the subject under review.

4.3.4 Respondents Age

The study sought to establish the age of the respondents. The results from the analysis of findings are presented.

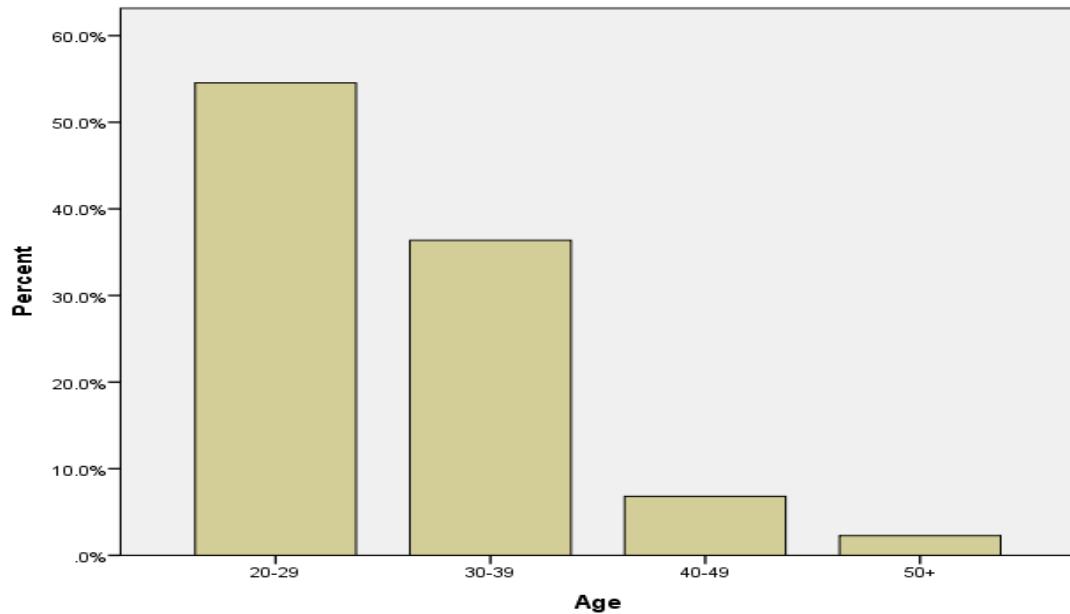


Figure 4.4 Respondents Age

Source: Research Data (2016)

From the analysis of findings, majority of the respondents 54.2% indicated that they were aged between 20-29 years old. This was followed by 38.7% of the participants indicating that they were aged between 30-39 years. Whereas 4.8% of the population that participated in responding indicated that they were aged between 40-49 years and 2.3% indicated that they were aged above 50 years. The study thus established that majority of the respondents were young and thus could provide current information on mergers and acquisitions on service delivery

4.4 Descriptive Analysis

The study sought to establish how the respondents viewed the service delivery dimensions (responsiveness, reliability, convenience and tangibility) after the merger between CFC bank and Standard Investment Bank and what their most preferred dimension was. The results from the analysis of findings are illustrated.

Table 4.1 Service Delivery Dimensions Relation

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
1. Responsiveness	339	1.20	5.00	189.60	4.31	.902
2. Reliability	324	2.29	4.29	121.21	2.89	.342
3. Convenience	324	1.00	3.20	89.80	2.14	.645
4. Tangibility	331	1.00	4.40	79.40	1.85	.769
Valid N (listwise)	300					

Source: Research Data (2016)

From the results present in Table 4.1, the study noted that the mean of responsiveness was registered as the highest at 4.31 compared to tangibility with the lowest mean of 1.85. Reliability and convenience recorded a slightly higher mean of 2.89 and 2.14 respectively. Reliability had the lowest standard deviation of 0.342 while responsiveness had the highest standard deviation of 0.902. It was found that tangibility recorded a standard deviation of 0.769 whereas convenience recorded a standard deviation of 0.645. As a result it was highly evident that Responsiveness was the most valued service delivery dimension and the least valued was tangibility. All in all, a low variation in standard deviation shows that the respondents valued all service delivery dimensions and had similar opinions. The study also indicated that responsiveness (5.00) was the highest maximum service delivery dimension that applied to the bank after the Merger of CFC and Standard Investment Bank. Tangibility (1.00) was the lowest applied service delivery dimensions after the merger.

4.5 Service Delivery Quality Dimensions

The study sought to establish the respondent's level of agreement with the statements relating to service delivery quality dimensions including; tangibility, reliability, responsiveness and convenience. The Likert scale ranged between 'strongly agree' (1) to 'strongly disagree' (5). The scores of strongly agree took the assumption of a mean score on 0-1.5 on the continuous Likert scale. Scores of 1.6-2.5 on the continuous Likert was taken to be agree. Scores of 2.6-3.5 were taken to be Uncertain, 3.6-4.5 were taken to be disagree while scores of 4.5-5 were taken to be strongly disagree on the continuous Likert scale. The results from the analysis of findings are illustrated in the following subsections;

4.5.1 Tangibility

The study sought to establish from the respondents to the extent to which the statements of tangibility apply to CFC bank after the Merger of the CFC Bank and Stanbic Bank to form CFC Stanbic Bank. The results from the analysis of findings are illustrated;

Table 4.2 Tangibility

	N	Mean	Std. Deviation
1. Sufficient staff is available to provide customers banking services	339	1.93	.998
2. materials associated with the service at our bank have been redesigned and are visually appealing	331	1.91	1.019
3. The physical facilities at our bank have been replaced and are visually appealing	339	1.82	.923
4. Employees at the bank are neat in appearance	339	1.79	1.025
5. The bank facilities and designs have improved and make customers feel comfortable	339	1.75	.781
Valid N (listwise)	331		

Source: Research Data (2016)

In reference to the Table 4.2, a greater number of the respondents as shown by a mean score of 1.75 agreed that after the merger the bank facilities and designs had been improved and this made customers feel comfortable. A mean score of 1.79 was observed to those respondents who agreed that after the merger employees at the bank are neat in appearance. The respondents agreed that after the merger physical facilities at the bank had been replaced and are visually appealing (mean=1.81), materials associated with the service at the bank had been redesigned and are visually appealing (Mean = 1.91) and that sufficient staff were available to provide customers banking services (Mean=1.93).The low standard deviations implied that the respondents held similar opinions.

4.5.2 Reliability

The study sought to establish from the respondents, the extent to which the statements of reliability apply to CFC bank after the Merger of the Bank and Standard Bank to form CFC Stanbic Bank. The results from the analysis of findings are illustrated in the Table 4.3.

Table 4.3 Reliability

	N	Mean	Std. Deviation
1. The staff are no longer courteous	339	4.56	.951
2. The staff do not have the customers best interest at heart	339	4.50	1.000
3. The staff are no longer willing to help me	339	4.36	1.036
4. The bank staff are nowadays not quick at responding to my queries	339	4.25	1.059
5. The bank staff no longer perform services right the first time	339	4.20	1.069
6. The staff are approachable and willing to help me	339	2.57	3.234
7. The staff advice clients on the best and suitable product and have the best interest for the client at heart	339	2.09	.936
8. The bank has intensified insistence on error free bank transactions , records and statements	339	2.07	.899
9. Bank customers' sense of security during the transaction process has been improved	339	2.02	.999
10. Staff provide customers with prompt and appropriate services as compared to before	331	2.00	.873
11. The bank staff have improved on providing services as promised	339	1.98	.952
12. The bank has become dependable on solving my service problems	331	1.98	.859
13. The staff have knowledge to answer my questions	331	1.84	.949
14. Banking service has improved and increases customer's confidence and trust in quality of services	339	1.79	1.002
Valid N (listwise)	324		

Source: Research Data (2016)

The findings in Table 4.3 indicated that majority of the respondents as shown by a mean score of 1.80 agreed that after the merger banking service had improved and increased customer's confidence and trust in quality of services. Also the respondents agreed that after the merger staff had knowledge to answer to customers questions (Mean =1.84), the bank has become dependable on solving service problems (Mean=1.98), the bank staff have improved on providing services as promised (Mean=1.98), staff provide customers with prompt and appropriate services as compared to before (Mean=2.00), bank customers' sense of security during the transaction process had been improved (Mean=2.02), the bank had intensified insistence on error free bank transactions , records and statements (Mean=2.07) and that the staff advice clients on the best and suitable product and have the best interest for the client at heart(Mean=2.09). The variations as evidenced by low standard deviations implied that the respondents held similar views concerning the statements.

A mean score of 2.57 of the participants were uncertain that after the merger staffs are approachable and willing to help the customers. This was sustained by a slightly higher standard deviation thus indicating that the respondents were indifferent with the statement. On the other hand the study noted that the respondents disagreed with the statements that after the merger the bank staff no longer performs services right the first time(Mean= 4.20),the bank staff are nowadays not quick at responding to customer queries(Mean=4.25) and that the staff are no longer willing to help their customers (Mean=4.34). A mean score of 4.50 of the respondents strongly disagreed that after the merger the staff do not have the customers' best interest at heart while a mean of 4.54 was observed to the respondents who strongly disagreed that after the merger the staff are no longer courteous. These findings were supported by a low standard deviation which was an indication that respondents held similar opinions.

4.5.3 Responsiveness

The study sought to establish from the respondents to the extent to which the statements of responsiveness apply to CFC bank after the Merger of CFC Bank and Stanbic Bank to form CFC Stanbic Bank. The results from the analysis of findings are illustrated.

Table 4.4 Responsiveness

	N	Mean	Std. Deviation
1. The bank staff do not have the knowledge to answer all client queries	339	4.45	.975
2. Bank staff are too busy to respond to customers' request/queries	339	4.39	1.039
3. The staff no longer provide customers precise personal services	339	4.34	.834
4. Staff of the bank no longer give prompt service to customers	339	4.25	1.144
5. The bank staff no longer understand customers' needs and are always willing to help	339	4.11	1.205
Valid N (listwise)	339		

Source: Research Data (2016)

The findings on Table 4.4 established that majority of the respondents as shown by a mean score of 4.11 disagreed that after the merger bank staff no longer understand customers' needs and are always willing to help. The respondents disagreed that after the merger, the staff of the bank no longer give prompt service to customers (Mean=4.25), the staff no longer provide customers precise personal services (Mean=4.34), bank staff are too busy to respond to customers' request/queries (Mean=4.39) and that the bank staff do not have the knowledge to answer all client queries (Mean=4.45). The findings were sustained by low standard deviations indicating that the respondents had similar views on the statements.

4.5.4 Convenience

The study sought to establish from the respondents to the extent to which the statements of convenience apply to CFC bank after the Merger of CFC Bank and Standard Investment Bank to form CFC Stanbic Bank. The results from the analysis of findings are illustrated.

Table 4.5 Convenience

	N	Mean	Std. Deviation
1. The bank has alternatives of banking such as the agents	339	2.61	1.350
2. The bank has wide ATM coverage in the country	339	2.36	.865
3. The bank has wide coverage in the country in terms of branches	339	2.07	.728
4. The bank has internet banking that is that is secure	324	1.86	1.026
5. The bank has convenient working hours	339	1.79	.930
Valid N (listwise)	324		

Source: Research Data (2016)

The findings in Table 4.5 showed that most of the respondents as shown by a mean score 1.79 agreed that after the merger the bank had convenient working hours. Also the respondents agreed that after the merger the bank had internet banking that is secure as shown by a mean score of 1.86. Further the respondents agreed that after the merger the bank had a wide coverage in the country in terms of branches (Mean=2.07) and that the bank had a wide ATM coverage in the country (Mean=2.36). The study noted that the respondents (Mean=2.61) were uncertain that after the merger the bank had alternatives of banking such as the agents. The findings were sustained by a low standard deviation which was an indication that respondents held similar views.

4.6 Correlation Analysis

The study sought to establish the relationship between the four service delivery dimensions (tangibility, reliability, responsiveness and convenience) after the Merger of CFC Bank and Stanbic Investment Bank to form CFC Stanbic Bank. Pearson's correlations analysis was conducted at 95% confidence interval and 5% confidence level 2-tailed. The results from the analysis of findings are illustrated;

Table 4.6 Correlation Analysis

	Tangibility	Reliability	Responsiveness	Convenience
Tangibility	1			
Reliability	.355*	1		
Responsiveness	-.733**	-.181	1	
Convenience	-.085	.217	.036	1

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2016)

Refer to Table 4.6 it was established that tangibility had a positive moderate relationship with reliability of magnitude 0.355 which is statistically significant. It was found that tangibility had a statistically significant strong negative relationship with responsiveness of magnitude -0.733 and a weak negative relationship with convenience of magnitude -0.085. The research findings noted that responsiveness had a weak negative relationship with reliability of magnitude -0.181 and a very weak positive relationship with convenience of magnitude 0.036. Also, the findings showed that convenience had a weak positive relationship with reliability.

4.6 Effect of Mergers and Acquisitions on Service Delivery

Table 4.7: Descriptive Statistics

	N	Mean	Std. Deviation
1. Has the consolidation between the two banks impacted positively on the bank's performance?	339	2.3409	.83369
2. Did the merger and acquisition affect the efficiency of the bank?	339	2.2500	1.14374
3. Do you think the bank merger and acquisition improves service delivery at your bank?	339	2.3864	1.03914
Valid N (listwise)	339		

Source: Research Data (2016)

As presented in Tale 4.7, the respondents agreed with a mean score of 2.3409 that consolidation between the two banks improved bank performance at CFC Stanbic bank Kenya which was a result of better service delivery quality. The improved performance is explained by the synergies from the two financial institutions. The respondents also agreed with a mean score of 2.2500 that the merger lead to efficiency of the bank which is an indication that the banks took advantage of a wide branch coverage and technical expertise to perform better. The respondents agreed with a mean of 2.3864 that the banks merger generally improved the service delivery in the bank. This can be attributed to adoption of best practices and experiences of the combined by two different individual banks.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 ^a	.962	.962	.18272

a. Predictors: (Constant), Convenience, Responsiveness, Reliability, Tangibility

As presented in Table 4.8, 96.2 percent of variations in customer service delivery approvals with the banks services by the customers are explained by the variations in the customer service delivery attributes of convenience, responsiveness, reliability and tangibility.

Table 4.9: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	253.681	4	63.420	1899.630	.000 ^b
	Residual	9.916	297	.033		
	Total	263.597	301			

a. Dependent Variable: satisfaction with customer service delivery in the bank

b. Predictors: (Constant), Convenience, Responsiveness, Reliability, Tangibility

Analysis of variance (ANOVA) is presented in table 4.9. The F static has been used to measure if the regression model fits well. From the results, we can see that $P = 0.000$ which is less than 0.05 hence the conclusion that the service delivery attributes influence satisfaction with service delivery by the customers. The model shows that there was a statistically significant relationship between the variables as indicated by one way ANOVA ($F(4,301) = 1,899.63, p = 0.000$). As a result, the model explains the influence the attributes; convenience, responsiveness, reliability and tangibility have on customer satisfaction delivery in the bank.

Table 4.10: Co-efficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	.219	.128		1.715	.087
	Tangibility	.038	.022	.032	1.741	.083
1	Reliability	.001	.034	.000	.017	.986
	Responsiveness	1.004	.017	1.001	58.865	.000
	Convenience	.059	.018	.039	3.241	.001

a. Dependent Variable: satisfaction with service delivery in the bank

Table 4.10 indicates that there is a positive none statistically significant relationship between reliability and satisfaction with customer service delivery ($\beta=0.001$, $P>0.05$) implying that a unit increase in reliability of banks services and processes led to increase in satisfaction with the services by 0.001 units. Additionally, there is noted a positive relationship between tangibility and satisfaction with service delivery in the bank ($\beta=0.001$, $P>0.05$) implying that a unit increase in the attribute of Tangibility leads to 0.038 units of increase in satisfaction with service delivery in the bank.

4.8 Discussions of the Findings

The descriptive statistics showed that a greater number of the respondents agreed that responsiveness variables were the highest service delivery dimensions that were applied to CFC Stanbic Bank after the Merger. On the other hand Tangibility variables were the least applied after the merger. The respondents were bank customers and since consumers perceive quality based on physical evidence and price rather than the core service hence the low opinion on tangibility. The findings concur with Ruess & Voelpel (2012) who established that banks which are concentrated on the same industry may be interested in consolidation so as to increase their market share. Mergers and acquisitions in the financial sector could impact positively on the efficiency of most banks and assist them to grow as well, De-Nicolo (2003).

The study established the coefficient for reliability to tangibility was 0.355, this implied that a there is a moderate positive correlation between tangibility and reliability. The niche that customer are more satisfied to a more tangible services which thrives the bank's management and staff to carry out service in promised and correct way is the key root to the positive correlation. According to Cunningham & Young (2002), suggests that customers should but into comparison service perception to their expectations when measuring the quality of a service offered by a company.

The study established a strong negative correlation (-0.733) between responsiveness and tangibility and a weak negative relationship with convenience (-0.085). Responsiveness depicts the willingness of the bank staff to help customers when needed and deliver quickly while convenience ensuring easy accessibility of the banks services this contradicts with tangibility hence the negative correlations. The findings concur with Newman (2001) who revealed that a service is intangible as one it is performed it is consumed concurrently at the same time as its production.

The study established a weak negative correlation between reliability and responsiveness (-0.181). Also, responsiveness was found to have a very weak correlation with convenience (0.036). Convenience depicted a weak positive relationship with reliability. These findings were in line with Bastos and Gallego (2008) who indicated that customers will always opt for value which is delivered within the shortest time possible and meets their needs. As a result it is vital that companies understand the needs of the customer and meets them in order for business not only to survive but to flourish.

The study findings indicate that the Merger led to improved performance of CfC Stanbic bank as a result of efficiency in running the business as well as improved service delivery. This is consistent with the propositions in Ogada, Achoki and Njuguna (2016) that summarize that many theories point to the conclusions that organisation result to M & A's so as to benefit from derived economies of scale and scope, diversification of products and services and synergy.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research. Further, recommendations based on the findings and analysis are discussed. Also, suggestions for further research are presented.

5.2 Summary of the Findings

Mergers and Acquisitions have taken charge in creating a market niche by making top notch service delivery achievable through the synergy of M & A's (Goergen and Renneboog, 2004). Successful acquisitions ultimately depend on the correct timing, and they are suitable because they help in growing and expanding of the company (Ruess & Voelpel, 2012). The study sought to establish effect of mergers and acquisitions on service delivery at CFC Stanbic bank Kenya limited. Primary data for this study was collected from 385 customers through questionnaires. The model used to measure the different levels and quality of service delivery was the Servqual model of Kumar, Kee and Manshor (2009) which was based on four aspects namely; Tangibility, Reliability, Responsiveness and Convenience. Since the study intended to prove the relationship between the service delivery dimensions descriptive research design was most suitable. Descriptive research describes the situations and seeks to establish whether there is any relation between two variables based on the service delivery dimensions (Cooper and Schindler, 2006).

The study found that after CFC Bank merged with Standard Bank responsiveness practices were the most applied whereas tangibility practices were the least applied. Further the study found that after the merger, the bank facilities and designs had been improved and made customers feel comfortable, employees at the bank are neat in appearance, physical facilities at the bank had been replaced and are visually appealing, materials associated with the service at the bank had been redesigned and are visually appealing, and sufficient staff were available to provide customers banking services.

The study found that after merger banking service had improved and increased customer's confidence and trust in quality of services, staff had knowledge to answer to customers questions, the bank has become dependable on solving service problems, the bank staff have improved on providing services as promised, staff provide customers with prompt and appropriate services as compared to before, bank customers' sense of security during the transaction process had been improved, the bank had intensified insistence on error free bank transactions , records and statements, and that the staff advice clients on the best and suitable product and have the best interest for the client at heart. Also, the study found after the merger bank staff understood the customers' needs and are always willing to help, the staff provides customers precise personal services and have the knowledge to answer all client queries. Further the study found that after the merger the bank had convenient working hours, internet banking that is secure, wide coverage in the country in terms of branches and ATM.

The study established that there is positive relationship between tangibility and reliability. Also, that there is a negative relationship between tangibility and responsiveness and convenience. Further, the study noted responsiveness had a positive relationship with convenience and a negative relationship with reliability. Convenience had a positive relationship with reliability.

5.3 Conclusions

The study found that after CFC Bank and Standard Bank merged service delivery dimensions had been applied. The study concludes that tangibility, responsiveness, reliability and convenience had been applied after the merger. Also, responsiveness practices had been applied the most and tangibility practices had been applied the least. The service delivery dimensions (tangibility, responsiveness, reliability and convenience) influence one another negatively or positively. The study concludes that tangibility positively influences reliability, tangibility negatively influences responsiveness and convenience, responsiveness positively influences convenience and convenience positively influences reliability and responsiveness.

5.4 Recommendations

The study recommends that the government and policy makers should set regulatory requirements that ensure policies designed, will serve as guidelines in assisting the management of commercial banks in knowing what the procedures and policies to follow when that firms in Kenya grow through expansions attributed to Mergers and Acquisitions.

The management of CFC Stanbic Bank should use the service delivery qualities to propel the company to greater heights after the M & A's by excellent service delivery to its customers and keep it competitive so as to ensure overall success of the merger and acquisition.

Researchers and academicians should make use of this study as a basis upon which to carry out an in depth research on mergers and acquisitions and effect it has on other service delivery dimensions not examined in this study that enhance service delivery excellence.

5.5 Limitations of the Study

The study was limited to a sample of 385 customers whereby only 339 questionnaires were collected. Collecting data from the sampled customers was a tedious process as the respondents were reluctant in giving information to an external member as opposed to staff member and the fact that they assumed response could be used against them in the future. Some respondents even turned down the request to fill questionnaires. Time and resources allocated to this study could not allow the study to be conducted as deeply as possible in terms of service delivery dimensions that CFC Stanbic Bank had applied after the merger. Being a descriptive survey, research findings could not be generalized for other firms who have merged.

5.6 Suggestions for Further Research

A similar study should be carried out in other commercial banks and financial institutions that have carried out mergers and acquisitions to find out if the findings obtained would be similar. This study was carried out in CFC Stanbic Limited Kenya; it would be interesting to find out if the same results will be obtained by use of the same approach. Further study should look at how commercial banks in Kenya are responding to the challenges faced during and after mergers and acquisitions in terms of service delivery execution.

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APPENDICES

Appendix I: Letter of Introduction

C/O MBA Office University of Nairobi

P.O Box 30197 Nairobi

23th September 2016

Dear Respondent,

RE: SYLVIA WANJIRU MUNGAI- D61/75426/2014

I am a Post graduate student studying for a Master of Business Administration - Strategic Management option degree at the School of Business, University of Nairobi. I am currently conducting a research on “Effect of Mergers and Acquisitions on Service Delivery at Cfc Stanbic Bank Kenya Limited”. The purpose of this letter is to kindly request you to spare time to complete the attached questionnaire.

All information provided will be used purely for academic purposes and will be treated with confidence. A copy of the final report will be issued to your esteemed organization on request. Thank you very much for your cooperation.

In case of any queries or clarifications please do not hesitate to contact me.

Yours faithfully,

.....

Sylvia Mungai

MBA Student- Researcher

University of Nairobi

Tel: 0725-120945

Email: sylvia.mungai@gmail.com

.....

Dr. Kennedy Ogollah

MBA Supervisor

University of Nairobi

Appendix 1I: Questionnaire

I am a student from university of Nairobi, MBA in Strategic Management currently carrying out a research on the Effect of Mergers and Acquisition on Service Delivery at CFC Stanbic Bank Kenya Limited. The main objective of this questionnaire is to obtain your response about the quality of service delivery offered at the bank. The information obtained from you will be confidential and will only be used for academic purpose only. I therefore kindly request you to answer the following questions.

Thanking you in advance.

PRELIMINARY INFORMATION

- Tick Appropriately

Section A: DEMOGRAPHIC INFORMATION

1. For how long have you been a Customer of this bank?

- a) Less than a year ()
- b) 1-3 years ()
- c) 4-5 years ()
- d) Over 5 years ()

2. Education

- a) Diploma ()
- b) Degree ()
- c) Masters ()
- d) PhD ()

3. Gender

- a) Female ()
- b) Male ()

4. Age

- a) 20-29 years ()
- b) 30-39 years ()
- c) 40-49years ()
- d) 50 years and above ()

SECTION B: SERVICE DELIVERY QUALITY DIMENSIONS

Indicate the extent to which the following statements apply to your bank after the Merger of CFC and Standard Investment Bank to form CFC Stanbic Bank using a scale of 1 to 5.

Where: 1-Strongly agree 2-Agree 3-uncertain 4-Disagree 5-Strongly disagree

	PART A: Tangibility	1	2	3	4	5
1.	The bank facilities and designs has improved and make customers to feel comfortable					
2.	The physical facilities at our bank have been replaced and are visually appealing					
3.	Materials associated with the service (such as fliers or statements) at our bank have been redesigned and are visually appealing					
4.	Employees at the bank are neat in appearance					
5.	Sufficient staff is available to provide customers banking services.					
	PART B: Reliability					
1.	Banking service has improved and increases customers' confidence and trust in quality of services.					
2.	Bank customers' sense of security during the transaction process has been improved.					
3.	Staffs provide customers with prompt and appropriate services as compared to before.					
4.	The bank has intensified insistence on error free bank transactions, records and statements.					
5.	The staff advice clients on the best and suitable product and have the best interest for the client at heart.					
6.	The bank staff have improved on providing services as promised					
7.	The bank has become dependable on solving my service problems					

8.	The bank staff no longer perform services right the first time					
9.	The bank staff are nowadays not quick at responding to my queries					
10.	The staff are no longer willing to help me					
11.	The staff are no longer courteous					
12.	The staff have knowledge to answer my questions					
13.	The staff are approachable and willing to help me					
14.	The staff do not have the customers best interest at heart					
PART C: Responsiveness						
1.	The bank staffs no longer understand customers' needs and are always willing to help.					
2.	The bank staffs no longer provide customers precise personal services.					
3.	Staff of the bank no longer give prompt service to customers					
4.	Bank staffs are too busy to respond to customers' request/queries.					
5.	The bank staff do not have the knowledge to answer all client queries.					
PART D: Convenience						
1.	The bank has convenient working hours					
2.	The bank has wide coverage in the country in terms of branches.					
3.	The bank has Internet banking that is secure					
4.	The bank has wide ATM coverage in the country					
5.	The Bank has alternatives of banking such as the agents.					

SECTION C: EFFECTS OF MERGERS AND ACQUISITIONS ON SERVICE DELIVERY QUALITY DIMENSIONS

Indicate the extent to which the following statements apply to your bank after the Merger of CFC and Standard Investment Bank to form CFC Stanbic Bank using a scale of 1 to 5.

Where: 1-Strongly agree 2-Agree 3-uncertain 4-Disagree 5-Strongly disagree

PART A: Effects of Mergers and Acquisitions						
1.	As had been expected, the consolidation between the two banks has impacted positively on the bank's performance					
2.	As had been envisaged, the merger and acquisition has affected the efficiency of the bank					
3.	As per expectations, the bank merger and acquisition has improved service delivery at the bank					

END.

Thank you for your time.