

## Effect of Managerial Competence on Value-Based Financial Performance of Banks

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**To Link this Article:** <http://dx.doi.org/10.6007/IJARBSS/v12-i7/14299> DOI:10.6007/IJARBSS/v12-i7/14299

**Published Date:** 17 July 2022

### **Abstract**

This study investigates the connections between managerial competency (MC) and value-based financial performance (EVA, MVA and CVA) of acquirer banks listed on the Ghana Stock Exchange (hereafter: GSE). Correlational research design was employed for the study. Four banks: Ecobank Ghana Ltd, Access Bank Ghana Ltd, Societe Generale Ghana Limited and GCB Bank Limited were chosen for the study. Multiple regression model using Statistical Package for Social Sciences (SPSS) was employed for the data analyses. The findings suggest that MC has a positive and significant effect on value-based financial performance proxied by economic value added (EVA), market value added (MVA) and cash value added (CVA). The MCs required for merger and acquisition success in the banking sector comprised of Leadership Skills, Technical Skills, Fraud Risk Management Skills and Customer Value Management Skills. The study deepens literature on the requisite MC (intra-personal skills,

interpersonal skills, leadership skills, technical/business skills, fraud risk management skills, customer value management skills) for merger and acquisition success. Should there be increased shareholder value after a merger or acquisition, managerial competence plays a cardinal role. Traditionally, this value-based model provides guidelines or framework for staff in management evaluation for selection, development and performance management. these skills can be considered as the basis for management development programs as the skills needed to be effective can be developed in adults. the study was limited to only four acquirer banks listed on GSE, further study should be conducted on all listed banks on GSE to test the validity and operability of the value-based model of MC.

**Keywords:** Managerial Competencies, EVA, MVA and CVA

### **Introduction**

Banks provide the full value of the economy (Matama, 2008; Turyahebwa, 2013; Mugume, 2010). This supports the efficient allocation of financial stocks, the provision of essential services and mediation services and supports the development of new businesses and technologies in the wider economy (Harper and Chan, 2003). Since the financial crisis of 2008, the banking industry has been experiencing a weak financial performance, which has seen many investors lose lump sums (Chabrak and Dajj, 2007). Statistics show that in the USA alone, more than 500 banks have collapsed since 2008 to date. This has provoked much controversy around the world (Sener and Karaye, 2014; World Bank Annual Report, 2013).

In Ghana, the banking industry has recently undergone a major overhaul of electronic and online banking transformation, all with the aim of improving banking performance. There is a suspension of licensing of new banks and other financial institutions in an effort to strengthen the oversight of existing financial institutions and to ensure the efficiency of the banking system (Bank of Ghana, 2018). There has been an increase in the minimum amount required by existing banks and new entrants from GHS120 million to GHS400 million for the development, consolidation and development of the financial sector (Ghana Banking Survey, 2018). In addition, the licenses of the following banks were revoked due to their inability to improve their financial viability and to deal with financial challenges: UT Bank Ghana Limited, Capital Bank Limited, UniBank Ghana Limited, The Royal Bank Limited, Beige Bank Limited, Sovereign Bank Limited, and Construction Bank Limited (Ghana Banking Survey, 2018). The Ghanaian capital market is experiencing bearish conditions and banks struggling to raise the required funds to meet the regulator's needs are turning to business integration (M & As) as they are unable to inject new money or make their own savings (Ghana Banking Survey, 2018). Fraud cases were recorded in the 2,311 and 2,670 banking sectors and the reported fraud value was GHS 15.51 million and GHS 1.0 billion in 2019 and 2020 respectively (Banks and SDI Fraud Report (2020)). -25.40, compared to the loss of GHS 33.44 million in 2019 (Bank Fraud Report and SDI (2020)). It is widely accepted that the survival of commercial banks depends largely on their financial performance (Cull et al., 2009). the current trend, if not addressed, could lead to the collapse of several other banks.

The above phenomenon has opened the floodgate for most stakeholders to question the managerial competence of the heads of these defunct banks. Should the poor performance of these banks be blamed on the incompetence of the managers? Is it fair to say that these five (5) defunct banks lacked the managerial competence to turn the wheel of fortune of these

banks to their owners' admiration? If these banks' heads were competent, would it have reflected positively on their respective banks' value-based performance?

While it is common knowledge that managerial competencies are cardinal to banks' success if they desire to gain sustained competitive advantage, there is limited evidence of managerial competency awareness, benefit, practice, and effect on banking performance. Preston (2008) believes that managerial competencies provide a benchmark for comparing actual and desired performance. This view is upheld by Krajcovicova (2012); Fatoki (2014) who opined that competent staff contribute significantly to the achievement of organizational goals and objectives. Frey (2010) observes that competent management can boost financial performance of enterprises. Frey (2010) argues that competent management can increase the financial performance of businesses. In Frey's definition, competent executives develop sound credit policies that can improve loan repayment and thus increase company profitability and sustainability. Management skills are essential to the effective management and operations of an organization. Martina et al (2012) noted that a dynamic business environment requires management skills to achieve organizational strategic objectives. These skills in the form of knowledge and skills discriminate the company and generate unique advantage. Magala (2010) also notes that the basic resources and strengths of each company can translate into competitive systems that improve business performance.

Performance depends on the various success indicators of organizational and management character (Gorgievski et al., 2014). However, few studies conducted on bank performance have only identified a business character who exposes strong factors as the basis for bank instability (Chi Simoni, 2012; Fatoki, 2014; Mazzarol, 2015). Studies have reduced management morality. Therefore, this study will apply the effect of the management factor on bank performance. The management skills required for bank growth have been calculated so that managers can use, adapt, and implement new technologies and business processes that improve the performance of banks in Ghana.

Performance is a multidimensional spectacle that contains the various conditions of a financial and non-financial character (Gorgievski et al., 2014). Management skills form a non-financial type to investigate bank performance. In contrast, existing literature focuses on individual skills that do not include management skills (Chang & Tharenou, 2008; Rogerson, 2008). Therefore, this study will combine all the skills to provide a comprehensive demonstration tool for banks to increase their economic value, market value and value for money added to Ghanaian listed banks.

Owing to this background, it is arguably clear that managerial competence boosts a firm's financial performance. Nevertheless, there is no literature on the mediating effect of managerial competence on value-based financial performance of acquirer banks listed on the Ghana Stock Exchange. Even then, while there are considerable efforts to understand this financial performance challenge as predicted by managerial competence in commercial banks, most strands of this research have focused primarily on developing economies. This study therefore explains this phenomenon by accentuating holistic and contextual aspects in a developing economy perspective. Subsequently, scholars and practitioners will thoroughly understand the relevance of improving their managerial skills and abilities to have an edge over their compatriots and foster improved financial returns.

**Research Objective**

- To determine the effect of MC on EVA of acquirer banks in Ghana
- To ascertain the effect of MC on MVA of acquirer banks in Ghana
- To examine the effect of MC on CVA of acquirer banks in Ghana
- To examine value-based MCs of acquirer banks in Ghana

**Literature Review***The Upper Echelon Theory*

The genesis of understanding the concept of high echelon dates back to March and that of Simon (1958) the view that, executives present their set "Given's" as values and principles of thinking in a decision-making setting. That is, strategic decisions made by managers are not based on real "real" situations but rather on the skills and opinions of the manager. Grant (2003) suggests that companies with strong consensus about strong thinking and ability are better able to achieve consistency between resources, strategy, structure and style. According to the theory, organizations become the showcase of their top executives and the domains of management and skills are a precursor to strong success (Finkelstein et al., 2009). The theory simply states the effect of firm operations on the characteristics of their senior management teams and associates (Carpenter et al., 2004; Hambrick and Mason, 1984). Based on this, Mbazi et al (2004); Hambrick and Mason (1984), add that the personal skills of senior management can have a direct impact on organizational outcomes. For example, Bantel and Jackson (1989) reported that smart banks run by highly educated teams with a wide range of expertise about their workplaces. Theory recognizes that individual executives have a profound effect on the organizational outcomes of their decisions, which are influenced by the characteristics of the management. Hambrick and Mason (1984) went on to say that the characteristics of the upper classes and their choice of strategies help define the functioning of the organization. These traits that Boyatzis (2008) called management skills discriminate against a company and generate competitive advantage. To create a sustainable competitive advantage; skill should be important, unique and difficult or expensive to repeat. As a result, it provides a new perspective on strategic leadership, decision-making and many other aspects and processes involved in the operation of firms (Heracleous, 2001). This means; if the top executives are good strategists, they can end up in a strategic position and give the company a lot of competition. For this reason, it is worth noting that the success or failure of a company is determined by the level of senior echelon or management teams.

**Managerial Competency**

Management competence are a set of related skills, attitudes and information that affect a person's work, which link to performance in the workplace (Mitchelmore and Rowley, 2010; Nieman and Nieuwenhuizen, 2009). According to Machirori (2012), management competence refer to the set of individual behaviors that should be adopted in a position where the functions from this position are well understood. Management competence also refers to a set of behaviors that give employees the ability to demonstrate efficiency in a specific task done in their line of work (Darrol, 2013).

In a model of a complete domain of management skills, Hogan and Warrenfetz (2003) stated that all management skills can be divided into four basic skills: interpersonal communication; interpersonal skills; leadership; and business skills. However, two skills are important; work and mentoring, which are essential for management performance and effectiveness, are not

taken into account in the model. This leaves a skills gap that the specific domain model wanted to address by incorporating job success and management skills such as effective management skills.

Besides, the extended holistic-domain model is bereft of two relevant managerial skills (*Customer Value Management Skills and Fraud Risk Management Skills*) that are more akin to maximizing shareholder's wealth. In addition to their conventional managerial role and leadership tasks, managers must consider *customer value management skills* and *fraud risk management skills* as part of their responsibility. Extending Yukl's (1989) definition of a first-class manager as a manager with leadership skills, in contrast to a general manager, a first-class manager has leadership skills, customer value management skills and fraud risk management abilities. Need to emphasize that managers' competencies are relevant only if they add value to shareholders' wealth. The managers' competencies increase the economic value added; market value-added; and the business organization's cash value. This results in a competency gap which the proposed *value-based managerial competence model* seeks to address by including *customer value management skills and fraud risk management skills* as competencies for effective managerial performance and shareholder value maximization. This makes the model more holistic, increase its explanatory richness and power and describe the model as '*value-based managerial competencies*'. Thus, '*value-based model of managerial competencies*' comprise business/technical, leadership, interpersonal, intrapersonal, customer value management, and fraud risk management skills. This is what the proposed '*value-based managerial competencies model* conceptualizes.

#### *Fraud Risk Management Skills*

The negative economic impact of fraud is more severe on the financial industry than on other economic sectors. In the banking sector, fraud can lead to loss of reputation and lead to loss of potential customers (Vousinas, 2016). In the case of fraud, banks incur high operating costs by repaying customer losses (Gates & Jacob, 2009), while bank customers experience a lot of time and emotional losses that damage the bank's relationship with the customer due to despair and confidence. Subsequently, this will increase dissatisfaction due to perceived service failures (Hoffmann & Birnbrich, 2012) and may ultimately lead to poor performance and bank failure.

Fraud risk management refers to activities designed to identify and enhance business practices to reduce the risks arising from real and potential corporate fraud cases, including prevention, detection and response. An effective business fraud management approach focuses on three aspects: detection, prevention, and response (Boateng and Acquah 2014; KPMG, 2016). Fraud detection involves the identification of a very fast fraud. Fraud detection strategies are implemented to effectively and quickly detect past fraud prevention measures so that the organization can take appropriate remedial action. Most frauds are committed internally which takes a long time to detect (KPMG, 2017b). Fraud detection involves mechanisms that operate at both unit and bank levels, encompassing all available controls to reduce operational risks that contribute to possible fraud detection (Burazeri & Clear, 2015). Burnaby et al (2009) in detecting fraud committed by an organization reveals that access control reviews, tangible guarantees and risk assessment control assessments are the most effective means of detecting fraud. Telephone numbers, however, are an important measure in controlling mathematical fraud. Regular training in ethics (fraud), external audits and

internal audits all reduce the loss of fraud by detecting fraud when used separately (Dominic & Lanoue, 2015; Halbouni, 2015; As & Osiemo, 2013).

Fraud prevention denotes avoiding the occurrence of fraud. In other words, it involves efforts to reduce the frequency of fraud to zero. Prevention and prevention measures cost less than the time and cost required to detect fraud and litigation (Sanusi et al., 2015). The best way to combat fraud is to prevent it from happening in the first place, and to prevent it especially in the development of critical business processes (Albrecht et al., 2012). Fraud prevention begins by identifying weaknesses in current organizational systems. When introduced, enforcement controls will reduce the chances of fraud and warn potential fraudsters that the organization is monitoring the business violently and in turn avoiding fraud. Therefore, it is important to emphasize the prevention of fraud, as it reduces the chances of fraud occurring. Fraud prevention efforts / activities include human intervention, technology, and organizational development policies. Applying prevention strategies will prevent bank fraud and maintain the integrity, security, and integrity of financial services. Human intervention measures, including impressive auditing, fraud prevention training, staff counseling programs, staff trust reviews, customer affiliate reviews, restrictions and accreditation authorities, are among the measures to prevent fraud in the organization (Halbouni et al., 2016; Omar and Bakar, 2012). In an employee awareness training program, all employees need to be given clear roles and standards and to be familiar with their ethical standards (Freddie, 2016). Other approaches include employee flexibility and the involvement of more than one person in high value payments (Bhasin, 2016). Similarly, expert organizations such as INTOSAI (2004) reveal that the fraud prevention approach should include job segregation (authorization, recording, review, and processing), limitations, authorization and authorization process, and control access to resources and records.

According to ACFE (2010), having multiple ways and means of reporting fraudulent activities in an organization leads to effective fraud management. Organizations should see the development of a fraud prevention strategy. The high tone should describe the many ways in which reporting incidents of fraud are detected or suspected (Biegelman & Bartow, 2012). The most effective methods of response to fraud reported by Kapardis and Papastergiou (2016) include an internal investigation, referred to the appropriate authority, reviewed by the audit committee, voluntary resignation or retirement, public action to obtain a refund or suspension, resolved before the courts, immediately. dismissal, and disciplinary action. As a response, fraud investigations may involve law enforcement teams and internal fraud investigators (KPMG, 2017).

Biegelman and Bartow (2012) suggested that the organization should be equipped with internal fraud investigators to respond to fraud. It is the authority of the fraud response team to issue recommendations for prevention and prosecution. Accepting key recommendations is still a difficult task for senior management or performance heads (Institute of Internal Auditors, (IIA, 2018) It also recognizes that many organizations still have challenges in implementing actions and recommendations for managers and directors accused of fraudulent conduct.

*Customer Value Management Skills*

According to Nguyen and Kleiner, it is important to share roadmap for future products with customers as soon as possible so that they feel secure with their purchase decisions. This will maintain customer confidence. In addition, the new company must assure its customers that the service, support staff, and vendors will continue to serve customers without interruption. The help desk is a very important area because this is the front that can have an immediate impact on how customers view the company.

During the post-merger period, companies become more introspective. After the announcement of the agreement, both companies will focus more. The most vulnerable areas for companies to sell and service (Huang and Kleiner, 2004). Unfortunately, soon after the agreement was reached, many organizations received lower sales, as well as increased complaints about customer service. When sales and service suffer, people in these groups often suspect M&A activity. Therefore, managers must ensure that they maintain the sales and service standards expected by their customers. Marketing and service improvement activities need to be highly organized and implemented quickly (Huang and Kleiner, 2004).

It is very important for companies to avoid misunderstandings near customers. It often happens that customers feel confused after the companies involved in M&A. Sometimes companies still do not know how to restructure companies, what will happen to products, etc. If they do not address the issue immediately, some potential buyers may leave the company and move on to their competitors.

Although banks have recently become increasingly prone to producing a perceived customer value, they have experienced high dissatisfaction with consumers (Johnston, 1997). This is because it is not yet fully understood what consumers want. While it seems obvious to everyone how important it is for a company to write a promise of value to a customer, it does not seem clear what price the customer sees. Many banks have invested heavily in CRM and Data Warehousing tools, but many financial institutions still have a lot of work ahead of them to identify relevant information and use it effectively to make a profit for their customers. Sheth et al (1991) added a method of estimating customer value while defining its five types: performance value, social value, emotional value, epistemic value and conditional value. In contrast, Sweeney & Soutar (2001) incorporated specific factors into operational value (value or cost, flexibility and estimated product quality) and argued that value and conditional value should not be included in customer value formation. Roig et al (2009) prioritises the estimated six-dimensional structure of the banking sector (the effective value of institutional installation (banking business); it is very important while creating customer loyalty where emotional value is the second highest order in terms of value.

Based on the above revised literature, most researchers agree on three important values of customer value: performance, emotion, and social. The cost of operating tangible items related to value, quality of service, employees affected, and the value of a banking business transaction. Social norms such as personal beliefs, social cohesion, and ideas and references to relatives and friends. Emotional value is considered a suggestion for non-physical factors and may include a positive mental state; rest and security of financial performance; luxury; honesty and satisfaction; positive emotions and experiences.

**Value-Based Financial Performance Measurement**

One crucial limitation of the traditional performance measures is that they seem to have a considerable level of accuracy when measuring short-term financial incidents, but records gross error when tasked with long term effects of the firm's activities. Furthermore, these performance measures do not consider inevitable economic phenomenon such as risks, inflation, interest fluctuations, economic downturns etcetera, which often hit businesses and this is one of the major reasons they fail to reflect the true picture of the financial state and prospects of a firm (Lokanadha and Raghunatha, 2006). The traditional measures lack the ability to offer reliable indication of a firm's future prospects, making it less useful to potential and existing investors as well as other stakeholders of a business.

Their proponents present Value-based financial performance indicators as major improvements than conventional performance measures. Most importantly, by incorporating the company's financial costs into accounting, it is said that they can be used to assess the ability to generate company values (Young & O'Byrne, 2001: 431; Lehn & Makhija, 1997): 35). If the returns from a company's projects exceed its capital expenditure, these projects will reflect current prices and, as a result, shareholder value increases (Grant, 2003: 81). It is also suggested that these value-based measures attempt to overcome the weaknesses and shortcomings of the standard operational measures outlined.

**Analysis of Economic Value Added (EVA)**

EVA is described as a value-based measure of performance, a tool for making investment decisions, and an indication that reflects genuine shareholder value over time (Chen and Dodd, 1997; Bromwich and Walker, 1998). EVA is a financial management and strategy development technique that helps businesses obtain a higher return on investment than the cost of capital. EVA is a metric that quantifies the difference between a company's capital expense and return (Stewart, 1991). It indicates that if EVA is positive, the firm has generated value for its shareholders, and vice versa.

According to traditional accounting, the majority of the businesses appear to be profitable. Despite this, many companies are undermining shareholder value by squandering earnings due to their high cost of capital. EVA corrects this flaw by stating unequivocally that when managers use capital, they must pay for it. EVA calculates the amount of wealth generated or destroyed in each reporting period by taking into account all capital costs, including the cost of equity. EVA for a certain duration can be expressed as a formula:

$EVA = NOPAT - (WACC \times CE)$ , Where:

NOPAT: Net Operating Profit After Taxes but before financing costs

WACC: Weighted Average Cost of Capital

CE: Capital Employed (Total of the balance sheet – non-interest-bearing current liabilities at the beginning of the year)

COST OF CAPITAL: Cost of equity x proportion of equity in Capital + Cost of debt x proportion of debt in Capital (1- tax).

Economic add value = net income after tax - (average weighted capital cost × total capital). Added economic value can be seen as income after the capital costs. On the other hand, it has been demonstrated that accounting trends provide numerous expenses to attain the profit indicated in the financial statements, but the cost of capital is not deducted (al-Janabi



& Mohammed, 2014; Al-Awawdeh & Al-Sakin, 2018). EVA is a valuation-based way of measuring financial performance that quantifies the difference in financial terms between the return on firm capital and the cost of capital. This is similar to how profits are calculated in traditional accounting, with one major difference: EVA assesses the cost of all capital (Masyiyan & Isyнуwardhana, 2020).

### **Analysis of Market Value Added (MVA)**

The value that is created for the firm above that value is called the premium value which is called the Market Value Added, also known as Management Value Added. It is a value that is created because of the quality of the management to earn superior rates of return above the required for risk. The Market Value Added is the difference between market value of a company and the capital which is contributed by the investors. Market Value Added = Market value of the Equity + the book value of debt – all of the capital investors have provided (including loans, retained earnings and paid in capital). The difference between a company's total market value and its economic capital is the MVA. The economic capital is the amount of money invested in the firm, which is equal to fixed assets minus net working capital.

$$\begin{aligned} \text{MVA} &= \text{Total Market Value} - \text{Total Capital} \\ &= (\text{MV of Stock} + \text{MV of Debt}) - \text{Total Capital} \end{aligned}$$

Where MV of Stock = Market Capitalization = Shares Outstanding x Stock Price

MV of Debt = Book Value of Debt (as an estimate to the MV)

Total Capital = Total Book Value of Debt and Equity

It basically means what investors have put into the company and what they could get from the company if they sold the company in today's market. A positive MVA is more preferred as it indicates that the management has increased the value of its capital, creating shareholder's wealth. It can also be negative suggesting that the company has destroyed shareholder wealth. It thus indicates that MVA is of great importance for the shareholder's because it represents premium value created, but the problem is cannot be used as a basic concept in valuation, as it measures the value only till the consolidated level of the company. The MVA is mostly affected by the external forces, for example – 75% of the company's market value is determined by the factors unrelated to the company's performance i.e. the general state of the world, interest rates, inflation, economic expectations and industry conditions, all factor into the market value of the company.

### **Analysis of Cash Value Added (CVA)**

The Boston Consulting Group (BCG) coined the term Cash Value Added (CVA), which is a mix of EVA and CFROI. A capital charge depending on the capital invested in the company is removed, similar to EVA. As a result, CVA is a different type of return on investment. CVA, on the other hand, estimates the surplus cash flows generated above the capital cost rather than utilizing economic profit statistics. The metric incorporates all of EVA's advantages while also seeking to enhance it by focusing on cash flows rather than profit statistics (Martin and Petty, 2000:128). Depreciation and accruals are added back when computing the cash flow figures contained in CVA, which is one of the major variances between CVA and EVA. When calculating the capital cost, the cumulative depreciation is also included with the invested capital amount.

CVA is computed by deducting a gross capital charge from operational cash flow rather than operating profit (as was the case with EVA). Depreciation and amortization are used to turn NOPAT into operating cash flow (Martin & Petty, 2000: 128). To convert NOPAT into a cash flow statistic, changes in other long-term obligations, such as provisions and deferred taxes, are also included. Unlike EVA, the capital charge is based on the gross value of the invested capital rather than the net number (Martin & Petty, 2000: 141). Depreciation that has accrued is added back to the invested capital.

$$CVA_t = \text{Operating cash flow} - \text{gross capital charge} \\ = (NOPAT_t + CVAAdj_{op}) - [c^* \times (IC_{t-1} + AccDepr)]$$

CVAAdj<sub>op</sub> = Depreciation, amortization and changes in other long-term liabilities

AccDepr = Accumulated depreciation

### Managerial Competences and Financial Performance

A review of the available literature shows that strong financial performance depends on market imperfections and management decisions about resources (Amit and Schoemaker, 1993; Chye et al., 2010; Turyahebwa, 2013). For example, Opler and Titman (2004) argue that the efficient use of resources depends on the decisions of the management team. Pablo (1994) also argues that strong performance is not about having better resources but rather being able to make better use of available resources. Similarly, Enders (2004) added that strong differences are the result of superior management. Dittmar and Mahrt-Smith (2007) also noted that better-managed firms produce approximately twice as much returns as poorly managed ones. In addition, Kyereboah-Coleman and Biekpe (2006) noted that poorly managed firms have more problems with sustainability than better ones. In other words, the level of management is an important driver of solid performance. On the other hand, Stokes and Oiry (2012) noted that management skills are important in any institution regardless of industry. They point out that every time an institution does well it simply means that it has the right staff to make the right decisions to see the institution go. However, Turyahebwa (2013) suggested that firms see today that formal education alone is not enough to guarantee competence. Now, companies have turned to human resource development, namely skills development and formal education to achieve better factory performance.

In a study by Chye et al (2010), concluded that in many financial institutions that collapsed, performance was linked to management ability. The findings are also consistent with Brown et al (2004), who found that better governed firms are more profitable, more valuable than less well-managed companies and offer better benefits to their shareholders. Jay (2010) also points to the impact of good management on financial performance and states that managers often have more control over operating costs compared to revenue and therefore can maintain a lower rate of operating costs, which means greater profit for the company. In addition, managers need to keep the portfolio clean by specifying how much the clients are entitled to and that borrowers pay on time to reduce the backlog and repayment costs in order to increase the efficiency of firms. For this to happen, the company must have experienced and competent managers who create a strong competitive edge.

Fiol (2001) added that competence include a set of skills and resources a company has and how those resources are used to produce results. The strength or character of a person or organization is a source of competitive advantage when it is able to answer questions, related

to value, uniqueness, impossibility and substitution (Barney, 1991; Wright et al., 2001). Management competence are unique because people cannot be separated from their knowledge, skills or values in the way they can be separated from their material assets. Martina et al (2012) explain that outstanding performance is a reflection of a competent authority, and these skills lead to competitive advantages, for example, SMEs in the Ghanaian industrial sector are unable to gain competitive advantage due to their managers' inability to demonstrate the necessary management skills can help motivate and increase the performance of their employees. This view builds on Boyatzis (2008), as well as Lucia and Lepsingner (1999) that skills are factors that lead to effective and outstanding performance. Professional skills enable a company to provide a basic value and profit to the customer, leading to customer loyalty. Customer loyalty and customer retention are the most important challenges most CEOs face around the world. Therefore, management competence contributes to the development of reliable customers which can lead to increased sales and customer share, lower costs and higher prices (Alrubaiee and Al-Nazer, 2010). In fact, Wang and Changa (2005) agreed that managerial competence are an important factor in strong current and future competition and strong value growth.

Drawing from the afore mentioned, the study hypothesized that:

- **H<sub>01</sub>:** Managerial competence have a significant positive effect on EVA
- **H<sub>02</sub>:** Managerial competence have a significant positive effect on MVA
- **H<sub>03</sub>:** Managerial competence have a significant positive effect on CVA
- **H<sub>04</sub>:** Managerial competence have a significant positive effect on the value-based financial performance of listed acquirer banks in Ghana

## **Methodology**

### *Research Design*

This study utilized a cross-sectional and quantitative research design. A study sample, comprising four (4) acquirer banks listed on GSE involved in an M&A activity from 2008 and four hundred and eighty-two (482) respondents, were purposively selected for this study. These banks include Societe Generale Ghana (SOGEGH), Access Bank Ghana Limited (ABG), GCB Bank Ltd and Ecobank Ghana Limited (EGH).

### **Data Processing and Analysis**

The data collected was analysed quantitatively using regression equations, which were solved using STATA version 13.0 software. The study adopted value-based financial performance and managerial competence as dependent and independent variables respectively.

### **Independent Variable**

The study sample comprised of four (4) acquirer banks listed on GSE involved in an M&A activity from 2008 and four hundred and eighty-two (482) senior and middle level managers of the respective banks, were purposively selected for this study. In soliciting data for the independent variables (managerial competence), self-administered questionnaire was issued to the respondents which questionnaire were anchored on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Managerial competence was measured in terms of Intrapersonal Skills (IntraPS), Interpersonal Skills (InterPS), Leadership Skills (LS), Technical Skills (TS), Fraud Risk Management Skills (FRMS) and Customer Value Management Skills (CVMS)

**Dependent Variable**

There is no gainsaying that the goal of every business organisation is to maximise shareholder value. According to Kartika et al. (2019), a firm should address the stakeholder's interests, ensure ethical business practices and the legitimacy to maintain sustainable operations, and obtain investors' trust to improve shareholders' value. Therefore, EVA, MVA and CVA are used as three different value-based financial performance measures. The analysis is based on secondary data from Ecobank Ghana Limited, Access Bank Ghana Limited, Societe Generale Ghana Limited, and GCB Bank Limited's audited annual reports from 2008 to 2021.

Table 3.1

*Measurements of Variables*

<b>Variable type</b>	<b>Variable Name</b>	<b>Sub-Variables/measure</b>	<b>References</b>	<b>Measurement Tool</b>
Independent Variable	Intrapersonal Skills	<ul style="list-style-type: none"> <li>- Emotional stability and self-control</li> <li>- Core self-esteem and self-confidence</li> <li>- Proactive and problem identifier</li> <li>- Courageous and assertive</li> <li>- Achievement-oriented</li> <li>- Perseverance and resilience</li> <li>- Integrity and trustworthiness</li> <li>- Creativity and adaptability</li> </ul>	Benthal et al (2004); Boyatsiz (2008, 2009); Judge and Bono (2001); Kaiser and Hogan (2010).	5-point Likert scale. 8 sub variables
Independent variable	Interpersonal Skills	<ul style="list-style-type: none"> <li>- Build strong relationships with staff</li> <li>- Active listening to complaints</li> <li>- Effective communication skills</li> <li>- Team building and networking</li> <li>- Empathy and sensitivity</li> <li>- Building mutual respect</li> <li>- Approachable</li> </ul>	Gerstner and Day (1997); Schriesheim et al (1999)	5-point Likert scale. 7 sub variables
Independent variable	Leadership Skills	<ul style="list-style-type: none"> <li>- Conflict management prowess.</li> <li>- Optimism about future</li> <li>- Envisioning the future.</li> <li>- Share new ideas about the future</li> </ul>	Furnham (2002); Judge and Bono (2000); Korterman (2006)	5-point Likert scale. 9 sub variables

		<ul style="list-style-type: none"> <li>- Walking the talk</li> <li>- Motivating employees</li> <li>- Innovation and conflict resolution</li> <li>- Managing diversity</li> <li>- Supporting in times of crises</li> </ul>		
Independent variable	Technical Skills	<ul style="list-style-type: none"> <li>- Business acumen and intellectual capability</li> <li>- Quality decision making and analytical thinking</li> <li>- Problem-solving capability</li> <li>- Readily recognition of socio-political constraints</li> <li>- Planning and organizing ability</li> <li>- Setting priority to enhance performance</li> <li>- Managing human, information and material resources effectively</li> <li>- Introduction of innovative business processes</li> </ul>	Reio and Sutton (2006),	5-point Likert scale. 8 sub variables
Independent variable	Fraud Risk Management Skills	<ul style="list-style-type: none"> <li>- Detective fraud risk management</li> <li>- Preventive fraud risk management</li> <li>- Responsive fraud risk management</li> </ul>	Samociuk et al (2010); Halbouni et al (2016); Albrecht et al (2012); Guardian Analytics (2011); Freddie Mac (2016); Bhasin (2016); INTOSAI (2004); Halbouni et al (2016); Omar et al (2016); Omar and Bakar (2012)	5-point Likert scale. 3 sub variables
Independent variable	Customer Value	<ul style="list-style-type: none"> <li>- Physical Environment,</li> </ul>	Roig et al (2009); Sanchez et al (2006);	5-point Likert scale. 5 sub variables

	Management Skills	- Contact Personnel Professionalism, Service Quality - Price - Emotional value - Social Value	Titko and Lace (2010); Smith and Colgate (2007); Izquierdo et al (2006); Kothari (2014); Gounaris et al (2007); Buciniene et al (2009)	
Dependent Variable	Value-based Financial Performance	- Economic Value Added - Market Value Added - Cash Value Added	Stewart (1991, 1994); Stern (1993); Milunovich and Tsuei (1996), O'Byrne (1996), Chen and Dodd (2001), Hall (2013), Worthington and West (2004), Chmelikova (2008); Lee and Kim (2009).	Audited financial report of acquirer entities

**Model Specification**

A multiple regression model was used to analyze the quantitative data where the independent variables were regressed against the dependent variable to obtain inferential results. The multiple regression model showed whether there is a positive or negative relationship between independent and dependent variables. Multiple regression is also useful in showing linear elasticity/sensitivity between independent and dependent variables. The study adopted the following model to test whether economic value added, market value added, and cash value added is a function of the independent variable (managerial competence, hereafter MC).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Where:

Y = Value-based Financial Performance (is measured by economic value added, market value added, and cash value added).

$\beta_0$  = Constant variables that affect the value-based financial performance of acquirer banks listed on the Ghana Stock Exchange

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5,$  and  $\beta_6$  are the coefficient of the independent variable

X1 = Intrapersonal Skills (IntraPS)

X2 = Interpersonal Skills (InterPS)

X3 = Leadership Skills (LS)  
 X4 = Technical Skills (TS)  
 X5 = Fraud Risk Management Skills (FRMS)  
 X6 = Customer Value Management Skills (CVMS)  
 ε = Error term

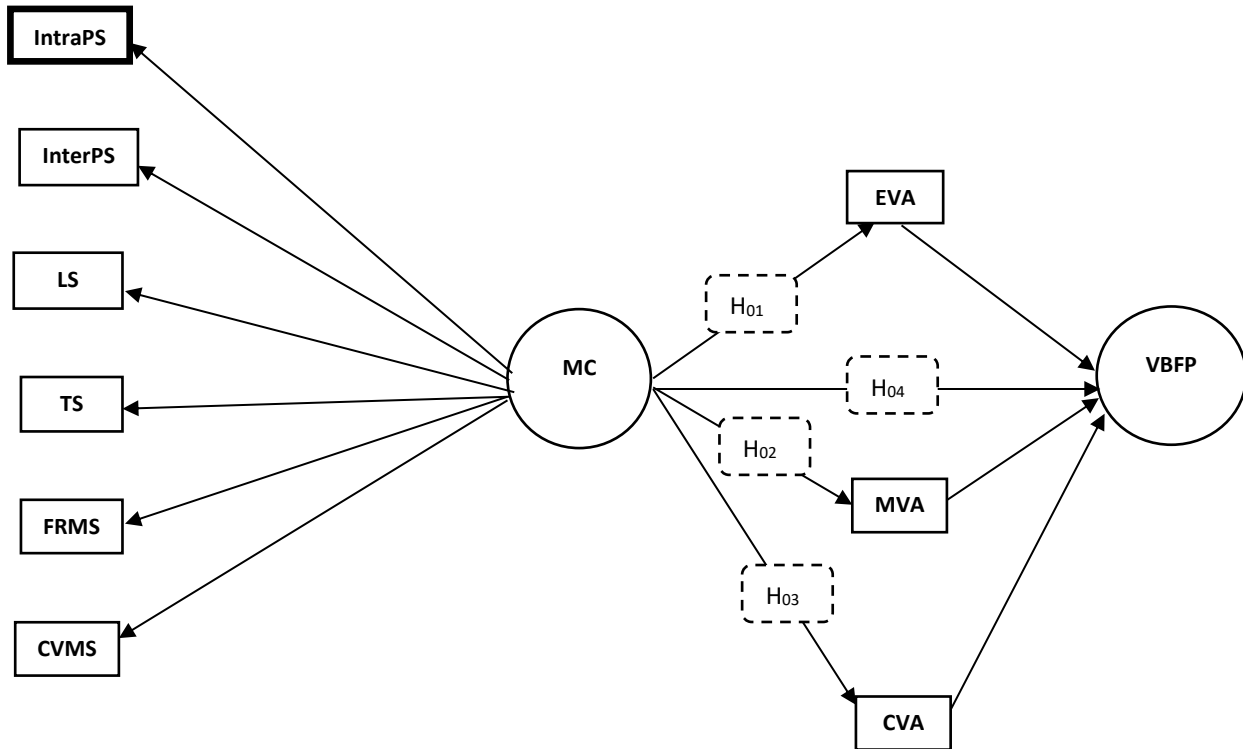


Figure 3.1: Conceptual Framework  
 Source: Authors construct (2022)

**Legend**

- IntraPS** = Intrapersonal Skill
- InterPS** = Interpersonal Skill
- LS** = Leadership Skill
- TS** = Technical Skill
- FRMS** = Fraud Risk Management Skill
- CVMS** = Customer Value Management Skill
- EVA** = Economic Value Added
- MVA** = Market Value Added
- CVA** = Cash Value Added
- VBFP** = Value-based Financial Performance

**Results**

**H01: MC has a significant positive effect on EVA**

The results of the linear regression in Table 4.1 indicate that  $R = 0.915$  and  $R^2 = 0.838$ . The R-value of 0.915 indicates a strong linear relationship between managerial competence (hereafter, MC) and economic value added (hereafter EVA) of listed acquirer banks in Ghana. This means that MC has a strong influence on EVA. The  $R^2$  indicates that about 83.8% of the EVA variations are explained by the model  $EVA = \beta_0 + \beta_1 (MC)$ , and 16.2% is unexplained by

the model. According to Zygmunt & Smith (2014), in general terms the healthy variation dependent should be at least 60%, thus this model is found to fit well as it predicted more than 60% of the total model.

Table 4.1

*Model Summary for MC*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.915 <sup>a</sup>	.838	.835	3.319

a. Predictors: (Constant), MC

ANOVA statistics is used to represent the regression model significance. As in Table 4.2, the significance value for the F statistics is 283.953 and the significance ratio of 0.000 is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model  $EVA = \beta_0 + \beta_1(MC)$  which is statistically significant.

Table 4.2

*ANOVA for MC*

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	3127.692	1	3127.692	283.953	.000 <sup>b</sup>
Residual	605.816	480	11.015		
Total	3733.508	481			

a. Dependent Variable: EVA

b. Predictors: (Constant), MC

The results on the beta coefficient in Table 4.3 shows that the coefficient  $\beta = 0.279$  is significant because its p-value =  $0.000 \leq 0.05$ . This confirms a significant positive effect of MC on EVA of listed acquirer banks in Ghana. Therefore, the study accepts the first null hypothesis that: *"managerial competence have significant positive effect on economic value added of acquirer banks listed on the Ghana Stock Exchange"*. Thus, the contribution of MC to EVA was not by chance. This results in the model:  $EVA = -5.523 + 0.279(MC) + \epsilon$ . The study found that if MC were constant at zero, EVA realized was -5.523. The analysed data findings also showed that taking other independent variables at zero, a unit increase in MC led to 0.279 increases in EVA of acquirer banks listed on the Ghana Stock Exchange.



Table 4.3

*Regression Coefficients of MC*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-5.523	2.428		-2.275	.027
MC	.279	.017	.915	16.851	.000

a. Dependent Variable: EVA

**H<sub>0</sub>2: MC has a significant positive effect on MVA**

The results of the linear regression in Table 4.4 indicate that  $R = 0.791$  and  $R^2 = 0.626$ . The R-value of 0.791 indicates a strong linear relationship between managerial competence (hereafter MC) and Market value added (hereafter MVA) of listed acquirer banks in Ghana. This means that MC has a strong influence on MVA. The  $R^2$  indicates that about 62.6% of the MVA variations are explained by the model  $MVA = \beta_0 + \beta_1 (MC)$ , and 37.4% is unexplained by the model. According to Zygmunt & Smith (2014), in general terms the healthy variation dependent should be at least 60%, thus this model is found to fit well as it predicted more than 60% of the total model.

Table 4.4

*Model Summary for MC – MVA*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.791 <sup>a</sup>	.626	.620	4.707

a. Predictors: (Constant), MC

ANOVA statistics is used to represent the regression model significance. As in Table 4.5, the significance value for the F statistics is 92.201 and the significance ratio is 0.000 which is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model  $MVA = \beta_0 + \beta_1(MC)$  which is statistically significant.

Table 4.5

*ANOVA for MC and MVA*

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2042.554	1	2042.554	92.201	.000 <sup>b</sup>
Residual	1218.428	480	22.153		
Total	3260.982	481			

a. Dependent Variable: MVA

b. Predictors: (Constant), MC

The results on the beta coefficient shows that the coefficient  $\beta = 0.225$  is significant because its p-value =  $0.000 \leq 0.05$ . This confirms a significant positive effect of MC on MVA of listed acquirer banks in Ghana. Therefore, the study accepts the second hypothesis that:

"managerial competence have significant positive effect on market value added of acquirer banks listed on the Ghana Stock Exchange". Thus, the contribution of MC to MVA was not by chance. This results in the model:  $MVA = -10.503 + 0.225(MC) + \epsilon$ . The study found that if MC were constant at zero, MVA realized was -10.503. The analysed data findings also showed that taking other independent variables at zero, a unit increase in MC led to 0.225 increases in MVA of acquirer banks listed on the Ghana Stock Exchange.

Table 4.6

*Coefficients for Regression between MC and MVA*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-10.503	3.444		-3.050	.004
Managerial Competence	.225	.023	.791	9.602	.000

a. Dependent Variable: MVA

**H<sub>03</sub>: MC has a significant positive effect on CVA**

The results of the linear regression in Table 4.7 indicate that  $R = 0.966$  and  $R^2 = 0.934$ . The R-value of 0.966 indicates a strong linear relationship between managerial competence (hereafter MC) and cash value added (hereafter CVA) of listed acquirer banks in Ghana. This means that MC has a strong influence on CVA. The  $R^2$  indicates that about 93.4% of the CVA variations are explained by the model  $CVA = \beta_0 + \beta_1 (MC)$ , and 6.6% is unexplained by the model. According to Zygmunt & Smith (2014), in general terms the healthy variation dependent should be at least 60%, thus this model is found to fit well as it predicted more than 60% of the total model.

Table 4.7

*Model Summary for MC – CVA*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.966 <sup>a</sup>	.934	.933	2.145

a. Predictors: (Constant), Managerial Competence

ANOVA statistics is used to represent the regression model significance. As in Table 4.8, the significance value for the F statistics is 3581.831 and the significance ratio of 0.000 is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model  $CVA = \beta_0 + \beta_1(MC)$  which is statistically significant.

Table 4.8

*ANOVA for Managerial Competence and CVA*

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3581.831	1	3581.831	778.626	.000 <sup>b</sup>
Residual	253.011	480	4.600		
Total	3834.842	482			

a. Dependent Variable: CVA

b. Predictors: (Constant), MC

The results on the beta coefficient shows that the coefficient  $\beta = 0.299$  is significant because its  $p$ -value =  $0.000 \leq 0.05$ . This confirms a significant positive effect of MC on CVA of listed acquirer banks in Ghana. Therefore, the study accepts the third hypothesis that: *managerial competence have significant positive effect on cash value added of acquirer banks listed on the Ghana Stock Exchange*". Thus, the contribution of MC to CVA was not by chance. This results in the model:  $CVA = -18.012 + 0.128 (MC) + \epsilon$ . The study found that if MC were constant at zero, CVA realized was -18.012. The analysed data findings also showed that taking other independent variables at zero, a unit increase in MC led to 0.299 increases in CVA of acquirer banks listed on the Ghana Stock Exchange.

Table 4.9

*Coefficients for Regression between MC and CVA*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-18.012	1.569		-11.478	.000
MC	.299	.011	.966	27.904	.000

a. Dependent Variable: CVA

**H<sub>04</sub>: MC has a significant positive effect on VBFP of acquirer banks in Ghana**

The results of the linear regression in Table 4.10 indicate that  $R = 0.933$  and  $R^2 = 0.871$ . The  $R$ -value of 0.933 indicates a strong linear relationship between managerial competence (hereafter MC) and value-based financial performance (hereafter VBFP) of listed acquirer banks in Ghana. This means that MC has a strong influence on VBFP. The  $R^2$  indicates that about 87.1% of the VBFP variations are explained by the model  $VBFP = \beta_0 + \beta_1 (MC)$ , and 12.9% is unexplained by the model. According to Zygmunt & Smith (2014), in general terms the healthy variation dependent should be at least 60%, thus this model is found to fit well as it predicted more than 60% of the total model.

Table 4.10

*Model Summary for MC with VBFP as Dependent Variable*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
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1	.933 <sup>a</sup>	.871	.869	8.33887
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a. Predictors: (Constant), MC

ANOVA statistics is used to represent the regression model significance. As in Table 4.11, the significance value for the F statistics is 372.623 and the significance ratio of 0.000 is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model  $VBFP = \beta_0 + \beta_1(MC)$  which is statistically significant.

Table 4.11

ANOVA for MC and VBFP

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25910.957	1	25910.957	372.623	.000 <sup>b</sup>
	Residual	3824.517	480	69.537		
	Total	29735.474	481			

a. Dependent Variable: VBFP

b. Predictors: (Constant), MC

The results on the beta coefficient shows that the coefficient  $\beta = 0.803$  is significant because its p-value =  $0.000 \leq 0.05$ . This confirms a significant positive effect of MC on VBFP of listed acquirer banks in Ghana. Therefore, the study accepts the fourth hypothesis that: *"managerial competence have significant positive effect on value-based financial performance of acquirer banks listed on the Ghana Stock Exchange"*. Thus, the contribution of MC to VBFP was not by chance. This results in the model:  $VBFP = -34.039 + 0.803 (MC) + \epsilon$ . The study found that if MC were constant at zero, VBFP realized was -34.039. The analyzed data findings also showed that taking other independent variables at zero, a unit increase in MC led to 0.803 increases in VBFP of acquirer banks listed on the Ghana Stock Exchange.

Table 4.12

Regression coefficient between MC and VBFP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-34.039	6.101		-5.579	.000
	MC	.803	.042	.933	19.303	.000

a. Dependent Variable: VBFP

The study further sought to identify managerial competencies that create value for shareholders of acquirer banks listed on the Ghana Stock Exchange. These are managerial competencies that have a positive effect on aggregate value-based financial performance in the banking sector. They are also referred to as value-based managerial competences. With reference to table 4.13, all the six managerial competencies positively affect aggregate value-based financial performance; however, only four out of the six are significant because their p-values =  $0.000 < 0.05$ .

Table 4.13

*Regression Coefficients for Value-based Managerial Competence (VBMC)*

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	65.501	1.154		56.742	.000
	IntraPS	.031	.075	.173	.414	.679
	InterPS	.181	.103	.188	1.758	.079
	CVMS	.257	.102	.666	2.529	.000
	FRMS	.593	.136	.760	4.349	.000
	LS	1.220	.099	2.139	12.376	.000
	TS	.912	.140	1.165	6.518	.000

a. Dependent Variable: VBFP

The four (4) managerial competencies that create shareholder value (listed in order of importance as shown in Table 4.13) include: Leadership Skills ( $\beta = 1.220$ ,  $p$ -value =  $0.000 < 0.05$ ). This implies that every unit of increase in Leadership Skills results in a 1.220 increase in value-based financial performance. Significant predictor of leadership skills include Innovative ways of resolving conflict; motivating, inspiring and empowering employees; Supporting employees in crisis situation; sharing new ideas about the future of the merged entity; support for teamwork and managing diversity.

Technical Skills result in value creation ( $\beta = 0.912$ ,  $p$ -value =  $0.000 < 0.05$ ). This means every unit of improvement in Technical Skills results in a 0.912 increase in value-based financial performance. The required technical skills that significantly and positively affect value-based financial performance are: Business acumen and intellectual capability; recognition of socio-political constraints in the environment that affect achievement of organisational goals; Setting priority to enhance employee and organisational performance; quality decision making and analytical thinking; problem-solving capability.

Fraud Risk Management Skills is the next value-based managerial competence which acquiring entities should focus on ( $\beta = 0.593$ ,  $p$ -value =  $0.000 < 0.05$ ). This implies that every unit of increase in Fraud Risk Management Skills results in a 0.593 increase in value-based financial performance. Significant Fraud Risk Management Skills required in the banking sector include: Responsive Fraud Risk Management Skills; Detective Fraud Risk Management Skills and Preventive Fraud Risk Management Skills.

Customer Value Management Skills ( $\beta = 0.257$ ,  $p$ -value =  $0.000 < 0.05$ ), implying that for every unit increase in Customer Value Management Skills, value-based financial performance increases by 0.257. Significant Customer Value Management Skills include delivering Functional value (price value of the service enjoyed by customers; Physical Environment; Service Quality; Contact Personnel Professionalism); delivering Social Customer Value and Delivering Emotional Customer Value.

**Discussion**

First, the study confirms that managerial competence has a significant positive effect on value-based financial performance (EVA, MVA and CVA) of acquirer banks listed on the Ghana Stock Exchange. Management competence in this study is measured by the knowledge, skills and knowledge of the management team. This means that competent and experienced executives are in a position to reflect on decisions that will enable banks to register better performance. Such decisions can take the form of a credit policy being put in place to eliminate bad debts and reduce inefficient debt. It can also be noted that long-serving managers know the best way to keep a portfolio clean by setting up a fair amount of money for clients and ensuring that borrowers pay early to reduce backlogs and recovery costs that ultimately increase the operational efficiency of the bank. Through experience, the management team has learned various ways to increase revenue while reducing their costs.

The results confirm the findings of previous researchers such as Stokes and Oiry (2012), who say that when an institution performs well, it shows that it has competent staff who make informed decisions for the institution to prosper. Brown et al (2004) concluded that companies with strong governance are more profitable, valuable, and offer higher profits to their owners than corrupt companies. Similarly, Jay (2010) highlighted that because managers have more control over operating costs than sales, they may maintain a lower rate of operating costs, which means higher profits for the company.

Fatoki (2014); Kamange et al (2014) agree that intelligent management skills are essential for modern market growth and performance. Also, fraudulent conduct can seriously damage a company's reputation, damage the trust of shareholders, and lead to the collapse of large corporations (O'Reilly-Allen & Zikmund, 2013). In the banking sector, fraud can lead to loss of reputation and lead to losses that may ultimately cost its customers (Vousinas, 2016). In the case of fraud, banks incur high operating costs by repaying customer losses (Gates & Jacob, 2009), while bank customers experience a lot of time and emotional losses, which damages the bank's relationship with the customer due to despair and confidence. This will increase dissatisfaction and ultimately lead to poor bank performance in terms of market value (Hoffmann & Birnbrich, 2012). To prevent this from happening, fraud management skills are needed with fraud risk management, detective disaster management and fraud risk management. This increases the financial viability of the bank (in terms of market value), which is a guarantee not only for its holders but also for its employees, shareholders, and the rest of the economy (Olongo, 2013). It must be emphasized that fraud risk management skills are dependent upon effective leadership skills, which is an element of the value-based managerial competence model developed for this study.

The findings of this study also reveal that managerial competence has a significant positive effect on value-based financial performance. The findings support previous studies by (Ssekakubo et al., 2014). Their findings indicate that managerial competency and financial performance are significantly positively associated. When managerial competence improve, Value-based Financial Performance (EVA, MVA and CVA) significantly improve. Therefore, if the Value-Based Financial Performance (EVA, MVA and CVA) of these listed acquisition banks will improve, it will be based on the skills and knowledge of these managers. These managers must have the skills and knowledge needed to develop programs that will improve financial performance. They must have the ability to manage the amount of customer targeted for

financial gain. Alternatively, they should have measurement plans in place to determine when the separate benefits from a particular program fall. In addition, they should have effective measurement metrics to make informed decisions about flexibility systems in order to improve the bank's financial performance.

These findings are consistent with a study by Kerr and Werther (2008), which found that the better a company's management skills, the better its financial performance. The findings of this study do not match those of Cetin (2010), who found a weak link between management competence and financial performance. Competencies should also not be perceived as work or occupation, but rather as what enables people to perform a task - that is, the category of qualities that can be used to identify individuals and their behaviour (Mitchelmore and Rowley, 2010) and skill or ability (Boyatzis, 2008). Skills, on the other hand, involve performance appraisal of a particular domain or occupation, and linking both is an act of competence. Hersey et al (2001); Mitchelmore and Rowley (2010) and Sudsakorn and Fredric (2009) assert that skills can be defined in terms of personal characteristics, skills, knowledge and experience of a forum leading to higher management performance and the number of shareholders. In this context, an officer who can produce a certain category of skills that are considered to be value-solving should be competent in building the number of shareholders (EVA, MVA and CVA) of the organization; the ability to measure with tools to measure information-based performance. According to studies, there is a link between competencies and an organization's superior performance (Bertoncelj et al., 2009; Dreyfus, 2008; Kagaari and Munene, 2007; Qiao and Wang, 2009; Resnick et al., 2010; Sudsakorn and Fredric, 2009), so competencies related to creating shareholder value should be included. This supports the notion that specific competencies lead to higher performance; hence, in order to generate value, one must first identify which competences are critical in order to attain superior performance.

It is obvious that the importance of managerial skills in generating shareholder value cannot be overstated. In support of this, Heffernan and Flood (2000) show that organisations that acquire particular abilities outperform their competitors. It is therefore critical to undertake competence assessments during the executive selection process to verify that these abilities are properly aligned with the expected performance.

### **Conclusion, Implication and Recommendations**

#### **Conclusion**

The study underscored the relevance of managerial competence as an ingredient of merger and acquisition success factor. The managerial competencies required for merger and acquisition success in the banking sector comprised Leadership Skills, Technical Skills, Fraud Risk Management Skills and Customer Value Management Skills. Proper merger and acquisition motives, pre-merger and acquisition success factors and post-merger and acquisition success factors are impotent without managerial competence. The process perspective theory supports this. The central suggestion of this school of thought is that the administrative actions and process of post-acquisition process determine the extent to which the potential benefits of the acquisition are obtained. The Theoretical School is built on the two previous strategic schools and the Society's ethics school and incorporates the ideas developed within those areas (Haspeslagh and Jemison, 1991:306). A major argument at this school is that the equality of strategy and order gives synergies potential, but their

effectiveness depends entirely on the ability to effectively manage the background detection process (Hunt, 1990; Haspeslagh and Jemison, 1991; and Greenwood et al., 1994). This brings to fore the importance of managerial competence in merger and acquisition success.

The study accepts the null hypothesis that managerial competence has a strong positive effect on value-based financial performance of acquirer banks listed on the Ghana Stock Exchange. The results in Table 6.1 shows that four (ranked in order of significance) out of the six managerial competencies have strong positive effect on value-based financial performance of acquirer banks listed on the Ghana Stock Exchange. The model envisaged was fitted as:  

$$VBFP = 65.501 + 1.220(LS) + 0.912(TS) + 0.593(FRMS) + 0.257(CVMS) + \epsilon$$

Table 5.1

*Value-Based Managerial Competences (VBMC)*

Factor	$\beta$ value	Significant (p-value)	Remarks
Leadership Skills	1.220	P = 0.000 < 0.05	Significant
Technical Skills	0.912	P = 0.000 < 0.05	Significant
Fraud Risk Management Skills	0.593	P = 0.000 < 0.05	Significant
Customer Value Management Skills	0.257	P = 0.000 < 0.05	Significant
Interpersonal Skills	0.181	P = 0.079 > 0.05	Not Significant
Intra-personal Skills	0.031	P = 0.679 > 0.05	Not Significant

**Theoretical Implication**

The findings and discussions above lead to the conclusion that managerial competence which transcends to administrative capacity has a significant impact on shareholder value (represented by EVA, MVA and CVA) of acquirer banks in Ghana. From a theoretical point of view, the important role of this research is traced to the pre-emptive observation of inadequate research into evidence-based value-based financial performance indicators in banks. In this regard, the study expands value-based financial performance primarily on the banking sector in Ghana. However, future studies need to repeat the findings of this study in different contexts in order to assess model validity.

The study deepens literature on the requisite managerial competence (intra-personal skills, interpersonal skills, leadership skills, technical/business skills, fraud risk management skills, customer value management skills) for merger and acquisition success. Should there be increased shareholder value after a merger or acquisition, managerial competence plays a cardinal role. Appropriate M&A motives, pre-M&A success capability strategies and post-M&A integration capabilities devoid of managerial competence will spell the doom of the acquisition performance with the resultant effect of destroying shareholder value in the long term. The findings of this study have accentuated this fact which needs to be embraced.

**Practical Implication**

At the management level, the study provides practical evidence that demonstrates management ability as a strong predictor of the number of profitable bank shareholders listed on Ghana. The results of this study generally confirm the theater model considering that many aspects of management skills are the link between leadership skills, technical skills, fraud risk management skills, customer value management skills and business operations. The link



between independent management skills has been identified as critical to value-based financial performance. Management skills are not limited and must be in line with the needs of the organization.

In some cases, providing initial model support, it is assessed by providing descriptive framework, practice, and research. In hindsight, this model based on the number of management skills expanded which appears to be much broader than that mentioned in the revised literature. This is because in addition to technical, leadership, interpersonal and internal skills, including two skills (risk management skills and customer value management skills) are not considered in the management skills document. The model thus provides greater interpretive power in assessing the relationship between management skills and the creation of shareholder value. This is because the inclusion of fraud risk management skills and customer value management skills is likely to increase the size of the relationship between management competence and the creation of a shareholder value.

Traditionally, this value-based model provides guidelines or framework for staff in management evaluation for selection, development and performance management. For example, during a management selection test, six skills can be evaluated as domains or links to management performance and the result of successful management that can create value for shareholders. In addition, these skills can be considered as the basis for management development programs as the skills needed to be effective can be developed in adults (Boyatzis, 2009).

Twenty-first-century customers are more cognitive and discerning to the extent that they demand value-added services from banks who keep their deposits and investments. The creation of customer value of banks relative to the competition mainly depends on the bank personnel's professional, personal and social competencies. Organizational attributes (use of speed and excellence in the execution of customers order and responding to customer complaints) play a crucial role in the banks' success. Inadequate customer support, human resources practices and a customer-centric focus inhibit the growth of the banks in Ghana.

New approaches to delivering customer services and new product innovations are changing the banking sector's technological environment. Adherence to the latest Human Resource Practices will be the hallmark of banks that seek to succeed in an ever-changing financial sector. Success, therefore, depends on the ability of banks to harness the power and potential of the people. A competent approach to human resource management is based on identifying, interpreting and measuring individual differences in terms of critical performance skills. This study will help banks operating in Ghana build a highly competitive position by being attentive to staff tenacity and commitment towards improving their competency, which results in enhancing unexceptionable workforce performance levels.

Managers should have policies to detect, prevent and respond to fraud risk with the view to reducing cost. This policy will avert or minimize fraudulent activities, which syphon huge sums of money from the company's financial kit. All fraudulent activities that drain the company financially would be curtailed. In most instances, some unscrupulous individuals in both the acquirer and target companies could connive and collude by deliberating overstating the value or price of the target company to rip off the acquirer company's shareholders. Fraud

risk management skills could help avert the inadvertent payment of a high price to acquire a target company. Customer value management skills are also necessary for M&A success. Constant focus on delivering functional, emotional and social customer value will result in customer loyalty, customer profitability and a resultant increase in shareholder value. Aside M&A motives, pre-M&A success capabilities and post-M&A integration capabilities, managers of acquirer firms should give credence to managerial competence, especially fraud risk management and customer value management.

### **Limitations and Further Studies**

The Value-Based Managerial Competence model also contributes to the study as the skills described in the model can be measured in lessons and linked to different indicators of effective management performance. Further, studies can be conducted to assess the incremental validity of additional competencies incorporated into the model. Further studies can also be conducted to assess the applicability and validity of the model other value-based financial performance indicators such as Economic Profit (EP), Cash Flow Return on Investment (CFROI), and Shareholder Value Added (SVA) in Ghana Stock Exchange and other stock markets in the world. This can be tested analytically and statistically via multiple regression analysis and structural equation modelling. However, this model is original and logical, and will require research studies to confirm its contributions to predicting effective management performance. Despite these limitations, the model provides a useful framework for theory, research and practice that deserves serious consideration. Moreover, the study was limited to only four acquirer banks listed on GSE, further study should be conducted on all listed banks on GSE to test the validity and operability of the value-based model of managerial competence.

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