

The fusion of Raiffeisenbank and eBanka (2005 – 2008): successful partnership of equals?

Background:

Raiffeisenbank:

Raiffeisenbank a.s. has operated on the Czech market since 1993 and is a part of Raiffeisen International Bank-Holding AG, which owns 51% of the shares, making it the majority shareholder of Raiffeisenbank a.s. It is an economically successful bank, whose group has repeatedly bought other banks in the past and incorporated them into its structure. The organizational culture evolved in certain measure from the Austrian national culture, from the Czech perspective quite similar to German national culture (for the needs of this case study we can interchange them, and draw differences of Czech vs. German cultural standards from NOVÝ, Ivan and Sylvia SCHROLL-MACHL. *Spolupráce přes hranice kultur*. 1st edition Prague: Management Press, 2005, 313 p. ISBN 8072611216). If one were to speak of Raiffeisenbank's definitive competitive advantage on the Czech market in the given period, it would probably be corporate loans.

eBanka:

eBanka was established back in 1997 as Expandia Banka, which was the first on the Czech market to introduce complex direct banking services. Throughout its existence, it maintained the leading position in applying modern technology in banking. In 2000, Česká pojišťovna became the new owner of Expandia Banka, and began the bank's new expansion strategy. This also led to a change in the bank's name, becoming known as eBanka in 2001. Thanks to its new business strategy, eBanka began reporting growth in key financial indicators and in the number of its clients. After transformation in 2003 to 2005, the originally Internet bank became a bank serving two key segments: natural persons and small and medium-sized enterprises. Despite this, eBanka's main competitive advantage was technology. It was also a purely Czech bank, and at the time of its winding down it was "the last purely Czech bank on the Czech market". The distinction of the organizational culture of eBanka from that of Raiffeisenbank was given by both of these characteristics (technology and Czech national culture).

Acquisitions:

In 2006, Česká pojišťovna, a. s. and Raiffeisen International Bank-Holding AG signed a share purchase agreement for shares of eBanka, a. s., and on October 24, 2006, with the payment of the purchase price and transfer of shares, eBanka became a part of the Raiffeisen financial group. Integration processes of both banks began in 2006, and legal fusion was completed on July 7, 2008.

Problem:

Raiffeisenbank bought eBanka for its technologies and branches. It has succeeded in capitalizing on this. What was not managed was cultural discord. Firstly, the original strategies of both banks vastly differed, so the initial cultures in harmony with them also differed. Further differences ensued from the disparities of a "technology-based bank" vs. a standard bank, whereas after fusion of these banks, the original employees generally tended to stand by their original identity - a normal reaction to something unknown or perceived as threatening. The next mistake was the fact that the entire event was presented as a fusion of equals, though in reality it concerned the purchase of the weaker by the stronger. Meanwhile, during consequent consolidation of departments, the managers of a new department were sometimes employees of the originally "weaker party" (eBanka), who thus managed employees of the originally "stronger party" (Raiffeisenbank), while differences in remuneration persisted. Original eBanka employees had higher salaries prior to the fusion, which were maintained even after fusion - a known fact in the company.

All these problems were ignored upon planning the fusion, and after fusion, instead of fading away, they continued to worsen.

Further information:

From research of the corporate culture after fusion:

"As opposed to values, certain differences existed between the original employees of both banks in the requirement for openness and informal negotiations - something required more by the former eBanka employees. Greater flexibility of choice was seen amongst the original Raiffeisenbank employees."

"The need for cohesiveness, cooperation and good relations at the workplace however was strong, as demonstrated also by conducted interviews. The survey indicated that while management preferred openness towards changes and flexibility, employees made it abundantly clear that stability and certainty were important to them. Constant changes were indicated as a major source of perceived stress. Also positive thinking received a relatively low number of votes, and a consequent survey showed that this also tied in with the constant changes after fusion. Some employees lost their motivation and feeling of certainty due to the rapid changes implemented in practically all activities and processes, which formed a part of their daily work."

"One may state in general that constant changes bother key employees of eBanka more, but they have been able to come to terms with them so far, while original Raiffeisenbank employees react with lesser resistance, but in more resigned fashion."

"From statements and replies especially from certain employees, there is clear implication of growing tension and frustration caused by the constant changes. Respondents did not generally assess the changes themselves so negatively, but were in strong agreement regarding the method and frequency in which changes were being implemented, and they criticized the lack of coordination."

Comments on the Internet:

"I would only perhaps add that mainly the culture has changed in today's bank. There is no room at all now for creative people. It is a nasty bureaucratic company, with all the abuses of large corporate structures without decent senior leadership. However, top management mainly buried eBanka during the tenure of Peter the Great [Petr Kellner of PPF, editor's note], because it could not explain to him that he should not sell yet, but should wait a while longer, because the era of quality Internet banking was just about to come (it is well known that eB was simply ahead of its time at the close of the 1990s)."

"Amongst eBanka clients, the most sensitive matter is Internet banking, which is assessed as the best in the Czech Republic in numerous surveys and comparisons. eBanka's Internet banking is directly connected to an internal banking system, which is an uncommon information structure amongst banks - and which causes significant complications upon integration of the banks. For this reason and others, a unified IT system is only planned for later in the final phase of integration."

Tasks:

1. Define how the strategies of the original entities may have looked.
2. Define the current strategy of Raiffeisenbank.
3. Define important characteristics of the original organizational cultures.
4. Define the organizational culture adequate to the current strategy.
5. Propose a method of changing both original organizational cultures into a new one.