

# **A Study of Customer Expectation Resulted from Merger and Acquisition between Tot and Cat Telecom Company Limited**

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## **Abstracts**

This research aims to find the effect of merger and acquisition (M&A) on customer expectation and satisfaction. Authors drew the case of TOT Company Limited merging with CAT Telecom Company Limited On 7<sup>th</sup> January 2021, resulting in a new brand name of 'National Telecommunication Company Limited (NT)' with a combined total asset of three hundred billion baht. Even though TOT and CAT were major telecommunication service providers in Thailand, they function differently. Such M&A can affect many stakeholders. Therefore, the authors would like to fill in this discrepancy paradigmatically and wishfully solve such problems. Structural Equation Modelling (SEM) was used to find the influence and relationship of variables quantitatively, and the sample of 565 respondents (drew from Thai population) answered the questionnaire.

Moreover, it was concluded that M&A Features affect customer expectations. While customer expectations mediated by M&A features have a positive impact on customer satisfaction. Customer expectations also positively affect customer satisfaction. And finally, M&A features positively and directly affect customer satisfaction. For future research, it is also of interesting that whether the organizational culture of the bigger firm in M&A, after M&A, will influence the smaller firms or not.

**Keywords:** Customer Expectation; Merger and Acquisition; TOT Company Limited; CAT Telecom; National Telecom; Thailand

## **Introduction**

On 7th January 2021, according to the report of the then-Minister of Digital Economy and Society (DES) - Puttipong Punnakanta, TOT Company Limited merged with CAT Telecom Company Limited, resulting in a new brand name of 'National Telecommunication Company Limited (NT)' with a combined total asset of three hundred billion baht, 25,000 telecommunication poles, 18,143 employees (13,026 TOT employees and 5,117 CAT employees), and so on (TOT Company Limited, 2020; Thairath, 2021a; Thairath, 2021b; TopTen 2021). As a result, this merger and acquisition (M&A) will enhance the service for Thai society widely and equally, reduce the complications in governmental investments, increase operational performance, and NT will support governmental policy in encouraging Thailand's digital infrastructure and security (Thairath, 2021b).

Even though TOT and CAT were both major telecommunication service providers in Thailand, both of them function differently; namely, TOT functioned in mobile telephony (2100-megahertz spectrum), but CAT functioned in a digital service business and was prototyping on LoRaWan or a long-range wide-area network (Tortermvasana, 2016; Boonnoon, 2017). Therefore, such M&A can affect many stakeholders. For example, according

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to Nikolaou, Vakola, and Bourantas (2011), this M&A may plausibly lead to differences in organizational commitment and employee attitude, which are challenging for employees after M&A to adapt rapidly. Putthiwanit (2015) also supports that the quicker the employees can adapt, the more innovative and business-competitive the firms will be. Thus, employees tend to stay much longer in the organization; otherwise, they will leave. Simultaneously, M&A can affect customer expectation and satisfaction, which is even more complicated but plausible to measure this outcome (Sharma, 2018).

In addition, the cost of market-oriented performance and unadaptable employees after M&A are severe (Homburg and Bucerius, 2018; Hall, 2019). Regarding research in these paradigms, Bourantas and Nicandrou (1997), rather in a European context, explore the plausible related factors after M&A. Liu, Chen, and Pai (2007) also studies, in Service Industries Journal, the influence of M&A activities in the Taiwanese telecommunications industry and its performance; while Tseng and Chou (2010) suggest that there is a mimetic isomorphism on M&A related activities in Taiwan's financial firms. However, the M&A paradigm in Thailand's context during the 21<sup>st</sup> century is still narrowed and limited. And the foreseen problems of customer expectation and satisfaction after M&A are not yet solved. Therefore, authors would like to fill in this discrepancy paradigmatically and wishfully solve such problems as our fundamental objectives: 1) how do customers (as stakeholders) react to such M&A? Was this M&A met their expectations? Are they satisfied with it? and 2) what will be the managerial implication for the future M&A?. Hence, the authors arrange this research accordingly: the first section is the introduction and literature review; the second section is a research methodology in which the author applies Structural Equation Modelling (SEM) and Focus Group; the third section is research results; and the fourth part is research discussion and limitation, and future research and conclusion.

## Literature Reviews

### Organizational Ecology Theory and the Features of M&A

M&A is the integration of the firm between the acquirer and the acquired party (Öberg, 2018). Hanna and Freeman (1977) mention in their article 'The Population Ecology of Organizations' in the *American Journal of Sociology* that organizational adaptation appears as an alternatives to environment and organization relations; namely, the internal pressure in organization forces organization *per se* to compete and to survive. In addition, Kim (2010) mentions that globalization and free of global trade barriers also lead to M&A internationally. *Summa summarum*, we cannot unavoidably deny the fact that M&A can increase the competition in the organization since some employees/departments may have been laid-off/diminished. The clash in culture can also affect employee attitude since there will not be every single resource 50% equally distributed after M&A. King et al. (2008) also suggest that there are vague returns in resources during post-merger integration. All hypotheses are included in Fig. 1.

Therefore, we hypothesize that:

**H<sub>1</sub>**: M&A features will have a positive/negative impact on customer expectations.

### Customer Expectation and Satisfaction Resulted from M&A

In reality, even M&A researchers have been studying M&A since the 1960s (Meglio and Risberg, 2012) and regarded as a very necessary business event in this world (He, Liu,

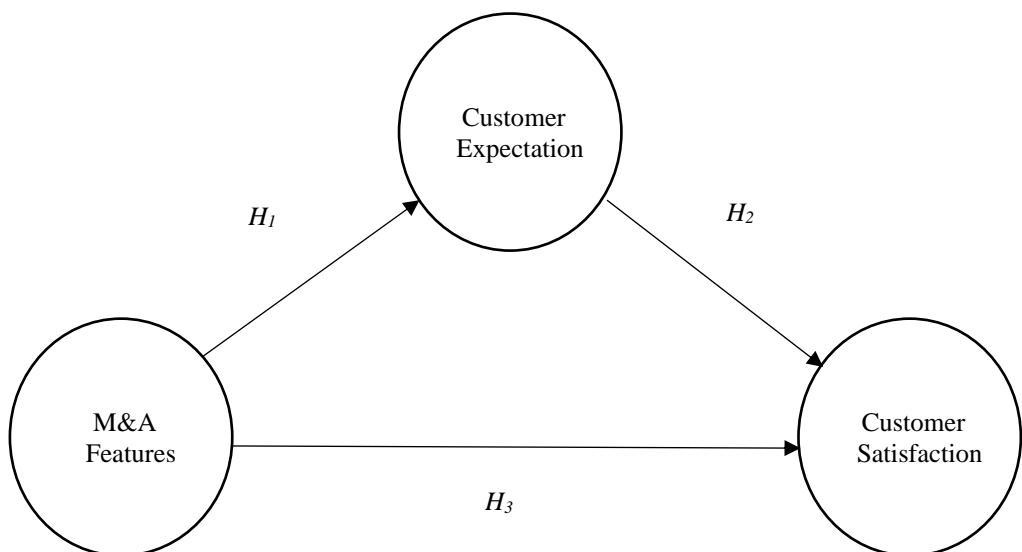
Netter, and Shu, 2019); *viz.*, they concentrate merely on M&A performance rather than the involvement of stakeholders after M&A *per se* (Meglio and Risberg, 2012). Therefore, we cannot avoid that customers also play important roles post-merger integration (Öberg, 2018) such as satisfaction and positive feedback (Sharma, 2018), positive surprises (He et al., 2019), innovation (Brueller and Capron, 2021), and even reinforcement in technological resources and marketing resources (King et al., 2008), which include digital asset, external vendors, and marketing production process (Wrike, 2022).

Furthermore, in M&A, customer expectation is the customer expectation management in M&A (King, Slotegraaf, and Kesner, 2008). Homburg and Bucerius (2018) also suggest that M&A can cause customer anxiety to continue using product/service from the merged firms. And, if the customers' expectation is met, they tend to be satisfied with the service/product (Bakirtzoglou, Vryoni, and Ioannou, 2018). Therefore, managers need to comprehend and solve the problem of M&A during or after the phenomenal change process (Seo and Hill, 2005). So forth, authors include the theoretical grounding in Fig. 2

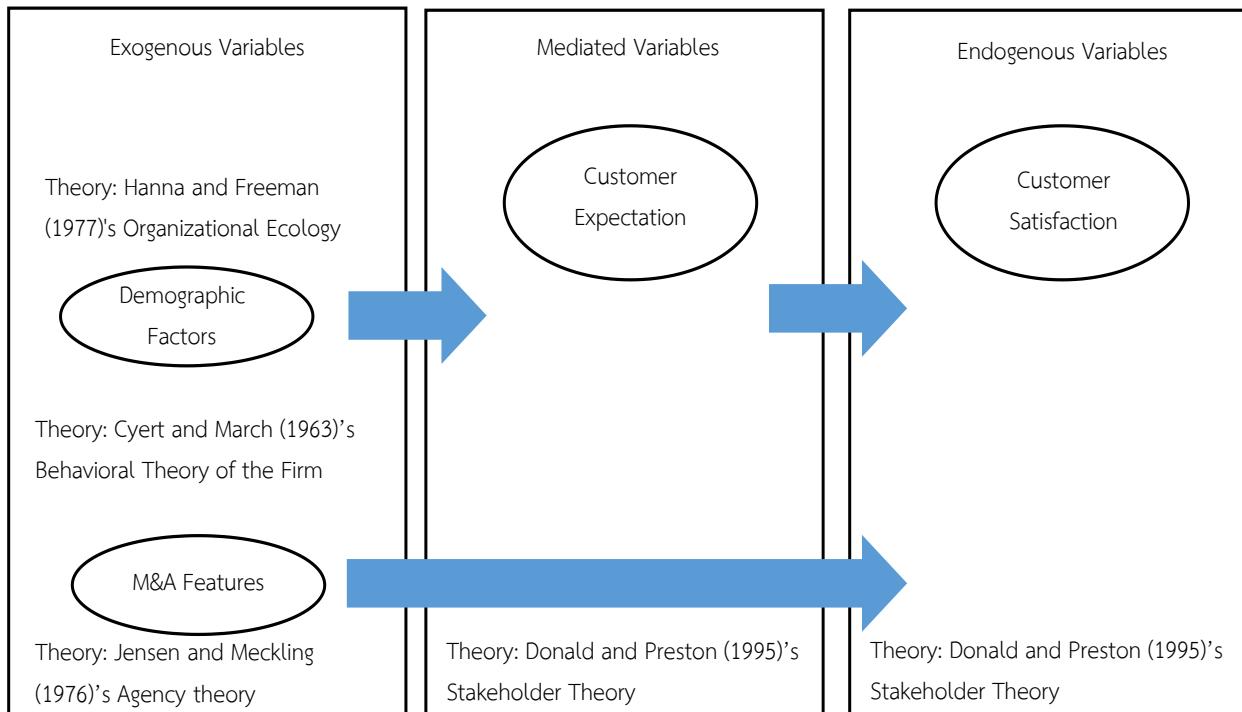
As a result, we hypothesize that:

**$H_2$** : Customer expectation, mediated by M&A features, will have positive/negative impact on customer satisfaction.

**$H_3$** : M&A features will have positive/negative impact on customer satisfaction.



**Figure 1.** Research Hypothesis  
Source: Authors' Contribution



**Figure 2.** Theoretical Grounding of the Research

Source: Authors' Contribution

According to Fig. 2, our theoretical grounding is supported by Organizational Ecology (Hanna and Freeman, 1977), Behavioral Theory of the Firm (Cyert and March, 1963), and Agency Theory (Jensen and Meckling) that, in order for firms to survive, they need to adapt. That is, this is the fundamental principle why TOT Company Limited and CAT Telecom Company Limited need M&A to restructure themselves. Accordingly, M&A alone needs to fulfill customer expectation and satisfaction, which is supported by Stakeholder Theory (Donald and Preston, 1995).

## Research Methodology

By using convenience sampling, our sample includes product/service customers of National Telecom Company Limited (NT) as the source of our data. An online survey with five Likert scales is conducted with at least 386 customers according to sample calculation by Krejcie and Morgan (1970), drawn from Thai population. Qualified customers must have been using NT product/service for at least six months and aged 22 years old (first jobber) since they have decided to seek the service on their own behalf (part of NT products are home-based telephony). Prior to the survey, questionnaire items were scrutinized by three experts in the field for content validity with the Item Objective Congruence Index (IOC) (Rovinelli and Hambleton, 1977). All questionnaire items have indices ranging from 0.67-1.00 and are therefore valid. Later on, the draft questionnaire was tried out (30 samples) with lecturers and

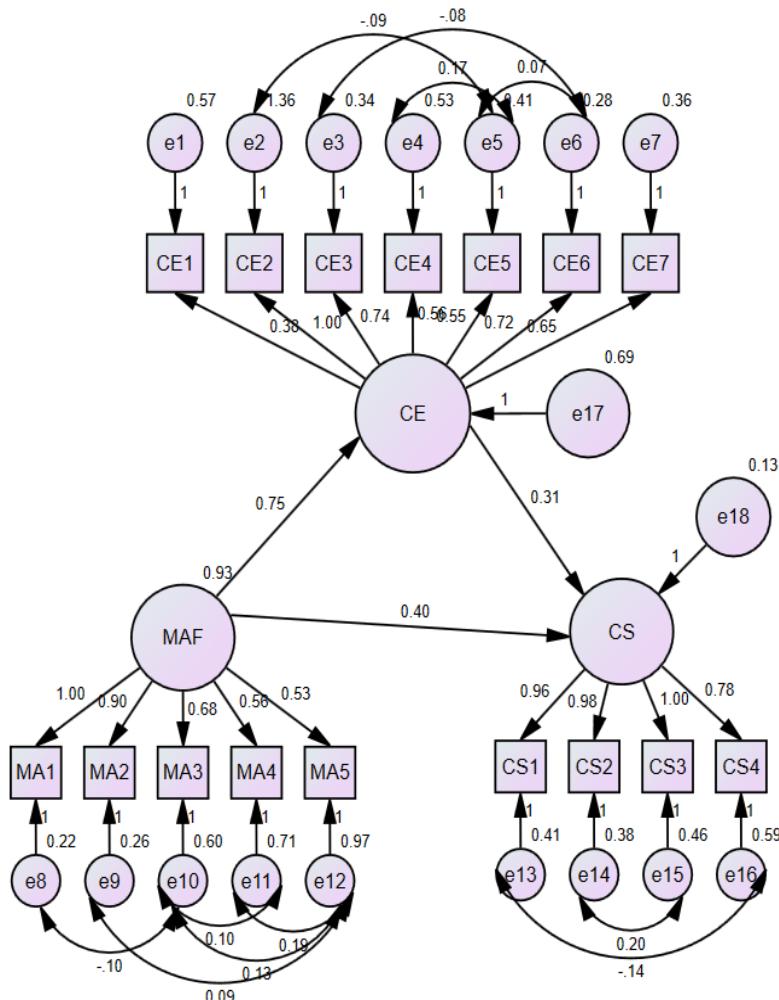
employees at Kasetsart University to find Cronbach- $\alpha$  for reliability. M&A Features concept (Q1-5) acquires the Cronbach- $\alpha$  with 0.828. Customer Expectation concept (Q6-12) acquires the Cronbach- $\alpha$  with 0.825. And, Customer Satisfaction concept (Q13-16) acquires the Cronbach- $\alpha$  with 0.826. This proves that the questionnaire is reliable.

## **Analysis of Data**

Furthermore, Structural Equation Modelling (SEM) was used to quantitatively find the influence and relationship of variables (Stevens, 2009). Regarding ethical considerations, this research has been certified by the ethical committees (Certificate of Exemption, COE No. COE65/018) to ensure the research's code of conduct. In addition, the authors also respect respondents and interviewees to participate in the research voluntarily. Respondents' and interviewees' information will be discrete and unable to identify the real person who participated in this research program (code numbers will represent respondents and interviewees). Participation in this research will benefit (beneficence and non-maleficence) respondents and interviewees in understanding the current situation in Thailand's mega-company merger and acquisition. Finally, the criteria for respondents and interviewees are justified (participants have an equal chance of recruitment with no bias).

## **Research Results**

According to our research, a total number of 565 respondents answered the questionnaire. Based on Figure 1, Our model has the value of Chi-square at 231.7 with a degree of freedom at 78 (significance at p-value =.000). Our Root Mean Square Error of Approximation (RMSEA) and Goodness of Fit Index (GFI) have the value at .048 and .950 consequently and deemed acceptable according to Kelloway (2015) 's criteria. In addition, the results of structural equation modelling show that M&A Features (MAF), with coefficient = 0.75,  $R^2$ = 0.93, and significance at p-value<0.001, positively affects customer expectation and thus supports our  $H_1$ . While customer expectation (CE) mediated by M&A features, with coefficient = 0.31,  $R^2$ = 1.00, and significance at p-value<0.001, positively impacts customer satisfaction (CS). This supports our  $H_2$  and we can conclude that CE positively affects CS. Finally, MAF, with coefficient = 0.40 and significance at p-value<0.001, positively and directly impacts customer satisfaction ( $R^2$ = 1.00) and thus support our  $H_3$ .



Chi-square = 231.7, df = 78, p = .000, CMIN/DF = 2.970, GFI = .950, RMSEA = .048

**Figure. 3** Indirect and Direct Effects of Customer Expectation and Satisfaction Resulted from Merger and Acquisition between TOT and CAT Telecom Company Limited

## Discussion

As mentioned earlier, authors would like to fulfill two objectives in order to shut the discrepancy in M&A paradigmatically and wishfully solve such problems of customers (as stakeholders) react to such M&A. Our research show that M&A between TOT Company Limited and CAT Telecom met customer expectation in terms of an important business event and the shared allocation of resources (technological resources and digital assets, external suppliers, and marketing production process), this is corresponding to Öberg (2018) that customers play an important role in M&A. These customer also satisfied with this M&A in terms of brand-new company “National Telecom (NT) Company Limited” and are willing to continue buying products from NT and using services (e.g. household internet installation) from NT, which is responded to Homburg and Bucerius (2018) and King, Slotegraaf, and

Kesner (2008) that if M&A can reduce customer anxiety, these customers will expectedly continue their buying process after M&A. As a results, this implies that the proper M&A can affect the perspective of customers and the way they are willing to continue to buy products/use services. For managerial implications, it is vital to talk to customers and all related stakeholders. As suggested by Seo and Hill (2005), it is important role for managers to solve plausible problems even before or after M&A to understand more about the human side of related stakeholders and customers.

## Recommendation

Since this research employed quantitative method with quantitative tool (Structural Equation Modelling, SEM), it is recommended to dig deeper qualitatively in customer expectative and satisfaction (that is, expectation and satisfaction are abstract mood in nature) by using depths interviews or focus group. After M&A, not only expectation and satisfaction are to be detected, but the sustainability of the firm after M&A should be observed as well. For future research, it is also of interesting that whether the organizational culture of the bigger firm in M&A, after M&A, will influence the small firms or not (please note that they are sharing the resources, which somehow were not proportionally allocated).

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