THE EFFECTS OF MERGERS AND ACQUISITIONS IN FIRM PERFORMANCE: A CASE OF EAST AFRICAN BREWERIES LIMITED

BY

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution, or university other than the United States International University in Nairobi for academic credit.

Signed: ________________________  Date: ______________________

Grace Nyagah (ID No: 649906)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________  Date: ______________________

Fred Newa

Signed: ________________________  Date: ______________________

Dean, Chandaria School of Business
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ABSTRACT

The general objective of the study was to determine the effects of M&A in firm performance in East African Breweries Limited. The study was guided by three specific objectives which sought to determine the effects of corporate culture on M&A decision, to establish the role of profitability on M&A decision and to determine the effects of firm strategy on M&A decision.

The study utilized a descriptive research design and the target population was 835 top-level management (departmental heads and their deputies), middle management (comprises of senior and middle level officers at the department level involved in policy implementation), and low-level management that mainly comprises of policy implantation staff. Using a formula, a sample of 69 respondents was arrived at. The sampling technique was stratified random sampling method. This entailed dividing the population into mutually exclusive groups, in this case heads of department, managers and assistant managers. Then random samples were drawn from each group and out of the total of 69 questionnaires awarded only 50 were filled and returned giving a response rate of 72%. The study utilized both descriptive and inferential statistics to analyze the data and this was done using statistical package for social sciences (SPSS). The findings were later presented in tables and figures.

An analysis of the decision making process revealed that M&A lead to access to new customer bases. At the same time M&A led to acquire entry into new geographical markets. An analysis on market expansion strategy on mergers revealed that companies acquire profit and revenue growth and companies explore financial and marketing aspects for both targets and acquiring firms. It was also revealed that corporate restructuring allows for transfer and control of productive assets to other entities. It was also agreed that employees leave the firms after M&A and there is a relationship between companies M&A strategy and growth of the company.

The study established that M&A influence firms liquidity, leverage position and increases share price due to announcement returns. In addition, companies uses profit after tax to measure performance after M&A. The findings also show that M&A increases the stock value and a review of the response from the variables of productivity and efficiency revealed that quality of goods remain the same. A Pearson correlation established a significant correlation between M&A decision and Profitability (r=0.687,
An analysis of the variables of corporate culture revealed that companies fully integrate their culture during M & A. An analysis of the decision making revealed that employees’ turnover skills is considered during M & A, and culture is transferrable between organizations. A Pearson correlation established a positive correlation between M & A decision and culture ($r=0.413$, $p=0.003$).

The study concluded that M& A has led to access to new customer base, acquisition of entry into new geographical markets. Such expansions have resulted into acquiring profit and revenue growth thus benefitting from increase in economies of scale and scope. Secondly, M & A influences the various profitability ratios such as liquidity, leverage position and increases share price due to announcement returns. Lastly, companies fully integrate their culture during M & A, thus leading to transferability of culture between organizations.

The study recommended that based on the benefits obtained from M& A such as access to new customer bases, entry into new geographical markets it is highly encouraged. There is a need for the firms to review the available knowledge to be able to have the best from both the acquiring and acquired firms. Secondly, firms need to do a thorough research before undertaking an M& A in order to minimize cases of financial risks. Firms need to have in place a financial plan on how the excess funds could be ploughed back to the companies. Finally, it is vital for the organizations to fully involve employees in the change process. It is also important for firms to continuously improve the communication process after M & A in order to ensure free flow of information during and after the process.

Further research should be done in same organization to determine what other factors affect M& A decision at EABL, at the same time; the same variables also need to be tested on other firms in the industry in order to generalize the findings.
ACKNOWLEDGEMENT

I would like to acknowledge my supervisor professor Newa for his guidance and patience during this report writing. In addition, special thanks to employees at East African Breweries Limited for the support that made this process a success.
DEDICATION

To my lovely family and friends, thank you all for your unconditional support.
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## ACRONYMS AND ABBREVIATIONS

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<tr>
<td>EABL</td>
<td>East African Breweries Limited</td>
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<tr>
<td>FCC</td>
<td>Fair Competition Commission</td>
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<tr>
<td>KBL</td>
<td>Kenya Breweries Limited (KBL)</td>
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<tr>
<td>M&amp;A</td>
<td>Merger And Acquisition</td>
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<tr>
<td>NBA</td>
<td>National Basketball Association</td>
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<td>NFL</td>
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<td>NXP</td>
<td>Nexperia platform</td>
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<td>TBL</td>
<td>Tanzania Breweries Limited</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

According to Abbas, Aroosh, Butt and Zafar, (2014), approximately three hundred thousand merger and acquisition (M&A) deals were announced and completed in the first decade of the twenty first century. Collectively, their total value was roughly eighteen trillion US dollars. At one point, the value of mergers and acquisition averaged ten billion per day (Abbas, Aroosh, Butt and Zafar, 2014). These figures serve as an illustration of the widespread occurrence of M&A in the twenty first century. Mergers and acquisitions are increasing becoming a strategic option for businesses to achieve organizational growth and attain various business goals such as empire building, profit, market dominance, and long-term survival. However, maximization of shareholder value stands out as the most important reason why companies and organizations opt for mergers and acquisitions. M&A is a phenomenon that has been in existence since 1895 in the United States. With time, it popularity has increased across the African continent. Mergers began to appear in Kenya in the late 20th century. In recent times, the growth of M&A has taken place with real impetus.

There are notable mergers and acquisitions that have occurred in the recent past at the global, continental, national level. In 2016, the announcement that AT&T would acquire Time Warner – a media company – for $86 billion recorded one of the biggest mergers in over the last twenty-four months. In this deal, AT&T would benefit in that they would be the leading provider of Pay-Tv and internet services in addition to popular content from HBO and access to leading sports such NBA and the NFL (Chopra, 2017). In another notable merger that took place in 2016, Qualcomm agreed to buy its Dutch rival NXP Semiconductors for a cash deal worth approximately $47 billion. According to Forbes Magazine, NXP Semiconductors is the biggest supplier of chips in the automotive industry. The firm serves an estimated twenty-five thousand customers via its global network distribution and direct sales channels (Merger Markets, 2016). The combined company is estimated to acquire more than $30 billion through annual revenues. Microsoft’s acquisition of LinkedIn for $26.2 billion is also an example of M&A but in the tech industry (Gara, 2015). LinkedIn was a major beneficiary in this deal as their
shares increased by sixty-four percent after the announcement on June 2016. In addition, a merger with Microsoft enabled LinkedIn to integrate its customer relationship capabilities and powerful networking with those of Microsoft cloud (Forbes Magazine). On the other hand, Microsoft gained by increasing its inroads the social networking sector. Another notable merger and acquisition in 2017 was courtesy of Johnson & Johnson. According to Dealogic, J&J is the world’s biggest healthcare group (Chopra, 2017). In January 2017, the firm acquired Europe’s biggest biotech company, Actelion in a deal estimated to be worth thirty billion dollars. Chopra (2017) states that J&J seeks to increase its expertise in drug discovery operations and early-stage clinical developments assets. The newly formed company from the acquisition will be listed in Switzerland. J&J will own a sixteen percent stake of Actelion and have rights in another sixteen percent. J&J is famous for the acquisitions and mergers it has completed over the years in its quest to become a global brand in the healthcare sector. Notable acquisitions include that of Sythes ($20.8bn), Abbott Medical Optics ($4.3bn), Vogue International ($3.3bn), DePuy ($3.5bn), ALZA Corporation ($14.9bn) and Centocor Inc. ($4.7bn).

According to Merger Market (2016), M&A in Africa recorded two hundred and forty four deals totaling to thirty nine billion US dollars as per 2016, which represented a 49.1% increase from the previous year. There were four main countries targeted in these dealing namely – Nigeria, Egypt, Kenya, and South Africa. Mergers mainly targeted consumer sector, which recorded a fifteen times increase from 2015. Merger Markets indicates that the highest valued deal in 2016 involved sale of Bid Corp by its parent company Bidvest Group to Bidvest’s stakeholders. Another major dealing involved giant beverage company Coca Cola beverages, which reacquired a controlling interest in their African division from Anheuser-Busch InBev (Merger Markets, 2016). In a deal valued at $3.1bn, Coca Cola purchased 54.5% of the company making it the largest shareholder.

With respect to the brewing industry, mergers and acquisitions are now a common occurrence. For instance, recently, the world experienced a merger between the two largest brewing companies in the globally. According to Forbes (Gara, 2015), AB InBev and SABMiller merged for a deal worth approximately $106 billion. However, prior to the merger going through, SABMiller had to relinquish two of its European labels namely Grolsch and Peroni in order to ease antitrust scrutiny. This paved way for another merger and acquisition within the brewing industry – Forbes Magazine indicates that Japanese based beer maker bid for the two brands for $3.4 million in a deal that also involves UK
craft beer brand Meantime (Gara, 2015). The successful merger between SABMiller and AB InBev means that a single company will produce a large chunk of the world’s beer. The firm resulting from the merger would also be responsible for seventy-five percent of the beer market in the U.S. Individually; AB InBev produces brands such as Corona, Budweiser, Stella Artois whereas SABMiller makes Pilsner Urquell, Miller Lite, and Peroni.

Another significant merger and acquisition in the brewing industry led to the formation of Diageo in 1997. According to the Washington Post (Farr, 1997), Grand Met and Guinness merged in a deal worth $15.8bn. Considered as one of the biggest mergers in British history, the deal led to creation of the seventh largest food and drinking company in the world. Some of Grand Met’s major brands are J&B whiskey and Smirnoff Vodka whereas those of Guinness are the Gordon’s gin and Johnnie Walker whiskey. As per Grand Met’s chairman at the time of the merger, the deal would lead to creation of a combination of spirits and wine firm that seeks to be a world leader. According to Farr (1997), the resultant company from the merger (Diageo) would have annual sales of approximately twenty two billion dollars. From the merger, Grand Met’s shareholders would own 52.7% of Diageo.

The rise in shares of the individual companies after announcement of the merger indicates that the public and investors alike considered it as a move in the right direction. In addition, Farr (1997) indicates that the merger is a perfect fit for both companies in terms of geography and products. Besides, the strength of the resulting company (Diageo) was likely to instigate mergers in other firms in the liquor and food industry. With relation to the Kenyan market, Diageo owns 50.03% of East African Breweries Limited, which is the firm in focus for this study.

Since its formation in 1997, Diageo has continued to grow in stature. However, its growth in its traditional markets namely Asia-Pacific, Latin America, North America and the Caribbean has stagnated over the last couple of years. Consequently, the firm has set its sights in Africa to fuel its growth. For instance, the firm recently made a $208 million bid to increase its stakes at Guinness Nigeria that houses Diageo’s beer brands (Diageo, 2017). Likewise, Diageo also ended its partnership with Heineken in South Africa as part of its strategy to exercise more control over the business in quest for expansion in Africa. Diageo has also made some significant acquisition since its formation. Recently in June
2017, Diageo acquired super premium tequila Casamigos as a way of expanding its market more so in the fast growing tequila industry (Diageo, 2017).

In East Africa, EABL is the biggest brewer and serves a significant percentage of the Kenyan market. The firm has engaged in various mergers and acquisitions over the years. According to the Daily Nation, EABL acquired Tanzania based Serengeti Breweries Limited (the country’s second largest brewing firm) by buying a fifty-one percent stake (Okoth, 2010). SBL is famous for its popular Serengeti Premium Lager. Okoth (2010) indicates that the deal valued at $60.4 million means that the EABL/SBL portfolio controls twenty-eight percent share of the branded beer sector in Tanzania. From EABL’s point of view, the deal would create an avenue for the firm to sell its products to the lucrative Tanzanian market.

In addition, acquisition of SBL is seen as a platform for EABL to increase its supply footprint in the East African region. Acquisition of SBL means that EABL ended its contract with Tanzania Breweries Limited (TBL). Thus, EABL will sell twenty percent of its stake in TBL prior to acquiring SBL. Although, the Tanzania’s Fair Competition Commission (FCC) approved the deal, they set stringent measures that made sure that EABL facilitates continuity and growth of the SBL identity (Michira, 2015). In fact, EABL should not close any of SBL plants without consulting and getting go ahead from FCC.

In another acquisition, EABL agreed to purchase twenty percent of SABMiller’s stake at the Kenya Breweries Limited (KBL). According to Standard Media Group (Michira, 2015), the deal was worth approximately twenty billion or an equivalent of the twenty percent stake that was disposed via public offer. The buy-out meant that EABL severed ties with SABMiller, with who they had a brewing and distribution agreement. Initially, EABL was distributing SABMiller’s products in the Kenyan market. Acquisition of the twenty percent stake of SABMiller at KBL also led to the closure of Castle Breweries Limited in Thika.

1.2 Statement of the Problem
Corporate mergers are an important driver of corporate and economic growth. Nonetheless, a large fractions of mergers fail to produce value for the shareholders of the acquiring firms (Aon Hewitt, 2011, Culture integration in M&A). Anecdotal and survey evidence suggests that cultural incompatibility between acquirers and targets is an
important reason for merger failures. High-profile deals that supposedly failed due to corporate culture clashes include Daimler-Chrysler and Sprint-Nextel, transactions that ended up destroying billions of dollars in shareholder value. These anecdotes suggest that a deeper comprehension of how corporate culture affects M&A would be of value, both from an academic research perspective and to practitioners.

Shareholders and managers of corporations turn to mergers and acquisitions in the hope of improving profitability as well as financial performance but studies on this subject have produced mixed results. As earlier noted, EABL acquired SBL with the intent of increasing its market growth. Acquisition of SBL was seen as an avenue via which EABL would sell its products in Tanzania and the larger East African market. As part of the condition of the merger as cited by the Standard Media Group (Michira, 2015), EABL had to ensure continued growth of Serengeti Breweries as well as its products (Michira, 2015). At the point of acquisition, SBL was one of the largest brewer in Tanzania, only second to Tanzania Breweries Limited. Taking this into consideration, acquisition of SBL seemed a good venture for EABL. The large market share controlled by SBL meant that acquisition of the firm meant that EABL would be taking over a significant share of the Tanzania market.

The Fair Competition Commission of Tanzania was a major player in the deal between EABL and SBL. The Standard Media Group (Michira, 2015), cites that the firm was responsible for ensuring that neither of the two parties breached the rules of the merger. However, upon review, the FCC found EABL to have infringed on the set rules. The commission cited that EABL did not perform as per the expectations of the FCC. From their view, EABL did not facilitate fast movement of SBL products (Michira, 2015). In addition, EABL failed to create suitable conditions to allow for growth of the SBL’s market share. On this basis, the FCC terminated the agreement between SBL and EABL (Michira, 2015).

However, prior to termination, the FCC gave an opportunity to any member of the public who felt aggravated by the decision to present their grievances to the commission. From an EABL perspective, Michira (2015) argues that termination of the agreement had a negative impact in that it curtailed the firm’s ability to increase its market share in the East African region.
1.3 General Objective

To determine the effects of M&A in firm performance in East African Breweries Limited

1.4 Specific Objectives

1.4.1 To determine the effects of firm strategy on M&A decision
1.4.2 To establish the role of profitability on M&A decision.
1.4.3 To determine the effects of corporate culture on M&A decision.

1.5 Significance of the Study

The findings of this study will be of significance to the following stakeholders.

1.5.1 East African Breweries Limited (EABL)

The findings of this study will be a source of empirical data as well as a reference point for EABL to acquire more knowledge on the effects of M&A in firm performance.

1.5.2 Serengeti Breweries Limited (SBL)

The findings of this study will be helpful by acting as a reference point for how the acquisition by EABL has influenced various aspects of their firm performance such as corporate culture, profitability and firm strategy.

1.5.3 Diageo

For Diageo, the findings of this research will be helpful in aiding the firm to realise how acquisition of a significant share of EABL has been beneficial to their growth. In addition, the firm can learn which aspects of its acquisition of EABL it can improve in order to increase the firm’s overall output and efficiency.

1.5.4 Researchers

The findings of this study will contribute to the current knowledge and research conducted in relation to the effect of mergers and acquisitions on firm performance. In addition, upon completion, the recommendations and findings of this research can be a reliable source of information or reference for future researchers.
1.6 Scope of the Study

This study sought to evaluate the effect of mergers and acquisitions in firm performance using the case of East African Breweries Limited. The firm was thus essential in helping this study acquire the necessary data in order acquire sufficient information on the subject topic. In addition, the research involved an extensive review of existing literature on the topic to derive suitable recommendations and conclusions.

It is worth noting that the researcher came across various challenges that were likely to hamper their access to information sought for this study. The inability to include more organization in the country was the main limitation of this study. As noted earlier, this research only focuses on East African Breweries Limited (EABL). The study would have taken into consideration more firms in the brewing industry that have gone through mergers and acquisitions to provide a broad based analysis.

Another limitation was that the approached respondents were likely to be reluctant while offering information due to fear of intimidation or it may paint a negative image about them or the institution. In order to overcome this challenge, an introductory letter from the University, accompanied the study to assure the respondents that the information they provided was not only confidential but solely for academic purposes.

1.7 Definition of Terms

1.7.1 Mergers and Acquisitions
A combination of two or more companies with them aim of creating one new corporation or company (Galpin and Herndon, 2014).

1.7.2 Corporate Culture
Refers to the prevalent attitude, behaviors and beliefs that characterize a company as well as guide its practices (Guiso, Sapienza and Zingales, 2015).

1.7.3 Firm Performance
A measure of the performance of a company that is dependent on the firm’s efficiency and the market in which it operates (Miller, Washburn and Glick, 2014).
1.7.4 Firms Strategy

Refers to the overall scope and direction of a company and the manner in which it intends to combine its business operations together in order to achieve a specific set of goals (Miller, Washburn and Glick, 2014).

1.8 Chapter Summary

The first chapter discussed the significance of the concept of the study (Mergers and Acquisitions) and its effect in firm performance. The study then identified the theory upon which the study will be based. The chapter has also given the problem statement, research objectives, significance of the study, and terminologies to be used in the study. The second chapter presents the literature review of the study, whereas chapter three covers the methodology used to conduct the study. The contents of chapter four are data presentation and interpretation whereas chapter five covers summary and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter viewed the related literature on effects of corporate culture, profitability and firm strategy on M&A decision. It studied literature on Mergers and Acquisition (M&A) decisions and the process of making those decisions, the concept of corporate culture, theories that relates to corporate culture and the impact of corporate culture on M &A decision. Additionally, it studied the profitability and its impact on M&A decision. Furthermore, it analyzed different firm strategy and determinants of firms strategy on M & A decision. Finally, the chapter ended with the chapter summary, which recapped on major points of the chapter.

2.2 Effects of firms Strategy on M&A Decision

With reference to Deloitte (2016), global merger and acquisition hit an all-time high of approximately five trillion dollars in 2015 and the momentum continued in 2016, which recorded roughly two trillion dollars for the first half of the year as per the US market. Deloitte links the increasing rate of mergers and acquisitions to a change in strategic rationale in terms of how firms engage in deal making.

2.2.1 M & A Decision Making Process
Galpin and Herndon (2014) define a merger or an acquisition as a combination of two or more companies with them aim of creating one new corporation or company. Although the terms merger and acquisition (M&A) are used concurrently, their difference lies in the approach used to combine the companies involved. Nonetheless, in merger and acquisitions, the buying company assumes the liabilities and assets of the merged company. M&A is a phenomenon that has been in existence since 1895 in the United States. With time, it popularity has increased across the African continent. Mergers began to appear in Kenya in the late 20th century. In recent times, the growth of M&A has taken place with real impetus (Abbas, Aroosh, Butt and Zafar, 2014). Prior to discussing further on the background of the study, it is extremely essential to understand and discuss the various forms that mergers can assume.
According to Coates and John (2014), mergers can take place in three different forms based on the competitive relationships that exist between the merging parties. They are namely horizontal, vertical, and conglomerate mergers. Horizontal mergers involve two companies selling similar products to the same markets. The main aim of horizontal mergers is to derive a new and larger organization that has the ability to access a bigger market share (Coates and John, 2014). Due to the similarity in the merging companies, there exist opportunities to join various opportunities such as manufacturing, which collectively reduces the costs involved. Unfortunately, horizontal mergers do not always achieve economies of scale because of three competitive problems. The first issue is elimination of competition. Depending on the size of the firms involved, this could be significant. Second, unification of the merging firms’ operations is likely to lead to substantial market power that allows the involved companies to raise prices via reduction of output unilaterally (Herger and McCorriston, 2016).

In their quest to educate the public on M&A, Deloitte (2014) acknowledges that majority of the companies that take part in mergers often lack experience in M&A. Due to the financial implications of selling a business, firm or company, Deloitte advises that prior to engaging in M&A there are various considerations to take into account. Preparation for a merger should comprise of team of attorneys, M&A advisors, tax professionals, human resources professionals, asset managers or estate planners and attorneys (Deloitte, 2014). Each individual on this list has a significant role to play in ensuring that the foundation for the merger and acquisition is stable. According to Deloitte (2014), firm performance is heavily reliant on proper combination of these aspects of M&A during the pre and post deal stage.

2.2.2 Impact of Firm strategy on M&A decision
In the past decades mergers and acquisitions were merely financial transactions aiming to control undervalued assets and the target was an industry or business very different from the acquirer’s core business. Cash flows merely sufficient for debt repayment was the main goal. Mergers and acquisitions in recent times are very different (Galpin, 2010). ‘Today, the typical merger or acquisition is quite strategic and operational in nature.’ This implies that today, managers are not just buying undervalued assets as discussed above but what they are buying are installed customer bases, better distribution channels, greater geographical boundaries, organizational competencies and a variety of new talent. All of these acquired factors in turn offer more strategic opportunities to organizations so that
they can gain an edge over their competitors’ products and services. Such organizations are successful in consolidating business units in an attempt to maximize revenues and share prices.

Strategic Planning has long been emphasized by organizations as an important tool leading to business success. Many studies conducted in this regard revealed that seldom did managers had any clear strategic rationale for M&As and the impact these deals will have on the company in the upcoming periods. As discussed above, companies have recently shifted their emphasis from cost saving to using M&As as a strategic driver for growth in corporations. Mergers and acquisitions have several reasons to be justified. Organizations that undertake such deals can either gain from them or can be a complete failure. It is therefore very important to align any organizations strategic plans with their M&A plans. This can be done by an effective tool that is due diligence that implies the screening of all the potential merger and acquisition targets. Due diligence is explained later in our paper (McDonald, 2005).

According to Rahman and Lambkin (2015), a significant percentage of M&A are horizontal – combining firms hail from the same industry. The major motivation for these companies is usually to acquire profit and revenue growth via addition of new product lines or market expansion. In most cases, Rahman and Lambkin (2015) argue that cost efficiencies are a secondary agenda of M&A. Rahman and Lambkin (2015) fmergers and acquisitions increase marketing performance on two distinct dimensions. First, M&A leads to sales revenue growth. Second, it results into a reduction of marketing, administrative, and selling costs as a percentage of sales revenue, which suggests synergy realization in these areas. Mergers and acquisitions lead to an increase in economies of scale and scope (Rahman & Lambkin, 2015).

Pahuja and Aggrawal (2016) argue that mergers and acquisition have become a viable option for companies seeking corporate restructuring. This explains the large-scale surge in M&A activity in different sectors ranging from telecom, banking, pharmaceuticals and finance. Pahuja and Aggrawal (2016) focus their study on the effects of M&A before and after mergers in banks based in India. In order to achieve this, Pahuja and Aggrawal (2016) use event study methodology among other ratios to identify the effect of M&A on the performance of the acquiring firm before and after the merger. Evidence from the
study shows statistically minimal evidence of any influence of M&A on the profitability of the company when measured via various methodologies.

According to Braguinsky, Ohyama, Okazaki and Syverson, (2015), various scholars have studied the effect of changes in corporate control of assets on productivity over the years. The authors state that in principle, one of the major intents of mergers is to transfer the control of productive assets to entities or firms that are capable of applying them in a more efficient manner. Other than increase the individual productivity of the acquired or merged production units, a major advantage of reallocation is that is capable of leading to aggregate productivity growth (Braguinsky, Ohyama, Okazaki & Syverson, 2015). With emphasis on the cotton spinning industry in Japan, Braguinsky et al., (2015) explore changes in ownership influence productivity and profitability of producers.

One major contributor to Bouwman’s research is a study conducted by Fiordelisi and Martelli (2011), who study the effect of corporate culture on M&A success with focus on the banking sector. The study analyzes one hundred and twenty five deals in the US and another sixty-three in the European Union that surpass the one hundred million dollar mark. Research narrows down on the banking sector in order to prevent the difficulty of controlling the difference of culture across different industries (Bouwman, 2016). By measuring the success of M&A via announcement returns, the study finds that cultural homogeneity does not significantly relate to merger success.

Ahammad, Tarba, Liu and Glastier (2016) study the link between knowledge transfer and merger and acquisition performance. One of the assertions in their study is that the success of knowledge transfers in cross border acquisition is assessable through analyzing employee retention. The authors define knowledge transfer in cross border acquisition as the value creation for both the target and the acquirer. One of the main objectives of M&A is to improve the knowledge-based resources of the firms involved in the deal.

As per his study, one major observation by Ven (2013) is that the best employees tend to leave organizations after mergers or acquisitions, while lesser employees want to stay. Ven (2013) links the voluntary turnover to the inability of organizations to offer job satisfaction and organizational commitment after occurrence of a merger and acquisition. Ven (2013) asserts that M&A results into role conflict for the employee as the individual may be tasked with performing different roles that he or she is not compatible. The
resulting psychological tension negatively influences their ability to execute their skills appropriately. Data used for the study was obtained from Workplace Employment Relations Study, which is a survey conducted in Great Britain. Regression analysis, correlation analysis and mediating test were all used to conduct

2.2.3 Empirical studies of firm’s strategy in brewing Industry

Madsen, Pedersen & Thomsen (2011), explain that the international beer brewing industry has experienced massive changes over the last decade. The industry concentration has increased dramatically, and the leading brewer groups have globalized their operations across virtually all continents. Their study portrayed that the most obvious changes in the structure of the global brewery industry were political when China and India open their doors and the Iron Curtain broke down in Europe and enlarged the beer market to a real world market. These events opened new emerging growth markets which differ from mature markets in a number of ways, and there has been a rush to capture lucrative parts of the new markets among traditional industry leaders. Successful strategies will open up for renewed profit opportunities and there has been a rush to become a first mover in the promising new markets.

Adam (2011) analyzed the brewing Industries in the world, the results showed that in the period 1999 to 2010 shows the relative amount spent on acquisitions positively correlate with the growth of the companies. Thus, the strategy of acquisition has been a lead way to increase the market shares of the breweries. However, this result was not equally efficient across the four breweries. Comparing A-B InBev and SABMiller they hold about the same growth rate over the period but SABMiller’s accumulated deal value of acquisitions are only 1/3 of A-B InBev’s when measured relative to turnover in 2000. Adam (2011) explains the reason why SABMiller and Heineken have superior growth in the market as compared to A-B InBev and Carlsberg in the market is due to result of their strategic positions in regions with higher growth in beer consumption and as well be a result of a more efficient production and market management.

Gjae (2012) explains one of the strategy used by the brewing industry when doing mergers and acquisition is to clearly make a distinction between mature markets and emerging markets. That is the former are close to the peak of the Product Life Cycle or on the declining part of it while emerging markets experience growth. Mature markets typically consume beer of a higher quality (and margin), while emerging markets are
characterized by growth in volume and in a long-run perspective by increasing product value. This strategy was used by the brewing Industry in 2010 in which the largest amounts of deals took place in the Americas, while Western and Eastern Europe accounted for 12 respectively 10 billion EUR.

2.3 Role of Profitability on M&A Decision

While various practitioners and academicians have made efforts to research on M&A performance, there exist inconsistencies on the various approaches of defining or measuring M&A performance. Das and Kapil (2012) identify the two major approaches used to conduct empirical research on M&A performance - outcome studies and event studies. Outcome studies research is more common among industrial organization economists whereas event study is frequently used in finance literature. Outcome studies employ stock market response as measure of M&A performance by comparing performance before and after the acquisition (Das and Kapil, 2012). It also makes comparison between the merging firms and matching companies or the base industry. However, use of outcome studies has some limitations. Use of a before and after approach may pose a challenge in cases where the target firm is relatively smaller in comparison to the acquirer. The size differential means that the weighted average performance the target firm contributes to the merger may have minimal effect (Das and Kapil, 2012). Second, it is difficult to identify similar firms as control groups when majority of the firms are involved in M&A.

2.3.1 Profitability

Rashid and Naeem (2017) evaluate the effects of mergers on corporate performance with emphasis on firms and companies in Pakistan. The data used in the study is for mergers deals that took place between 1995 and 2012. Rashid and Naeem (2017) use empirical Bayesian estimation technique and ordinary least squares to assist in carrying out the empirical analysis. Their findings from the study indicate that mergers and acquisitions do not largely influence the firm’s liquidity, profitability, and leverage position. Of significance is that the estimates reveal that mergers and acquisition deals result into a negative and statistically noteworthy impact on quick ratio of the target and acquired firm. Both empirical Bayesian estimation technique and ordinary least squares exhibited a high level of consistency in terms of results.
According to Kinateder, Fabich and Wagner (2017), targets in mergers and acquisitions enjoy a positive announcement of approximately less than two percent on average from the M&A deal. On the other hand, the acquiring company loses less than one percent in terms of announcement returns. Through application of a comprehensive set of explanatory variables as well as cross sectional return drivers, the study establishes that target returns are often negative in relation to pre-announcement returns and company size. However, Kinateder, Fabich and Wagner (2017) note that the returns are positive in terms of gross domestic product (GDP).

Anderibom (2015) also carried out a research in Nigeria of the effects of M&A on the performance of commercial banks. The bank used for the study was United Bank of Africa (UBA) Plc. Anderibom (2015) evaluated firm performance via the CAMEL (Capital, Asset, Management, Earnings, and Liquidity) criteria as well as the firm’s annual statement of accounts and reports for the period 2000-2010. The study’s results indicate that mergers have a positive influence on the performance of commercial banks in Nigeria.

In their study, Oloye and Osuma (2015) sought to determine the impact of M&A on commercial banks in Nigeria. In order to measure the firms’ performance before and after the acquisition successfully, the Oloye and Osuma (2015) used profit after tax and shareholders fund as the parameters of measurement. The banks selected for the study were determined through random sampling method. The researchers collected data from academic journals, newspapers, companies’ annual reports, and internet sources. Via correlation and regression with the assistance of Econometrics version 7, Oloye and Osuma (2015) analyzed collected data. The findings indicated that M&A are good platforms for a firm (in this case a bank) to acquire stability and profitability.

Avulala (2015) studies the effect of M&A on firm performance with emphasis on growth of insurance firms in Kenya from 2000 to 2015. Data collection entailed use of questionnaires that had both structured and unstructured questions as the primary source of data collection. Financial statements, journals and records were used to provide secondary data. The data was analyzed via Statistical Package for Social Sciences (SPSS) thus delivering descriptive statistics in the form of median and mean. From the study’s findings, firms benefit largely from M&A mainly through increased profitability. Thus,
Avulala (2015) suggests that insurance firms in Kenya should adopt more M&A to increase their profit margins

2.3.2 Impact of Profitability on M&A decision

Taking into consideration that a study conducted by KPMG indicated that forty-two percent of mergers fail to increase market value or shareholder value, Abrams (2013) sought to explore how M&A should increase the value of the two merging companies. It is worth noting that the same study by KPMG indicated that forty-five percent of merger dealings end up destroying shareholder and market value of the merging firms (Abrams, 2013). Joash and Njangiru (2015) studied the effect of M&A on fourteen banks in Kenya that underwent merger activity from 2000 to 2014. The study collected data via questionnaires with both open and closed ended questions, which was later analysed using SPSS. Coefficient of correlation was used to establish the kind of relationship between the independent and dependent variables. The findings from the study indicate that there is an increase in shareholder value for the both the merging and acquiring companies. The study recommended that banks should seek for suitable M&A deals to increase their profitability levels.

With emphasis on thirty-five companies, Anyanwu and Agwor (2015) examined the effect of mergers and acquisitions on the performance of manufacturing firms in Nigeria. Descriptive analysis was used to study the data collected via questionnaires. From their findings, Anyanwu and Agwor (2015) concluded that M&A are beneficial to firms, especially in terms of profitability. The companies also benefitted from availability of large amount of capital after the merger, which translated to increased business potential. Mwangi (2014) studied the effect of mergers and acquisitions on financial performance of petroleum firms in Kenya. The study used sample of merging companies from 2002 to 2012. Thus, the study recommended that M&A should not be used as an avenue for firm to keep businesses alive but rather to enhance their financial standing and competitiveness.

On several occasions, scholars use event studies to evaluate stock market reaction to the happenings that take place at the onset of an M&A or in its conclusion. One major assumption in this approach is that the market is efficient (Das and Kapil, 2012). Thus, any change in share prices of the target or acquiring firms mirrors the economic value of a merger, after considering general market movements. In cases where the impact of the
acquisition is positive, the stock value of the target firm increase rapidly so that the stockholders enjoy enormous positive return.

Sheen (2014) studies the impact of mergers on product market by focusing on value creation in mergers via analyzing novel data on the price and quantity of goods sold by merging firms. The study uses data from Consumer Reports on the quality (reliability, features, and design) and price of more than nine thousand brand name products in twenty consumer goods categories sold by 372 firms. The data collected ranged from 1980 to 2009. From that data set, Sheen (2014) identified eighty-eight mergers to use as the study sample. In addition, Sheen (2014) supplemented the study sample with market share data from Appliance magazine in order to establish the actual product market impact of acquisitions.

In their research, Blonigen and Pierce (2015) discuss the effects of mergers on market power and efficiency. The two authors analyze mergers and acquisition in the United States manufacturing industries via using a new approach in their quest to estimate efficiency and market power. The study uses data from US manufacturing firms between 1997 and 2007. Through use of difference in difference approach or technique, Blonigen and Pierce (2015) identify the effects of mergers and acquisitions on acquired plants in relation to various potential comparison groups by studying specific fixed effects such as plant, plant size by year fixed effect and industry by year. From their findings, mergers and acquisitions increase markups significantly in economic terms.

Another major finding by Blonigen and Pierce (2015) is that the effect of markups is stronger in horizontal mergers in comparison to other types of M&A. With reference to Blonigen and Pierce (2015), a major finding is that mergers and acquisitions generally increase the market power (market value) and efficiency of the acquired firms when measured in terms of markups.

2.3.3 Empirical Studies of profitability in Brewing Industry

Ebneth and Theuvsen (2007) find insignificant positive acquirer returns for cross border transactions. However, their sample is restricted to 29 transactions. Due to the continuous decline in beer volumes in many mature markets, we regard cross-border M&A as a viable strategic option to diversify into international markets and thus expect significantly positive abnormal returns to acquirers. In particular, we assume acquirer returns to be
positively impacted if the targets are based in emerging market economies and expect to find significant differences compared to domestic transactions.

Faccio et al. (2006) compares the results of acquirer’s abnormal returns of cash only transactions with transactions that use share-based or hybrid forms of consideration. Overall, brewers show a clear preference for cash only transactions. On average, acquirers paying solely with cash experience a positive CAAR of 1.37% for the [-1;1] event window, which is significant on the 5% level. The limited amount of share deals does not allow for a viable comparison and will hence be addressed in the multivariate analysis.

Clougherty and Duso (2009) presents the rival returns to the “big four” i.e. the returns to the remaining 3 companies if one of the “big four” announces a transaction (e.g. the returns to Heineken, Carlsberg and SABMiller if Anheuser Busch Inbev announces a transaction). Using this approach, we analyze 98 rival events for our sample. The returns are significant at the 10% level using a standard t-statistic and the non-parametric Wilcoxon signed rank test. The findings suggest that the negative competitive effects of missing a potential M&A opportunity or strengthened competition from a newly combined firm outweigh potential positive signaling effects.

Swinnen and Herck (2010) research M&A in brewing industry in acquisition of equity shares in other breweries. Among the leading breweries emphasis on this expansion path differs greatly, Heineken has been actively acquiring stakes in a rather large number of smaller companies, while other industry leaders may have had fewer, but much larger acquisitions of equity volumes. Carlsberg has proved least active in this field. Their research further extended on the profitability of the companies after M & A from 2000 to 2009. The profitability was measured with the Earning Before Interest and Taxes (EBIT), in which A-B InBev and Heineken have a better performance than the large regional breweries, SABMiller is only marginally better, and Carlsberg has a lower earning.

2.4 Effects of Corporate Culture on M&A Decision

2.4.1 Corporate Culture

Borgatti (1996) defines corporate culture as the personality of the organization, the shared beliefs, values and behaviors of the group. It is symbolic, holistic, and unifying, stable, and difficult to change. Corporate culture is made up of both the visible and invisible,
conscious and unconscious learnings and items of a group the culture is the shared mental model. Borgatti explains that the model is taken for granted by those within the group and is difficult for outsiders to crack. It is important to remember that the corporate culture is not the ideals, vision, and mission laid out in the corporate marketing materials. Rather, it is expressed in the day-to-day practices, communications, and beliefs. Borgatti (1996) explains the quality of strong culture to be internally consistent, widely shared, and explains the appropriate behavior is. Resulting in an organization with a vision that everyone understands to which everyone is committed.

Corporate culture can also be looked at as a system with inputs from the environment and outputs such as behaviors, technologies and products. It is dynamic and fluid, and it is never static. A culture may be effective at one time, under a given set of circumstances and ineffective at another time. There is no generically good culture. There are however, generic patterns of health and pathology (Hagberg and Heifetz, 2000). Cartwright and Cooper (2002) argue that, depending on how much integration and culture change is needed, mergers will fall into one of three types. Extension mergers in which differences in culture between merger partners are accepted and viewed as rather unimportant. Collaborative mergers success depends upon the ability to fully integrate both cultures and create a best of both worlds culture and thus create a win/win. Redesign mergers, the most typical merger scenario in which the acquirer is the dominant partner that intends to replace the culture of the smaller and/or less successful target, thus creating a win/lose situation.

A survey done by Hewitt (2001) has shown over the years that corporate culture matters for M&A performance. This report presents the results of a survey of 123 firms around the world from a variety of industries. Half of the respondents indicated that their M&A deals failed to meet expectations. When asked about factors leading to deal failure, 33% of the respondents mentioned cultural integration issues, making it the second most important direct driver. However, as highlighted in the report, cultural integration is also an indirect driver to various other immediate causes of deal failure. For example, 60% of the respondents indicated that unsuccessful cultural integration led to delayed deal integration and implementation, which was the most common direct factor cited for deal failure.
Interestingly, while firms understand that cultural integration is vital to deal success, 58% of them responded that they do not have a specific approach to assessing and integrating culture in a deal. The ones that did not have a specific approach for culture reported a higher than-normal loss of critical employees during a transaction. Moreover, none of the firms (0%) reported that their cultural integration practices were effective. The top three reasons cited for unsuccessful cultural integration included: a lack of top management agreement on the desired culture (48%), culture risks not recognized during the due diligence phase (48%), and a lack of top management support (44%). Firms with good records in terms of exceeding their own targets in past deals reportedly focus on culture earlier on, spend more time on changing their cultures, and manage those changes more actively than firms with bad track records.

2.4.2 Impact of corporate culture on M&A decision

Bouwman (2013) studies the effect of corporate culture in mergers and acquisitions. Without contrasting ADP (2016), Bouwman (2013) notes that mergers and acquisitions have an increasing high rate of failure. Considering this, Bouwman’s study believes that corporate culture has a significant role to play in determining whether a merger becomes a success or a failure. Cultural discrepancies contribute to a large share of merger failures. In a bid to conduct comprehensive research on the role of culture, Bouwman (2016) approaches the topic by critically reviewing the organizational behavior and economic literatures on corporate culture.

2.4.2.1 Decision Making Styles

In their research, Gerrit and Treuren (2017) acknowledge that the past decade has experienced a sharp increase in both size and frequency of mergers in the United States. The two authors add that the rise in M&A has not always been rosy for those employed in the companies. The rise in M&A in the US has led to interruption of organizational activities as well as numerous negative outcomes for employees. The sample of their study entailed 763 US based airline employees. Gerrit and Treuren (2017) sought to identify the relationship between four variables fueled by M&A and their relationship to employee skills and turnover. The four variables were quality of change communication, change management history, procedural fairness in restructuring and anxiety change. The argument was that each of these four variables influences employee skills or turnover in an organization in case of a merger or acquisition. The results of the study by Gerrit and
Treuren (2017) indicate various issues relevant to this study. For instance, the employee turnover and skills are heavily influenced by procedural fairness in restructuring, change in communication, and the anxiety that results from the expected change in ownership.

Bouwman (2016) also reviews a study by Bargeron, Smith and Lehn (2012) who seek to examine the relationship between corporate culture and merger activity with focus on five aspects namely acquisition size, acquisition frequency, bidder announcement returns, similarity between the acquirer – target and culture changes. In each case, the predictions are reliant on whether culture is an asset transferable to the target or if mergers disrupt the valuable culture of the acquirer. Bouwman (2016) notes that the results are mixed at best. In the first case, Bouwman concludes that culture has no influence on acquisition frequency mainly because both forces are at play. Second, firms that possess strong cultures acquire smaller firms, which contends with the assumption that M&A is likely to be disruptive and smaller deals are highly absorbable. Third, firms that have a strong culture have a higher tendency of acquiring firms with a similar culture, which supports that supposition that culture is a transferable asset.

The fourth finding Bouwman identifies in Bargeron, Smith and Lehn (2012) study is that companies that have strong cultures indicate announcement returns that are similar to those of industry-matched acquirers that do not have a strong culture. However, these returns are significantly less when larger deals (at least five percent of the acquirer’s assets) are taken into consideration. This is consistent with the perspective that M&A has a negative effect on valuable culture. Lastly, Bouwman notes that acquiring firms with a strong culture are highly likely to lose their strong culture in comparison to companies that avoid such deals. Likewise, this finding is in tandem with the perspective that mergers and acquisitions are disruptive.

2.4.2.2 Change Management

Perhaps the least desirable approach of those suggested by Cortina (2015) is deculturation because it involves the highest level of conflict. In most cases, it causes a high level of confusion and stress for the acquired firm. Deculturation takes place when the acquired firm is reluctant to embrace the cultural aspects of the new company but at the same time, the acquired firm does not have a strong enough culture to lead its members. Often, it
results into disintegration of both managerial and cultural entities. Cortina (2015) argues that deculturation does not offer any benefit to the firms involved in the merger because the main intention of M&A is to liquidate the target firm. The author summarizes the study by indicating that firms should place emphasis on cultural integration aspects during M&A via being proactive.

Shirasi (2017) studies the effect of M&A on Asian banks in relation to performance in terms of the long-term changes in banking management strategies for the acquiring company. The findings from the study indicate that mergers in Asian banks lead to increment in the amount of new loans as well as capital adequacy, mostly for the target company. However, the performance of the acquiring firm (bank in this case) is largely affected due to non-performing loans. Shirasi (2017) suggests that it would be more prudent for Asian banks to consider M&A between countries that possess different economic systems for them to realize the improved firm performance that results from M&A.

Cortina (2015) concurs with majority of the authors that mergers are increasing failing. However, she indicates that the tendency of firms to overlook the element of culture is highly responsible for these failures. Organization culture refers to the basic beliefs and assumptions shared by members of a company. Bearing this in mind, Cortina (2015) states that the degree of cultural fit between two companies is a measure of the “shock” that employees are likely to experience after occurrence of a merger. Cortina’s study suggests four distinct approaches that companies can use to ease cultural shock after a merger. The four approaches are part of the acculturation process, which help identify the most viable option when two culture conflict after a merger and acquisition.

The most common approach is assimilation whereby cultural shock between the merging companies is eased by one firm giving up its philosophies, procedures and practices by becoming completely assimilated into the acquirer firm (Cortina, 2015). In most cases, the culture of the acquired firm ceases to exist. In scenarios where the level of conflict is minimal, integration is a suitable approach to minimize cultural shock after the merger. Under this, the acquirer firm allows that acquired firm to keep some of its cultural elements. However, the acquirer firm maintains a large chunk of its organizational and cultural elements that are crucial to its unique identity. The third approach is separation
that is common when two strong cultures merge. In this case, each company maintains its
cultural elements and remain separate but under the umbrella of the parent firm.

2.4.2.3 Integration of employees

Bouwman (2016) argues that there is scarce information on the effect of culture on M&A. However, one of the sources used in his study puts emphasis on this area by first defining corporate culture and thereafter outlining its benefits to employees. In order to achieve its purpose, this study uses a model whereby a company has decided on the course of action but its employees have a different opinion on the same. In this context, corporate culture refers to the extent to which the employees share beliefs. The main advantage of shared beliefs (culture) is that it creates harmony between the objectives of the principal and the agent thus minimizing the agency problems. Consequently, firms with shared beliefs benefit from increased delegation, less biased communication and reduced information collection, experimentation and influence activities.

By considering this, Bouwman (2016) asserts that cultural clashes occur when two internally homogenous groups, with differing beliefs and preferences decide to merge. After the merger, the degree with which the employees share beliefs dwindles in comparison to that of their respective firms (Bouwman, 2016). The study concludes that after the merger, more agency problems occur and the benefits of shared beliefs previously outlined in this paragraph reduce considerably. The analysis in this article used by Bouwman (2016) successfully identifies how cultural incongruences are capable of dispelling various benefits of mergers such as product synergies.

2.5 Chapter Summary

This chapter explained different literature that related to effects of M&A in firm performance in East African Breweries Limited. It explained the concept of mergers and acquisition, and its effects on firm’s performance. Furthermore it explained effects of corporate culture on M&A decision and role of profitability on M&A decision. Finally it explained effects of firm’s strategy on M&A decision. Chapter three explained on the research methodology, the methods and procedures that was used to conduct this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
Research methodology refers to the general approach when studying a research topic. In other words, research methodology is the framework that underlies the strategy of a research. This chapter outlines the methodology used to carry out this study. In addition, it outlines the sources of data, the target population, the sampling methods, and the techniques employed when selecting the sample size. The appropriate methodology in this study provides insight on the guidelines for gathering and processing of information.

3.2 Research Design
Research design refers to a basic proposal that outlines the overview of the necessary activities to affect the research project. This section gives the operational framework where facts are placed and processed via analyzing procedures, which thereafter leads to generation of an informative research output. Simply, research design is the glue that binds all the elements involved in creation of a research project.

The research problem in this study was studied via using a survey descriptive research design. Creswell (2013) indicates that descriptive studies are concerned with establishing out the what, where, and how of a phenomenon. Thus, this study was able to generalize its outcomes to all firms. The study uses a qualitative approach. However, a certain level of quantitative approach was included in order to provide insight and comprehension into the subject topic based on the results from the qualitative study. Application of this method entails increased scrutiny of problem solving situations in which the problems are pertinent to the research problem. The intent of this method is to identify specific targeted cases where their rigorous analysis ascertains the possible alternatives for finding solutions to the research questions based on the existing solution applied in the selected case study. Consequently, this study intends to define a subject via creation of a profile of a group of problem (Creswell, 2013). By considering this, Kenya Breweries Limited (KBL) was the focus of the study, which offered a natural platform for which data could be collected.
3.3 Population and Sample Design

3.3.1 The Population

According to Creswell (2013), target population refers to the specific population from which information is obtained or desired. Creswell further defines population as a set of elements, people, services, household or group of things under investigation. Population can be divided into various categories or strata that are mutually exclusive. For the purpose of this study, the target population composed of staff from East African Breweries Limited (EABL) in Nairobi. The firm categorizes their staff into three different categories namely top-level management (departmental heads and their deputies), middle management (comprises of senior and middle level officers at the department level involved in policy implementation), and low-level management that mainly comprises of policy implantation staff. The target population included 835 staff from the three categories. Creswell (2013) asserts that a target population should have specific observable characteristics, to which the study aims to generalize its results. The assumption taken from this definition is that the population is not homogenous.

Table 3.1: Population

<table>
<thead>
<tr>
<th>Sections</th>
<th>(Frequency)</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>53</td>
<td>6</td>
</tr>
<tr>
<td>Middle level</td>
<td>293</td>
<td>35</td>
</tr>
<tr>
<td>Low level management</td>
<td>489</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td>835</td>
<td>100</td>
</tr>
</tbody>
</table>

It is worth noting that a range of scholarly articles was also used to offer insight to the study. In this case, the study employed a non-probability method of sampling. Creswell (2013) refers to probability sampling as sampling procedures that do not afford any basis for estimation of the probability that each item in the population possesses of being included in the sample. The articles used as samples for the study are selected deliberately. However, the researcher’s choice regarding the items reigns supreme.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Sampling design outlines the various methods that facilitate lowering of the amount of data required to be collected through only considering data from a sub group and not all
possible elements. When conducting a research, it is often expensive, time limiting, impractical or impossible to collect data from all potential units of analysis in a research problem. Thus, a sample is used to represent the important attributes of the entire population. The sample frame will include all 835 employees in top management, middle level management and low level management.

3.3.2.2 Sampling Technique

The sampling technique used for this study is the stratified random sampling technique. This study opts for this technique due to its ability to produce an estimation of the overall population parameters to a level of great precision. In addition, Creswell (2013) asserts that stratified random sampling ensures a more representative sample derived from a relatively homogenous population. Another advantage of stratified sampling is that it lowers the standard error through provision of control over variance. As noted earlier, the study categorized the population into three strata – low, middle, and top-level management. Creswell (2013) notes that random sampling lowers the sampling error in the population, which increases the accuracy of the estimation methods employed in the study.

Levy and Lemeshow (2013) argue that if well chosen, sample of approximately ten percent of the population has the ability to provide good reliability. This study employed the stratified random technique because the population under scrutiny was not homogenous. Besides, the population was sub dividable into various strata to enable creation of a representative sample. The study selected a percentage of the staff from departmental heads, their deputies and staff that occupy lower positions since they were familiar with the influence of mergers and acquisitions on firm performance particularly after the 19.5 billion shillings acquisition of Kenya Breweries Limited by East African Breweries Limited in 2011.

3.3.2.3 The Sampling Size

From the total population, a sample size of eighty-one respondents was selected evenly from within each group in terms of what each group bears to the study. The sample size was determined via the Fisher formula. Citing resource constraints and time limitations, Levy and Lemeshow (2013) argue that the sampling of approximately thirty elements is
essential. This led to generation of a sample of eighty-one respondents from which information was acquired.

The sample size was obtained through Fisher formula as indicated below:

\[ n = p \times q \times \left( \frac{z}{e} \right)^2 \]

Where: 
- \( n \) = was minimum sample size required
- \( p \) = the proportion belonging to the specified category
- \( q \) = the proportion not belonging to the specified category
- \( z \) = the value corresponding to the level of confidence required (90% certain=1.65, 95% certain = 1.96 and 99% certain=2.57)
- \( e\% \) = the margin of error required.

When the population is less than 10,000 the sample need to be adjusted according to minimum sample size formula as shown below:

\[ n.' = \frac{n.}{1+n/N} \]

Where:
- \( n.' \) = the adjusted minimum sample size
- \( n. \) = the minimum sample size (as calculated)
- \( N \) = the total population

Using \( p=50\% \), \( q=50\% \), \( z=1.96 \) (95% certain) \( e=5\% \) (i.e. within plus or minus 5% of the true percentage, the margin of error that can be tolerated), \( N= (20\% \times 835)=84 \)

\[ n. = 50 \times 50 \times \left( \frac{1.96}{5} \right)^2 \]
\[ = 2500 \times 0.153664 \]
\[ = 384 \]

Adjusted sample size

\[ n.' = \frac{384}{1+(384/84)} \]
\[ = \frac{384}{5.57} \]
\[ = 68.94 \]
Approx. = 69

**Table 3.2: Sample Size**

<table>
<thead>
<tr>
<th>Sections</th>
<th>(Frequency)</th>
<th>Percentage %</th>
</tr>
</thead>
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<td>Low level management</td>
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<td>59</td>
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<tr>
<td>Total</td>
<td>69</td>
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</tr>
</tbody>
</table>
3.4 Data Collection Methods

There are many methods of data collection. The research topic, objectives, problem question, expected results and data are the determinants of which tool or instrument is suitable. Every tool or instrument collects a certain set of data. This study used survey questionnaire by administering it to every member in the sample population. The questionnaire had both closed and open-ended questions. Inclusion of close-ended questions was important in order to provide more structured responses that can lead to tangible recommendations. In addition, use of close-ended questions was essential in testing the rating of various aspects, which helped in reduction of the number of related responses. This was advantageous in that it allowed the researcher to obtain varied responses. On the other hand, semi-structured questions allowed for capturing of information that may not have been included in the closed-ended questions. The questionnaire was keenly designed. Thereafter, it was tested with several members of the population to increase the accuracy and validity of the data. Secondary data was also used to provide additional information for the study. The secondary data was retrieved from scholarly articles found in digital libraries such as The Perseus Project or Project Gutenberg.

3.5 Research Procedures

The research will utilize a developed questionnaire to collect data and the questions will be standardized to minimize interference from interpersonal factors. The study will also utilize a five-point Likert scale for respondents to rate their opinion based on given statements, and they will be expected to either agree, strongly agree, remain neutral, disagree, or strongly disagree. The researcher will obtain a research permit from Chandaria School of Business to help in authorization to collect data from the Managers at. Five questionnaires will be developed, pre-tested, and reviewed for precision; completeness, accuracy, and clarity of interview the questions. Ample time will be given for respondents to fill in the questionnaires and this will be sent in both drop and pick and via email and the information received treated confidentially for academic purpose only. The researcher intends to communicate to the organization about the results of the research findings.
3.5.1 Validity of the Instruments

Validity is an important aspect of every research since it involves the integrity of the findings of a study. Creswell (2013) defines validity as a measure of the extent to which data collection method(s) accurately measure the intended aspects. In order to determine the validity of the research instrument, the study sought after the thoughts of experts in the field of study, more so the research’s supervisor and lecturers in the field of management. This step was essential because it led to revision and modification of the research instrument, which increases its validity.

3.5.2 Administration of the Instruments

The questionnaires were administered individually to all respondents of the study. Caution was applied to make sure that the respondents received all questionnaires. In order to achieve this, the researcher kept a record of questionnaires that were sent and received. A drop and pick later basis was adopted in administering the questionnaires. The questionnaire was administered through hand drops to EABL in which one middle level manager will be responsible in assisting to collate the other questionnaires.

3.6 Data Analysis

Prior to processing and analyzing the responses, the completed questionnaires were edited to the purpose of consistency and completeness. SPSS was used to analyze the quantitative data and presented it in the form of standard deviation, means, frequencies, and percentages. All the data was presented in prose form via adding up the responses, computing percentages of variations in response and interpreting data as per the objectives of the study and assumptions by using SPSS. Qualitative data was tested via content analysis. The researcher also conducted a correlation analysis to establish the relationship between corporate culture, profitability and firm’s strategy on M&A decision.

The analysis will also involve a regression analysis to determine the effect of M&A on firm performance.
The regression equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \): Whereby

\( Y = \) firm performance
\( X_1 = \) firm strategy
\( X_2 = \) profitability
\( X_3 = \) corporate culture
\( \beta_1, \beta_2, \beta_3 = \) Coefficients of determination
\( \varepsilon = \) Error term

3.7 Chapter Summary
Chapter three discusses research methodology, which refers to the general approach when studying a research topic. Otherwise, research methodology is the framework that underlies the strategy of a research. This chapter outlined the methodology used to carry out this study. In addition, it outlined the sources of data, the target population, the sampling methods, and the techniques employed when selecting the sample size. The following section, chapter four, will entail analysis, interpretation, and presentation of the collected data.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results established from the data analysis done. This included results relating to the demography and specific research objectives aimed at establishing online banking and its effect on saving behaviour of customers.

4.1.1 Response Rate

The research issued a total of 69 questionnaires and a total of 50 were filled and returned giving a response rate of 72% as indicated in table 4.1 below.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and returned</td>
<td>50</td>
<td>72</td>
</tr>
<tr>
<td>Non-response</td>
<td>19</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 General Information

4.2.1 Years worked

On analyzing the years worked by the respondents, the findings revealed that those who had worked for less than 2 years were 24%, while those of 3-5 years represented 32%, while those of 6-10 years experience in the firm represented 36%, and respondents of 11-15 years represented 8%, while of over 15 years had no representation as shown in figure 4.1. This implies that respondents have enough experience in the industry.

Figure 4.1: Years worked
4.2.2 Respondents Education

On analysing the education levels, the findings revealed that respondents with advanced level of education were 20%, while graduates represented 52%, and post graduates represented 28%, and respondents of 11-15 years represented 8%, while of over 15 years had no representation as shown in Figure 4.2. This implies that respondents have the necessary education to operate in the industry.

![Figure 4.2: Respondents Education](image1)

4.2.3 Respondents Age

On analysing the age of the respondents, the findings revealed that respondents aged 18-25 years represented 24%, while those aged 26-30 were the majority at 32%. It was also established that those aged 31-35 years and 36-40 years represented 20% respectively, while those aged over 41 were the least and represented 4% as shown in Figure 4.3. This implies that respondents were mature and therefore looking forward to achieve their career objectives in the industry.

![Figure 4.3: Respondents Age](image2)
4.2.4 Management Level

On analysing the management levels represented, the findings revealed that top level management represented 12%, while middle level management represented 40%. It was also established that low level management had the highest representation at 48% as shown in Figure 4.4. This implies that the study collected opinion from all the management levels in the company.

![Management Level](image)

Figure 4.4: Management Level

4.2.5 Respondents Gender

On analyzing the gender represented, the findings revealed that female represented 44%, while male were the majority representing 56% as shown in Figure 4.5. This implies that at EABL the companies maintains a gender balance.

![Respondents Gender](image)

Figure 4.5: Respondents Gender
4.3 Reasons for Merger

The study sought to establish the reason for mergers. To achieve this, the respondents were required to indicate what extent they agreed or disagree with the statements and the results were as follows:

4.3.1 Market Share

Respondents were asked to rate the extent to which M&A increased their market share and the results indicated that 36% indicated it had extremely increases the market share, 44% and only 4% indicated it had not at all as shown in Table 4.2.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>2</td>
<td>4.0</td>
</tr>
<tr>
<td>Moderately</td>
<td>8</td>
<td>16.0</td>
</tr>
<tr>
<td>Very</td>
<td>22</td>
<td>44.0</td>
</tr>
<tr>
<td>Extremely</td>
<td>18</td>
<td>36.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.2: Market Share

4.3.2 State of the Art

Respondents were asked to rate the extent to which M&A has been undertaken to acquire state of the art technology and the results indicated that 28% indicated it was the very reason. At the same time 24% indicated that it did not at all as shown in Table 4.3.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>12</td>
<td>24.0</td>
</tr>
<tr>
<td>Slightly</td>
<td>8</td>
<td>16.0</td>
</tr>
<tr>
<td>Moderately</td>
<td>6</td>
<td>12.0</td>
</tr>
<tr>
<td>Very</td>
<td>14</td>
<td>28.0</td>
</tr>
<tr>
<td>Extremely</td>
<td>10</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.3: State of the Art

4.3.3 Diversity In Growth

Respondents were asked to rate the extent to which M&A has been undertaken to diversity in growth and the results indicated that 64% indicated it was the very reason. At
the same time 32% indicated the merger was extremely motivated by the intent to
diversity growth as shown in Table 4.4.

Table 4.4: Diversity In Growth

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderately</td>
<td>2</td>
<td>4.0</td>
</tr>
<tr>
<td>Very</td>
<td>32</td>
<td>64.0</td>
</tr>
<tr>
<td>Extremely</td>
<td>16</td>
<td>32.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.4 Entry Barrier

Respondents were asked to rate the extent to which M&A has been undertaken to
overcome entry barrier and the results indicated that 36% indicated it was the very reason.
At the same time 24% indicated the merger was extremely motivated by the intent to
overcome entry barrier as shown in Table 4.5.

Table 4.5: Over come entry Barrier

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderately</td>
<td>20</td>
<td>40.0</td>
</tr>
<tr>
<td>Very</td>
<td>18</td>
<td>36.0</td>
</tr>
<tr>
<td>Extremely</td>
<td>12</td>
<td>24.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.5 Brand Quality

Respondents were asked to rate the extent to which M&A has been undertaken to acquire
brand equity and the results indicated that 44% indicated it was the extreme reason behind
the merger. At the same time 24% indicated the merger was motivated very much by the
intent to acquire brand equity as shown in Table 4.6.
Table 4.6: Brand Quality

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>6</td>
<td>12.0</td>
</tr>
<tr>
<td>Slightly</td>
<td>6</td>
<td>12.0</td>
</tr>
<tr>
<td>Moderately</td>
<td>4</td>
<td>8.0</td>
</tr>
<tr>
<td>Very</td>
<td>12</td>
<td>24.0</td>
</tr>
<tr>
<td>Extremely</td>
<td>22</td>
<td>44.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.6 Geographical Area

Respondents were asked to rate the extent to which M&A has been undertaken to acquire new geographic area and the results indicated that 56% indicated it was the extreme reason behind the merger. At the same time 24% indicated the merger was motivated very much by the intent to acquire new geographic area as shown in Table 4.7.

Table 4.7: New Geographical Area

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>4</td>
<td>8.0</td>
</tr>
<tr>
<td>Moderately</td>
<td>6</td>
<td>12.0</td>
</tr>
<tr>
<td>Very</td>
<td>12</td>
<td>24.0</td>
</tr>
<tr>
<td>Extremely</td>
<td>28</td>
<td>56.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.7 Legislation

Respondents were asked to rate the extent to which M&A has been undertaken to comply with new legislation and the results indicated that 44% indicated it was not at all the reason behind the merger. At the same time 28% indicated the merger was motivated very much by the intent to acquire new geographic area as shown in Table 4.8.
Table 4.8: New Legislation

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>22</td>
<td>44.0</td>
</tr>
<tr>
<td>Slightly</td>
<td>4</td>
<td>8.0</td>
</tr>
<tr>
<td>Moderately</td>
<td>4</td>
<td>8.0</td>
</tr>
<tr>
<td>Very</td>
<td>14</td>
<td>28.0</td>
</tr>
<tr>
<td>Extremely</td>
<td>6</td>
<td>12.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.8 Organization experience

The study asked respondents to state if your organization experience was a Merger (M) or a takeover (T). The findings revealed that 92% considered it a merger while 8% felt it was a takeover as indicated in Figure 4.6.

![Organization Experience Chart](chart.png)

Figure 4.6: Organization experience

4.3.9 Success of the Merger or Acquisition

Respondents were asked to indicate if the merger or acquisition undertaken by the firm a success. And the findings indicated that 52% considered it very successful, while 28% extremely successful, and those who considered it slightly sucessful and not sucessful accounted for 4% respectively.
4.3.10 Recommendation for Merger

Respondents were asked to indicate if they could recommend a merger again. The findings indicated that 48% would consider it often, while 40% would consider it sometimes, and those who always considered a merger were 8%. However those who would never consider it accounted for only 4% as shown in Figure 4.8.

4.3.11 Recommendation for Acquisition

Respondents were asked to indicate if they could recommend for an acquisition again. The findings indicated that 32% would consider it often, while 28% would consider it
sometimes, and those who always considered the acquisition were 16%, this was equal to those who would `never consider an acquisition. However those who would seldom consider it accounted for only 8% as shown in Figure 4.9.

![Bar chart showing recommendation for acquisition]

**Figure 4.9: Recommendation for Acquisition**

### 4.4 Effects of Firm Strategy on Merger and Acquisition Decision

The first objective of this study sought to establish the effects of firm strategy on merger and acquisition decision. To achieve this, respondents were required to indicate the extent to which they agree with the statements on a scale of 1 to 5 where 1= strongly agree and 5 = strongly disagree. The results are as follows.

#### 4.4.1 M & A Decision Making Process

An analysis of the decision making process revealed that 56% strongly agreed that M& A lead to access to new customer bases (M=1.68, SD=1.096). At the same time 60% strongly agreed that M& A lead to acquire entry into new geographical markets (M=1.44, SD=0.577). The findings also established that 48% strongly agreed that mergers involve two companies selling similar products to the same markets (M=1.80, SD=0.904). There was however uncertainty of mergers involving companies that not do not compete with each other but are in the same supply chain (M=3.08, SD=1.027). However 24% agreed and strongly agreed respectively that Mergers involve companies that sell products in completely different market (M=2.76, SD=1.349) as indicated in Table 4.9
Table 4.9: M & A Decision Making Process

<table>
<thead>
<tr>
<th>M &amp; A Decision Making Process</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A lead to access to new customer bases</td>
<td>56</td>
<td>36</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>1.68</td>
<td>1.096</td>
</tr>
<tr>
<td>M&amp;A lead to acquire entry into new geographical markets</td>
<td>60</td>
<td>36</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1.44</td>
<td>.577</td>
</tr>
<tr>
<td>Mergers involve two companies selling similar products to the same markets</td>
<td>48</td>
<td>28</td>
<td>20</td>
<td>4</td>
<td>0</td>
<td>1.80</td>
<td>.904</td>
</tr>
<tr>
<td>Mergers involve companies that do not compete with each other but are in the same supply chain</td>
<td>4</td>
<td>28</td>
<td>32</td>
<td>28</td>
<td>8</td>
<td>3.08</td>
<td>1.027</td>
</tr>
<tr>
<td>Mergers involve companies that sell products in completely different markets</td>
<td>24</td>
<td>24</td>
<td>12</td>
<td>32</td>
<td>8</td>
<td>2.76</td>
<td>1.349</td>
</tr>
</tbody>
</table>

4.4.2 Market Expansion

An analysis on market expansion strategy on mergers revealed that 60% strongly agreed that companies acquire profit and revenue growth (M=1.44, SD=.577). A total of 68% strongly agreed that companies explore financial and marketing aspects for both targets and acquiring firms (M=1.44, SD=.861). It was also revealed that 68% strongly agreed that M & A leads to an increase in economies of scale and scope (M=1.36, SD=.563) as indicated in Table 4.10

Table 4.10: Market Expansion

<table>
<thead>
<tr>
<th>Market Expansion</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies acquire profit and revenue growth</td>
<td>60</td>
<td>36</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1.44</td>
<td>.577</td>
</tr>
<tr>
<td>Companies explore financial and marketing aspects for both targets and acquiring firms</td>
<td>68</td>
<td>28</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1.44</td>
<td>.861</td>
</tr>
<tr>
<td>M&amp;A leads to an increase in economies of scale and scope</td>
<td>68</td>
<td>26</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>1.36</td>
<td>.563</td>
</tr>
</tbody>
</table>

4.4.3 Corporate Restructuring

The findings on use of Corporate Restructuring strategy in M & A revealed that 56% strongly agreed that corporate restructuring allows for transfer the control of productive
assets to other entities (M=1.60, SD=.756). On the other hand 36% agreed that such a strategy lead to increase in productivity of product units (M=2.28, SD=1.294). It was also affirmed by 36% that corporate restructuring lowers capacity utilization (M=2.48, SD=1.344) as indicated in Table 4.11

Table 4.11: Corporate Restructuring

<table>
<thead>
<tr>
<th>Corporate Restructuring</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer the control of productive assets to other entities</td>
<td>56</td>
<td>28</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>1.60</td>
<td>.756</td>
</tr>
<tr>
<td>Increase in productivity of product units</td>
<td>32</td>
<td>36</td>
<td>16</td>
<td>4</td>
<td>12</td>
<td>2.28</td>
<td>1.294</td>
</tr>
<tr>
<td>Lowers capacity utilization</td>
<td>36</td>
<td>12</td>
<td>28</td>
<td>16</td>
<td>8</td>
<td>2.48</td>
<td>1.344</td>
</tr>
</tbody>
</table>

4.4.4 Firm Culture Orientation

Impact of culture orientation on M & A revealed that 32% strongly agreed that culture homogeneity impact M & A (2.16, SD=1.057). Findings also established that culture difference can be controlled during M & A (M=2.28, SD=1.262) as indicated in Table 4.12

Table 4.12: Firm Culture Orientation

<table>
<thead>
<tr>
<th>Firm culture orientation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture homogeneity impact M &amp; A</td>
<td>32</td>
<td>32</td>
<td>28</td>
<td>4</td>
<td>4</td>
<td>2.16</td>
<td>1.057</td>
</tr>
<tr>
<td>Culture difference can be controlled during M &amp; A</td>
<td>32</td>
<td>36</td>
<td>12</td>
<td>12</td>
<td>8</td>
<td>2.28</td>
<td>1.262</td>
</tr>
</tbody>
</table>

4.4.5 Talent Focus

Utilization of talent focus on M & A revealed that 32% strongly agree that there is knowledge transfers in cross borders acquisition (M=2.52, SD=1.460). It was also established that 36% strongly agree that utilization of M&A improve the knowledge-based resources of the firms involved in the deal (M=2.76, SD=1.721). It was also established that 48% strongly agree that employees leave the firms after M & A (M=1.92,
A similar percentage also strongly agreed that there is a relationship between companies’ M & A strategy and growth of the company (M=1.72, SD=.834).

Table 4.13: Talent Focus

<table>
<thead>
<tr>
<th>Talent Focus</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is knowledge transfers in cross borders acquisition</td>
<td>32</td>
<td>28</td>
<td>12</td>
<td>12</td>
<td>16</td>
<td>2.52</td>
<td>1.460</td>
</tr>
<tr>
<td>M&amp;A improve the knowledge-based resources of the firms involved in the deal</td>
<td>36</td>
<td>20</td>
<td>8</td>
<td>4</td>
<td>32</td>
<td>2.76</td>
<td>1.721</td>
</tr>
<tr>
<td>Best employees leave the firms after M &amp; A</td>
<td>48</td>
<td>32</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>1.92</td>
<td>1.209</td>
</tr>
<tr>
<td>There is a relationship between companies’ M &amp; A strategy and growth of the company</td>
<td>48</td>
<td>36</td>
<td>12</td>
<td>4</td>
<td>0</td>
<td>1.72</td>
<td>.834</td>
</tr>
</tbody>
</table>

4.5 Role of Profitability in M&A Decision

The second objective of this study sought to establish the effects of firm profitability on merger and acquisition decision. To achieve this, respondents were required to indicate the extent to which they agree with the statements on a scale of 1 to 5 where 1= strongly agree and 5 = strongly disagree. The results are as follows.

4.5.1 Profitability

The study established that 52% agreed that M & A influence firms liquidity (M=2.20, SD=1.107). Also 52% strongly agreed that M & A influence firms leverage position (M=1.54, SD=.713). It was established that 59% agreed that M & A increases share price due to announcement returns (M=1.72, SD=.607). While 52% agreed that companies uses profit after tax to measure performance after M & A (M=1.84, SD=.681).

Table 4.14: Profitability

<table>
<thead>
<tr>
<th>Profitability</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>M &amp; A influence firms liquidity</td>
<td>24</td>
<td>52</td>
<td>12</td>
<td>4</td>
<td>8</td>
<td>2.20</td>
<td>1.107</td>
</tr>
<tr>
<td>M &amp; A influence firms leverage position</td>
<td>52</td>
<td>40</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>1.54</td>
<td>.713</td>
</tr>
<tr>
<td>M &amp; A increases share price due to announcement returns</td>
<td>36</td>
<td>59</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>1.72</td>
<td>.607</td>
</tr>
<tr>
<td>Companies uses profit after tax to measure performance after M &amp; A</td>
<td>32</td>
<td>52</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>1.84</td>
<td>.681</td>
</tr>
</tbody>
</table>
4.5.2 Share holders and Market Value

The study established that 52% agreed that M & A enhance revenue due to shared market skills (M=2.04, SD=.925). Also 48% strongly agreed that M & A reforms sales forces (M=1.80, SD=.990). About 60% strongly agreed that M & A increases supplier relationships (M=1.80, SD=1.178). At the same time 36% agreed that M&A led to an increase in product development synergy (M=2.28, SD=1.089) as indicated in Table 4.15.

Table 4.15: Share holders and Market Value

<table>
<thead>
<tr>
<th>Share holders and Market Value</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>M &amp; A enhance revenue due to shared market skills</td>
<td>28</td>
<td>52</td>
<td>8</td>
<td>12</td>
<td>0</td>
<td>2.04</td>
<td>.925</td>
</tr>
<tr>
<td>M &amp; A reforms sales forces</td>
<td>48</td>
<td>36</td>
<td>4</td>
<td>12</td>
<td>0</td>
<td>1.80</td>
<td>.990</td>
</tr>
<tr>
<td>M &amp; A increases supplier relationships</td>
<td>60</td>
<td>20</td>
<td>0</td>
<td>20</td>
<td>0</td>
<td>1.80</td>
<td>1.178</td>
</tr>
<tr>
<td>Increase in product development synergy</td>
<td>28</td>
<td>36</td>
<td>16</td>
<td>20</td>
<td>0</td>
<td>2.28</td>
<td>1.089</td>
</tr>
</tbody>
</table>

4.5.3 Financial Performance

A review of the variables of financial performance revealed that 40% agreed that M & A led to an availability of large amount of capital (M=1.88, SD=0.872). It was also revealed that 60% strongly agreed that it enhance the financial standing of the company (M=1.52, SD=0.707). The findings also show that 48% strongly agreed that M & A increases the stock value (M=1.80, SD=1.107) as displayed in Table 4.16.

Table 4.16: Financial Performance

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of large amount of capital</td>
<td>40</td>
<td>36</td>
<td>20</td>
<td>4</td>
<td>0</td>
<td>1.88</td>
<td>.872</td>
</tr>
<tr>
<td>Enhance the financial standing of the company</td>
<td>60</td>
<td>28</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td>1.52</td>
<td>.707</td>
</tr>
<tr>
<td>M &amp; A increases the stock value</td>
<td>48</td>
<td>40</td>
<td>4</td>
<td>0</td>
<td>8</td>
<td>1.80</td>
<td>1.107</td>
</tr>
</tbody>
</table>
4.5.4 Productivity and Efficiency

A review of the response from the variables of productivity and efficiency revealed that 52% agreed that quality of goods remain the same after M & A (M=1.60, SD=.571). In addition, the findings show that 48% agreed that the Market power of the companies increases after M & A (M=2.40, SD=1.030). It was also established that 36% strongly agree that production process becomes efficient (M=2.16, SD=1.167). It was also established that 44% agreed that through M & A there is an increase of value of goods and services (M=1.88, SD=.961). It was also established that 36% strongly agree that there is a relationship between the companies profitability ratios after mergers and acquisition (M=2.24, SD=1.080).

Table 4.17: Productivity and Efficiency

<table>
<thead>
<tr>
<th>Productivity and Efficiency</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of goods remain the same after M &amp; A</td>
<td>44</td>
<td>52</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1.60</td>
<td>.571</td>
</tr>
<tr>
<td>The Market power of the companies increases after M &amp; A</td>
<td>16</td>
<td>48</td>
<td>20</td>
<td>12</td>
<td>4</td>
<td>2.40</td>
<td>1.030</td>
</tr>
<tr>
<td>Production process becomes efficient</td>
<td>36</td>
<td>32</td>
<td>16</td>
<td>12</td>
<td>4</td>
<td>2.16</td>
<td>1.167</td>
</tr>
<tr>
<td>There is an increase of value of goods and services</td>
<td>40</td>
<td>44</td>
<td>4</td>
<td>12</td>
<td>0</td>
<td>1.88</td>
<td>.961</td>
</tr>
<tr>
<td>There is a relationship between the companies profitability ratios after mergers and acquisition</td>
<td>28</td>
<td>36</td>
<td>24</td>
<td>8</td>
<td>4</td>
<td>2.24</td>
<td>1.080</td>
</tr>
</tbody>
</table>

4.6 Effect of Corporate culture on M & A decision

The last objective of this study sought to establish the effects of corporate culture on merger and acquisition decision. To achieve this, respondents were required to indicate the extent to which they agree with the statements on a scale of 1 to 5 where 1= strongly agree and 5 = strongly disagree. The results are as follows.

4.6.1 Corporate Culture

An analysis of the variables of corporate culture revealed that 52% agreed that companies fully integrate their culture during M & A (M=1.92, SD=.695). It was also established that there was uncertainty on whether the culture between merger partners are accepted and viewed as rather unimportant (M=3.00, SD=1.429). Similarly, there was a lack of
agreement on whether buyer’s culture becomes dominant culture (M=3.24, SD=1.222) as indicated in Table 4.18

Table 4.18: Corporate Culture

<table>
<thead>
<tr>
<th>Corporate Culture</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies fully integrate their culture during M &amp; A</td>
<td>28</td>
<td>52</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>1.92</td>
<td>.695</td>
</tr>
<tr>
<td>Culture between merger partners are accepted and viewed as rather unimportant</td>
<td>20</td>
<td>24</td>
<td>8</td>
<td>32</td>
<td>16</td>
<td>3.00</td>
<td>1.429</td>
</tr>
<tr>
<td>The buyer’s culture becomes dominant culture</td>
<td>8</td>
<td>24</td>
<td>20</td>
<td>32</td>
<td>16</td>
<td>3.24</td>
<td>1.222</td>
</tr>
</tbody>
</table>

4.6.2 Decision Making Style

An analysis of the decision making revealed that 36% agreed that employees turnover skills is considered during M & A (M=2.29, SD=1.148). It was also established that 48% strongly agreed that culture is transferrable between organizations (M=1.76, SD=.916).

The study also established that 52% strongly agreed that M & A leads to culture dominion on other companies (M=1.64, SD=.802).

Table 4.19: 2 Decision Making Style

<table>
<thead>
<tr>
<th>Decision Making Style</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees turnover skills is considered during M &amp; A</td>
<td>28</td>
<td>36</td>
<td>8</td>
<td>24</td>
<td>4</td>
<td>2.29</td>
<td>1.148</td>
</tr>
<tr>
<td>Culture is transferrable between organizations</td>
<td>48</td>
<td>36</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>1.76</td>
<td>.916</td>
</tr>
<tr>
<td>M &amp; A leads to culture dominion on other companies</td>
<td>52</td>
<td>36</td>
<td>8</td>
<td>4</td>
<td>0</td>
<td>1.64</td>
<td>.802</td>
</tr>
</tbody>
</table>

4.6.3 Change Management

An analysis of the change management revealed that 32% strongly agreed firms have difficulties in adopting new culture during M & A (M=2.36, SD=1.274). It was also established that 44% strongly agreed that companies maintain their culture after merging
The study also established that 32% disagreed that companies give up their culture after merging (M=3.32, SD=1.301).

<table>
<thead>
<tr>
<th>Change management</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms have difficulties in adopting new culture</td>
<td>32</td>
<td>28</td>
<td>20</td>
<td>12</td>
<td>8</td>
<td>2.36</td>
<td>1.274</td>
</tr>
<tr>
<td>Companies maintain their culture after merging</td>
<td>44</td>
<td>28</td>
<td>24</td>
<td>4</td>
<td>0</td>
<td>1.88</td>
<td>.918</td>
</tr>
<tr>
<td>Companies give up their culture after merging</td>
<td>12</td>
<td>16</td>
<td>20</td>
<td>32</td>
<td>20</td>
<td>3.32</td>
<td>1.301</td>
</tr>
</tbody>
</table>

### 4.6.4 Integration Of Employees

An analysis of the variables on employee integration revealed that 36% were uncertain that agreed employees share beliefs after M & A (M=3.12, SD=1.118). It was also established that 64% agreed that communication improves after M & A (M=2.04, SD=.781). The study also established that 48% agreed that agency relationship is affected after M & A (M=2.44, SD=0.907). The study also revealed that 64% agreed that Foreign trades will have more access to information due free to trade (M=2.12, SD=.594) as shown in Table 4.21

<table>
<thead>
<tr>
<th>Integration Of Employees</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees share beliefs after M &amp; A</td>
<td>8</td>
<td>20</td>
<td>36</td>
<td>24</td>
<td>12</td>
<td>3.12</td>
<td>1.118</td>
</tr>
<tr>
<td>Communication improves after M &amp; A</td>
<td>20</td>
<td>64</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>2.04</td>
<td>.781</td>
</tr>
<tr>
<td>Agency relationship is affected after M &amp; A</td>
<td>12</td>
<td>48</td>
<td>24</td>
<td>16</td>
<td>0</td>
<td>2.44</td>
<td>.907</td>
</tr>
<tr>
<td>Foreign trades will have more access to information due free to trade</td>
<td>12</td>
<td>64</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>2.12</td>
<td>.594</td>
</tr>
</tbody>
</table>

### 4.7 Inferential

#### 4.7.1 Correlation

A Pearson correlation analysis was done to establish the relationship between the merger and acquisition decision against firm strategy, profitability and organization culture. The
result established a positive correlation between M & A decision and firm strategy (r=0.300, p=0.035); Profitability (r=0.687, p<0.01); and culture (r=0.413, p=0.003). All the variables were significant as indicated in table 4.22. Therefore, an increase in combined variables of strategy, profitability and culture lead to an increase in M & A decision. The study also established a significant correlation between organization culture and strategy (r=.394, p=0.005). Culture and strategy (r=0.682, p=0.000) as well as between culture and profitability (r=0.450, SD=0.001).

### Table 4.22: Multi correlation

<table>
<thead>
<tr>
<th></th>
<th>MA Decision</th>
<th>Strategy</th>
<th>Profitability</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>M &amp; A Decision</strong></td>
<td>Pearson</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Pearson</td>
<td>.300*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.035</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td>Pearson</td>
<td>.687**</td>
<td>.394**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.005</td>
<td></td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td>Pearson</td>
<td>.413**</td>
<td>.682**</td>
<td>.450**</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.000</td>
<td>.001</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td></td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

### 4.8 Regression analysis of M & A Decision, Strategy, Profitability and Culture

The research analyzed the relationship between M & A Decision, strategy, profitability and culture. The results showed that the adjusted $R^2$ value was 0.455 hence 45.5% of the variation in M & A Decision was explained by the variations in strategy, profitability and culture as illustrated in table 4.23

### Table 4.23: Model Summary of M & A Decision, Strategy, Profitability and Culture

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.699a</td>
<td>.489</td>
<td>.455</td>
<td>.51847</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), culture, profitability, strategy
4.8.1 ANOVA Analysis of M & A Decision, Strategy, Profitability and Culture

ANOVA analysis result of the regression between M & A decision, strategy, profitability and culture at 95% confidence level, the F critical was 14.658 and the P value was (0.000) therefore significant the results are illustrated below in Table 4.24.

Table 4.24: ANOVA Analysis of M & A Decision, Strategy, Profitability and Culture

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>11.821</td>
<td>3</td>
<td>3.940</td>
<td>14.658</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>12.366</td>
<td>46</td>
<td>.269</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.186</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: MA Decision
b. Predictors: (Constant), culture, profitability, strategy

4.8.2 Coefficient of M & A Decision, Strategy, Profitability and Culture

The regression equation illustrated in Table 4.25 established that taking M & A decision into account and other factors held constant chances of undertaking M & A reduces by 0.6746 units. The findings presented also showed that with all other variables held at zero, a unit change in strategy would lead to a 0.175 unit increase in M & A decision and a unit change in profitability would lead to 1.447 increases in M & A decision. Moreover, the study also showed that a unit change in culture would result in 0.269 increases in M & A decision. Only the variables profitability was significant (p>0.05), therefore it can be concluded that a firms financial performance is the major determinant of M & A decision.

\[
Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon
\]

\[
Y = -6.746 + 0.175X_1 + 1.447X_2 + 0.269X_3
\]

Where:

Y is the dependent variable (M & A Decision);

\( \beta_0 \) is the regression constant;

\( \beta_1, \beta_2, \beta_3 \) and \( \beta_4 \) are the coefficients of independent variables;

\( X_1 \) is the factor that determines Strategy;

\( X_2 \) is factors that determine profitability;

\( X_3 \) is factors that determine culture; and
$\varepsilon$ is the error term.

**Table 4.25: Coefficient of M & A Decision, Strategy, Profitability and Culture**

<table>
<thead>
<tr>
<th>Model</th>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-6.746</td>
<td>.606</td>
</tr>
<tr>
<td></td>
<td>Strategy</td>
<td>.175</td>
<td>.362</td>
</tr>
<tr>
<td></td>
<td>profitability</td>
<td>1.447</td>
<td>.271</td>
</tr>
<tr>
<td></td>
<td>Culture</td>
<td>.269</td>
<td>.231</td>
</tr>
</tbody>
</table>

a. Dependent Variable: MA Decision

### 4.9 Chapter Summary

The chapter presents the results and findings achieved from the data collected with the aim of analyzing effects of M&A in firm performance in East African Breweries Limited. The first section presents the demography data, in the subsequent section the data is presented in line with the specific objectives of the study which sought to determine the effect firm strategy, effect of profitability and corporate culture on on M& A Decision. Chapter five will present the discussions, conclusions and findings of the study.
CHAPTER FIVE

5.0 DISCUSSION CONCLUSION AND RECOMMENDATION

5.1 Introduction
This section will seek to analyse the findings and this is done by comparing and contrasting with previous literature related to mergers and acquisitions. This will be organized based on the specific research questions which sought to determine the effects of corporate culture on M&A decision. To establish the role of profitability on M&A decision and to determine the effects of firms strategy on M&A decision

5.2 Summary of the Study
The general objective of the study was to determine the effects of M&A in firm performance in East African Breweries Limited. The study was guided by three specific objectives which sought to determine the effects of corporate culture on M&A decision, to establish the role of profitability on M&A decision and to determine the effects of firm strategy on M&A decision.

The study utilized a descriptive research design and the target population was 835 top-level management (departmental heads and their deputies), middle management (comprises of senior and middle level officers at the department level involved in policy implementation), and low-level management that mainly comprises of policy implantation staff. Using a formula a sample of 69 respondents was arrived at. The sampling technique was stratified random sampling method. This entailed dividing the population into mutually exclusive groups, in this case heads of department, managers and assistant managers. Then random samples were drawn from each group and out of the total of 69 questionnaires awarded only 50 were filled and returned giving a response rate of 72%. The study utilized both descriptive and inferential statistics to analyze the data and this was done using statistical package for social sciences (SPSS). The findings were later presented in tables and figures.

The first objective of this study sought to establish the effects of firm strategy on merger and acquisition decision. An analysis of the decision making process revealed that M&A lead to access to new customer bases. At the same time M&A lead to acquire entry into new geographical markets. The findings also established that mergers involve two companies selling similar products to the same markets and mergers involve companies
that sell products in completely different market. An analysis on market expansion strategy on mergers revealed that companies acquire profit and revenue growth and companies explore financial and marketing aspects for both targets and acquiring firms. It was also revealed that M & A leads to an increase in economies of scale and scope. The findings on use of corporate restructuring strategy in M & A revealed that corporate restructuring allows for transfer and control of productive assets to other entities. It was also revealed that such a strategy led to increase in productivity of product units and corporate restructuring lowers capacity utilization.

The findings also established that culture homogeneity impact M &A and cultural difference can be controlled during M & A. An analysis of the utilization of talent focus on M& A revealed that there is knowledge transfers in cross borders acquisition. It was also established that utilization of M&A improves the knowledge-based resources of the firms involved in the deal. Majority agreed that employees leave the firms after M & A and there is a relationship between companies M & A strategy and growth of the company. A Pearson correlation analysis was done to establish the relationship between the merger and acquisition decision against firm strategy, profitability and organization culture. The result established a positive correlation between M & A decision and firm strategy \( r=0.300, p=0.035 \). The findings on the regression equation revealed that with all other variables held at zero, a unit change in strategy would lead to a 0.175 unit increase in M & A decision.

The second objective of this study sought to establish the effects of firm profitability on merger and acquisition decision. The study established that M & A influence firms liquidity, leverage position and increases share price due to announcement returns. In addition, companies uses profit after tax to measure performance after M & A. It was also established that M & A enhance revenue due to shared market skills and M & A reforms sales forces as well as increases supplier relationships. Majority agreed that M&A led to an increase in product development synergy. A review of the variables of financial performance revealed that M & A led to an availability of large amount of capital hence enhance the financial standing of the company. The findings also show that M & A increases the stock value and a review of the response from the variables of productivity and efficiency revealed that quality of goods remain the same after M & A although the Market power of the companies increases. It was also established that production process becomes high and through M & A, there is an increase of value of
goods and services and companies profitability ratios. A Pearson correlation analysis was done to establish the relationship between the merger and acquisition decision against profitability and a positive correlation was established between M & A decision and Profitability ($r=0.687$, $p=0.000$). Regression analysis revealed that a unit change in profitability would lead to 1.447 significant increase in M & A decision.

The last objective of this study sought to establish the effects of corporate culture on merger and acquisition decision. An analysis of the variables of corporate culture revealed that companies fully integrate their culture during M & A. An analysis of the decision making revealed that employees turnover skills is considered during M & A, and culture is transferrable between organizations. The study also established that M & A leads to culture dominion on other companies. An analysis of the change management revealed that firms have difficulties in adopting new culture during M & A, and companies maintain their culture after merging. An analysis of the variables on employee integration revealed that communication improves after M & A and agency relationship is also affected after M & A. The study also revealed that foreign trades will have more access to information due free to trade. A Pearson correlation analysis done to establish the relationship between the merger and acquisition decision against organization culture established a positive correlation between M & A decision and culture ($r=0.413$, $p=0.003$). On the other hand, the regression analysis established that a unit change in culture would result in 0.269 increases in M & A decision.

5.3 Discussion
5.3.1 Effects of Firm Strategy On M&A Decision

An analysis of the decision making process revealed that M&A lead to access to new customer bases and new geographical markets. In a survey on various US firms conducted by Deloitte, executives who participated in the it indicate that they engage in M&A for three major reasons all which are growth related – increase access to new customer bases, expand product and services and to acquire entry into new geographical markets. With emphasis on highly innovative markets such as technology and pharmaceuticals, access to new intellectual property is also a vital factor when taking part in growth oriented M&A (Deloitte, 2016). Deloitte provide a perfect example by citing that over the last five years in the US market, the cost of developing pharmaceutical assets has gone up be roughly thirty-three percent. During the same period, average peak
sales have plummeted by more than fifty percent. Considering this, Deloitte (2016) argues that mergers provide firms in the pharmaceutical sector with a viable platform of adding promising therapies into their company’s portfolio.

The findings also established that mergers involve two companies selling similar products to the same markets and mergers involve companies that sell products in completely different market. According to Coates and John (2014), mergers can take place in three different forms based on the competitive relationships that exist between the merging parties. They are namely horizontal, vertical, and conglomerate mergers. Horizontal mergers involve two companies selling similar products to the same markets. The main aim of horizontal mergers is to derive a new and larger organization that has the ability to access a bigger market share (Coates and John, 2014). Due to the similarity in the merging companies, there exist opportunities to join various opportunities such as manufacturing, which collectively reduces the costs involved.

An analysis on market expansion strategy on mergers revealed that companies acquire profit and revenue growth. Other scholars have also reported the same, and according to Rahman and Lambkin (2015), a significant percentage of M&A are horizontal – combining firms hail from the same industry. The major motivation for these companies is usually to acquire profit and revenue growth via addition of new product lines or market expansion. In most cases, Rahman and Lambkin (2015) argue that cost efficiencies are a secondary agenda of M&A.

It was also revealed that M & A leads to an increase in economies of scale and scope. Same sentiments were expressed by Braguinsky et al., (2015) where they asserted that acquired firms were less profitable due to lower capacity utilization and higher inventory levels. The major finding from the study is that after acquisition, the less profitable cotton firms experienced a drop in inventory levels and a subsequent increase in capacity utilization, which led to an increment in profitability and productivity levels. The general notion is that productivity growth is bound to occur when changes in control and ownership place a firm’s assets in the hands of managers who are more capable.

The findings on use of corporate restructuring strategy in M & A revealed that corporate restructuring allows for transfer and control of productive assets to other entities. According to Braguinsky, Ohyama, Okazaki and Syverson, (2015), various scholars have studied the effect of changes in corporate control of assets on productivity over the years.
The authors state that in principle, one of the major intents of mergers is to transfer the control of productive assets to entities or firms that are capable of applying them in a more efficient manner. Other than increase the individual productivity of the acquired or merged production units, a major advantage of reallocation is that is capable of leading to aggregate productivity growth (Braguinsky, Ohyama, Okazaki & Syverson, 2015). An analysis of the utilization of talent focus on M&A revealed that there is knowledge transfers in cross borders acquisition. Ahammad, Tarba, Liu and Glastier (2016) study the link between knowledge transfer and merger and acquisition performance. One of the assertions in their study is that the success of knowledge transfers in cross border acquisition is assessable through analyzing employee retention. The authors define knowledge transfer in cross border acquisition as the value creation for both the target and the acquirer. One of the main objectives of M&A is to improve the knowledge-based resources of the firms involved in the deal. Ahammad, Tarba, Liu and Glastier (2016) state tacit knowledge is one of the main areas that mergers and acquisitions can improve for both the acquirer and acquired firms. One of the assertions from the study is that tacit knowledge enhances knowledge transfer and thus improves employee skills via platforms such as joint task projects. It is through such avenues that M&A is able to create value.

5.3.2 Role of Profitability on M&A Decision

The study established that M & A influence firms liquidity, leverage position and increases share price due to announcement returns. This concurs with Rashid and Naeem (2017) when evaluating the effects of mergers on corporate performance with emphasis on firms and companies in Pakistan. The data used in the study was for mergers deals that took place between 1995 and 2012. Their findings from the study indicate that mergers and acquisitions do not largely influence the firm’s liquidity, profitability, and leverage position. Of significance is that the estimates reveal that mergers and acquisition deals result into a negative and statistically noteworthy impact on quick ratio of the target and acquired firm. Both empirical Bayesian estimation technique and ordinary least squares exhibited a high level of consistency in terms of results.

It was also established that M & A enhance revenue due to shared market skills. This is in line with Abrams (2013) who notes that market value after a merger increases due to various factors such as streamlining of sales forces, combination of similar corporate functions, enhancement of revenue due to shared market skills, product development
synergy as well as combined distributions. Abrams (2013) argues that although market value of the merging firms increases to a certain degree, situations in post-merger integration cause creation of a value gap that erodes the positive steps moved in increasing market value.

A review of the variables of financial performance revealed that M & A led to an availability of large amount of capital hence enhance the financial standing of the company. This is in agreement to Anderibom (2015) also carried out a research in Nigeria of the effects of M&A on the performance of commercial banks. The bank used for the study was United Bank of Africa (UBA) Plc. The study’s results indicate that mergers have a positive influence on the performance of commercial banks in Nigeria. Similarly, in their study, Oloye and Osuma (2015) sought to determine the impact of M&A on commercial banks in Nigeria. In order to measure the firms’ performance before and after the acquisition successfully, the Oloye and Osuma (2015) used profit after tax and shareholders fund as the parameters of measurement. The findings indicated that M&A are good platforms for a firm (in this case a bank) to acquire stability and profitability.

The findings also show that M & A although the Market power of the companies increases. With emphasis on thirty-five companies, Anyanwu and Agwor (2015) examined the effect of mergers and acquisitions on the performance of manufacturing firms in Nigeria. Descriptive analysis was used to study the data collected via questionnaires. From their findings, Anyanwu and Agwor (2015) concluded that M&A are beneficial to firms, especially in terms of profitability. The companies also benefitted from availability of large amount of capital after the merger, which translated to increased business potential. On the contrary, Mwangi (2014) studied the effect of mergers and acquisitions on financial performance of petroleum firms in Kenya. The study used sample of merging companies from 2002 to 2012. The findings of the study indicate that mergers and acquisitions have a minimal effect on the overall financial performance of petroleum firms in Kenya. Thus, the study recommended that M&A should not be used as an avenue for firm to keep businesses alive but rather to enhance their financial standing and competitiveness.

A Pearson correlation analysis was done to establish the relationship between the merger and acquisition decision against profitability and a positive correlation was established
between M & A decision and Profitability. Regression analysis revealed that a unit change in profitability would lead to 1.447 significant increase in M & A decision. This concurs with the results from previous studies like Avulala (2015) study on the effect of M&A on firm performance with emphasis on growth of insurance firms in Kenya from 2000 to 2015. From the study’s findings, firms benefit largely from M&A mainly through increased profitability. Thus, Avulala (2015) suggests that insurance firms in Kenya should adopt more M&A to increase their profit margins.

5.3.3 Effects of Corporate Culture on M&A Decision

An analysis of the variables of corporate culture revealed that companies fully integrate their culture during M & A. In this regard, Cartwright and Cooper (2002) argue that, depending on how much integration and culture change is needed, mergers will fall into one of three types. Extension mergers in which differences in culture between merger partners are accepted and viewed as rather unimportant. Collaborative mergers success depends upon the ability to fully integrate both cultures and create a best of both worlds culture and thus create a win/win. Redesign mergers, the most typical merger scenario in which the acquirer is the dominant partner that intends to replace the culture of the smaller and/or less successful target, thus creating a win/lose situation.

An analysis of the decision making revealed that employees’ turnover skills is considered during M & A. In their research, Gerrit and Treuren (2017) acknowledge that M&A has not always been rosy for those employed in the companies. The rise in M&A in the US has led to interruption of organizational activities as well as numerous negative outcomes for employees. The sample of their study entailed 763 US based airline employees. Gerrit and Treuren (2017) sought to identify the relationship between four variables fueled by M&A and their relationship to employee skills and turnover. The four variables were quality of change communication, change management history, procedural fairness in restructuring and anxiety change. The argument was that each of these four variables influences employee skills or turnover in an organization in case of a merger or acquisition. The results of the study by Gerrit and Treuren (2017) indicate various issues relevant to this study. For instance, the employee turnover and skills are heavily influenced by procedural fairness in restructuring, change in communication, and the anxiety that results from the expected change in ownership.
The study also established that M & A leads to culture dominion on other companies. These sentiments were shared by Cortina (2015) where he noted that the most common approach is assimilation whereby cultural shock between the merging companies is eased by one firm giving up its philosophies, procedures and practices by becoming completely assimilated into the acquirer firm. Cortina (2015) adds that in most cases, the culture of the acquired firm ceases to exist. In scenarios where the level of conflict is minimal, integration is a suitable approach to minimize cultural shock after the merger. Under this, the acquirer firm allows that acquired firm to keep some of its cultural elements. However, the acquirer firm maintains a large chunk of its organizational and cultural elements that are crucial to its unique identity. The third approach is separation that is common when two strong cultures merge. In this case, each company maintains its cultural elements and remain separate but under the umbrella of the parent firm.

An analysis of the change management revealed that firms have difficulties in adopting new culture during M & A. Similar results were established in a survey done by Hewitt (2001) which showed that over the years that corporate culture matters for M&A performance. This report presents the results of a survey of 123 firms around the world from a variety of industries. Half of the respondents indicated that their M&A deals failed to meet expectations. When asked about factors leading to deal failure, 33% of the respondents mentioned cultural integration issues, making it the second most important direct driver. However, as highlighted in the report, cultural integration is also an indirect driver to various other immediate causes of deal failure. For example, 60% of the respondents indicated that unsuccessful cultural integration led to delayed deal integration and implementation, which was the most common direct factor cited for deal failure.

A Pearson correlation analysis done to establish the relationship between the merger and acquisition decision against organization culture established a positive correlation between M & A decision and culture (r=0.413, p=0.003). Bouwman (2013) in his study on the effect of corporate culture in mergers and acquisitions also revealed that revealed that corporate culture has a significant role to play in determining whether a merger becomes a success or a failure. Cultural discrepancies contribute to a large share of merger failures.
5.4 Conclusion

5.4.1 Effects of Firm Strategy on M&A Decision

From the finding M&A has been beneficial to EABL as it has led to access to new customer base, acquisition of entry into new geographical markets. Most mergers involve companies in the same industry without consideration of their geographical areas of operation. Such expansions have resulted into acquiring profit and revenue growth thus benefitting from increase in economies of scale and scope. Culture homogeneity has an impact M&A and such issues can be controlled through knowledge transfers.

5.4.2 Role of Profitability on M&A Decision

M&A has an influence on the firms profitability as it influences the various profitability ratios such as liquidity, leverage position and increases share price due to announcement returns. M&A also enhances revenue due to shared market skills. Reforms undertaken due to M&A has an impact on the sales forces and also influences supplier relationships. As per the findings its noted that M&A has an influence on product development synergy and is also a major contributor to large amount of capital hence enhance the financial standing of the company. This also influences the value of goods and services offered.

5.4.3 Effects of Corporate Culture on M&A Decision

Companies fully integrate their culture during M&A, thus leading to transferability of culture between organizations. Despite this, institutions face a lot of difficulties in adopting new culture during M&A, and many prefer to maintain their culture after merging. Although after undertaking an M&A, foreign trades gain more access to information due free trade. A Pearson correlation analysis done to establish the relationship between the merger and acquisition decision thus issues of culture are vital when it comes to M&A decisions.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Effects of Corporate Culture on M&A Decision

Based on the benefits obtained from M&A such as access to new customer bases, entry into new geographical markets it is highly encouraged. Although there is a need for firms to undertake thorough market analysis in order to reduce the chances of failure. The findings reveal that there is knowledge transfers in cross borders acquisition there is a need for the firms to review the available knowledge to be able to have the best from both
the acquiring and acquired firms. To minimize staff turnover, the institution needs to create awareness to employees on the benefits of M & A.

**5.5.1.2 Role of Profitability on M&A Decision**

M & A influence firms liquidity, leverage position and share price which are vital aspects in terms of the firms profitability. Firms therefore need to do a thorough research before undertaking an M & A in order to minimize cases of financial risks. M&A led to an increase in product development synergy and to ensure the product meet the consumers demands, the firms need to also undertake serious market research. The findings also indicated that M & A led to an availability of large amount of capital hence enhance the financial standing of the company, it is therefore advisable for the firms to have in place a financial plan on how the excess funds could be ploughed back to the companies.

**5.5.1.3 Effects of Firms Strategy on M&A Decision**

Companies fully integrate their culture during M & A hence, to minimize resistance to change, it is vital for the organizations to fully involve employees in the change process. There is a need to have in place a strategic plan in order to curb any challenges that may arise in the adoption of new culture during M & A. It is important for firms to continuously improve the communication process after M & A in order to ensure free flow of information during and after the process, this could aid in giving the employees an insight about the perceived benefits of the process and could also aid in minimizing resistance.

**5.5.2 Recommendations for Further Studies**

This study only focussed on how firm’s strategy, profitability and culture affect M & A decision, however from the regression less than a hundred percent of the variation in M & A decision was explained by the variations in strategy, profitability and culture it is therefore vital to undertake further research to analyze the cause of this variance. Further research should be done in same organization to determine what other factors affect M & A decision at EABL. At the same time, the same variables also need to be tested on other firms in the industry in order to generalize the findings.
REFERENCES


Ebneth, O. & Theuvsen, L. (2007). Large mergers and acquisitions of European brewing groups—event study evidence on value creation. Agribusiness an international Journal1(3) 377-406


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APPENDICES

APPENDIX A: INTRODUCTION LETTER

To Whom It May Concern

Dear Sir/Madam,

To Whom It May Concern

Dear Sir/Madam,

I am pleased to inform you that I am a student at United States International University pursuing a degree of Masters in Business Administration (MBA). As partial fulfillment for my degree, I am conducting research on the effects of M&A in firm performance in East African Breweries Limited

Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

Yours faithfully,

Grace Nyaga.

Mobile Number: 0701656244

Email: nyagah55.grace@gmail.com
APPENDIX B: QUESTIONNAIRE
SECTION A: BACKGROUND INFORMATION

1. What position do you hold in the firm ………………………………

2. For how long have you worked in Kenya Breweries Limited?
   - Less than 2 years
   - 3-5 years
   - 6-10 years
   - 11-15 years
   - Over 15 Years

3. Level of Academic Education
   - O- Level
   - A-Level
   - Graduate
   - Post-graduate
   - Others………………

4. Age
   - 18-25
   - 26-30
   - 31-35
   - 36-40
   - Above 41
5. Position in the company

- Top-level management
- Middle management
- Low management
- Others ………………

6. Gender

- Female
- Male

7. In your opinion, please pick reason(s) why your organization undertook merger and an acquisition.

(a) Increase market Share

(b) Acquire the state of Art technology

(c) Diversify in growth business

(d) Overcome barrier to entry

(e) Acquire brand quality

(f) Entry to a new geographical area

(g) Comply with a new legislation

(h) Any other (specify).

8. Kindly state if your organization experience was a Merger (M) or a takeover (T).
(Please tick where appropriate)

- Merger
- Takeover
9. Would you term the merger or acquisition undertaken by your firm a success? (Please tick where appropriate)

<table>
<thead>
<tr>
<th>Extremely</th>
<th>Very</th>
<th>Moderately</th>
<th>Slightly</th>
<th>Not at all</th>
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10. Would you recommend a merger again? (Please tick where appropriate)

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<th>Always</th>
<th>Often</th>
<th>Sometimes</th>
<th>Seldom</th>
<th>Never</th>
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11. Would you recommend an acquisition again? (Please tick where appropriate)

<table>
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<tr>
<th>Always</th>
<th>Often</th>
<th>Sometimes</th>
<th>Seldom</th>
<th>Never</th>
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## SECTION B: EFFECTS OF FIRMS STRATEGY ON M&A DECISION

Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1 = strongly agree and 5 = strongly disagree.

<table>
<thead>
<tr>
<th>A) M &amp; A Decision Making Process</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) M &amp; A lead to access to new customer bases</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
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<tr>
<td>2) M &amp; A lead to acquire entry into new geographical markets</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
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<tr>
<td>3) Mergers involve two companies selling similar products to the same markets</td>
<td>1</td>
<td>2</td>
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<tr>
<td>4) Mergers involve companies that not do not compete with each other but are in the same supply chain</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
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<tr>
<td>5) Mergers involve companies that sell products in completely different markets</td>
<td>1</td>
<td>2</td>
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<thead>
<tr>
<th>B) Market Expansion</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>6) Companies acquire profit and revenue growth</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>7) Companies explore financial and marketing aspects for both targets and acquiring firms</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<td>8) M&amp;A leads to an increase in economies of scale and scope</td>
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<tr>
<th>C) Corporate Restructuring</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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</thead>
<tbody>
<tr>
<td>9) Transfer the control of productive assets to other entities</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
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<td>10) Increase in productivity of product units</td>
<td>1</td>
<td>2</td>
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<td>11) Lowers capacity utilization</td>
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<tr>
<th>D) Firms Culture Orientation</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<tr>
<td>12) Culture homogeneity have an impact on M &amp; A</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>13) Culture difference can be controlled during M &amp; A</td>
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<td>2</td>
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<tr>
<th>E) Talent focus</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<tbody>
<tr>
<td>14) There is knowledge transfers in cross borders</td>
<td>1</td>
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<tr>
<td>acquisition</td>
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<td>15) M&amp;A improve the knowledge-based resources of the firms involved in the deal</td>
<td>1</td>
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<tr>
<td>16) Best employees leave the firms after M &amp; A</td>
<td>1</td>
<td>2</td>
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<tr>
<td>17) There is a relationship between companies M &amp; A strategy and growth of the company</td>
<td>1</td>
<td>2</td>
<td>3</td>
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</table>
SECTION C: ROLE OF PROFITABILITY ON M&A DECISION

Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly agree and 5 = strongly disagree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>M &amp; A influence firms liquidity</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>M &amp; A influence firms leverage position</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
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<tr>
<td>M &amp; A increases share price due to announcement returns</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>Companies uses profit after tax to measure performance after M &amp; A</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Shareholder and Market Value</td>
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<tr>
<td>M &amp; A enhance revenue due to shared market skills</td>
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<td>2</td>
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<td>M &amp; A reforms sales forces</td>
<td>1</td>
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<tr>
<td>M &amp; A increases supplier relationships</td>
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<tr>
<td>Increase in product development synergy</td>
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<tr>
<td>Financial Performance</td>
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<td></td>
</tr>
<tr>
<td>Availability of large amount of capital</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Enhance the financial standing of the company</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>M &amp; a increases the stock value</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Productivity and Efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of goods remain the same after M &amp; A</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The Market power of the companies increases after M &amp; A</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Production process becomes efficient</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>There is an increase of value of goods and services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>There is a relationship between the companies profitability ratios after mergers and acquisition</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
SECTION D: EFFECTS OF CORPORATE CULTURE ON M&A DECISION

Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1 = strongly agree and 5 = strongly disagree.

<table>
<thead>
<tr>
<th>Corporate culture</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies fully integrate their culture during M &amp; A</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Culture between merger partners are accepted and viewed as rather unimportant</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The buyer’s culture becomes dominant culture</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Decision Making Styles</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees turnover skills is considered during M &amp; A</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Culture is transferrable between organizations</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>M &amp; A leads to culture dominion on other companies</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change Management</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms have difficulties in adopting new culture</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Companies maintain their culture after merging</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Companies give up their culture after merging</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Integration of employees</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees share beliefs after M &amp; A.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Communication improves after M &amp; A</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Agency relationship is affected after M &amp; A</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Foreign trades will have more access to information due free to trade</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

In your opinion what do you think are other measures which can be used to improve the culture of companies after M&A

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