THE EFFECT OF MERGERS AND ACQUISITIONS ON THE DAIRY INDUSTRY IN KENYA: A CASE OF BROOKSIDE DAIRY LIMITED

BY

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UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration (MBA).

UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

SUMMER 2018
STUDENT 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.

Signature __________________________     Date____________________

Alice Wambui Kimani (ID NO: 652655)

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

Signature __________________________     Date____________________

Fred O. Newa

Signature __________________________     Date____________________

Dean Chandaria School of Business.
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ABSTRACT

The objective study was to determine the effect of Mergers and Acquisition on the dairy industry in Kenya with Brookside Dairy Limited. The research questions that guided this study were: What are the effects of Mergers and Acquisition on the dairy industry in Kenya? What are the drivers for mergers and acquisition in the dairy industry in Kenya? What are the challenges of mergers and acquisitions in the dairy industry in Kenya?

This study relied on descriptive research design. This study had a population of 80 managers from Ruiru headquarters, Mombasa depot, Eldoret depot, and Kisumu depot. This study was a census; therefore, all the 80 managers were sampled for the study. A structured questionnaire was used to collect primary data, which was analyzed for descriptive statistics (frequencies and percentages) and inferential statistics (correlation, regression and ANOVA) using the Statistical Packages for Social Sciences (SPSS ver.24). The data results and data findings have been presented using Tables and Figures.

The first research question sought to examine drivers of mergers and acquisition in the dairy industry in Kenya. The findings show that one of the major drivers of mergers and acquisitions in the dairy sector is the advantage accorded to the firms through economies of scale. The study established the existence of a strong relationship between of mergers and acquisition and in the dairy industry in Kenya.

The second research question focused on examining challenges affecting mergers and acquisitions in the dairy industry in Kenya. The findings show that one of the major challenges facing mergers and acquisitions in the dairy industry in Kenya is integrating organizational cultures and values. The study established a positive correlation between challenges of mergers and acquisitions in the industry.

The third research question examined the impact of mergers and acquisitions in the dairy industry in Kenya. The findings show that there has been an improvement in technological adoption in the processing of dairy products at Brookside dairy. Overall, this study established a positive correlation between mergers and acquisitions in the dairy industry.

In conclusion drivers of mergers and acquisitions such as reduction of production and transaction costs such as planning and staffing costs generally results into increase
performance of the dairy industry which leads a firm to enjoy the economies of scale. The study also that concludes some of the key challenges of mergers and acquisition experienced by Brookside include change management processes and organizational cultures and values integration, and recruitment and retaining talented staff post mergers and acquisitions. Finally, this study concludes that technological adoption, reduction in dairy production costs, and increased profitability are some of the impact resulting from Brookside dairy mergers and acquisition

This study recommends that management team at Brookside should take advantage of the benefits of mergers and acquisitions such as new technology, enhanced capacity, skills and competencies to enhance performance. On challenges of mergers and acquisition in the dairy industry, Brookside should endeavor to harmonize different cultures within mergers and acquisition entities so as to reduce change resistance. Finally, this study recommends that Brookside should adopt more cutting edge dairy production technologies for all its subsidiaries as this will enhance the organizations ability to compete effectively within Kenya and in the region.
ACKNOWLEDGEMENT

The undertaking and completion of this research work was made possible by a number of people, to whom I am profoundly grateful. I am particularly indebted to my supervisor Fred Newa for his guidance and encouragement in the course of the research. Appreciation goes to the lecturers of the Chandaria School of Business, who faithfully imparted his knowledge and skills throughout the course.
DEDICATION

This project is dedicated to my family for their love, dedicated and consistent support and encouragement.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Mergers and acquisitions (M&A) entail business restructuring operations carried out to increase the firm’s returns and/or increase efficiency of firm’s operations (Andae, 2013). Mergers and acquisitions have numerous benefits that have led to an increase in their attractiveness globally. This explains the recent trend in the mergers and acquisitions. Usually, merging firms operate under common market structures and conditions (Kling, 2006). Firms may choose to merge in order to enhance their bargaining power over suppliers. As a result, the supplier(s) are compelled to supply goods, services and inputs to the merged firm at favorable cost. When the customers are charged higher prices and the suppliers provide low cost inputs the merged firm makes abnormal profits thus increasing their chances of success.

The key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies (Andae, 2013). The companies come together hoping to gain a greater market share or achieve greater efficiency. Because of the potential benefits, target companies will often agree to be purchased when they know they cannot survive alone (Kling, 2006). The advantages stemming from M&As have been evaluated based on the ability to exploit scale and scope economies, gain market control, economize transaction costs, diversify risks, and provide access to existing know-how.

Nonetheless, empirical evidence on M&As has also suggested that M&As might fail because of over-optimistic expectations of benefits and underestimation of post-integration difficulties like lack of market or technology relatedness, business culture clashes, etc. Nielson (2009) states that overall poor M&A results may be attributed to some factors such as poor strategic fit, incomplete or haphazard due diligence, and ineffective integration efforts. A merger is the combination of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock where one company or both lose entity. According to Mittal (2016), mergers occur when an acquiring firm and a target firm(s) agree to combine under legal procedures established in the countries in which the merger participants are incorporated.
Mittal (2016) argued that in a merger, the acquiring concern will be a corporation and not an individual, and the medium of exchange used to buy control will typically be shares of the acquiring company rather than cash. A merger requires the explicit approval of those already in control of the corporation. And most statutes require more than a simple majority vote by shareholders to effectuate a merger. The term acquisition is used to refer to any takeover by one company of the share capital of another in exchange for cash, ordinary shares, or loan stock (Mosad, 2005). M&As have been popular methods of increasing the size and value of firms in modern times. Compared to the older system of increasing value through organic growth, M&As are faster and in most cases cheaper.

The primary difference between mergers and acquisitions is usually about what happens with the management of the firm. When two firms are merging, both sides take part in forming a new system of leadership. In an acquisition, on the other hand, one firm is taking over the majority of shares, and therefore the ownership, management, and all of the functions of the new firm come under the sole control of the acquiring firm (The Chartered Institute of Bankers, 2000). An acquisition is complete, when one firm takes over another firm’s property rights, takes over all the branches or subsidiary firm’s property rights or takes over firm’s assets (Meier, 2011). The terms M&As have been used interchangeably in this study.

From the legal point of view, a merger is joining of two or more firms where one firm ceases to exist, and the merged firm continues its operations under the dominant firm’s name. From the economic point of view, mergers can be classified into horizontal, vertical, or conglomerate. Horizontal mergers can happen between two firms that are in the same industry. For a horizontal merger to happen, two conditions must hold: first, firms need to be competitors, and, second, they need to be operating in the same market (Mishra and Chandra, 2011). A conglomerate merger can happen between two firms that are functioning in different industries. In a vertical merger, firms are working in different phases of the production process, for example, processing of raw materials, manufacturing of goods, and distribution of goods. In this case, firms aim to control all of the stages of their supply chain. This study focuses on horizontal mergers.

Mergers and acquisitions can be categorized into two: those with financial specialization, that anticipate selling or buying of firm assets and gains from financial transactions and
strategic mergers and acquisitions, which are grounded in commercial interests and increase the likelihood of sustainable firm development. This study will concentrate on strategic mergers and acquisitions. Strategic mergers and acquisitions have been used over the years to encourage sustainable development of firms, therefore, increasing their value. M&As are a national as well as global trend. They occur everywhere in organizations, administrative units, and businesses in all industries and of all sizes (Kling, 2006). Mergers and Acquisitions are the most effective and efficient ways to enter a new market, add a new product line, or increase distribution reach. This is evident when large firms merge to fill the gaps in their production pipeline or due to anticipated patent expirations, while small firms merge as an exit strategy (Mittal, 2016).

In today’s competitive world, many companies all over the globe consider M&A strategies to grow, meet costs and increase revenue. For example, the banking industry worldwide has been consolidating at a dramatic rate over the past 30 years, and this trend is ongoing (Bikker & Haaf, 2002). Also, over the past few decades, there are countless examples of companies, such as General Electric, Google, and Cisco that have grown dramatically and built revenues through aggressive acquisition programs (Mittal, 2016). In Kenya, according to the Central Bank of Kenya, 33 banks have merged to form new entities since 1989 to date, while four acquisitions have occurred since 2000 to 2008 (CBK, 2013). In the dairy industry, Brookside dairy has merged and acquired several dairy companies from 2009 to date making it a market leader with its market share at 67%.

In Kenya, mergers are regulated by Part IV (Section 41 to 47) of the Competition Act, Act No.12 of 2010 (hereinafter referred to as the Act). The Act states that, “...a merger occurs when one or more undertakings directly or indirectly acquire or establish direct or indirect control over the whole or part of the business of another undertaking.” The Competition Authority of Kenya approves proposed mergers in Kenya (Kenya National Bureau Statistics (KNBS), 2015). In making a determination about a proposed merger, the Competition Authority approves the implementation of the merger; declines to approve the implementation of the merger or approves the implementation of the merger with conditions. If a merger is approved with conditions, the conditions must be fulfilled. Failure to comply with conditions given may lead to revocation of a merger. However,
the implementation of a revocation is not practical as in most instances the target company ceases to exist after the merger is approved (Kenya Development Board, 2014). Mergers and acquisitions have become the main means of attaining higher performance which is the ultimate goal of every firm, including dairy firms in Kenya. Over the past several years, the dairy industry in Kenya has been quite dynamic characterized by acquisitions, changes in market leadership and new entrants (Karanja, 2003). In addition, a few major players control a large market share likely making the industry concentrated. Mergers and acquisition are likely to increase market concentration. Theoretically, a highly concentrated market is less efficient in distributing industry gains and one of the objectives of this study is to find out whether Brookside’s acquisitions are gainful for the industry (Kenya Development Board, 2014).

Kenya’s dairy industry is private sector driven. It is the largest agricultural sub-sector and contributes 4% to GDP (Kenya Development Board, 2012). The sector is dynamic with high growth figures of marketed milk and investments by dairy societies and processors mainly in the cold chain, production of long life milk (ESL) and milk powder. About 80% of Kenya’s total milk production (5 billion liters in 2011, KDB) is produced on small-scale farms. This poses huge challenges to the industry regarding the cost of production, collection and cooling, seasonal fluctuations in supply, and the quality of raw milk. There is, however, a fast-growing number of medium-scale farmers/investors who invest in modern and commercial dairy production. Currently, the sector provides food, income, and employment for approx. 1.8 million people across the dairy value chain: farmers, transporters, traders and vendors, employees of dairy societies, milk processors, input suppliers and service providers, retailers, and distributors.

Kenya has about 30 active milk processors, Brookside, NKCC, Githunguri and Sameer being the largest ones processing with about 85% of the 1.5 million liters of milk processed daily (Kenya National Bureau Statistics (KNBS), 2015). The market leader is Brookside Dairy Ltd. Although the market for processed milk and milk products strongly grew over the past ten years, approximately 70-80% of the milk is distributed to the consumer through the raw milk market. Seasonality constrains the industry's growth and competitiveness in milk production, milk quality issues, a severe lack of knowledge and skills, sub-standard service provision and input supply, as well as high fragmentation of the supply chain and lack of inclusive business models (Kenya Development Board,
If these issues can be effectively addressed this will boost further commercialization and growth of the sector, and contribute further to the creation of wealth, employment across the value chain, and to food security.

In 2016, there was a merger approved between Brookside Dairy Limited and Buzeki Dairy Limited. Brookside was acquiring Buzeki (Kithitu, Cheluget, Keraro, and Mokamba, 2012). Brookside is a private limited company incorporated in 1993 and Buzeki is a private limited company incorporated 2008. Both companies were involved in the purchase of raw milk from dairy farmers for purposes of processing the same after which they sell the processed milk to retailers and consumers. Hence, Brookside and Buzeki are competitors in buying of raw milk for purposes of processing it before selling it to consumers and in the selling of the processed milk and milk products to consumers. Brookside acquired all the business and assets of Buzeki, which vested control of Buzeki to Brookside. According to Section 41 of the Act, the merger meets all the elements of a merger (Muriuki, 2011).

Before the Buzeki merger, Brookside had a market share of approximately 37%. New KCC had an approximate market share of 20%, Githunguri farmers has an approximate market share of 16%, Sameer Africa had an approximated market share of 5%, Buzeki had an approximated market share of 7% the other competitors had a market share of less than 2% each (Muriuki, 2011). With 37% Brookside already had a competitive edge and power to control the market, especially because the next player in line had 17% less than it. After the merger, Brookside got 46% of the market share. While it was estimated that New KCC would have 21% of the market share. 46% versus 21% still places Brookside at a powerful position which it can control the market. It was presumed that the competitors would have 54% of the market hence these amounts to enough market shares for the competitors in the Dairy industry to continue thriving.

Buzeki is among the most recent mergers and acquisition at Brookside Dairy over the past six years starting with Ilara in 2007, Delamere and SpinKnit (makers of Tuzo milk brand). Brookside has also cast its eyes beyond the Kenyan borders with the announcement in September 2013 of plans to acquire a 20 percent stake in Ethiopia's Elemtu Dairy. The said acquisitions have tightened its grip on the sector with a series of acquisitions in the past five years. The CAK approved the merger saying Brookside was
yet to reach a dominant position in the dairy sector and that informal player's account for 88.8 percent of the milk market. The percentage allocated to the informal sector keep changing which cast doubts on the analysis conducted by the regulator.

1.2 Problem Statement
The Kenya dairy sector plays a critical role in the livelihood of many Kenyans and contributes 4.5% of total country’s GDP, making Kenya one of the largest producers of milk in Africa. The industry has been quite dynamic in the recent years characterized by acquisitions, change in market leaders and new entrants. Currently, a few major players control a large market share, making the industry concentrated (Andae, 2013). Mergers and Acquisition are only but increasing the market concentration. Increasing industry concentration promotes anticompetitive behaviors by firms and changes the structure of the market in such an industry.

The dairy processing industry in Kenya commands about 15% of marketed milk. After the liberalization of the subsector, the industry witnessed a surge in the number of processors, mini-dairies, and cooperatives involved in milk processing. Karanja. (2003) noted that 42 milk processors had been licensed by the Kenya Dairy Board (KDB) since 1992 although only 34 of these were operational in 1999. In December 2007, the four largest processors and their market shares were: New KCC (39%), Brookside (31%), SpinKnit (13%) and Githunguri Dairy (9%) (Technoserve, 2013). Thus the three largest processors controlled about 73% of the market. In the year 2009, Brookside acquired Spin Knit, the fourth largest player at the time, and this affected the market structure (Muriuki, 2011). Spin Knit was producing three brands, Tuzo, Lea and Ever fresh milk.

The three largest processors, now New KCC, Brookside, and Githunguri dairy, controlled about 85% of the market (SNV, 2013), possibly indicating high concentration. Also, Brookside dislodged new KCC as the market leader, controlling 36% as opposed to New KCC’s 34%. This is likely to have increased market concentration within the subsector as a result of the reduction in the number of players, and a large market share is controlled by fewer processors. Since then, there have been several other changes in the market structure. Several other processors such Buzeki Dairy and Delamere were acquired by the market leader.
At the same time, there have been new entrants into the market including Kinagop Dairy, Aspendos Dairy, Upland premium Dairy, Wakulima and Sameer Agriculture and Livestock Limited (SALL). Meru Central FC also saw a resurgence in 2015 with increased processing capacity (David & Gerald, 2013). There have also been cases of other processors closing down. Typically, the more concentrated a market is, the more inefficient it is in translating the gains of the industry to other players in the chain. This is because of the possible movement towards oligopolistic tendencies by players with substantial market shares. According to economists, perfect competition, which represents a market dominated by many small players, is the model that translates most welfare to society (Stavins, 2001).

Established in 1993, Brookside Dairy Limited is currently the largest milking processing company in Kenya (David & Gerald, 2013). Over the past several years, Brookside has been acquiring other competing dairy companies across Kenya and beyond, causing the market to be highly concentrated. As at January of 2016, Brookside controlled 45% of the dairy market in Kenya. It is the largest milk processor in Kenya and remains the market leader in the packed milk market. Studies on the effects of these acquisitions and mergers in the dairy industry in Kenya are scanty. This study seeks to fill this gap by providing empirical findings on the changes in market structure in the dairy industry and how this has affected market concentration and welfare in the industry. It also aims to find out what the motivating factors of the M&As by Brookside have been, their results, and the impact they have had on the overall dairy industry in Kenya.

1.3 Purpose of the Study

The purpose of this study was to analyze the effect of Mergers and Acquisition on the dairy industry in Kenya: A case of Brookside Dairy Limited.

1.4 Research Questions

The study was guided by the following research questions:

1.4.1 What are the drivers for mergers and acquisition at Brookside Dairy Limited?

1.4.2 What are the challenges of mergers and acquisitions facing Brookside Dairy Limited?

1.4.3 What is the impact of mergers and acquisitions on Brookside Dairy Limited?
1.5 Importance of the Study

This study is important in that it will bring out more information concerning what drives companies to use mergers and acquisitions as a strategy for business expansion. It will also highlight and analyze the challenges they face when merging or acquiring and how they can overcome them. It will also be able to highlight the effects of mergers and acquisitions on the dairy industry in Kenya. The study will also review the Kenyan merger regime with the considerations made in approving mergers and acquisitions and a review of whether the considerations are effective in market structure regulation through merger and acquisitions control.

1.5.1 Brookside Dairy Limited

Owners of other dairy companies will benefit regarding having more information in regard to what elements could make their business attract an acquirer. The study will also shed light on the benefits that one could gain from undertaking a merger or acquisition. This, in turn, may motivate the company owners to undertake an acquisition that will be a perfect fit for their business. It will also help them in identifying the challenges encountered when seeking to acquire in the Kenyan market and how to overcome them.

1.5.2 The Kenyan Government

The Kenyan government will be able to benefit from this research because it will bring out the reasons why mergers and acquisitions are being preferred as a growth or expansion strategy. In turn, the government can play its role in creating a favorable environment that favors mergers and acquisitions and also ensures that fair business practices are taking place in the market. It will also highlight the importance of regularly monitoring changes in market structure in agribusiness industries and relate them to welfare indicators to prevent undesirable practices of highly concentrated markets.

1.5.3 Academicians and Researchers

This study will create room for more research to be done by other academicians and researchers who seek to find out more about the mergers and acquisition trends in the dairy industry in Kenya. They will be able to draw information from the results of the research and also be able to think beyond the research and come up with other related areas for investigation.
1.5.4 Milk Consumers

The study findings and discussions will be important to the consumers of milk products in the dairy industry. The consumers will be able to understand the impact of M&As on the prices of the dairy products they buy and the overall value of the industry. Loyal consumers of the Brookside dairy products are also able to gauge the competitiveness of the company not only in Kenya but across Africa.

1.5.5 Dairy Farmers

The study findings are also significant to the dairy farmers across the country. Dairy companies rely on the production and supply of milk from dairy farmers. As such, from the study findings the dairy farmers are able to make informed choices on the best companies to supply their milk products after and during an M&A. It will also facilitate the understanding of the overall impact of M&A on the dairy industry.

1.6 Scope of the Study

This research was limited to investigating the impact of mergers and acquisitions on the dairy industry in Kenya with a focus on Brookside Dairy Limited. The study focused on the impact the M&A’s have had on Brookside as a company and the overall effect of the mergers and acquisitions the dairy industry in Kenya. The research study took place in Kiambu and Nairobi between the months of June to August 2018. The impact of mergers and acquisitions on companies in developing countries especially in Kenya is not well documented. Recently, there has been an increase in the use of mergers and acquisitions in the dairy industry, and there remains very scanty research on the impact these have had on the industry. The study aims to cover this knowledge gap by analyzing how Brookside’s structure and welfare has been affected by mergers and acquisitions.

1.7 Definition of Terms

1.7.1 Acquisition

Acquisition occurs when a business purchases a second (usually smaller) company that is either absorbed into the parent organization or operated as its subsidiary (Karim & Mitchell, 2004).

1.7.2 Mergers

Merger refers to the process in which two or more business operations are combined into one business entity under same manager and ownership (Karim & Mitchell, 2004).
1.8 Chapter Summary

The study seeks examined the effect of mergers and acquisitions, particularly in the Dairy Industry in Kenya. The focus of the study was Brookside and three other dairy firms that Brookside has merged and acquired. The study was concentrate on the motivation for these acquisitions and mergers and their results, as well as show how these mergers and acquisitions have impacted on the dairy industry in general and on Brookside as a company. Chapter two discusses the literature review which aims to show the research done on mergers and acquisitions. It will also cover the factors that drive firms such as Brookside to use M&As, the impact of these M&A on Brookside and its industry.

Chapter three deled with the research methodology that helped the researcher in collecting and analyzing data concerning the research questions highlighted in chapter one. Chapter four follows next, and it discussed the results and study findings. This involved the correlation analysis of the questionnaire. It also included a graphical representation of the findings and the analysis of the data. Chapter five analyzed the findings and compare with the literature review to come up with the summary and recommendations derived from the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter is underpinned by the background of the problem, problem statement, and research questions as highlighted in chapter one. The chapter discusses relevant literature from a broader and richer perspective to bring out the impact of mergers and acquisition on the dairy industry in Kenya with a special focus on Brookside dairies. The chapter provides a literature review based on the research questions which include the drivers of mergers and acquisition among dairy companies, the challenges facing mergers and acquisition among companies in the dairy industry and the impact of mergers and acquisition on the dairy industry.

2.2 Drivers of Mergers and Acquisitions in the Dairy Industry

2.2.1 Gaining Economies of Scale
There are many theoretical frameworks in relation to drivers that lead to M&As. For reasons ranging from vertical disaggregation, shrinking product life cycles, growing capital investment requirements, to the desire to increase competitiveness through organizational learning (Mishra & Chandra, 2016). Companies in the dairy industries are engaging in M&As at an ever-increasing rate. Previous studies that have been applied to understand the drivers behind M&As include transaction cost economics and game theory (Mittal, 2016). Perekhozhuk, Glauben, Teubre and Grings (2014) also asserts that M&As can be used to learn the skills of the other partner. Mittal (2016), urge that if there is not a mutual learning process, then the alliances would have become just outsourcing agreements without using the full potentials of the strategic alliance concept. Selected dairy companies across Kenya are increasingly using M&As to take full advantage of the economies of scale that internationalization offers.

As seen in the study conducted by Meier (2011), over the last two decades, profit making entities such as the dairy industries have undergone major changes owing to the increasing globalization of the various industries of operations. One reason for this evolution is the liberalization of markets, which is characteristic of many industries in the twenty first century. Consequently, the competitive landscape of many industries,
including the dairy industry, is changing significantly. For example, in Kenya, dairy companies now have an opportunity to penetrate formerly inaccessible markets, but they are at the same time, also confronted with new entrants into their markets and risk losing a considerable percentage of their market share to newly formed dairy companies. As evidenced from Andae (2013) study conducted in the United States, M&As are creating trends that are control of over 80% of market share.

According to Bougie and Sekaran (2013) consumers have demonstrated a preference for dealing with dairy industries that have large service networks as a way of minimizing the cost, while taking advantage of more attractive products. M&As are theorized to reduce costs through economies of scale associated with joint marketing, maintenance, training, and through elimination of duplication and redundancy in operation. Thus, the overall aim of a dairy company’s M&A is considered to be enhancing the partner dairy company's competitive position and also achieving higher profits for the newly formed company. Through M&As, companies in the dairy industries are believed to be utilizing new programs which help with work force utilization, product rationalization, and structure planning. Although many major dairy industry companies can perform well on their own, without a supporting from other dairy industry companies, they cannot provide profitable service on many international countries.

According to Mishra and Chandra (2011) companies in engaging in M&As also realize further cost savings by sharing consolidating sales and administrative operations, combining information technologies, and coordinating advertising, and engaging in joint procurement where feasible. According to a study conducted by KPMG in South Africa (2013), M&As take place with the view of reducing the transaction costs. The transaction costs entail organizing, planning, staffing as well as monitoring transactions across the business. Transaction cost theory states that transaction costs are the market-based production of goods and services unlike producing from within the firm (Bikker and Haff, 2002). A merger minimizes production cost thus enhances economies of scale. Merged firms are also able to pool resources as they work together. Cost sharing that come as a result of M&As facilitates saving on various costs within the merged firm. Producing in large-scale enable merged firm to enjoy the economies of scale.
2.2.2 New Market Diversification and Market Growth

According to Sterman (2002) the size of a company plays an important role in determining the kind of relationship the firm enjoys within and outside its operating environment and market growth. The larger a firm is, the greater the influence it has on its stakeholders. The growing influences of M&A among multinational corporations in today’s global economy are indicative of what role M&A plays within the corporate environment. Mittal (2016) argue that an interesting aspect of market growth is that much of it takes place through the growth in the size of existing organizations. According to Svetlana and Irena (2016) whose study in the sample of 43 countries show that two-thirds of the growth in the dairy industries over the 2000s, comes from the growth in the size of existing establishments, while only one-third were as a result of the establishment of new ones. As the popularity of corporate size phenomenon continues to rise within the external business environments, more attentions are being pushed to its real effects on the internal structures of corporations and the specific impact on the relationship between the firm and its key stakeholders.

Svetlana and Irena (2016) examined M&A activity in the United Kingdom specifically, the impact of takeovers on shareholder returns and market growth was analyzed, and some implications for the theory of the firm are drawn from the results. The study showed that M&As resulted in benefits to the acquired firms' shareholders and to the acquiring companies’ manager, but that losses were suffered by the acquiring companies’ shareholders. The results were consistent with takeovers being motivated more by maximization market growth and penetration other than by the maximization of shareholder wealth. The study concurs with Mantravadi and Reddy (2008) in his study concluded that the profitability of the commercial banks that merge and acquire others depends heavily on the net of income generating activities and the related activities expense. Due to the problem of profitability and stiff competition and some wanting to have a control and expand their market share in the industry, thus in this study the dairy firm sought to integrate and changed its behavior of income sources, by increasingly diversifying into non-intermediation income generating activities as opposed to the traditional inter-mediation income generating activities and that the profitability of the firm improved after the merger and acquisition process.
2.2.3 Financial Strength

Financial statement analysis and strength is fundamental to a corporate acquirer’s assessment of an acquisition or merger company. M&As improve liquidity and have direct access to cash resource. Additionally, by asset backing a merger may be driven by the need of a company seeking another with substantial asset value. This is particularly so for risky companies in the service industry such as Agricultural, ICT, Petroleum and Research. M&As assist to dispose of surplus and outdated assets for cash out of combined enterprise (Agarwal, Crosson & Mahoney, 2010). This is where a predator or acquirer company will buy an under-valued company, break it up into smaller pieces and then sell them separately to realize capital gains. Furthermore, M&A enhance gearing capacity; this is by borrowing on better strength and greater assets backing. Where a profitable company paying high corporation, tax acquires a firm with accumulated tax losses the legislation may allow acquisition of a loss-making company thus reducing the tax burden of the merged company (Anslinger and Jenk, 2004).

The motives behind M&As stated by Mantravadi and Reddy (2008) in the dairy industry in Canada involve a revolution in the financial structures that has made it necessary for companies to adopt new changes in their financial and capital structures for improving both their financial strength and performance. Additionally, changed fiscal and government policies like deregulation or decontrol have led many companies to go to newer market and customer segments. Many companies divisionalized into smaller businesses (Anslinger & Jenk, 2004). Wrong divisionalization strategy has led to companies revamping themselves. Product divisions which do not fit into the company's main line of business are being divested.

Outflow of international investment from the US and EU has significantly increased in tandem with the liberalization trend of their dairy industries. Although deal values for all acquisitions were not disclosed, the known values indicate a considerable rise in the size of deals in addition to a rise in total number of acquisitions. The average amount of known values has grown from US$122 million during 2004-09 to US$300 million during 2010-15 while the largest deal value has risen, respectively, from US$580 million to US$3.6 billion over the period (Mittal, 2016). Total number of acquisitions by the European dairy firms, the dominant group, has since doubled, rising from 49 during 2004-
09 to 101 in 2010-15. While most of these M&As have occurred within the EU region itself, driven by the ongoing industry adjustments as a result of market liberalization and abolition of milk production quotas, the rising number of acquisitions in Africa indicates the growing importance of this content in global dairy markets. The prominent investments deals in Africa are: Danone Groupe invested nearly US$1billion in two deals in 2012 and 2014 in Centrale Laitiere in Morocco, and the company acquired 40% stake in Brookside Dairy in Kenya in 2014.

Adoption of mergers and acquisition as a method of creating financial strength leading to performances in order to create value for shareholders of the acquiring firm; whereas, mergers and acquisitions are viewed as creation of value to stakeholders, they, on the other hand are seen as failures in the creation of value to acquirers. Equally, there is a huge variation in acquisition outcomes, from very positive to very negative which suggests that acquisition execution can play a significant role in creating value (Mishra & Chandra, 2011). In 2013, Brookside Dairy first set up its branches in Uganda and Tanzania. Though its previous M&A activities, it has managed to attract investment of one of the leading global dairy firms, Danone Group in 2014, and it acquired the leading Ugandan dairy processor, SALL, in 2015 (Mittal, 2016). These recent acquisitions provided Brookside a strong milk supply source in the region and a strong distribution framework and network.

Through M&As, Brookside have been able to raise finances from a range of other investors such as Aureos Capital, a private equity fund and Abraaj Group (Nielsen, 2009). By 2017, Brookside has progressively strengthened its value chain and financing capabilities in the region. The global market concept has necessitated many companies to engage in mergers and acquisitions because lowest cost producers only can survive in the competitive global markets. Improved productivity and cost reduction have necessitated downsizing of the workforce both at works and managerial level. Convertibility of domestic currency has attracted medium-sized companies to participate in the global markets. Mergers and acquisitions take place due to many reasons (Dacin, Oliver & Roy, 2007). The basic purpose of merges or business combination is to achieve financial strength and growth of the business.
2.3 Challenges of Mergers and Acquisitions in the Dairy Industry

2.3.1 Organizational Culture and Values

Hofstede (1980) defines organizational culture as collective thinking that differentiates employees in one organization from the other organizations. Organizational culture is the blueprint of how things are done within the organization (Mosad, 2005). Mergers often fail to suit the new management style. Partners mostly suffer from differences in the organizational cultures as well as management ideologies. This occurs in cases where partners have different national cultures which lead to misunderstanding (Meier, 2011). Hofstede (1980) opines that organizational culture can be categorized into four dimensions namely large vs. small power distance, individualism vs. collectivism, femininity vs. masculinity, and uncertainty avoidance. These traits differentiate partners from one nationality from another.

According to Mosad (2005), dairy industry companies that have merged or acquired others in the recent past do pay considerable attention to financial and strategic issues during M&As, but they frequently neglect the role played by organizational culture and values and how it affects the success of the merger or acquisition process. The role of people and the organizational cultures is often placed in a marginal position, and most of the energy is invested in strategic and financial planning. Perekhozhuk, Glauben, Teubre, and Grings (2014) argue that the challenge of organizational cultures should be given high priority, along with strategic issues, to increase the likelihood of a successful combination. Differences in the two organizational cultures involved in an M&A and how they are managed are crucial to the success or failure of the process.

An organizational culture is comprised of the patterns of shared beliefs and values that give the members of an institution meaning and provide them with the rules for behavior in their organization (Davis, 2014). The culture is not generally recognized within organizations, because basic assumptions and preferences guiding thought and action tend to operate at a preconscious level (Svetlana & Irena, 2016). Stavins (2001) researched on the organizational culture and the challenge it has on an M&A for five years from the date of an acquisition indicated that following an acquisition or merger, top management turnover is significantly higher than normal turnover rates. Senior executives were likely to adapt to a change in organizational culture soon compared to the middle level and
lower level employees. Stavins (2001) discovered that because managers’ positions following an acquisition may be unclear for some time, they may seek better defined positions with other organizations in the industry which may affect the entire process of adopting to a new organizational framework.

Additionally, organizational culture affects the high turnover among the executives of the acquired company and its employees as they feel treated as if they had been conquered, causing them to feel inferior and experience a loss of social standing. Dacin, Oliver and Roy (2007) see the acquisition announcement among dairy firms in parts of South America as symbolizing the death of a company as its employees perceived their organizational culture and values as the best. Differences in the two organizational cultures involved in a merger or acquisition and how they are managed are crucial to the success or failure of the process. Organizational culture is comprised of the patterns of shared beliefs and values that give the members of an institution meaning and provide them with the rules for behavior in their organization. According to Dacin, Oliver and Roy (2007), organizational culture matters as decisions might have unexpected and damaging results unless the cultural aspects are not taken into account in the decision-making process. Corporations and organizations have needs for reforming themselves as it has become necessary to form better, bigger and more efficient entities in the market. To do this, they often need to do mergers or acquisitions to survive in the harsh corporate world where they would alone face certain problems in the future.

2.2.2 Political Uncertainty

Political uncertainty has also been listed as one of the top factors affecting successful acquisitions. The survey published by Mergemarket showed that 55% of the respondents felt that political issues were their biggest concern. This has been attributed to the number of high-profile terrorist incidents in different regions, and the constant outbreak of violence. Kenya has a vibrant dairy industry with an estimated value of 4% of gross domestic product (GDP) (Kenya National Bureau Statistics (KNBS), 2015). This vibrancy is anchored on the increasing domestic milk production (averaging 5.3% per year), processing capacity (averaging 7% per year), annual per capita milk consumption (averaging 5.8% per year, currently at 110 litres) and export potential (MoALF 2010; KDB 2015). M&As are at present the most common way for a corporation to achieve growth. However, empirical studies show that, at best, only half of all mergers and
acquisitions meet the initial strategic and financial expectations. In the analysis of M&A failure, poor target-selection decisions, unreasonable high purchase price and strategically mismatched organizations are common sources. Post liberalization of the dairy sector in Kenya has permitted formal, private processors to compete intensely with both cooperative processed milk market and traditional market (Kenya Development Board, 2014).

The impact of politics on investment has received a great deal of attention. Political uncertainty associated with possible changes in national leadership is an important way through which politics can influence M&As. At the macro level, political instability and violent events can lead to reductions in aggregate investment. At the micro level, Hill Jones and Schilling (2014) found that firms reduce their capital expenditures in the presence of electoral uncertainty. Across countries, this relation is stronger in countries with lower checks and balances, presidential systems and lower level of shareholder protection, which are more likely to experience higher political uncertainty associated with forthcoming national election. Within countries, this relation is weaker when elections with high likelihood to reappoint incumbent leader and stronger when a new leader is more likely to win. These results are consistent with the hypothesis that firms strategically time cross-border acquisitions and diversify political uncertainty abroad before national elections (Kling, 2006).

Political uncertainty can exacerbate firms’ financial constraints and increase the cost of external financing. M&As are typically large and difficult-to-reverse investments. They also represent managers’ discretionary risk taking and tend to increase the acquirers’ default risk (Hussey & Collins, 2009). Political uncertainty for example in the dairy industry exposes the higher default risk and make it harder and costlier for acquiring firms to raise external funds to support M&A deals. In addition, political uncertainty also increases future cash flow volatility, which increases firm risk. Faced with policy uncertainty and its adverse effects, acquiring firms are expected to be prudent with their liquidity and are likely to use stock for M&A payment. Political uncertainty also increases firms’ operating risk, amplify the risk of large investments such as M&As, and increase the costs of capital, potentially leading to a decrease in acquirer shareholder value. However, as firms become more prudent and tend to delay large and risky investments during the high-uncertainty periods.
2.3.3 Attraction and Retention of Employees

Mergers and Acquisitions are vital vehicles that can be used to gain competitive advantage. However, the success of any M&A depends on its planning and execution. M&A should be considered when clear goals have been set and the desired outcome well understood (Mosad, 2005). According to Douma, Bilderbreek, Idenburg and Looise (2000) a merger may often have more to do with glory seeking than business strategy. The executive ego, which is boosted by buying the competition, is a major force in M&A, especially when combined with the influences from the bankers, lawyers and other assorted advisers who can earn big fees from clients engaged in mergers. Das and Teng (2002) found that many of the merging or acquiring companies state the importance of retaining and acquiring key talent, 47% of senior management in the acquired firm leave within the first year and companies experience on average a 50% drop in productivity in the first 6-8 months of the integration. He compares the pre-merge and post-merger operating profit margin for a sample of 14 acquiring firms and found a decline in profitability in 8 of these companies after the merger.

Globalization, the arrival of new technological developments or a fast-changing economic landscape that makes the outlook uncertain are all factors that can create a strong incentive for defensive mergers. Sometimes the management team feels they have no choice and must acquire a rival before being acquired. The idea is that only big players will survive a more competitive world. Since the benefits accruing from the merger are available to all partners (Agarwal, Crosson, & Mahoney, 2002). Failure to meet critical success factors leads to serious challenges in the M&As. The essential factors of success include similarities in the management ideologies, management commitment, clearly defined goals and objectives, effective planning, shared goals and objectives well-defined roles, a good relationship between the parties, and effective communication between the parties (Mantravadi & Reddy, 2008).

Mergers and acquisitions enable firms to attain goals that they would otherwise not be able to accomplish on their own. Once integration is underway, companies can forget to stop and check their progress. It can be challenging to redirect integration activity, but it
must be done to ensure desired results. Merger training is often overlooked and can present obstacles if not implemented promptly. For example, a group of acquired employees may need assistance in participating in automated benefits enrollment. Without necessary training, it will take longer for new employees to feel part of their new work environment (Kling, 2006).

### 2.3.4 Communication and Training Challenges

According to Mishra and Chandra (2010), M&As enable firms to attain goals that they would otherwise not be able to accomplish on their own. Once integration is underway, companies can forget to stop and check their progress. It can be challenging to redirect integration activity, but it must be done to ensure desired results. Managers must not only be given adequate information, but they must also be trained in appropriate dissemination techniques. They must learn how to coach and remain sensitive to the feelings of their staff. They must learn about change management and how to deal with resistance. If people are made to feel that their feelings are normal and are given opportunities to openly discuss issues, their concerns can be faced head-on. Employee productivity often falls where major staffing decisions are being made. The fear of making a mistake can cause a drop-in creativity or efficiency, as people become increasingly cautious. Also, the time taken to talk to other employees during the period of uncertainty can affect productivity (Kling, 2006).

According to Nielsen (2009) during mergers and acquisitions, employees are often kept in the dark about the sale of the corporation. Employees often hear about the acquisition on a less than timely basis, through the press or the corporate grapevine (Perekhozhuk et al., 2014). This can lead to a distorted or misrepresented picture of the acquisition's ramifications and too counterproductive activities by employees, who may be anxious about possible job losses. Therefore, wherever possible, corporations should ‘aim to inform all employees at the same time, concurrently or in advance of any press release or radio announcement. During this period, management must continue to listen to and communicate with employees and relay accurate and comprehensive information as expeditiously as possible. It is far safer for management to acknowledge the lack of information than to give responses that may later prove to be incorrect (Agarwal, Crosson & Mahoney, 2010). Management should also indicate that when more information is available, it will be passed on to the employees' (Perekhozhuk et al., 2014). Any layoffs
or downsizing should be conducted as soon as possible to alleviate anxiety and reduce rumors and to allow employees to return to business as usual.
According to Ball to avoid inaccurate rumors, which is highly detrimental to organizational morale, employees should be informed as soon as possible about what to expect once the acquisition takes place. Management must continue to listen to and communicate with employees and relay accurate and comprehensive information throughout the process (Agarwal, Crosson & Mahoney, 2010). Mergers and acquisitions are at present the most common way for a corporation to achieve growth. However, empirical studies show that, at best, only half of all mergers and acquisitions meet the initial strategic and financial expectations. In the analysis of M&A failure, poor target-selection decisions, unreasonable high purchase price and strategically mismatched organizations are common sources. It is furthermore well documented that mismanagement of the last stage in the acquisition process, the post-acquisition process is a significant source of acquisition failures.

2.4 The Impact of Mergers and Acquisition on the Dairy Industry

2.4.1 Impact on Technological Performance

A large part of the literature from industrial organization and management expects that, compared with unrelated M&As, related M&As show superior economic performance because of synergetic effects that follow from economies of scale and scope. The current contribution takes the debate on the effect of different M&As somewhat further by studying the effect of M&As on the technological performance of companies. It is important to note that the technological performance of M&As deals with the long-term effects of M&As. As mentioned by Meier (2011) technology related incentives for M&As affect long-term strategic variables which tend to be underestimated in much of the current empirical research that usually focuses on the short-term, economic effects of M&As. In these long-term effects the expected synergetic characteristics of M&As can contribute to technological performance especially in the processing wing of the dairy companies involved in the M&A through the successful introduction of new technologies, new dairy products and processes by the combined companies which could eventually lead to improved profitability of the merged companies.
Technological performance input and output in the dairy industry sectors can be measured by standard indicators such as R&D expenditures. It is important to note that the technological performance of M&As deals with the long-term effects of M&As (Dacin, Oliver & Roy, 2007). Technology related incentives for M&As affect long-term strategic variables which tend to be underestimated in much of the current empirical research, which usually focuses on the short-term, economic effects of M&As. In these long-term effects the expected synergetic characteristics of M&As can contribute to technological performance through the successful introduction of new technologies, new products and processes by the combined companies which could eventually lead to improved profitability of companies (Douma et al., 2000). There can also be short-term effects of M&As when the acquiring company intends to only obtain access to R&D and technological capabilities to simply produce an already existing, combined technological output.

The acquisition of firms with related but dissimilar technological operations can generate benefits over and above those arising from the acquisition of firms with similar technological operations, for several reasons. First, when engaging in an M&A acquired firms have related but dissimilar technological operations, an acquisition can allow them to share indivisible R&D inputs (e.g. milk processing equipment and specialized technical expertise) across different types of R&D outputs at no additional cost. Acquisitions between firms that have non-overlapping R&D operations in the same broad technological areas can be instrumental to this end. These firms are likely to have complementary technological resources and capabilities. They are also likely to have a shared language and compatible cognitive structures, which are recognized as crucial preconditions for mutual learning. Therefore, the two firms can easily understand the value of each other’s technological resources and capabilities, exchange and integrate their different knowledge, and leverage their respective technological strengths (Mento, Jones & Dirndorfer, 2012).

Combination of two previously independent dairy firms can increase the size of technological operations, allowing economies of scale (e.g., through task specialization) and increasing R&D output per unit of R&D input. Redundancies in R&D can be eliminated, thereby reducing R&D input per unit of R&D output (Muhammad, 2007). In order to realize these economies, technological operations need to be reorganized.
Duplicate R&D projects must be terminated, redundant R&D equipment disposed of, and laboratories that duplicate specializations closed. Moreover, in order to capitalize on the increased scale, the R&D operations of the acquiring and acquired dairy companies need to be combined, leading to the redeployment of technological facilities and personnel. These rationalization actions, which are more likely to affect acquired rather than acquiring dairy firms (Anslinger and Jenk, 2004).

2.4.2 Management of Staff as a Result of Mergers and Acquisitions
Muhammad (2007) indicated that beyond financial performance, there was no question that acquisitions had a great impact on the workers involved. Marks and Mirvis suggested that in all acquisitions one should expect to see some level of anger in the acquired organization as a result of change. Even the best developed mergers can be threatening, unsettling, and stressful for some employees (Andrews, Cameron & Harris, 2008). Muhammad (2007) found that under acquisitions and mergers ‘managers had significantly higher mental health scores than the normal population’ and a higher percentage of the acquired corporation’s managers had scores comparable to or higher than psychoneurotic outpatients. Some common merger stressors include uncertainty, insecurity, and fears concerning job loss, job changes, job transfers, compensation changes, and power, status, and prestige changes. They can lead, in turn, to organizational outcomes such as absenteeism, poor performance, and higher employee turnover.

Financial remuneration in the form of retention incentives has long been considered an antidote for potential employee attrition during a merger or acquisition. Most M&A financial models include a retention plan line item, and the amount of money that is added for employee retention is often considered part of the cost of the deal. Companies want to believe that providing retention incentives to stay with the combined organization is sufficient to cause employees to stay (Arino, Torre & Ring, 2001). However, the retention incentives can only begin to build a bridge to restoring employee trust by buying time. M&As lead to substantial downsizing or even mass layoffs, usually basing their conclusions on data from a small number of large, publicly-traded corporations. Such layoffs have been alleged to have a traumatic, lasting negative impact on workers who are fired and also on survivors, or those who remain with the firm in the aftermath of the layoff. Financial remuneration alone will not rebuild long-term employee trust (Mosad, 2005).
Acquired firm employees, finding themselves sold as a commodity, may suffer from feelings of worthlessness, and may feel inferior because of loss of autonomy and status. The imbalance of power inherent in the acquirer/acquired relationship has also been shown to affect behavioral outcomes. Aral, Brynjolfsson and Wu (2010) found that 58% of managers in an acquired firm are gone within 5 years or less of an acquisition. Based on the above, Mosad (2005) hypothesize that employees of an acquired firm will feel the impact of a merger more strongly and that this impact will be associated with specific attitudinal and behavioral outcomes. Their sample consists of 2,845 employees of a Fortune 500 Company, to whom a questionnaire was administered. The results revealed that employees of the acquired firm had significantly lower merger satisfaction scores than either employees of the acquiring firm or new hires. In an attempt to predict post-acquisition attitudes, Barbaroux (2011) uses the attitudinal and demographical variables as predictor variables for merger satisfaction. Mishra and Chandra (2011) conjecture that the new owners of a firm in the aftermath of a hostile takeover are more likely to abrogate implicit contracts with employees, with respect to wages, benefits, and pension contributions.

2.4.2 Impact of Mergers and Acquisition on the Integration Process
The motivation behind much of the current M&A activity is based on the opportunity to achieve synergies from bringing companies together. Typically, organizations underestimate the extent of integration they should be undertaking early on. However, failing to integrate the target sufficiently is responsible for much of the disappointment around the extent of benefits derived from M&As (Andae, 2013). Over the last few decades M&As, both the international and the domestic among dairy companies, have become strategic instruments of growth and development of the dairy industry. The integration process during and after an M&A consists of the coordination and control of the entities making the group and the management of the conflicts in terms of objectives in order to get the expected results on the whole (Bikker & Haaf, 2002).

The integration process is strongly related to generating synergies which require a combination determining changes difficult to handle: the relocation of a part of production, the development of a common informational system, staff movements, redundancies, and the coordination of commercial policies. The post-acquisition
integration is the interactive and gradual process of strategic and administrative combination of the acquiring enterprise and the acquired enterprise (Meier, 2011), where the individuals of the two organizations learn to work together and cooperate in order to transfer strategic competencies (Arino et al., 2001). The acquisition process is multidimensional, including the integration of the financial, informational, human resources, acquisition, production, marketing and distribution systems and the planning system, the public relations policies or the corporate cultures (Agarwal et al., 2010).

During the integration process the managers have to call up each department to act together within the new entity formed post-merger or post-acquisition. The integration represents the engine for organizational change and development afferent to firms’ growth through acquisitions and it plays a major role in the corporate renewal strategy. The process changes the organizational structures, the systems, the functional cultures and activities at the level of the entire corporation strategy (Kling, 2006). Haspeslagh and Jemison present three recurring problems in the integration process that tend to hamper the ability to create the appropriate atmosphere for capability and knowledge transfer in an acquisition. These are determinism, value destruction and leadership vacuum (Bierly & Gallagher, 2007). Determinism refers to the fact that reality after an acquisition often is very different from what was initially expected. These differences appear because additional information becomes available and because of unexpected events such as changes in industry, technology, or changes in the acquirer's corporation (Bikker & Haaf, 2002).

2.5 Chapter Summary

This chapter has reviewed literature review about the three research questions. The chapter evaluated the views of various scholars on what drives firms to merge and acquire. Among the driving factors discussed are diversifying into a new business, resource acquisition, organizational learning, and obtaining economies of scale. The challenges that acquisitions and mergers encounter were discussed as the second research question. Finally, the chapter has reviewed the literature on the impact the mergers and acquisitions by Brookside have had on the dairy industry in Kenya amongst them the following; partner selection, strategic compatibility, communication and alliance management capability. The next chapter which is chapter three presents the research methodology that will be employed in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The study sought to examine the effects of mergers and acquisitions on Brookside Dairy Limited. The research methodology entailed the descriptive research design that was used, population and sample size of the study, data collection and analysis techniques, and the analytical model that was utilized in the study.

3.2 Research Design

A research design is a step by step plan to study a phenomenon scientifically. The design determines the study namely semi-experimental, descriptive, and experimental. The research design is the framework that has been created to seek answers to research questions. Burns and Grove (2003) define a research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. The research adopted a descriptive research design to determine the effect of mergers and acquisitions on the Dairy Industry in Kenya. Cooper & Schindler (2011) defines descriptive survey research design as an approach used by researchers to describe characteristics of study elements, without interfering with the study subject, or influencing its status. The descriptive design was appropriate for this study in that it enabled the researcher to describe characteristics of the respondents, and study findings using frequencies, percentages and also correlations and regressions.

3.3 Population and Sampling Design

3.3.1 Population

The population is the group of all elements that a researcher intends to study and make inferences (Cooper & Schindler, 2011). In this study, the population was 80 managers from Kiambu, Nairobi, Kisumu, Eldoret and Mombasa depots. The choice of the population is underpinned by the fact that they are directly involved in the formulation and implementation of strategy in Brookside Dairy. Sampling begins precisely with
defining the target population. According to Cooper and Schindler (2011), the population in any research consists of the study objects, which are individuals, groups or organizations. The population can also be defined as the group of people, events, or things of interest for which the researcher wants to make inferences. The population is indicated in Table 3.1

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Type of Manager</th>
<th>Population Size</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ruiru Depot and Sub Branch Managers</td>
<td>57</td>
<td>71%</td>
</tr>
<tr>
<td>Kisumu Sales Depo Managers</td>
<td>8</td>
<td>10%</td>
</tr>
<tr>
<td>Eldoret Sales Depo Managers</td>
<td>11</td>
<td>14%</td>
</tr>
<tr>
<td>Mombasa Sales Depo Managers</td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

This is the procedure that guides the researcher towards selecting the appropriate sample. The sampling design for each study will depend on the population, sampling size and method of analysis used. Research differs significantly in the value of sampling the respondents. Sampling is the process of selecting a sufficient number of the right elements from the population so that a study of the sample and an understanding of its properties or characteristics make possible for the researcher to generalize such features or components to the population elements (Bougie & Sekaran, 2013). The significant steps in sampling include defining the population, determining the sample frame, determining the sampling design and the appropriate sample size then executing the sampling process.

3.3.3 Sampling Frame

The sampling frame is the list of elements from which the sample is picked (Cooper & Schindler, 2011). Saunders, Lewis, and Thornhill (2009) also define a sampling frame as the complete list of the population cases for sample selection. The sampling frame in this study comprised employees of Brookside who are involved in strategy delivery and implementation. These are employees who are in the top-level management and middle-
level management. The list of these top and mid-level managers was obtained from the human resources department of Brookside Dairy.

3.3.4 Sampling Technique
This is the method of selecting a sample from the population that is representative of the characteristics of the total population (Cooper & Schindler, 2011). This study made use of the stratified random sampling technique. Stratified random sampling segments elements of the population into various separate subgroups, and then random samples are picked from the stratum. This helps in avoiding the bias of having the feedback concentrated in some few departments and therefore ensures equal distribution of the sample, which increases the statistical efficiency of the sample.

3.3.5 Sampling Size
A sample is a subset of the population. Elements of the population form the sample (McBurney & White, 2010). Studying a sample of the population enables a researcher to draw conclusions that generalize the population of interest in the study. According to Saunders et al. (2009), a sample size is the number of elements or people in the sample to be studied. This study was a census; therefore, all the 80 managers were sampled for this study. According to Mugenda and Mugenda (2003), a census is appropriate when the study subject is less than 100. The sample size distribution is highlighted in Table 3.2

Table 3.2: Sample Size Distributions

<table>
<thead>
<tr>
<th>Type of Manager</th>
<th>Population Size</th>
<th>Sample Size</th>
<th>% Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk Production</td>
<td>7</td>
<td>7</td>
<td>9%</td>
</tr>
<tr>
<td>Sales and Distribution</td>
<td>18</td>
<td>18</td>
<td>22%</td>
</tr>
<tr>
<td>Manufacturing and Quality Assurance</td>
<td>10</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td>Marketing Managers</td>
<td>10</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td>Finance Managers</td>
<td>11</td>
<td>11</td>
<td>14%</td>
</tr>
<tr>
<td>Powder Manufacturing</td>
<td>1</td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>Technical Departments</td>
<td>1</td>
<td>4</td>
<td>5%</td>
</tr>
</tbody>
</table>
## 3.4 Data Collections Methods

The study must explicitly set up respondents for the research through individuals, groups, and a panel of respondents whose opinion may be sought on specific issues. After the development of the research questions, data needs to be collected. Data can be collected by using either quantitative or qualitative methods. Data collection methods are an integral part of research design with data gathered using primary data sources or secondary data sources. The choice of data collection method depends on the facilities available, the degree of accuracy required the expertise of the researcher, the time span on the study and other costs and resources associated with and available for data gathering (McBurney & White, 2010). This study made use of primary data which is quantitative.

The information was collected using questionnaires on Google forms; online tools used for data collection; after a pilot test that was done to ascertain the accuracy of the questionnaires. The questionnaires enabled a significant amount of data to be gathered from the managers at the same time thus speeding up the research process. According to Cooper and Schindler (2011), questionnaires are primarily designed to collect large numbers of quantitative data. Quantitative data was collected using structured questionnaire containing closed ended questions. It made use of the five Likert scale i.e. from strongly agree to strongly disagree.

**3.5 Research Procedures**

The study carried out a pilot test to ensure the questionnaire’s reliability and validity. The feedback obtained from the pilot test was used to determine whether the respondents would understand the questionnaire. It helped to indicate the amount of time the respondents would take to fill the questionnaire. About 5% of the sample size was used to pretest. Feedback obtained from the pretest was used to review the research instrument. The researcher then emailed the managers and followed up with reminders through calls.
and emails to achieve a high response rate. The respondents were guaranteed of the confidentiality and anonymity of their feedback. Google forms were a great tool since they offer anonymity.

3.6 Data Analysis Methods

Data analysis involves summarizing, processing and presentation of data in a useful format (Cooper & Schindler, 2011). Analysis of data was done to facilitate interpretation. The data analysis also helped to see if the study objectives had been realized. After collection of data, the raw data collected was examined to avoid any possible errors that may have arisen. In addition, the data was scrutinized for omissions and errors which needed to be corrected and coded for easy classification and tabulation. The tabulated data was then analyzed using both descriptive statistics such as frequencies, means and standard deviation to describe data and inferential statistics such as, regression and correlation to establish the relationship between independent and dependent variables with the aid of SPSS software. The study used the regression model equation indicated below:

\[ Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + \varepsilon \]

\[ Y = \text{Brookside Dairy Limited} \]

\[ \alpha = \text{constant} \]

\[ b_{1-3} = \text{Regression Coefficient} \]

\[ X_1 = \text{Drivers of M&As} \]

\[ X_2 = \text{Challenges facing M&As} \]

\[ X_3 = \text{Impact of M&As} \]

\[ \varepsilon = \text{error term} \]

3.7 Chapter Summary

The chapter has described the research methodology that was used to carry out the research. The study was descriptive and focused on middle level managers and members of staff at Brookside Dairy Limited. Data collection was carried out via Google forms and analyzed the descriptive statistics using SPSS as the analysis tool. Chapter four presents the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the analysis of the data collected from the respondents and interprets the research findings on the effect of Mergers and Acquisition on the dairy industry in Kenya. The general section reflects analysis on the demographics of the respondents. The analysis is represented in the order of the subsections provided in the questionnaire used in this study. The general section reflects analysis on the demographics of the respondents. The analysis output is presented in descriptive statistics, tables, and figures.

4.1.1 Response Rate

From sample size of 80 employees, the researcher issued 80 questionnaires to all the sampled employees to assist in ascertaining the required information. The researcher made repeated visits to ensure higher response rate. However, all efforts resulted into a completed lot of 60 questionnaires. Managers and the junior staffs were interviewed from all the departments in Brookside Dairy Limited to supplement findings from the questionnaires. Therefore, the response rate was 75%. All reported findings and generalizations were derived out of this scope of respondents.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>60</td>
<td>75%</td>
</tr>
<tr>
<td>Non-Response</td>
<td>20</td>
<td>25%</td>
</tr>
<tr>
<td>Total Response</td>
<td>80</td>
<td>100%</td>
</tr>
</tbody>
</table>
4.2 General Information

The general information of the employees is organized under the following headings, gender, level of education, year of service in the company, the age group of the employees, the designation position employees holds in the organization and the duty station where the employees were working prior to the merger and acquisition.

4.2.1 Gender of Respondents

The study sought to find out the gender of the respondents. Figure 4.1 shows that 57% the respondents in the study were male while 43% of the respondents were female. Therefore, there was an almost equal representation of the two genders in the sample of the study. The figure below shows a graphical representation.

![Gender of Respondents](image)

**Figure 4.1: Gender of Respondents**

4.2.2 Level of Education

The study was also keen in finding out the education level or qualification of respondents in the firm. The Figure 4.2 shows those who reached college level to those with graduate, the highest percentage was those with degree with a percentage of 62%. They were followed closely with master holders with 22%, then diploma holders with 16%. From a good analytical point of view, those with diploma and degrees are most eligible and are better placed in terms of job opportunity in Brookside Dairy Limited.
4.2.3 Years of Service at Brookside Dairy Limited

The study also sought to find out the number of years the respondents have been with Brookside Dairy Limited as depicted in the Figure 4.2 below. This was of importance because it gives the true picture and the element of experience for the respondent opinion. Majority of the respondents have been with Brookside Dairy Limited for 3-5 years. They had a percentage of 55%, those with less than 2 years and below had 27%, between 11-15 years were 8%, between 5-10 years were 3% and lastly 15 years and above had 7%. This depict that a larger number of the respondents has been in Brookside Dairy Limited for 3-5 years and know what they are talking about and thus gave a true image of Brookside Dairy Limited on the areas the research seeks to cover.

Figure 4.3: Years of Service at Brookside Dairy Limited
4.2.4 Age of the Respondents

The study sought to find out the age distribution of respondents. Figure 4.4 shows that 32% of the respondents in the study had an age between 18-29 years, 62% had an age between 30-39 years, and 6% had an age between 49-49 years. Therefore, most of the respondents had an age between 30-39 years.

Figure 4.4: Age of the Respondents

4.2.5 Dairy Plant Work Station

The researcher had to sought to find the diary plant where the employees are working, and the findings indicates that 62% of the respondents are working in the Ruiru Plant and the remaining is the Nakuru plant which was represented by 38% the Figure 4.5 indicates the findings of the study.

Figure 4.5: Dairy Plant Work Station
4.2.6 Position in Held in Brookside Dairy Limited

The researcher was also interested in finding out the position held by respondents in Brookside Dairy Limited as shown in the Figure 4.6. Majority of the respondents were the junior level employees making the highest percentage of 37%. Those in the brand management level had the second highest percentage of 23%. The rest were Production Manager, Supply Manager, Marketing Manager, and Finance officers were represented by 10% each which was the lowest percentage.

![Position in Held in Brookside Dairy Limited](image)

Figure 4.6: Position in Held in Brookside Dairy Limited

4.2.7 Prior to Brookside Mergers and Acquisitions

The researcher sought to find out where the employees were working prior joining to Brookside mergers and acquisitions. The Figure 4.7 indicates that 45% of the respondents were working in Brookside, 33% were working in Delamere and 22% were in Illara dairy limited. Figure below shows the finding of working firm before joining in Brookside.
4.3 Drivers of Mergers and Acquisitions in the Dairy Industry

The drivers of mergers and acquisitions in the Dairy Industry where the questions included; The firm is increasingly using merger and acquisition to take full advantage of the economies of scale where it was rated as 33% agreeing and 53% strongly agreed. Engagement in mergers and acquisition for firm enhances its competitive position and achieving higher profits where the respondents rated as 55% agreed and 30% strongly agreed. The firm engages in mergers and acquisition to reduce production and transaction costs such as planning and staffing costs where the respondents rated as 48% agreed and 20% strongly agreed and on production and operation costs sharing that come as a result of merger and acquisition for firm facilitates cost saving was rated as 28% agreed and 53% strongly agreed.

The firm growth in the dairy industry is a as a result of existing establishments where the response was 50% agreed and 18% strongly agreed and, on the merger, and acquisition in the dairy industry improves liquidity for involved dairy firms where the rating was 43% agreed and 27% strongly agreed and on merger and acquisition for the firm enhances its gearing capacity by borrowing on better strength and greater assets backing was rated as 23% agreed and 63% strongly agreed. The adoption of merger and acquisition for the firm helps in creating market financial strength was rated as 17% agreed and 40% strongly agreed and on the improved productivity and cost reduction through merger and acquisition has necessitated downsizing of the workforce both at staff and managerial
level in the firm where it was rated as 40% as agreed and 27% as strongly agreed and
lastly on the motivation behind the current merger and acquisition activity is to achieve
market synergies was rated as 8% agreed and 72% strongly agreed. The Table 4.2
indicates the drivers of mergers and acquisitions in the dairy industry.

Table 4.2: Drivers of Mergers and Acquisitions in the Dairy Industry

<table>
<thead>
<tr>
<th>Statements</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMA1 The firm is increasingly using merger and acquisition to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>take full advantage of the economies of scale.</td>
<td>0%</td>
<td>10%</td>
<td>4%</td>
<td>33%</td>
<td>53%</td>
</tr>
<tr>
<td>DMA2 Engaging in mergers and acquisition for firm enhances its</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>competitive position and achieving higher profits.</td>
<td>0%</td>
<td>5%</td>
<td>10%</td>
<td>55%</td>
<td>30%</td>
</tr>
<tr>
<td>DMA3 The firm engages in mergers and acquisition to reduce production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and transaction costs such as planning and staffing costs.</td>
<td>0%</td>
<td>5%</td>
<td>27%</td>
<td>48%</td>
<td>20%</td>
</tr>
<tr>
<td>DMA4 Production and operation costs sharing that come as a result of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>merger and acquisition for firm facilitates cost saving.</td>
<td>0%</td>
<td>7%</td>
<td>12%</td>
<td>28%</td>
<td>53%</td>
</tr>
<tr>
<td>DMA5 The firm growth in the dairy industry is a as a result of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>existing establishments.</td>
<td>0%</td>
<td>14%</td>
<td>18%</td>
<td>50%</td>
<td>18%</td>
</tr>
<tr>
<td>DMA6 Merger and acquisition in the dairy industry improves liquidity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for involved dairy firms.</td>
<td>0%</td>
<td>3%</td>
<td>27%</td>
<td>43%</td>
<td>27%</td>
</tr>
<tr>
<td>DMA7 Merger and acquisition for the firm enhances its gearing capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by borrowing on better strength and greater assets backing.</td>
<td>0%</td>
<td>10%</td>
<td>4%</td>
<td>23%</td>
<td>63%</td>
</tr>
<tr>
<td>DMA8 Adoption of merger and acquisition for the firm helps in creating</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>market financial strength.</td>
<td>0%</td>
<td>20%</td>
<td>23%</td>
<td>17%</td>
<td>40%</td>
</tr>
<tr>
<td>DMA9 Improved productivity and cost reduction through merger and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>acquisition has necessitated downsizing of the workforce both at staff</td>
<td>3%</td>
<td>7%</td>
<td>23%</td>
<td>40%</td>
<td>27%</td>
</tr>
<tr>
<td>and managerial level in the firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DMA10 The motivation behind much of the current merger and acquisition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>activity is to achieve market synergies.</td>
<td>3%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>72%</td>
</tr>
</tbody>
</table>

4.3.2 Correlations on Drivers of Mergers and Acquisitions

According to the scale a value between -1 and -0.5 indicates strong negative correlation, a
value between -0.4 and -0.1 indicates weak negative correlation, a value between 0.1 and
0.4 indicates weak positive correlation and values between 0.5 and 1 indicates strong
positive correlation. A value of 0.0 indicates no correlation. All values which have a
significant value of below 0.05 shows statistical significance while those with values
greater than 0.05 indicates no statistical significance. The Table 4.3 exhibits the direction
and strength on the dependent and independent variables. It was found that there exists a
positive high correlation between dairy industry and Drivers of Mergers and Acquisitions
on the Dairy Industry to the extent of \( r=0.818, \ p<0.01 \). The relationship is significant at 99% level of significance for two tailed test.

**Table 4.3: Correlations on Drivers of Mergers and Acquisitions**

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy Industry</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>60</td>
</tr>
<tr>
<td>Drivers of Mergers and Acquisitions</td>
<td>Pearson Correlation</td>
<td>.818**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>60</td>
</tr>
</tbody>
</table>

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

### 4.3.3 Regression Analysis

The regression Table 4.4 provides the model summary, the coefficient of determination (R2) explains how much variation in the dependent variable is explained by the independent variable. The value of coefficient of determination (R2) is 0.670 that reveals dairy industry accounts to 67.0% variation in drivers of Mergers and Acquisitions and this can be viewed that there might be other factors that bring variation of 33.0% in the outcome variable.

**Table 4.4: Model Summary for Drivers of Mergers and Acquisition**

<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>.818*</td>
<td>.670</td>
<td>.664</td>
<td>3.89119</td>
</tr>
</tbody>
</table>

* a. Predictors: (Constant), Drivers of Mergers and Acquisitions

### 4.3.3.1 Analysis of Variance on Drivers of Mergers and Acquisitions

The probability of F-statistic shows the significance of the research (F=117.546). According to the standard if the p value is \(< 0.05\) so than it is significant. In this study the Table 4.5 demonstrates the p-value is 0.000 which is \(< 0.05\) thus the model of the research is statistically significant. The independent variable of the study, drivers of Mergers and Acquisitions, has significant relationship with dependent variable of the study which is the dairy industry.
Table 4.5: Analysis of Variance on Drivers of Mergers and Acquisition

<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>Regression</td>
<td>1779.803</td>
<td>1</td>
<td>1779.803</td>
<td>117.546</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>878.197</td>
<td>58</td>
<td>15.141</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2658.000</td>
<td>59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Dairy Industry
b. Predictors: (Constant), Drivers of Mergers and Acquisitions

4.3.3.2 Coefficients Analysis on Drivers of Mergers and Acquisitions

The regression Table 4.6 provides the result of constant and t-value where the t=2.638, p<0.05. This indicates the significance of the drivers of the mergers and acquisition. The coefficient is the slope of regression line and it explains that 1-unit change in independent variable in dairy industry results in 0.876 units increase in Drivers of Mergers and Acquisitions. The regression model below explains the results in the given is as follows; Y=13.362+ 0.876 Drivers of Mergers and Acquisitions

Table 4.6: Coefficients Analysis on Drivers of M&As

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>13.362</td>
<td>2.638</td>
<td>.011</td>
<td></td>
</tr>
<tr>
<td>Drivers of Mergers and</td>
<td>.876</td>
<td>.818</td>
<td>10.842</td>
<td>.000</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>.081</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Dairy Industry

4.4 Challenges of Mergers and Acquisitions in the Dairy Industry

The challenges of mergers and acquisitions in the dairy industry where the variables include; dairy companies involved in merger and acquisition neglect the role played by organizational culture where it was rated as 73% agreed and 17% strongly agreed and on the challenge of organizational cultures should be addressed before a merger and acquisition is initiated where was rated as 53% agreed and 33% strongly agreed. Senior
managers in the firm are likely to adapt to a change in organizational culture compared to other employees where was rated as 37% agreed and 13% agreed and on the organizational culture affects the high turnover among the executives of the acquired company and its employees was rated as 37% agreed and 23% of respondents strongly agreed.

Political uncertainty affects the successes of merger and acquisition in the firm was 43% rated agreed and 17% strongly agreed and political uncertainty increases future cash flow volatility and operational risk which affects the operationalization of merger and acquisition was 60% rated as agreed and 18% strongly agreed. The possible changes in national leadership influence mergers and acquisitions in the firm was rated as 33% agreed and 30% strongly agreed and the attraction and retention of employees influences the process and success of mergers and acquisitions was rated as 52% agreed and 33% strongly agreed.

The management in the firm listens to and communicates with employees’ comprehensive information during a merger and acquisition process was rated as 23% as agreed and 57% strongly agreed and the previous failed mergers and acquisitions at Brookside have been as a result of poor target-selection decisions and high purchase price was rated as 37% as rated as 37% agreed and 40% strongly agreed. the last question was if post-acquisition process has been significant challenging in the firm where it was rated as 43% as agreed and 30% strongly agreed. The Table 4.7 indicates summary of the challenges of mergers and acquisitions in the dairy industry.
### Table 4.7: Challenges of Mergers and Acquisitions

<table>
<thead>
<tr>
<th>Statements</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMA1 Dairy companies involved in merger and acquisition neglect the role played by organizational culture.</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>73%</td>
<td>17%</td>
</tr>
<tr>
<td>CMA2 The challenge of organizational cultures should be addressed before a merger and acquisition is initiated.</td>
<td>0%</td>
<td>3%</td>
<td>10%</td>
<td>53%</td>
<td>33%</td>
</tr>
<tr>
<td>CMA3 Senior managers in the firm are likely to adapt to a change in organizational culture compared to other employees.</td>
<td>0%</td>
<td>10%</td>
<td>40%</td>
<td>37%</td>
<td>13%</td>
</tr>
<tr>
<td>CMA4 Organizational culture affects the high turnover among the executives of the acquired company and its employees.</td>
<td>0%</td>
<td>3%</td>
<td>37%</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td>CMA5 Political uncertainty affects the successes of merger and acquisition in the firm.</td>
<td>0%</td>
<td>7%</td>
<td>33%</td>
<td>43%</td>
<td>17%</td>
</tr>
<tr>
<td>CMA6 Political uncertainty increases future cash flow volatility and operational risk which affects the operationalization of merger and acquisition.</td>
<td>0%</td>
<td>3%</td>
<td>18%</td>
<td>60%</td>
<td>18%</td>
</tr>
<tr>
<td>CMA7 Possible changes in national leadership influence mergers and acquisitions in the firm.</td>
<td>0%</td>
<td>0%</td>
<td>37%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>CMA8 Attraction and retention of employees influences the process and success of mergers and acquisitions.</td>
<td>0%</td>
<td>8%</td>
<td>7%</td>
<td>52%</td>
<td>33%</td>
</tr>
<tr>
<td>CMA9 Management in the firm listens to and communicates with employees’ comprehensive information during a merger and acquisition process.</td>
<td>0%</td>
<td>8%</td>
<td>12%</td>
<td>23%</td>
<td>57%</td>
</tr>
<tr>
<td>CMA10 Previous failed mergers and acquisitions at Brookside have been as a result of poor target-selection decisions and high purchase price.</td>
<td>0%</td>
<td>13%</td>
<td>10%</td>
<td>37%</td>
<td>40%</td>
</tr>
<tr>
<td>CMA11 Post-acquisition process has been significant challenging in the firm</td>
<td>0%</td>
<td>8%</td>
<td>18%</td>
<td>43%</td>
<td>30%</td>
</tr>
</tbody>
</table>

#### 4.4.1 Correlations between Challenges of Mergers and Acquisitions on Dairy Industry

The Table 4.8 shows the relationship between challenges of mergers and acquisition on the dairy at Brookside dairy. The study found that there exists a positive high correlation between drivers of challenges of Mergers and Acquisitions on dairy industry to the extent of \((r=0.872, p<0.05)\). The relationship is significant at 99% level of significance for two tailed tests.
Table 4.8: Correlations on challenges of M&As

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy Industry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Challenges of Mergers and Acquisitions</td>
<td>.872**</td>
<td>.000</td>
<td>60</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

4.5 The Impact of Mergers and Acquisition on the Dairy Industry

The last objective was on the effect of mergers and acquisition on the dairy industry and the questions that the respondents were asked includes; on the merger and acquisition contribute to improved technological performance for the firm where it was rated as 53% agreed and 25% as strongly agreed and successful introduction of new technologies as a result of mergers and acquisition leads to improved profitability was rated as 32% as agreed and 48% strongly agreed. On the financial remuneration through retention incentives affects the performance of employees after a merger and acquisition in the firm and the acquired company was rated as 20% as agreed and 63% strongly agreed that M & A process had led to substantial downsizing and mass layoffs of employees was rated as 43% as agreed and 40% strongly agreed.

The firms that plan to go through merger and acquisition should establish good harmonization mechanisms; 33% as agreed and 38% strongly agreed and on the merger and acquisition process enhances firm limited competitive image in the global market. Equally, 43% as agreed and 30% strongly agreed international acquisition by Danone and Abraaj was good for Brookside. On the question on whether M & A’s led to limited competitiveness in dairy sector, 20% as agreed and 63% as strongly agreed. The Table 4.12 indicates the summary of the effect of mergers and acquisition on the dairy industry.
Table 4.9: Effect of Mergers and Acquisition

<table>
<thead>
<tr>
<th>Statements</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMA1 Merger and acquisition contribute to improved technological performance for the firm.</td>
<td>0%</td>
<td>12%</td>
<td>10%</td>
<td>53%</td>
<td>25%</td>
</tr>
<tr>
<td>EMA2 Successful introduction of new technologies as a result of mergers and acquisition leads to improved profitability.</td>
<td>0%</td>
<td>10%</td>
<td>10%</td>
<td>32%</td>
<td>48%</td>
</tr>
<tr>
<td>EMA3 Financial remuneration through retention incentives affects the performance of employees after a merger and acquisition in the firm and the acquired company.</td>
<td>0%</td>
<td>7%</td>
<td>10%</td>
<td>20%</td>
<td>63%</td>
</tr>
<tr>
<td>EMA4 The merger and acquisition process in the firm have led to substantial downsizing and mass layoffs of employees.</td>
<td>0%</td>
<td>13%</td>
<td>3%</td>
<td>43%</td>
<td>40%</td>
</tr>
<tr>
<td>EMA5 Dairy industry companies that are planning to go through merger and acquisition should establish good harmonization mechanisms.</td>
<td>0%</td>
<td>12%</td>
<td>17%</td>
<td>33%</td>
<td>38%</td>
</tr>
<tr>
<td>EMA6 Merger and acquisition process enhance firm limited competitive image in the global market</td>
<td>0%</td>
<td>12%</td>
<td>15%</td>
<td>43%</td>
<td>30%</td>
</tr>
<tr>
<td>EMA7 International acquisition by Danone and Abraaj are good for current Brookside dairy limited competitiveness</td>
<td>0%</td>
<td>13%</td>
<td>3%</td>
<td>20%</td>
<td>63%</td>
</tr>
</tbody>
</table>

**4.5.1 Correlations between Impact of Mergers and Acquisitions on Dairy Industry**

The Table 4.13 exhibits the direction and strength on the dependent and independent variables. It was found that there exists a positive high correlation between Mergers and Acquisitions on dairy industry to the extent of $r = 0.813$, $p < 0.05$. The relationship is significant at 99% level of significance for two tailed test.

Table 4.10: Correlations on Effect of Mergers and Acquisition

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy Industry</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>60</td>
</tr>
<tr>
<td>Impact of Mergers and Acquisitions</td>
<td>Pearson Correlation</td>
<td>.813**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>60</td>
</tr>
</tbody>
</table>

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

**4.5.2 Regression Analysis**
The regression Table 4.14 provides the coefficient of determination, the coefficient of determination (R2) explains how much variation in the dependent variable is explained by the independent variable. The value of coefficient of determination (R2) is 0.662 that reveals dairy industry accounts to 66.2% variation in Mergers and Acquisitions and this can be viewed that there might be other factors that bring variation of 33.8% in the outcome variable.

Table 4.11: Model Summary for Effect of Mergers and Acquisitions

<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>.813(^a)</td>
<td>.662</td>
<td>.656</td>
<td>3.93718</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Effect of Mergers and Acquisitions

4.5.2.1 Analysis of Variance on Mergers and Acquisitions

The probability of F-statistic shows the significance of the research (F=113.468). The Table 4.15 demonstrates the p value is 0.000 which is < 0.05 thus the model of the research is statistically significant. The independent variable of the study where Mergers and Acquisitions has significant relationship with dependent variable of the study which is the dairy industry.

Table 4.12: Analysis of Variance on Mergers and Acquisitions

<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</td>
<td>Regression</td>
<td>1758.918</td>
<td>1</td>
<td>1758.918</td>
<td>113.468</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>899.082</td>
<td>58</td>
<td>15.501</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2658.000</td>
<td>59</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Dairy Industry

\(^b\) Predictors: (Constant), Effect of Mergers and Acquisitions

4.5.2.2 Coefficients Analysis on Mergers and Acquisitions

The regression Table 4.16 provides the result of constant and t-value where the t=3.203, p<0.05. This indicates the significance of the drivers of the mergers and acquisition. The coefficient is the slope of regression line and it explains that 1 unit change in independent
variable in dairy industry results in 0.879 units increase in effects of Mergers and Acquisitions. The regression model below explains the results in the given is as follows; \( Y = 15.786 + 0.815 \text{ Mergers and Acquisitions} \).

Table 4.13: Coefficients Analysis on Mergers and Acquisitions

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>15.786</td>
<td>4.928</td>
<td>3.203</td>
<td>.002</td>
</tr>
<tr>
<td></td>
<td>Effect of Mergers and Acquisitions</td>
<td>.879</td>
<td>.083</td>
<td>.813</td>
<td>10.652</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Dairy Industry
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of the findings from chapter four and gives conclusions and recommendations of the study based on the objectives of the study. The study sought to find out the effect of Mergers and Acquisition on the dairy industry in Kenya. The conclusions and the recommendations presented are categorized based on the key objectives which form the basis of the study. Also highlighted in this chapter are possible suggestions for further research.

5.2 Summary of the Study
The objective study was to determine the effect of Mergers and Acquisition on the dairy industry in Kenya with Brookside Dairy Limited. The research questions that guided this study were:
What are the effects of Mergers and Acquisition on the dairy industry in Kenya?
What are the drivers for mergers and acquisition in the dairy industry in Kenya?
What are the challenges of mergers and acquisitions in the dairy industry in Kenya?

This study relied on descriptive research design. This study had a population of 80 managers from Ruiru headquarters, Mombasa depot, Eldoret depot, and Kisumu depot. This study was a census; therefore, all the 80 managers were sampled for the study. A structured questionnaire was used to collect primary data, which was analyzed for descriptive statistics (frequencies and percentages) and inferential statistics (correlation, regression and ANOVA) using the Statistical Packages for Social Sciences (SPSS ver.24). The data results and data finings have been presented using Tables and Figures.

The first research question sought to examine drivers of mergers and acquisition on the dairy industry in Kenya. The findings show that one of the major drivers of mergers and acquisitions in the dairy sector is the advantage accorded to the firms through economies of scale. Equally, the findings show that by entering into mergers and acquisition, firms
enhance competitive advantage. Increase in profitability and reduction in operational costs were also significant drivers of mergers and acquisition in the dairy industry in Kenya. The study established the existence of a strong relationship between of mergers and acquisition and the dairy industry in Kenya ($r = 0.818; p < 0.01$).

The second research question focused on examining challenges affecting mergers and acquisitions at Brookside Dairy Ltd. The findings show that one of the major challenges facing mergers and acquisitions in the dairy industry in Kenya is integrating organizational cultures and values. Similarly, political uncertainty such as change of national leadership and economic policies affect mergers and acquisition. The other major challenge established by this study is failure to attract and retain employees can have a negative effect on mergers and acquisition at Brookside dairy. The study established a positive correlation between challenges of mergers and acquisitions on dairy industry where ($r = 0.872, p < 0.01$).

The third research question examined the impact of mergers and acquisitions at Brookside Dairy Ltd. The findings show that there has been an improvement in technological adoption in the processing of dairy products at Brookside dairy. Most importantly, Brookside has experienced improved profitability, and reduced competition as a result of mergers. However, there has been layoffs are a result of mergers and acquisitions. Overall, this study established a positive correlation between mergers and acquisitions on dairy industry where ($r = 0.813, p < 0.05$).

5.3 Discussion

5.3.1 Drivers of Mergers and Acquisitions in the Dairy Industry

This study sought to examine drivers of mergers and acquisition on the dairy industry in Kenya. The study established the existence of a strong relationship between of mergers and acquisition at Brookside Dairy Ltd. This confirm study findings by Mittal (2016) who argued that companies in the dairy industries have been engaging in mergers and acquisitions at an ever-increasing rate due to the benefits associated with such move. This study has established that there exists various drivers of mergers and acquisitions including economies of scale, need for consolidated financial strength, market
diversification, competitive advantage, need for profitability, and reduction in operational costs.

The findings of this study have established that organizational competitiveness in one of the major drivers of mergers and acquisition at Brookside Dairy Ltd. This findings is in line with findings by Mishra and Chandra (2011) who assert that organizations enter into mergers and acquisition in a quest to increase competitiveness. Competitiveness in this case can refer to product and service competitiveness, human resource competitiveness, technological competitiveness, and knowledge and learning. Similarly, Anslinger and Jenk (2004) had argued that mergers acquisitions in the dairy industry do enhance dairy firm's competitiveness within their operational markets. Equally, a study by Dacin et al. (2007) confirmed that mergers and acquisitions do accord dairy firms a competitive landscape for dominating the market compared to other small players in the market. Anslinger and Jenk (2004) had argued that in Kenya, dairy companies now have an opportunity to penetrate formerly inaccessible markets, but they are at the same time, also confronted with new entrants into their markets and risk losing a considerable percentage of their market share to newly formed dairy companies.

The findings of this study have also established that need for profitability is a key driver of mergers and acquisition on the dairy industry in Kenya. The overall aim of a dairy company’s mergers and acquisition is considered to be enhancing the partner dairy company's competitive position and profitability. Similar arguments have been made by Bikker and Haaf (2002) who argued that companies engage in M&As as a way of leveraging on each other’s strength to enhance profitability.

This study found that reduction in operational costs was one of the drivers of mergers and acquisition at Brookside Dairy Ltd. Brookside dairy had acquired other dairy firms so as to enhance economies of scale, and in turn, reduce operational costs for dairy production (Meier, 2011). As had been argued by Dacin et al. (2007) the aim of M&As is to reduce costs through economies of scale associated with joint marketing, maintenance, training, and through elimination of duplication and redundancy in operation. Equally, Bikker and Haaf (2002) had noted that firms engage. The findings of this study have revealed that Brookside Dairy has managed to reduce production and transaction costs as a result of mergers and acquisitions such as planning and staffing costs. This is because most of the employees in the firm are retrenched or given an earlier retirement to reduce the
operations cost. On the production and operation costs sharing that come as a result of merger and acquisition for firm facilitates cost saving was rated as strongly agreed by most of the employees. This is supported by the study conducted by KPMG in South Africa (2013) which found that M&As take place with the view of reducing the transaction costs. The transaction costs entail organizing, planning, staffing as well as monitoring transactions costs across the business. According to Meier (2011) who contend that transaction cost theory states that transaction costs are the market-based production of goods and services unlike producing from within the firm.

Brookside Dairy growth in the dairy industry in Kenya is a result of merges and acquisitions. Meier (2011), had argued that two-thirds of the growth in the dairy industries come from the growth in the size of existing establishments, while only one-third is as a result of the establishment of new firms in the dairy industry. This study has established that growth in the dairy industry can also come from merger and acquisition. As the popularity of corporate size phenomenon continues to rise within the external business environments, more attentions are being pushed to its real effects on the internal structures of corporations and the specific impact on the relationship between the firm and its key stakeholders.

5.3.2 Challenges of Mergers and Acquisitions in the Dairy Industry

This study sought to examine the challenges of mergers and acquisition at Brookside Dairy Ltd. The findings show that there exists a positive relationship between challenges of mergers and acquisition and the development of the Brookside dairy. A study by Arino et at. (2001) had not established the existence of such a relationship, but note that numerous challenges do exist, and do influence how mergers and acquisitions are conducted in the dairy industry. Some of this challenges as established by this study include challenges in integrating organizational cultures and values, different management styles, effects of political uncertainty, in addition challenges in recruiting and retaining employees in post-merger and acquisition period.

This study found that differences in organizational culture and values such as management style can either positively affected mergers and acquisition at Brookside Dairy Ltd. Differences in new management style between two merging organization can cause conflict that can eventually affect the dairy industry, however, this was not the case at Brookside. This is in line with the arguments that had been placed by Mishra and
Chandra (2011) who noted that organizational cultures should be given high priority, along with strategic issues, to increase the likelihood of a successful combination. Further, Mishra and Chandra (2011) had noted that differences in the two organizational cultures involved in mergers and acquisitions and how they are managed are crucial to the success or failure of the process. It should be noted that an organizational culture is comprised of the patterns of shared beliefs and values that give the members of an institution meaning and provide them with the rules for behavior in their organization (Davis, 2014), and therefore, any attempt to merge different organizational behaviors, values, roles, should be done with utmost care merger and acquisition success in the dairy sector.

Additionally, this study found that differences in the organizational cultures as well as management ideologies. This occurs in cases where partners have different national cultures which lead to misunderstanding and on the challenge of organizational cultures should be addressed before a merger and acquisition is initiated where was rated as agreed (Agarwal, Crosson, and Mahoney 2010). It could therefore be argued that synchronizing organizational cultures during mergers and acquisitions could help reduce the challenges associated with the same in the dairy sector. Additionally, as had been argued by Douma, et al., (2000), firms’ that are likely to adapt to a change in organizational culture experience more success compared to those that do not. Therefore, the role of organizational cultural agents should be placed in a marginal position, and most of the energy is invested in strategic and financial planning of the organization.

This study also found that political uncertainty affects the successes of merger and acquisition at Brookside Dairy Ltd. This is attributed to the number of high-profile incidents in different regions, and the constant outbreak of violence. The political uncertainty increases future cash flow volatility and operational risk which affects the operationalization of merger and acquisition was rated as agreed by the employees. The possible changes in national leadership influence mergers and acquisitions in the firm was rated as agreed by majority of the employees in the organization this finding concurs with that of Andrews et al. (2008) who contends that political uncertainty associated with possible changes in national leadership is an important way through which politics can influence M&As. At the macro level, political instability and violent events can lead to
reductions in aggregate investment. At the micro level found out that firms reduce their capital expenditures in the presence of electoral uncertainty.

The findings of this study have established that attraction and retention of employees influences the process and success of mergers and acquisitions are done in the dairy industry in Kenya. In line with this study finding, Das and Teng (2003) had found that many of the merging or acquiring companies state the importance of retaining and acquiring key talent, 47% of senior management in the acquired firm leave within the first year and companies experience on average a 50% drop in productivity in the first 6-8 months of the integration. Further, Das had compared the pre-merge and post-merger operating costs can be attributed or associated with successful management of recruitment and retention of employees during and after the process.

5.3.3 Impact of Mergers and Acquisition on the Dairy Industry

This study sought to examine the impact mergers and acquisitions on the dairy industry in Kenya. The finding shows that there exists a statistically significant relationship between impact of mergers and acquisition on the dairy industry in Kenya. Mosad (2005) and Bikker and Haaf (2002) studies have noted that merger more strongly impact attitudinal and behavioral outcomes or organizations. The findings did not examine the impact on the dairy firms, however, the impact of mergers as noted in their study, could as well apply to the dairy industry that has employee and organizational culture just as other industries.

This study found that technological impact of mergers and acquisition positively affected performance of dairy production at Brookside Dairy Ltd. Mergers and acquisition had relied of technological strength from each firm to enhance Brookside dairy production performance. This finding agreed with Agarwal et al., (2010) study that noted that technology related incentives for M&As affect long-term strategic variables which tend to be underestimated in much of the current empirical research that usually focuses on the short-term, economic effects of M&As and successful introduction of new technologies as a result of mergers and acquisition leads to improved profitability was stated as agreed. Similarly, this study finding collaborate Douma, et al., (2000) arguments that mergers and acquisitions can contribute to technological performance through the successful introduction of new technologies, new products and processes by the combined companies which could eventually lead to improved profitability of companies.
This study also found that mergers and acquisitions have a negative impact in the management of employees. Mergers and acquisition create employee redundancies that usually lead to massive lay-offs. Arino, Torre and Ring, (2001) had argued that in as much as firms provide incentives in post mergers and acquisitions to retain talented employees, lay-offs still happens. This is usually the done to cut unnecessary duplication of employee roles and acquisitions and mergers happens. This argument was also posited by Mosad (2005) who researched on the negative impact of mergers and acquisitions on employees noting that there exists a traumatic, lasting negative impact on employees; those who get fired and also on survivors. Therefore, it could be argued that effective management of mergers and acquisition determines the extent at which employees in the dairy industry will be impacted.

This study also found that there is need for mergers and acquisition integration process. The findings show that Brookside had established good harmonization mechanisms to ensure minimum negative impact post the merger and acquisition period. For instance, the international acquisition of Danone and Abraaj was perceived as good for Brookside dairy due to the competitive edge the firms bring to Brookside. This finding was also supported by Anslinger and Jenk (2004) who argued that harmonization process determines the behavioral and attitudinal outcomes of employees from the mergers and acquisition firms. This means that poor integration can lead to negative employee behaviors and outcomes, while well managed integration process could result in positive impact on employee’s behavior and outcomes as has been the case with Brookside dairy.

As had been posited by Douma, et al., (2000), the post-acquisition integration is the interactive and gradual process of strategic and administrative combination of the acquiring enterprise and the acquired enterprise.

5.4 Conclusions

5.4.1 Drivers of Mergers and Acquisitions in the Dairy Industry

In conclusion the drivers of mergers and Acquisition in the dairy industry indicated a positive relationship between dairy industry and drivers of mergers and acquisitions on the dairy industry. This study therefore, shows that drivers of mergers and acquisitions such as reduction of production and transaction costs such as planning and staffing costs generally results into increase performance of the dairy industry and the firm enjoys the
economies of scale. The M&As firms to reduce costs through economies of scale it is associated with joint marketing, maintenance, training, and through elimination of duplication in operation.
5.4.2 Challenges of Mergers and Acquisitions in the Dairy Industry

On challenges of Mergers and Acquisitions in the dairy industry, this study established the existence of a positive relationship between challenges of mergers and acquisitions on dairy industry. The key challenges in the preparation process for an impeding acquisition are those of change management processes and organizational cultures which should be addressed before a merger and acquisition is initiated. The diverse organizational cultures and resistance to change is also identified as one of the challenges that merger and acquisition experiences. During the period of political uncertainty where increase in future cash flow volatility and operational risk affects the operationalization of merger and acquisition has also been the challenge in the dairy industry.

5.4.3 Impact of Mergers and Acquisition on the Dairy Industry

This study established the existence of a positive relationship between impact of mergers and acquisitions performance of dairy industry. Dairy industry in the mergers and acquisitions aim is to amplify efficiency, enhance competitive advantage, achieving synergy and improving firm value. Mergers and Acquisitions have shown the profitability, liquidity and solvency objectives which the firm wants to achieve. The industry that plans to go through merger and acquisition should establish good harmonization mechanisms among its stakeholders. The technological operations generate benefits to the firms that have the intention merge with the where they similar technological operations.

5.5 Recommendations

5.5.1 Recommendations for the Improvement

5.5.1.1 Drivers of Mergers and Acquisitions in the Dairy Industry

Based on the findings of this study, the management team should take advantage of the benefits of mergers and acquisitions, especially the potential of increasing financial performance. The Merger and Acquisition increases the size of technological operations, allowing economies of scale in the industry. Therefore, companies that have small share in the industry should take the advantage of the M&As which will enhance their performance and able to be very competitive in the given industry.
5.5.1.2 Challenges of Mergers and Acquisitions in the Dairy Industry

To overcome the challenges of mergers and acquisition in the dairy industry analysis management should consider when choosing a firm, they must ensure that the merger exercise will add value to the firm. This may help minimize the huge losses such as that experienced by many firms exercise merger and acquisition. In addition to improving operation and sustaining failing businesses, manager need to consider merging with or acquiring other firm to improve their competitiveness and performance standing. The researcher recommends that firm should adopt cross border mergers and acquisitions as this will help them in entering new geographical areas, diversify their business growth, acquire states of art and technology, acquire brand loyalty, overcome entry barriers, increase their profitability and return on investment.

5.5.1.3 Impact of Mergers and Acquisition on the Dairy Industry

The government should encourage declining or distressed companies to engage in merger/acquisition by providing incentives such as tax holiday, loss relief and capital allowance. Above all, government should constantly provide the enabling and conducive environment for mergers and acquisitions. Merger and acquisition should be a continuous trend in Kenya business environment to eliminate weak companies and form stronger ones in the market.

5.5.2 Recommendations for Further Studies

Continuous growth and survival are the ultimate objectives of any organization and Mergers and Acquisition is one of the forms of survival strategy. The study sought to find the effect of Mergers and Acquisition on the dairy industry where the study was limited on one organization. The study recommends further study should be carried out to the same industry where one can be able to assess the pre-merger and the post-merger in the dairy industry to see the other factors that affect the process of Mergers and Acquisition.
REFERENCES


Manson, K. (2014, December 2). Kenyan dairy farmers’ aim to raise yields and process more milk. *DBR Staff Writer*, p. 11.

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APPENDICES

APPENDIXI: QUESTIONNAIRE

I am a student doing a Master of Business Administration at the United States International University. Currently, I am doing research on the impact of Mergers and Acquisitions on the dairy industry in Kenya: A case study on Brookside Dairy Limited. You have been identified as a respondent in this research. Your support and cooperation is very important and will be highly appreciated.

SECTION A: Background Information

Please answer the following questions by putting a tick ( ) where appropriate.

1. Please indicate your gender

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Please indicate you age.

<table>
<thead>
<tr>
<th>18-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. What is your highest level of education?

<table>
<thead>
<tr>
<th>Certificate</th>
<th>Diploma</th>
<th>Degree</th>
<th>Post-Graduate</th>
<th>Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Indicate how long you have worked for Brookside Dairy Limited.

<table>
<thead>
<tr>
<th>Less than 2 years</th>
<th>3-5 years</th>
<th>5-10 years</th>
<th>10-15 years</th>
<th>Over 15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Kindly indicate the position you currently hold at Brookside Dairy Limited.

<table>
<thead>
<tr>
<th>Supervisory</th>
<th>Junior Manager</th>
<th>Middle Manager</th>
<th>Top Level Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Which Brookside Dairy Plant is your work station?

<table>
<thead>
<tr>
<th>Ruiru</th>
<th>Nakuru</th>
<th>Eldoret</th>
<th>Kisumu</th>
</tr>
</thead>
</table>

Where were you working prior to Brookside Mergers and Acquisitions?

<table>
<thead>
<tr>
<th>Brookside</th>
<th>Buzeki</th>
<th>Delamere</th>
<th>Ilara Dairy</th>
<th>Spin Kit</th>
<th>SALL</th>
</tr>
</thead>
</table>

SECTION B: Drivers of Mergers and Acquisitions in the Dairy Industry

Using a scale of 1-5, where 1= Strongly Disagree (SA); 2=Disagree (A); 3=Neutral (N); 4=Agree (D); 5= Strongly Agree (SD), please indicate the extent to which you agree with the following statements on drivers of mergers and acquisitions in the dairy industry.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Brookside Dairy Limited is increasingly using merger and acquisition to take full advantage of the economies of scale.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Engaging in mergers and acquisition for Brookside Dairy enhances its competitive position and achieving higher profits.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Brookside Dairy engages in mergers and acquisition to reduce production and transaction costs such as planning and staffing costs.</td>
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<td>9. Production and operation costs sharing that come as a result of merger and acquisition for Brookside Dairy facilitates cost saving.</td>
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<td>10. Brookside Dairy Limited growth in the dairy industry is a as a result of existing establishments.</td>
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<td>11. Merger and acquisition in the dairy industry improves liquidity for involved dairy firms.</td>
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<td>12. Merger and acquisition for Brookside Dairy enhances its gearing capacity by borrowing on better strength and greater assets backing.</td>
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<td>13. Adoption of merger and acquisition for Brookside Dairy helps in creating market financial strength.</td>
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<td>14. Improved productivity and cost reduction through merger and acquisition has necessitated downsizing of the workforce both at staff and managerial level at Brookside Dairy</td>
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</table>
15. The motivation behind much of the current merger and acquisition activity at Brookside dairy is to achieve market synergies.

SECTION C: Challenges of Mergers and Acquisitions in the Dairy Industry

Using a scale of 1-5, where 1= Strongly Disagree (SA); 2=Disagree (A); 3=Neutral (N); 4=Agree (D); 5= Strongly Agree (SD), please indicate the extent to which you agree with the following statements on drivers of mergers and acquisitions in the dairy industry.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
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<tbody>
<tr>
<td>16. Dairy companies involved in merger and acquisition neglect the role played by organizational culture.</td>
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<td>17. The challenge of organizational cultures should be addressed before a merger and acquisition is initiated.</td>
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<td>18. Senior managers at Brookside Dairy are likely to adapt to a change in organizational culture compared to other employees.</td>
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<td>19. Organizational culture affects the high turnover among the executives of the acquired company and its employees.</td>
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<td>20. Political uncertainty affects the successes of merger and acquisition at Brookside Dairy Limited.</td>
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<tr>
<td>21. Political uncertainty increases future cash flow volatility and operational risk which affects the operationalization of merger and acquisition.</td>
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<td>22. Possible changes in national leadership influence mergers and acquisitions at Brookside Dairy.</td>
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<td>23. Attraction and retention of employees influences the process and success of mergers and acquisitions.</td>
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<tr>
<td>24. Management at Brookside Dairy listens to and communicates with employees’ comprehensive information during a merger and acquisition process.</td>
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<td>25. Previous failed mergers and acquisitions at Brookside have been as a result of poor target-selection decisions and high purchase price.</td>
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<td>26. Post-acquisition process has been significant challenging at Brookside Dairy Limited.</td>
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</tbody>
</table>
SECTION D: Impact of Mergers and Acquisition on the Dairy Industry

Using a scale of 1-5, where 1= Strongly Disagree (SA); 2=Disagree (A); 3=Neutral (N); 4=Agree (D); 5= Strongly Agree (SD), please indicate the extent to which you agree with the following statements on drivers of mergers and acquisitions in the dairy industry.

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<tbody>
<tr>
<td>27. Merger and acquisition contribute to improved technological performance for Brookside Dairy.</td>
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<tr>
<td>28. Successful introduction of new technologies as a result of mergers and acquisition leads to improved profitability for Brookside Dairy.</td>
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<td>29. Financial remuneration through retention incentives affects the performance of employees after a merger and acquisition at Brookside Dairy and the acquired company.</td>
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<td>30. The merger and acquisition process at Brookside have led to substantial downsizing and mass layoffs of employees.</td>
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<td>31. Dairy industry companies that are planning to go through merger and acquisition should establish good harmonization mechanisms.</td>
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<td>32. Merger and acquisition process enhances Brookside dairy limited competitive image in the global market</td>
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<td>33. International acquisition by Danone and Abraaj are good for current Brookside dairy limited competitiveness</td>
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<tr>
<td>34. International acquisition by Danone and Abraaj is good for future Brookside Dairy competitiveness.</td>
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SECTION E: Dependent Variable (Dairy Industry in Kenya)

Using a scale of 1-5, where 1= Strongly Disagree (SA); 2=Disagree (A); 3=Neutral (N); 4=Agree (D); 5= Strongly Agree (SD), please indicate the extent to which you agree with the following statements on drivers of mergers and acquisitions in the dairy industry.
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<tr>
<td>35. Brookside dairy limited is competitive in the dairy industry.</td>
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<td>36. Mergers and Acquisitions have contributed to the success in the dairy industry.</td>
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<td>37. Foreign acquisition will remain significant to the dairy industry the future</td>
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