A SURVEY OF THE FACTORS THAT DETERMINE THE CHOICE OF MERGERS AND ACQUISITION PARTNERS IN KENYA

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BY

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DECLARATION

This research project is my original work and has never been presented in any other University/College for the award of any degree/diploma/certificate.

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This research project has been submitted for examination with my approval as the University Supervisor.

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Date: 10/11/2006

DEDICATION

I dedicate this project to my dear parents Mr. and Mrs.Mukele with lots of love.

// ACKNOWLEDGEMENTS

Fore mostly, my sincere gratitude go to my supervisor Mr. Jackson Maalu, whose advice, encouragement, support and constructive criticism throughout the study made it possible for me to complete this project.

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Above all, the Almighty gave me good health and always fought for me during 'dark' times. Glory be to his name. Amen!

ABSTRACT

The principal objective of this study was to establish the determinants of choice of mergers and acquisitions partners in Kenya. The study endeavored to cover all firms that have been involved in mergers and acquisitions in the recent past. The study was therefore carried though a cross-sectional survey design. The target population included all those firms that had gone into merger and acquisitions between 2001 and 2004 and notifications issued accordingly as at that period. The data was collected through a structured questionnaire where respondents were required to score on a 5-point likert scale indicating how important they considered the factors presented as important in determining the choice of merger and acquisition partners. Data that were obtained were analyzed using frequencies, percentages, mean scores and factor analysis and were presented in tables.

The results of the data collected indicate that the proportion of firms opting for a merger is slightly higher at 53.1% as compared to that for acquisition. The results also indicate that the firms exhibit a mixture of ownership and legal structures. The following factors were identified as important determinants of choice of mergers and acquisition partners: knowledge transfer and management, cultural distance; organizational distance; resource redeployment and revenue-based synergistic considerations; potential cross effects after a merger and/or an acquisition; asymmetry between the firms with regard to anticipated post merger and/or acquisition joint decision-making process and political processes;

location specific factors; management styles compatibility, acquisition performance; and reward and evaluation systems compatibility among others.

From the findings of the study, it was generally concluded that firms in Kenya take into account various factors before entering into mergers and acquisitions agreements. This was evidenced by the fact that most of the various aspects with regard to each of the above factors were highly and moderately rated. There was no single aspect that was lowly rated. Also, the factors that were considered in determining the choice of a particular M&A partner are to a greater dependent of the mode of combination, type of merger or acquisition, the sector of operation, and the growth prospects.

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CHAPTER ONE: INTRODUCTION

1.1 Background

The business environment in which organizations are operating has over the years witnessed drastic changes. The changes are both complex and 'chaotic' and organizations have found it difficult to cope with increasingly complex environments from internal resources and competences alone. Sometimes, firms can operate alone i.e. without formal relationship with others and remain successful. Certain developments in the environment are however making it attractive for firms to enter into collaborative arrangements. They may see the need to obtain materials, skills, innovation, finance, or access to markets, and recognise that these may be as readily available through cooperation through partnership. Channon (1999) defines strategic alliances as coalitions and cooperation agreements formed between a corporation and others in order to achieve certain strategic goals.

The growing integration of the global market place since the 1970s to the new millennium termed as globalization has seen the emergence of all sorts of corporate relationships and linkages from alliances, mergers and acquisitions, partnerships and joint ventures. Strategic alliances have been formed to facilitate entry into new markets and to reduce operation costs. These inter-firm relationships may involve two or more firms from the same industry or from varied parts of the world and cover a range of activities and functions (Yoshino and Rangan, 1995). The increased competition arising from the fast changing global market has resulted in a situation where companies are finding it difficult to go it alone. More than ever before, many of the skills, capacities, and resources that are essential to a firm's current and future prosperity are to be found

outside the firm's boundaries and outside the management's direct control (Doz and Hamel, 1998). Accordingly, managers must think outside these boundaries in order to remain competitive. Therefore, relationships that tend to give a firm these competences that are outside its current tangible and intangible assets are important.

Consequently, joint development of strategies has become increasingly popular. Two or more organizations would share resources and activities to pursue a strategy. Strategic alliances have therefore become the modus operandi in this ever changing and complex environment. Alliances vary considerably in their complexity, from simple two-partner alliances created to co-produce a product to one with multiple partners to provide complex products and solutions (Johnson and Scholes, 2002). They point out that there are many detailed motives for alliances but they tend to fall into three broad categories: the need for critical mass which alliances can achieve by co-option of either competitors or providers of complementing products leading to cost reduction and improved customer offering; co-specialization i.e. allowing each partner to concentrate on that which best match their resources and competences; and learning from partners and developing competences that may be more widely exploited elsewhere.

The developments in the business environments are not similar to one another. They manifest themselves in different contexts and taking different directions. It is on the basis of these phenomena that even strategic alliance will take different forms: joint ventures, consortia, opportunistic alliances, franchising, licensing, subcontracting, and co-production (Johnson and Scholes, 2002). Hence their formation and evolution will

depend on the type and/or form of alliance (Lorange and Roos, 1999). Similarly, the determinant of whom to be an organization's ally depends among other factors on the industry, the business environment, the strategic intent of the partner, and stakeholder willingness among others.

Strategy is about taking fast and smart moves. Grundy (1995) argues that alliances are one of the strategies for growth. Yoshino and Rangan (1995) argue that competition is the key driving force for alliances. They posit that competition has made the market a global village where all sorts of goods and services are readily available. It is observed that the world is moving fast in technological development, global trade, consumer tastes, e.t.c. Firms must therefore move with equal speed to form relationships that give them a competitive edge. In this world order thus, strategic relationships are a necessity and no longer an option. Synergies need to be created through collaborative efforts with other firms.

1.1.1 Mergers and Acquisitions

Mergers and acquisitions are typically the result of organizations coming together voluntarily because they are actively seeking synergistic benefits, perhaps as a result of the common impact of a changing environment in terms of either opportunities or threats or of the excessive costs of innovation (Johnson and Scholes, 2002).

Mergers mean any transaction that forms one economic unit from two or more previous ones. Several alternative forms of mergers have been distinguished: horizontal mergers involve two firms operating in the same kind of business activity; vertical mergers involve different stages of production operations; conglomerate mergers involve firms engaged in unrelated types of business activity. These are also of three types: product-extension mergers, geographic market extension mergers and pure conglomerate mergers (Weston et al., 1998). Acquisition is where an organization develops its resources and competences by taking over another organization. Development by acquisition tends to go in waves and also tends to be selective in terms of industry sector (Johnson and Scholes, 2002).

The number and size of mergers and acquisitions being completed continue to grow exponentially. Once a phenomenon of the United States of America, mergers and acquisitions are now taking place in countries throughout the world. It is clear that acquisitions have become one of the most important corporate-level strategies in the new millennium. Throughout the 20th century, mergers and acquisitions went through five merger waves, enabling us to conclude that mergers and acquisitions are an important, if not dominant strategy for 21st century organizations (Hitt et al., 2001).

The 1895-1904 wave consisted mainly of horizontal mergers resulting in high concentration in many industries, including heavy manufacturing industries; the 1922-1929 wave began with an upturn of business activity in 1922 and ended with the onset of a severe economic showdown in 1929. Many combinations in this period occurred

outside the previously consolidated heavy manufacturing industries; the 1940-1947 wave was much smaller than earlier ones, observers saw no pervasive motives for this merger movement other than "conventional ones", and government regulation and tax policies are pointed out by some economists as having motivated mergers in this period; and lastly, the 1960s-1980s wave saw merger activity reaching its then historically highest level during the 3-year period of 1967-1969. The period was also one of a booming economy. In the 70s more especially in 1976 onward, mergers and acquisitions concentrated in service industries as commercial and investment banking, finance, insurance, wholesale etc. and in the natural resources area (Weston et al., 1998). The 1980s produced approximately 55,000 mergers and acquisitions in the US alone, being valued at approximately $1.3 trillion. In the 1990s, the number and value of mergers and acquisitions grew each year since 1993 (Hitt et al., 2001). The mergers in the 1990s represent the 5th merger wave whose number and size suggest that the decade might be remembered for mega merger mania (Weston et al., 1998).

Johnson and Scholes (2002) note that; the need to keep up with a changing environment often dominates the thinking about mergers and acquisitions. They point out that the speed with which it allows the company to enter new market or product areas, the competitive situation that may influence the organization to prefer acquisition, deregulation, financial factors, resource considerations, and expectations of stakeholders among others as major motives for mergers and acquisitions.

The merger and acquisition activity in Kenya can be looked at against the background of Kenya competition law contained in the Restrictive Trade Practices, Monopolies and Price Control Act (Cap 504 Laws of Kenya). The law was enacted to encourage competition in the economy by prohibiting restrictive trade practices, controlling monopolies, concentration of economic power and prices and for connected purposes (MPC Annual Report 2000).

Over a long time, the Kenyan economy has been state controlled and to some extent consumer controlled because the consumer is aware of price differentials, variety, functionalities and quality in goods. However, liberalization and globalization coupled with the opening up of the economy has herald in competition in the Kenyan business environment both from within and outside the country. The Kenyan scene has witnessed changes within the various sectors of the economy: financial services, manufacturing, agriculture, telecommunications, petroleum, banking, insurance, and pharmaceutical among others. The need for survival for the local firms and the need to penetrate the local and global markets have occasioned mergers, takeovers, and buyouts. It should, however, be noted that most mergers and acquisition activities in Kenya involve multinational companies with ones involving local firms taking very low percentage. Examples include Celtel's acquisition of Kencell, CFC's acquisition of ALICO life insurance business, Citibank's acquisition of ABM AMRO bank, and Coast Silos (K) and Kenya Ports Authority among others (MPC Annual Reports 2001-2004).

1.2 Statement of the Problem.

During the past two decades, alliances have become one of the most important organizational forms. The idea that alliances are important vehicle for value creation is supported by studies suggesting that on average alliances do create economic value (Anand and Khanna, 2000 in Kale et al., 2002). However, while alliances can create value, Kale et al. (2002) note that most studies (Kogut, 1989; Bleek and Ernst, 1993; Alliance Analyst, 1998) found that roughly half the alliances formed end up failing. This raises the question of how firms can and should manage alliances to maximize the probability of success.

Within the context of globalization, deregulation, intensification of competitiveness, and relaxation of anti-trust legislation among other factors, mergers and acquisitions have become the dominant mode of firm growth in the last two decades for most firms in the world. Whereas these acquisitions have played an important role in firm strategy, their contribution to firm performance still remains a controversial issue (Seth, 1990a in Capron, 1999). Mergers and acquisitions have been a fact of life in the business world and many senior executives believe that the pace of mergers and acquisitions activity is unlikely to slow down in the 21st century. The continuing popularity of mergers and acquisitions is probably a reflection of the widespread belief among managers that acquisitions provide a quicker and seemingly easier route to achieving growth and diversification objectives (Mergers and Acquisitions, 1987 in Datta, 1991). Paradoxically, Datta notes that studies by Porter (1987) and Young (1981) suggest that acquisitions have a high failure rate; managers of acquiring firms rate nearly half of all

acquisitions as being unsatisfactory. According to the MPC Annual Reports 2001-2004, there have been many mergers and acquisitions in Kenya involving a number of both local and foreign firms in various sectors of the economy.

The above research findings have indicated the necessity, success and failure of some of the merger and acquisition undertakings. Therefore, the greatest concern at the core of necessity, success or failure of a particular merger or acquisition would be the factors that come into play in determining the choice of mergers and acquisitions partners. Therefore, why firms would choose specific mergers and acquisition partners is a function of a number of factors that are both internal and external to the prospective partners. A thorough assessment and evaluation of these factors by the partners is pivotal to the success of the proposed alliance by way of merger and acquisition.

Mergers and acquisitions, like any other alliance arrangements would be marred with problems if the potential partners do not exercise due diligence in the partner selection stage. Such problems are as a result of lack of alliance experience, cultural mismatch, misunderstood operating principles, lack of financial commitment, slow results or payback, lack of shared benefits, poor communications, and being overly optimistic among others (Spekman et al., 2000).

It is therefore of crucial importance for firms to take into account several issues that are of strategic importance when choosing their partners. Mergers and acquisitions are driven by competitive pressures, a reason that can run the gamut from corporate survival to

attempts to set standards within a burgeoning industry; the partners should possess complementary skills and/or expertise; and M&As are not only for business, they are also about people and relationships. Among the critical questions to ask include: What skills capabilities does the partner have? To what extent do their resources complement ours? How does the partner add value? How similar are our management styles, philosophies, and approaches to business? Are our corporate cultures compatible? And how is the partner perceived in the marketplace? (Spekman et al., 2000)

The local researches done (Koigi, 2002; Chesang, 2002; Owour, 2004) have focused on different aspects other than the determining factors in the choice of M&A partners. Koigi looked at the implementation of strategic alliance experience of Kenya Post Office Bank and Citibank; Chesang looked at the relationship between merger restructuring and financial performance in commercial banks in Kenya; while Owuor, studied the relationship between strategic alliances and competitive advantage within the major oil companies in Kenya. It is worthy noting that the merger and acquisition activity involve both firms that are quoted and those not quoted in the Nairobi Stock Exchange. Those involving unquoted firms go unreported and the public is left uninformed on the factors these firms consider before choosing one another as partners. It is the intention of this study to do an investigation into the factors that determine the choice of M&A partners both in the quoted and unquoted families and bridge the existing knowledge gap. It will thus specifically seek to answer to the question: What are the determinants of choice of M&A partners in Kenya?

1.3 Objective of the Study

The objective of this study is to establish the factors that firms considered in the choice of M&A partners in Kenya.

1.4 Significance of the Study

Findings of this study will be of importance to the following groups of people:

1. The various bodies within the legal and institutional frameworks created by the Kenyan competition law and who make decision that affects mergers and acquisitions They can use the findings of the study to understand the basis and determinants of choice of M&A partners and develop legislative and infrastructural systems to that effect taking into consideration the issues of monopolistic and anticompetitive intentions.

2. The academicians and future researchers who would find it necessary to use the findings of this study as the basis of conducting related studies on M&As in Kenya and the world. It is hoped that future research can be directed to the confirmation of these findings.

3. The managements of the firms involved and those anticipating getting involved (both local and foreign) in mergers and acquisition who are involved in the negotiating and tackling the operational and management challenges. The study

may be an eye opening in so far as determinants of choosing mergers and acquisition partners in Kenya are concerned.

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CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Corporate Strategy

Strategy is a multi-dimensional concept and various authors have defined strategy in different ways. According to Ansoff (1965) in Mintzberg and Quinn (1996), the concept of strategy is the firm's business and the common thread, which is arrived at through the use of product-market scope. According to Jauch and Glueck (1984), strategy is "a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. Mintzberg (1994) defines strategy as a pattern in a stream of decisions and actions. He defines strategy as a plan, ploy, pattern, position, and perspective.

Webb (1989), defines strategy as the process of deciding a future course for a business and so organising and steering that business as to attempt to bring about that future course. It is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfil stakeholders' expectations Johnson and Scholes (2002). Andrews (1971), defines corporate strategy as the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. Hax and Majluf (1996) state that there are three imperatives to strategy at corporate level: leadership, economic, and managerial that are to be used to characterize corporate strategic tasks depending on whether the firm in concerned with shaping the vision of the

firm, extracting the highest profitability levels or assuring proper coordination and managerial capabilities. They point out decisions on mergers and acquisitions are made at corporate level.

Consequently, decisions made at this level tend to be more value oriented, more conceptual. They are concerned with overall purpose and scope of an organization and how value will be added to the different parts of the organization and by their nature, ought to be addressed with the fullest scope encompassing the overall firm. These decisions are often characterized by greater risk, cost and profit potential; greater need for flexibility; and longer time horizons. Such decisions include the choice of businesses, dividend policies, sources of long term financing, and priorities for growth (Mintzberg and Quinn, 1996; Pearce and Robinson, 1997; Johnson and Scholes, 2002).

2.2 Mergers and Acquisitions: Types and Characteristics

Grundy (1995) asserts that mergers and acquisitions are categorized in a number of ways and can be distinguished in terms of domain strengthening, domain extensions, and domain exploration depending upon whether they are aimed at acquiring a capability, a new platform or an entirely new business position.

2.2.1 Vertical Mergers

These occur between two firms in different stages of production operation. They are the commonest types of mergers and a company can either go for a backward or forward

merger. A backward merger is where a firm would produce its own inputs while a forward one is where a firm would dispose of its own outputs. Typically, the links in the vertical chain consists of raw materials purchasing, manufacturing, distribution and retailing. In the oil industry, for example, distinctions are made between exploration and production, refining, and marketing to the ultimate consumer. In the pharmaceutical industry, one could distinguish between research and the development of new drugs, the production of drugs, and the marketing of drug products through retail drug stores. Thus, vertical mergers can be seen as where the target is in the same industry as an acquirer but operating at a different stage of production. (Hax and Majluf, 1996; Weston et al., 1998; Hill and Jones, 2001).

There are many reasons why a firm might want to be vertically integrated between different stages. The main objective is to create value through the integration and normally motivated by the desire to strengthen the competitive position of its original or core business. Others are technological economies such as the avoidance of reheating and transportation costs in the case of an integrated iron and steel producer. Transactions within a firm may eliminate the costs of searching for prices, contracting, payment collecting, and advertising and may also reduce the costs of communicating and of coordinating production. Planning for inventory and production may be improved due to more efficient flow of information within a single firm. Planning, coordination, and adjacent processes when efficiently implemented are important in Just In Time (JIT) inventory systems (Weston et al., 1998; Hill and Jones, 2001).

2.2.2 Horizontal Mergers

A horizontal merger involves two firms operating and competing in the same kind of business activity. It is where a company merges with another from the same industry and which is at the same stage of the production process. Such a merger is therefore characterized by the combination of firms that have similar products or services and are in similar businesses. They allow a company increase utilization in production, marketing, and other functional areas and thus increase profitability. Thus, the acquisition in 1987 Of American Motors by Chrysler represented a horizontal merger (Boseman and Phatak, 1989; Weston et al., 1998; Pike and Neal, 2002).

Weston et al., (1998) note that forming a larger firm may have the benefit of economies of scale. They, however, point out that the argument that horizontal mergers occur to realize economies of scale is not sufficient to be a theory of horizontal mergers. Although these mergers would generally benefit from large-scale operation, not all small firms merge horizontally to achieve economies of scale.

Horizontal mergers are regulated by the government for their potential negative effect on competition. Horizontal mergers decrease the number of firms in the industry and this may make it easier for the industry members to collude for monopoly profits. Horizontal mergers are also believed by many as potentially creating monopoly power on the part of combined firm enabling it to engage in anticompetitive practices. Most of the companies which opt to merge horizontally usually find difficulties in convincing the authorities in the relevant countries that they are not creating monopolies. In the Kenyan system it is

very difficult to push for a horizontal merger per se (Weston et al., 1998; MPC Annual Report, 2000).

2.2.3 Conglomerate Mergers

Conglomerate mergers involve firms in unrelated types of business activity. Such mergers do not seek functional synergy through relatedness among the merging firms. The principal motive for conglomerate mergers is diversification of financial risk. These kinds of mergers are said to lack industrial logic but can lead to economies of head office administration and access to capital markets. One of the reasons given by firms that merge this way is to diversify operations and thereby lessen dependence on the present organizations with which it exchanges. Thus, the merger between Mobil Oil and Montgomery Ward was generally regarded as a conglomerate merger and was a strategy used by Lonrho in group expansion in 1960s and 1970s in Africa (Boseman and Phatak, 1989; Mintzberg and Quinn, 1991; Hax an Majluf, 1996; Weston et al., 1998).

Among conglomerate mergers are product extension mergers, geographic market extension mergers, and pure conglomerate mergers. Product extension mergers broaden the product lines of firms. These are mergers between firms in related business activities. Geographic market extension mergers involve firms whose operations have been conducted in nonoverlapping geographic areas. Finally, the pure conglomerate mergers involve unrelated business activities. These would not qualify as either product extension or market extension mergers (Weston et al., 1998).

They further distinguish two types of conglomerate firms: financial and managerial. Financial conglomerates provide a flow of funds to each segment of their operations, exercise control and are the ultimate financial risk taker. They thus undertake strategic planning but do not participate in operating decisions. Managerial conglomerates on the other hand not only assume financial responsibility and control, but also play a role in operating decisions and provide staff expertise and staff services to the operating entities. They carry the attributes of financial conglomerates still further. By providing managerial counsel and interactions on decisions, managerial conglomerates increase the potential for improving performance.

2.2.4 Concentric Mergers

Concentric mergers involve firms that have a common thread between them. This common thread could be in technology, marketing and channels of distribution or customer service. In such mergers, one or more aspects are related between the merged or acquired firms. The difference between the managerial and concentric conglomerates is based on the distinction between the general and specific management functions. If the activities of the segments brought together are so related that there is carry-over of specific management functions (research, manufacturing, finance, marketing, personnel, and so on) or complementary in relative strengths among these specific managerial functions, the merger should be termed as concentric rather than managerial conglomerate. This transferability of specific management functions across individual segments has long been exemplified by the operations of large, multi-product, and multi plant firms in the American economy (Boseman and Phatak, 1989; Weston et al., 1998).

2.3 Determinants of Choice of M&A Partners

2.3.1 Knowledge Transfer and Management

Knowledge has emerged as the most strategically significant resource of the firm. This assertion characterizes well the recent research impetus centred on the role of knowledge and knowledge-based resources in the firm and its competitiveness. At the heart of the analysis of competitive advantage and its sustainability lies in the issue of knowledge immitability. Accordingly, of all the approaches to knowledge immitability between a knowledge holder and a knowledge seeker, strategic alliances and specifically mergers and acquisitions constitute perhaps the most adequate but nevertheless challenging vehicle for internalizing the other's competency (Simonin, 1999). It is thus a very important factor to be considered by firms that are contemplating merging so as to mitigate the challenges that concern both the management and sharing of knowledge.

2.3.2 Cultural distance

The possibly damaging effects of cultural distance on the various facets of collaboration, ranging from cross-cultural negotiations to joint ventures performance and failures have been well documented (Mjoen an Tallman, 1997; Parkhe, 1991 in Simonin, 1999). In international mergers and acquisitions there exist cultural challenges for managers, who must allocate more time on communication, design of compatible work routines, and development of common managerial approaches (Olk, 1997 in Simonin, 1999). From a merger's inception, the partners' national and organizational cultures have the potential to affect in-depth all aspects of collaboration, including the process of knowledge management (Tiemessen et al., 1997 in Simonin, 1999)

Before choosing a M&A partner, Spekman et al., (2000) point out that cultural compatibility must be considered. This refers to the degree to which partners' cultures would be compatible. Cultural compatibility can be on two levels: first, there is a national culture that relates to the values and norms that are part of the society in which the partners operate, and second, there is a company culture that embodies the values and norms of the firm; and companies within the same country can easily have different cultural orientations. Aspects of culture might affect the innovative spirit of the firm, its aggressiveness or its customer responsiveness. The dilemma is that a merger or an acquisition could be entered into partly to gain the benefits of the other's culture and values.

For many companies, an important part of the partner selection process is focused on assessment of the cultural differences between partners. A company would institutionalize the process and will avoid partners who do not share certain core values as they relate to, for instance customer service as well as other essential attributes. The issue is not one of right or wrong, it is often one of distance. That is, how far apart are the partners on certain dimensions? In addition, there are two key questions: (1) Can the distance be bridged so that one partner can benefit from the other's culture? (2) What level of resources is needed to facilitate the adaptation process? Cultural compatibility is a desired trait, but in many instances, it is elusive (Spekman et al., 2000).

Cultural distance or asymmetry not only creates difficulties for identifying market opportunities and figuring out market mechanisms, it also raises barriers for

communicating with partners and understanding the nature of their competitive advantage. It will therefore be an important factor in determining the choice of a partner given the fact that culture is a crucial ingredient in the success or failure of implementation of any strategy.

2.3.3 Organizational distance

Differences between partners go beyond differences of nationalities; they also include differences in organizational culture (Tyebjee, 1988 in Simonin, 1999). As the counterpart to the variable cultural distance, organizational distance represents the degree of dissimilarity between the partners' business practices, institutional heritage, and organizational culture. He points out that there is evidence that organizational distance impacts knowledge transfers (Lyles and Salk, 1996 in Simonin, 1999). Mirroring the effect of cultural distances, Simonin asserts that organizational distance amplifies ambiguity. In other words, as hypothesized by Choi and Lee (1997), he notes that the greater the difference between the partners in terms of corporate, national, organizational, and professional culture, the greater the difficulty of transferring knowledge between them hence the lesser the chances of considering a merger or an acquisition between them.

2.3.4 Economies of Scale and Scope Considerations

Capron (1999) asserts that economics literature has traditionally seen mergers and acquisitions, specifically horizontal ones, as an opportunity to achieve cost savings through the exploitation of economies of scale and scope. He demonstrates that several

studies show that asset divestiture i.e. the elimination of redundant activities and inefficient management practices, improve performance of horizontal mergers and acquisitions (Anand and Singh, 1997; Tremblay and Tremblay, 1988). Economies of scale and scope are especially useful to predict the performance of horizontal acquisitions and mergers since they are more likely to exist with overlapping businesses than with unrelated acquisitions and mergers (O'Shaughnessy and Flanagan, 1998 in Capron, 1999).

Economies of scale arise if the merged firm achieves unit cost savings as it increases the scale of a given activity. Production-linked economies of scale are commonly considered as the main driver of cost cutting, but economies scale may also be achieved in other functional areas of a business (e.g. R&D, distribution, sales or administrative activities) through the spreading of fixed costs over a higher total volume Shepherd, 1979 in Capron, 1999). In addition, Capron notes that sharing of activities can also enable merging firms to obtain cost reduction based on learning curve economies, since each merging business, when acting independently, might not have a sufficiently high level of cumulative volume of production to exploit learning curve economies. Economies of scope arise when the merged firm achieves cost savings as it increases the variety of activities it performs. This is the case when the shared factor of production is imperfectly divisible, so that the manufacture of a subset of goods leaves excess capacity in some stages of production (Panzer and Willig, 1981; Teece, 1982 in Capron, 1999).

Consequently, because the aforementioned economies of scale and scope drive firms into mergers and acquisitions, they become central in determining the choice of a partner in order to fully reap optimally the benefits inherent in the arising economies of scale and scope.

2.3.5 Resource Redeployment and Revenue-Based Synergistic Considerations

Beyond economies of scale and scope considerations, the choice of M&A partners is also influenced by the possibility of and ability to enhance (ing) revenues by accessing complementary resources. The economic logic of capturing revenue-based synergies is often the sharing of complementary resources i.e. leveraging on competencies or mobilizing invisible assets. It takes its roots in the resource-based view of the firm (Penrose, 1969 in Capron, 1999). Two ways of enhancing revenue are increased market coverage and enhanced innovation capability (Capron, 1999)

Mergers and acquisitions increase market coverage through geographic extension of the market and through product line extension. Greater market coverage allows the merged firms to sell existing products (once confined to the particular markets of one firm) to a wider body of consumers, thus enhancing revenues. Shared product lines enable the merging firms to increase the variety of product lines; and eventually to cross-sell and bundle products to customers. The value of the bundles to customers may be greater than the value of each product separately. Product line extension can also enhance revenues if the merged firm manages to exploit the strong reputation of a merging business brand, sales network or marketing activities. Overall, superior marketing capabilities can lead to

increased customer value, which in turn can be translated into premium prices and/or increased volumes (Aaker, 1996; Barney, 1991; Srivastava et al., 1998 in Capron, 1999).

Mergers and acquisitions can enhance innovation capability by using superior innovation capability (proprietary technology, patents, know-how) of one of the merged firms to enhance product features (product innovation capability) or to improve organizational and marketing effectiveness (e.g. time to market, customer satisfaction). Innovation capability can be converted into price premium and/or increased volume, leading to higher revenues.

The exploitation of revenue-based synergies through mergers and acquisitions is usually achieved through resource redeployment. Such redeployment could take place without M&As if the market for such resources was efficient enough to allow firms to exchange their resources. But the existence of market imperfections for intangible resources (immobility, information asymmetries and associated moral hazards, causal ambiguity, and monopoly) create complications in the pricing and transfer of such resources, hence increase associated risks of undertaking arm's length contracts with independent partners. Mergers and acquisitions thus become the appropriate ways of redeploying such resources so as to allow the partners achieve ongoing interaction in using resources through post-acquisition collaboration mechanisms such as cross-posting of staff, formation of corporate task forces, and joint management of shared functions (Williamson, 1975; Chi, 1994; Singh and Zollo, 1998 in Capron, 1999).

2.3.6 Potential Cross-Effects

Capron (1999) continues to note that recent work on acquisitions or corporate transformations tends to see asset divestiture and resource redeployment as parts of a common process of reconfiguration of the target and acquirer businesses. Asset divestiture commonly implies changes in organizational, technological or marketing resources to produce and sell greater volumes of goods more efficiently. At the same time, the process of redeploying resources tends to create redundancies and conflicts with existing resources. The firm then tends to sell excess physical assets, shut excess facilities, and lay off surplus employees.

Before firms consider undertaking a merger or acquisition activity, potential cross-effects of asset divestiture on revenue enhancing capabilities and resource redeployment on cost savings have to be explored prior to carrying out such an undertaking. Downsizing is likely to conflict with innovation and market development, violate employee trust, inhibit risk taking, and break the networks of informal relationships used by innovators, hence leading to reduced innovation. Asset divestiture would risk damaging capabilities as the firm reduces its organizational slack and its propensity to innovate and develop new markets. Resource redeployment can hurt costs, as the merging firms need additional resources to implement resource redeployment. Maintaining slack resources may be necessary to increase the "learning" capacity of the recipient firm and to increase the transferring firm's "teaching" effectiveness. Thus the potential cross-effects will greatly determine the firms' choice of M&A partners.

2.3.7 Asymmetry between Target and Acquiring Firms

In any acquisition activity, it is assumed that post-acquisition asset divestiture and resource redeployment are motivated and implemented to maximize the combined efficiency and effectiveness of the merging firms. This would thus imply that post-acquisition decisions are to be made following a rational process: given the respective position of the merging firms in terms of asset efficiency and resource complementarity, and that this process is one of joint decision-making by acquirer and target managers. However, Capron (1999) point out that many studies show that a parallel political process can impair post-acquisition decisions and that the acquiring firm would tent to dominate this process. This will therefore come into play when firms choose the partners.

2.3.8 Acquisition Performance

Given the strategic and financial implications of acquisitions, it is not surprising that the performance of acquisitions and the variation therein has figured prominently in business research and hence a crucial determining factor when firms choose partners (Datta, 1991). Most finance studies have examined performance from the perspective of gains accruing to bidding and target firms shareholders as a result of acquisition announcements. Datta (1991)notes that researches in strategic management have examined performance implications of 'strategic fit' or relatedness. Basing their arguments on the literature in industrial organizations, he points out that researchers (Weinhold, 1979 and Lubatkin, 1983) have argued that related acquisitions should provide superior performance. The considerable diversity of the findings of these studies

provides justification of acquisition performance as a strong factor that would determine the choice of M&A partners.

2.3.9 Possibility of Post-acquisition Integration

The need for post-acquisition integration of operations of an acquisition is primarily bounded by its objectives. Datta (1991) notes that an acquisition might form a part of a strategy of related diversification and, therefore be expected to provide synergistic benefits either in the form of operating efficiencies and economies of scale, hence requiring high levels of integration as might be feasible in related acquisitions. Alternatively, an acquisition could be an unrelated business motivated by the desire to improve one's price earnings ratio or sales growth, and involve little or no integration or sharing of resources.

However, while in theory integration should result in benefits, in reality the picture can be very different. Impediments associated with the integration of operations can result in acquiring firm being unable to manage the integration of the target firm effectively (Haspeslagh and Jemson, 1987 in Datta, 1991). This is especially true when organizational incompatibilities exist in areas such as managerial styles, reward and evaluation systems, organizational structures, or organizational cultures; incompatibilities which may negate the potential benefits associated with an acquisition (Marks, 1982 in Datta, 1991). Post acquisition integration is thus a worthy factor to determine whether firms will consider merging or not.

2.3.10 Management Styles Compatibility

An important element of 'organizational fit' in acquisitions is the extent of compatibility of the in the styles of management of the firms with the intentions of merging. Management style has been described as an element of the managerial or the subjective culture of an organization (Sathe, 1985 in Datta, 1991). It comprises of factors including the management group's attitude towards risk, their decision-making approach, and preferred control and communication patterns.

Management styles are unique to organizations and may differ across firms. It would therefore be of significance in determining the choice of partners because it contributes to "cultural ambiguity" in the merging firms. One can therefore argue that while compatibility in managerial styles facilitates post-acquisition assimilation, major differences in management styles and philosophies can prove to be serious impediments to the achievement of acquisition success (Davis, 1968 in Datta, 1991). Datta (1991) asserts that as hypothesized by Buono and Bowditch (1989: 134), differences in management styles may be a major reason why mergers and acquisitions often fail to achieve the level of performance predicted by pre-combination feasibility studies.

2.3.11 Reward and Evaluation Systems Compatibility

The reward and evaluation system is widely regarded as one of the most important components of the organizational form. Differences in reward and evaluation systems exist along a number of factors including those related to the evaluation criteria (time period over which the process is focused, indices used to measure performance, and the

evaluation process). In addition to the evaluation criteria, the form and administration of compensation can be important. The system of bonuses and incentives may differ significantly across firms (Datta, 1991).

The systems represent an important vehicle in reinforcing organizational culture and therefore have a potential of eliciting strong reactions in cases of incompatibility. Thus, before a merger or an acquisition is entered into compatibility of the partners' reward and evaluation systems will determine whether they will proceed or not.

2.3.12 Role of the Foreign Partner

Multinational enterprises (MNEs) have an option of M&As as their mode of entry into the foreign markets. Therefore, the successful entry of a firm into international markets is driven by possession of firm specific assets. The foreign partner play an important role in contributing strategic resources that can help an international cooperative venture succeed in the face of global competition, hence a determining factor in choosing which host country partner to choose and collaborate with to gain access to international sources of capital, goods, and services (Robins et al., 2002).

2.3.13 Role of Host Country Partner

In as much as the role of the foreign partner is an important factor, the role of the host country partner is equally important in terms of complementary location specific (local) resources, which may include distribution channels, local brands, political influence, human resource management skills, or any other capabilities that are idiosyncratic to a

specific location. When local resources of this type are controlled by a host country firm- and not obtained equally readily through the market- a merger or an acquisition may offer an effective means for a foreign partner to expand into a new area (Kezut and Zander, 1993 in Robins et al., 2002).

2.3.14 Product/Service Relatedness

This is the extent to which a firm's different lines of business or industries are linked. It has important performance implications (Prahalad and Bettis, 1986 in Luo, 2002). When a firm expands internationally, such relatedness can have an even stronger yet more complex influence on performance. Global market diversity interacts with product diversity, an interaction which is important to gaining a competitive advantage and reducing cash flow variances. It is this relatedness that will determine the firm's choice of M&A partners in order to maximize the economic benefits of international market and product diversification (Luo, 2002)

Arising from the above determinants of choice of M&A partners is the critical issue: that of searching for common characteristics in the potential partner. This will encompass goal compatibility, trust and commitment, interdependence, symmetry in the various organizational aspects, open communication, coordination of work, joint planning, and long-term focus among others (Spekman et al., 2000). Pearson (1998) adds that successful post-merger or acquisition management commences with the initial investigation of the target business by the team from an interested firm long before the agreement is signed.

2.4 Overview of the Kenyan Literature

Little has been done to clearly assess the success of failure of mergers and or acquisitions and the factors that determine choice of the partners in the Kenyan context. However, studying on merger restructuring and financial in commercial banks in Kenya, Chesang (2002) notes that some mergers did not take off due to incompatibility on organizational cultures and overall logistical incongruence between the partners. The intended mergers between Fidelity Commercial Bank and Southern Credit Bank Limited to form Southern Fidelity Limited and that between Euro Bank and Daima Bank to form Euro Daima Bank Limited both in 2000 did not take off. Some have since been liquidated.

Studies by Owuor (2004) and Koigi (2002) on strategic alliances, whose findings could imply findings on mergers and acquisitions, established that clash of cultures of the partners, lack of trust between the partners, lack of clear goals and objectives, and differences in operating procedures and attitudes among partners among other factors were some of the challenges that stand on the way of mergers and acquisitions. However, Koigi found out that technology transfer, specialized skills, product relatedness, roles of both foreign country partner and host country partner among others as major factors that determined choice of a partner.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was a census survey. It sought to collect data from all members of the population in order to establish the determinants of choice of M&A partners. This design has been successfully used by previous studies (Mwangi, 2003; Nyachieo,2004; Mbugua, 2004) in the area of strategic management.

3.2 Population of Study

The population of study comprised of all firms that had been registered under Merger Control Notifications processed by and obtainable from the Commissioner of Monopolies in the last four years to 31st December 2004 (Appendix II). The members in the population are scattered across the various industries/sectors of the economy, either quoted or unquoted in the Nairobi Stock Exchange, and constitute both local and foreign owned firms.

3.3 Data Collection Method

The study used primary data that was collected by way of a structured questionnaire consisting of closed-ended questions. The questionnaire was administered by mail - 'drop and pick method'. The respondents were drawn from the top-level management (CEOs and those involved in strategy formulation process) and the Directors because these are the ones involved in decisions leading to mergers and acquisitions.

3.4 Data Analysis

After collecting, editing, and coding the data, the obtained data was analysed using descriptive statistical tools of analysis. These include frequencies, percentages, and mean scores. The data were presented in tables. Factor analysis was used to tell how well the determinants of choice relate to successful selection of a partner and to measure the overall strength of the determinants considered by different firms to choose M&A partners and the significance of each across the firms.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

The study was designed to establish the factors that determine the choice of merger and acquisition partners in Kenya. To achieve this objective, a total of 60 questionnaires were circulated. The total number of usable responses was 32. This represented a response rate of approximately 53%, which was considered adequate for analysis. Findings of the study are presented and discussed in this chapter.

4.2 Profile of Respondent Organizations

The study set out to establish the most fundamental characteristics of the M&A activity in Kenya in order to have a precedent basis for the determinants of choice of the M&A partners. The conspicuous characteristics that the study looked at include the mode of combination, ownership of the involved firms, their legal structure, the sector in which the firms operate, and the type of merger and/or acquisition they undertook.

Table 1: Mode of Combination

	Frequency	Percentage
Merger	17	53.1
Acquisition	15	46.9
Total	32	100.0

Table 1 above indicates that firms that consider merging are more than those that opt for acquisition. They represent 53.1% of the firms. This implies that although mergers are increasingly becoming the preferred mode of combination, the number of firms that opt for acquisition is equally significant with a magnitude of almost 47%. It could be

generally concluded that the acquisition activity in Kenya is as much as the merger activity because of the percentage margin (6.2%) between the two.

Table 2: Ownership

	Frequency	Percentage
Locally owned	11	34.4
Foreign owned	11	34.4
Both locally and foreign owned	10	31.3
Total	32	100.0

The ownership of the firms that enter into a merger and/or acquisition deal is fundamentally important with respect to the determinants to be considered before choosing a suitable partner. Table 2 above presents an interesting scenario. It shows that for the firms whose responses were used, the numbers of purely local and purely foreign owned firms that entered into M&A deals tally at 11 (34.4%) , with that of those that are both locally and foreign owned being slightly lower at 10 (31.3). This has a strong implication that the M&A activity in Kenya is carried out almost equally by firms with all forms of ownership.

Table 3: Legal Structure

	Frequency	Percentage
Partnership	8	25.0
Privately owned	24	75.0
Total	32	100.0

Firms that get involved in M&A deals have varied forms of legal structure. Of consideration in the study were only two: partnership and private. It should be clear that either of these legal structures involve not only individuals, but also, and to a great extent,

involve corporate partnership or otherwise. The study findings in Table 3 above show that a large number of solely owned firms (75%), engage in M&A activity than those with a partnership legal structure (25%). This could be attributed to the many stakeholder interests that take centre stage during the negotiation stages, which end up making the process too complex and tedious hence, discouraging.

Table 4: Sector of Operation

	Frequency	Percentage
Manufacturing	6	18.8
Service	26	81.3
Total	32	100.0

The firms that whose responses were used operate in two major sectors: manufacturing and/or service. Table 4 above reveals that majority of the firms that enter into M&A agreements operate in the service (81.3%) while the rest 18.8% are in the manufacturing sector. The firms in the service sector include those in the banking sub sector, information technology, hotel and catering, insurance, and professional services (auditing and accountancy, law) among others. This shows the proliferation of service industry and an implication that most firms are increasingly investing in this sector through mergers and acquisitions.

Table 5: Merger or Acquisition Type

	Frequency	Percentage
Vertical	1	3.1
Horizontal	19	59.4
Conglomerate	11	34.4
Concentric	1	3.1
Total	32	100.0

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Firms, which enter into M&A agreements, have various options at their disposal with respect to the type of combination, which will in turn dictate on the determinants of choice of a partner. Table 5 above shows that horizontal mergers and acquisitions is the most preferred type by majority of the firms (59.4%), followed by conglomerate (34.4%) while the rest share equally the options of vertical and concentric types at 3.1% each. These results imply that, generally, most firms would want to merge with and/or acquire (or be acquired by) firms with which they are at the same level of operation and also those which would facilitate their diversification efforts, the most of which is market extension.

4.3 Factors that Determine the Choice of Mergers and Acquisition Partners

4.3.1 Knowledge Transfer and Management

The knowledge base of an organization charts the nature of its competitiveness. However, no one organization can claim autonomy in all knowledge based resources available and that is strategically significant. Therefore, organizations will consider going into a merger or acquisition arrangement for the purpose of having some critical knowledge transferred and for it to be able to manage its knowledge base. The kind of knowledge that an organization is seeking will determine which partner is to be targeted for merger or acquisition.

Respondent organizations were presented with two variables with regard to this factor and they were required to indicate by scoring on a 5-point scale how important they

considered them to determine the choice of merger and/or acquisition partners. The findings are presented in Table 6 below.

Table 6: Knowledge Transfer and Management

Variable	Response	Frequency	Percent	Mean Score
Knowledge based resources	Indifferent	6	18.8	4.3438
	Important	9	28.1	
	Most important	17	53.1	
	Total	32	100.0	
Curb immitability and enhance internalization of competencies	Least important	1	3.1	3.6875
	Somewhat important	6	18.8	
	Indifferent	3	9.4	
	Important	14	43.8	
	Most important	8	25.0	
	Total	32	100.0	

Source: Research data

As evident from Table 6 above, the need for the transfer of knowledge based resources was highly rated as an important determinant with a mean score of 4.34. 53.1% of the respondents indicated it as most important and 28.1% as important while 18.8% were indifferent about it. The management of knowledge resources in terms of curbing imitation and enhancing internalization of competencies was moderately rated with a mean score of 3.69. The variable was indicated as most important, important, and somewhat important by 25%, 43.8%, and 18.8% of the respondents respectively. 9.4% were indifferent while 3.1% viewed it as least important.

The findings, to a great extent, substantiate the fact that most firms will resort to get into a merger and/or acquisition negotiation with a partner who will facilitate transfer of knowledge based resources and curb immitability for purposes of competitive sustainability. The findings also affirm that of all approaches to knowledge immitability

between a knowledge holder and a knowledge seeker, mergers and acquisitions constitute the most adequate vehicle for internalizing the other's competency.

4.3.2 Cultural Distance

Cultural distance refers to the notional distance between the cultures of two organizations contemplating for either a merger or an acquisition. Respondents were required to indicate how similarities of organizations' cultural orientations and contexts determine their choice of merger and/or acquisition partners. They were presented with five variables describing different aspects of culture and the respective findings on how they indicated each aspect's importance in determining the choice of a partner are presented in Table 7 below.

Table 7: Cultural Distance

Variable	Response	Frequency	Percent	Mean Score
Partner's organizational culture	Least important	4	12.5	3.3125
	Somewhat important	4	12.5	
	Indifferent	6	18.8	
	Important	14	43.8	
	Most important	4	12.5	
	Total	32	100.0	
Partner's national culture	Somewhat important	2	6.3	3.6250
	Indifferent	11	34.4	
	Important	16	50.0	
	Most Important	3	9.4	
	Total	32	100.0	
Partner's work routines	Least important	4	12.5	4.7500
	Somewhat important	2	6.3	
	Indifferent	5	15.6	
	Important	15	46.9	
	Most important	6	18.7	
	Total	32	100.0	
Partner's mode of communication	Least important	2	6.3	3.5625
	Somewhat important	3	9.4	
	Indifferent	8	25.0	
	Important	13	40.6	
	Most important	6	18.8	
	Total	32	100.0	
Partner's managerial approaches	Least important	4	12.5	3.5625
	Somewhat important	2	6.3	
	Indifferent	3	9.4	
	Important	18	56.3	
	Most important	5	15.6	
	Total	32	100.0	

Source: Research data

The findings show that partners' work routines was highly rated with a mean score of 4.75. Organizational culture, national culture, mode of communication, and managerial approaches were all moderately rated with mean scores of 3.31, 3.63, 3.56, and 3.56 respectively. Partners' work routines was viewed by 46.9% and 18.7% of the respondent organizations as important and most important respectively; organizational culture by

43.8% and 2.5%; national culture by 50% and 9.4%; mode of communication by 40.6% and 18.8%; and managerial approaches by 56.3% and 15.6%.

The study held the view that in international mergers and acquisitions, there exist cultural challenges for manager of both organizations. This means that they must allocate more time on communication, design of compatible work routines, and development common managerial approaches. The findings also underscore the fact that from a merger's inception, the partners' national and organizational cultures have the potential to affect in-depth all aspects of collaboration, including the process of knowledge management. It is therefore evident that the closer the partners' cultural distance is, the more chances of compatibility and hence the likelihood of partners choosing one another on that basis.

The above findings generally point to an assertion by Spekman et al (2000) that for many companies, an important part of the partner selection process is focused on assessment of the cultural differences between partners and that a company would institutionalize the process and will avoid partners who do not share certain core values. However, proportions of respondents who viewed the cultural aspects as least important and somewhat important should not be ignored as were those who were those who were indifferent.

4.3.3 Organizational Distance

The study considered that differences between partners go beyond differences of nationalities and therefore regarded organizational distance as the degree of dissimilarity

between the partners' business practices, institutional heritage, and corporate and professional culture. The findings on how the respondent organizations rated these aspects as determinants of choice of M&A partners are presented below.

Table 8: Organizational Distance

Variable	Response	Frequency	Percent	Mean Score
Partner's business practices	Indifferent	2	6.3	4.1250
	Important	24	75.0	
	Most important	6	18.8	
	Total	32	100.0	
Partner's institutional heritage	Somewhat important	1	3.1	4.1250
	Important	25	78.1	
	Most important	6	18.8	
	Total	32	100.0	
Partner's corporate and professional cultures for ease of knowledge transferability	Least important	1	3.1	3.7188
	Somewhat important	4	12.5	
	Indifferent	3	9.4	
	Important	19	59.4	
	Most important	5	15.6	
	Total	32	100.0	

Source: Research data

The results indicate that partners' business practices and institutional heritage were highly rated with a mean score of 4.13 each while partners' corporate and professional cultures was moderately rated with the mean of 3.72. The findings show that partners' business practices as viewed as important and most important by 75.0% and 18.8% of the respondents respectively; partner's institutional heritage by 78.1% and 18.8% wile partners' corporate and professional cultures by 59.4% and 15.6%.

The findings generally imply that the closer the organizational distance between partners, the more the likelihood of lessening the ambiguity between them and hence the more the chances of selecting a partners whose business practices, institutional heritage and corporate and professional cultures are greatly similar. This is because, as noted by

Tyebjee (1988), organizational distance impacts knowledge transfers and amplifies ambiguity so much so that the greater the difference, the greater the difficulty of transferring knowledge between the partners. As with cultural distance, any generalizations and conclusions drawn should take into account respondent organizations who viewed the above aspects as least important and somewhat important and those who were indifferent.

4.3.4 Economies of Scale and Scope

Economies of scale arise due to unit cost savings as a firm increases the scale of a given activity while economics of scope arise due to cost savings as a firm increases the variety of activities it performs. The study considered different aspects with regard to economics of scale and scope. These include production linked economies of scale; functional areas' economics of scale; (R&D, distribution, sales and administration activity); spreading of fixed costs over higher total volume; cost reduction based on learning curve economies; and cost savings due to increased variety of activities to be performed. The study intended to establish whether achievement of economies of scale and scope determine the choice of a M$A partner. The findings are as sown in Table 9 below.

Table 9: Economies of Scale and Scope

Variable	Response	Frequency	Percent	Mean Score
Production linked economies of scale	Least important	1	3.1	3.8750
	Somewhat important	5	15.6	
	Indifferent	2	6.3	
	Important	13	40.6	
	Most important	11	34.4	
	Total	32	100.0	
Functional areas' economies of scale (R&D, distribution, sales and administration activity)	Somewhat important	2	6.3	4.1563
	Indifferent	2	6.3	
	Important	17	53.1	
	Most important	11	34.4	
	Total	32	100.0	
Spreading of fixed costs over higher total volume	Least important	1	3.1	4.2187
	Somewhat important	2	6.3	
	Indifferent	2	6.3	
	Important	11	34.4	
	Most important	16	50.0	
	Total	32	100.0	
Cost reduction based on learning curve economies	Somewhat important	2	6.3	4.1875
	Indifferent	2	6.3	
	Important	16	50.0	
	Most important	12	37.5	
	Total	32	100.0	
Cost savings due to increased variety of activities to be performed	Somewhat important	2	6.3	4.4375
	Indifferent	2	6.3	
	Important	8	25.0	
	Most important	20	62.5	
	Total	32	100.0	

Source: Research data

It is evident from the above table that anticipated economies of scale and scope determine the choice a merger and/or acquisition partner. Cost savings due to increased variety of activities to be performed was rated high with a mean score of 4.44 followed by spreading of fixed costs over higher total volume with a mean score of 4.22. Cost reduction based on learning curve economies was next with a mean score of 4.19 and functional areas' economies of scale come last among the highly rated aspects with a

mean score of 4.16. Production linked economies of scale was moderately rated with a mean score of 3.88.

The findings further show that 40.6% and 34.4% of the respondents viewed production linked economies of scale as important and most important respectively: Functional areas' economies of scale 53.1%and 34.4%; spreading of fixed costs over higher total volume 34.4% and 50.0%; cost reduction based on learning curve economics 50.0% and 37.5%; and cost savings due to increased variety of activities to be performed 25.0% and 62.5%. Without ignoring proportions of respondents who viewed the aspects as somewhat important and least important including those who were indifferent, the results generally indicate that anticipated economies of scale and scope drive firms into mergers and acquisitions. Thus these aspects determine the choice of partners so that organizations can be able to reap optimal benefits inherent in the arising economies of scale and scope.

4.3.5 Resource Redeployment and Revenue-based Synergistic Considerations

Firms that consider getting into mergers and acquisitions are likely to be motivated by the sharing of complementary resources out of which they are able to capture revenue-based synergies. Inefficiencies in markets for resources have led to mergers and acquisitions being the alternative options for firms to exchange their resources through post-acquisition collaboration mechanisms. These considerations determine the choice of partners who whose resources are going to be complementary and pave way for the achievement of synergistic advantages. The study considered four major aspects with

regard to resource redeployment and revenue-based synergies and findings on how the respondents viewed their importance in the determination of choice of M&A partners are presented in Table 10 below

Table 10: Resource Redeployment and Revenue-based Synergistic Considerations

Variable	Response	Frequency	Percent	Mean Score
Possibility of and ability to enhance revenue by accessing complementary resources	Somewhat important	1	3.1	4.1563
	Indifferent	3	9.4	
	Important	18	56.3	
	Most important	10	31.3	
	Total	32	100.0	
Possibility of increased market coverage	Important	16	50.0	4.5000
	Most important	16	50.0	
	Total	32	100.0	
Enhanced innovation capacity	Least important	1	3.1	4.0313
	Indifferent	7	21.9	
	Important	13	40.6	
	Most important	11	34.4	
	Total	32	100.0	
Achieve ongoing interaction through post-acquisition collaboration mechanisms (cross posting of staff, formation of corporate task force, joint management of shared functions)	Indifferent	10	31.3	3.9687
	Important	13	40.6	
	Most important	9	28.1	
	Total	32	100.0	

Source: Research data

The above findings show that possibility of increased market coverage was highly rated with a mean score of 4.5 and followed by the possibility of and ability to enhance revenue by accessing complementary resources and enhanced innovation capacity with mean scores of 4.16 and 4.03 respectively. Achieving ongoing interaction through post-acquisition collaboration mechanisms such as cross posting of staff, formation of corporate task force, and joint management of shared functions was moderately rated with a mean of 3.97.

The results further reveal that most respondents viewed resource redeployment and revenue-based synergistic considerations as an important determinant of partner choice as can be shown by the proportions of respondents who indicated so for each of the aspects considered above. 50% of the respondents each indicated the highly rated aspect as important and most important respectively; 56.3% and 31.3% respectively for the second rated aspect and 40.6% and 34.4% respectively for the third rated aspect. The moderately rated aspect was considered as important and most important by 40.6% and 28.1% of the respondents respectively. Even though there are respondent proportions who viewed the aspects as somewhat important, least important and with indifference, the results were in support of the widely held expectation that mergers and acquisitions are a major vehicle through which firms increase their market coverage through both the geographic extension of the markets and product line extension.

4.3.6 Potential Cross-effects after Merger and/or Acquisition

Decisions leading to mergers and acquisitions call for taking of bitter decisions on the side of concerned firms, some of which are retrogressive in nature. The magnitude of cross-effects after the merger and/or an acquisition is therefore thought of carefully and choice of specific partners is dependent upon such magnitude. The cross-effects touch on several aspects some which the study considered and whose findings are as shown in Table 11 below.

It was held by the study that mergers and acquisitions could lead to downing which might be in conflict with innovation and market development, violate employee trust, inhibit risk taking, break the networks of informal relationships used by innovators, hence

leading to reduced innovation, and asset divestiture's risk of damaging capabilities as firms reduce their organizational slack and their propensity to innovate and develop new markets. The findings below show how each was rated by respondents as being an important determining factor in the choice of M&A partners.

Table 11: Potential Cross-effects after Merger and/or Acquisition

Variable	Response	Frequency	Percent	Mean Score
Conflict of downsizing with innovation and market development	Least important	1	3.1	3.7500
	Somewhat important	1	3.1	
	Indifferent	8	25.0	
	Important	17	53.1	
	Most important	5	15.6	
	Total	32	100.0	
Violation of employee trust	Somewhat important	1	3.1	4.0000
	Indifferent	9	28.1	
	Important	11	34.4	
	Most important	11	34.4	
	Total	32	100.0	
Inhibition of risk-taking	Least important	2	6.3	3.6250
	Somewhat important	1	3.1	
	Indifferent	8	25.0	
	Important	17	53.1	
	Most important	4	12.5	
	Total	32	100.0	
Break networks of informal relationships used by innovators	Somewhat important	1	3.1	3.5313
	Indifferent	16	50.0	
	Important	12	37.5	
	Most important	3	9.4	
	Total	32	100.0	
Asset divestiture's risk of damaging organizational capabilities (effects due to possible changes in organizational,	Least important	1	3.1	3.8065
	Somewhat important	1	3.1	
	Indifferent	8	25.0	
	Important	14	43.8	
	Most important	7	21.9	
	Total	31	96.9	
	Missing System	1	3.1	
		32	100.0	

Source: Research data

Results indicate that violation of employee trust was highly rated with a mean score of 4 while other aspects were moderately rated. The results therefore imply that the choice of a merger and/or acquisition partner is determined by any potential cross-effects which might not have been anticipated during the initial stages.

4.3.7 Asymmetry between the firms

In all mergers and acquisition undertakings, it is assumed that the involved firms will pursue decisions which will bring about improved combined efficiency and effectiveness. Such decisions would only be arrived at through joint and collaborative decision making process. This will imply that symmetry will prevail and its anticipated presence will be of crucial importance in determining which firm to target for a merger and/or a possible acquisition.

The degree of symmetry was considered to be hinged on the anticipated post acquisition joint decision making process and the assonance of the political processes of the firms. Research findings with regard to how respondents viewed asymmetry with respect to these two variables are shown in Table 12 below.

Table 12: Asymmetry between the firms

Variable	Response	Frequency	Percent	Mean Score
Anticipated post acquisition joint decision making process	Indifferent	1	3.1	4.2187
	Important	23	71.9	
	Most important	8	25.0	
	Total	32	100.0	
Political processes of the firms	Least important	2	6.3	3.4375
	Somewhat important	5	15.6	
	Indifferent	7	21.9	
	Important	13	40.6	
	Most important	5	15.6	
	Total	32	100.0	

Source: Research data

The findings indicate that anticipated post acquisition joint decision making process was rated highly with a mean score of 4.22 while assonance of the firms' political processes was rated moderately with a mean score of 3.44. Even though the results indicate such ratings, response distributions amongst respondents show that both variables were viewed to be important by majority of the respondents. This is evident as 71.9% and 25% of the respondents viewed anticipated joint decision making as important and most important respectively while 40.6% and 15.6% viewed firms' political processes respectively so. However, the proportions which indicated indifferent, least important and somewhat important could not be ignored. This implies in some organizations such symmetry is never considered as important in the choice of a merger and/or acquisition partner.

4.3.8 Acquisition performance

The ultimate goal that motivates firms to seek mergers and acquisitions is to achieve superior performance because of the anticipated post-merger and/r acquisition synergistic advantages. The study considered acquisition performance as a crucial determining factor when firs choose partners to be combined with given the strategic and financial implications of acquisitions. The study intended to establish the respondents' view on how important acquisition performance was considered in the choice of their mergers and/or acquisition partners. The findings are as shown in Table 13 below.

Table 13: Acquisition performance

	Frequency	Percent
Somewhat important	2	6.3
Indifferent	11	34.4
Important	9	28.1
Most important	10	31.3
Total	32	100.0

Mean Score: 3.8438

Source: Research data

The findings show that majority (34.4%) of the respondents were indifferent about acquisition performance as a crucial factor in the choice of M&A partners. However, significant proportions (28.1% and 31.3%) of respondents indicated that acquisition performance is important and most important respectively in the choice of M&A partners. 6.3% indicated that it was somewhat important. Overall, the factor was moderately rated with a mean score of 3.84. The results indicate gains accruing to bidding and target firms' shareholders as a result of acquisition announcements have a considerably significance influence on the choice of M&A partners.

4.3.9 Post Merger/acquisition integration prospects

Firms which consider pursuing a merger and/or acquisition undertaking anticipate that their integration would result in benefits either in the form of operating efficiencies and economies of scale. Such expectation would then motivate the firms to choose partners who with such beneficial post-integration prospects. Research findings on how respondents viewed the post integration prospects as determining the choice of partners are as shown in Table 14 below.

Table 14: Post Merger/acquisition integration prospects

	Frequency	Percent
Somewhat important	2	6.3
Indifferent	2	6.3
Important	18	56.3
Most important	10	31.3
Total	32	100.0

Mean Score: 4.1250

Source: Research data

The findings show that the post-merger/acquisition integration prospects was highly rated as an important factor in the choice of M&A partners with a mean score of 4.13. It was viewed as important by 56.3% and most important by 31.3% of the respondents. 6.3% of the respondents were indifferent about its importance while the other 6.3% viewed it as somewhat important. The results are indicative of the fact that slim chances of post merger and/or acquisition integration may negate the potential benefits associated with a merger or an acquisition. Areas that might be considered for possible integration include management styles, reward and evaluation systems organizational culture and structure, some of which were considered in the subsequent sections.

4.3.10 Management styles compatibility

Management styles are unique to organizations and may therefore differ across firms. The study considered this factor under attitudes of management groups' towards risk, the decision making approaches, and preferred control and communication patterns. Compatibility on these aspects and more others between firms will determine their decision to merge and/or acquire or be acquired. The study findings on how respondents considered the importance of each of the aspects are presented below.

Table 15: Management styles compatibility

Variable	Response	Frequency	Percent	Mean Score
Partner management groups' attitudes towards risk	Somewhat important	2	6.3	4.0313
	Indifferent	2	6.3	
	Important	21	65.6	
	Most important	7	21.9	
	Total	32	100.0	
Partner managements' decision making approaches	Somewhat important	1	[illegible]	3.9688
	Indifferent	8	25.0	
	Important	14	43.8	
	Most important	9	28.1	
	Total	32	100.0	
Partner managements' preferred control and communication patterns	Somewhat important	1	3.1	3.8438
	Indifferent	13	40.6	
	Important	8	25.0	
	Most important	10	31.3	
	Total	32	100.0	

Source: Research data

The results indicate that a prospective partner's management group's attitude towards risk was highly rated with a mean score of 4.03. Partner managements' decision making approaches and their preferred control and communication patterns were moderately rated with mean scores of 3.97 and 3.83 respectively. The findings further reveal that even though 65.6% and 21.9% of the respondents indicated managements' attitudes toward risk as important and most important respectively, 6.3% of them indicated indifference while the other 6.3% viewed it as somewhat important. Similarly, even though 25.0% and 40.6% were indifferent with regard managements' decision making approaches and their preferred control and communication patterns respectively, 43.8% and 25% respectively viewed them as important while 28.1% and 31.3% as most important respectively.

The results generally indicate that compatibility in managerial styles facilitates post-acquisition assimilation. Therefore, major differences in management styles and philosophies can prove to be serious impediments to the achievement of merger and or

acquisition success and any firm considering merging with another firm should consider this factor as a crucial one.

4.3.11 Reward and evaluation systems compatibility

Firms' reward and evaluation systems form the most important of the organizational form. The systems could differ in a number of areas which firms with merger and or acquisitions plans ought to ensure that they are compatible before implementing the decision. The study intended to determine whether compatibility of firms' reward and evaluation systems determine the choice of M&A partners and findings regarding respondents' views are shown below.

Table 16: Reward and evaluation systems compatibility

Variable	Response	Frequency	Percent	Mean Score
The firms' evaluation criteria	Least important	1	3.1	3.4063
	Somewhat important	5	15.6	
	Indifferent	11	34.4	
	Important	10	31.3	
	Most important	5	15.6	
	Total	32	100.0	
Performance measurement indices	Somewhat important	1	3.1	3.8125
	Indifferent	11	34.4	
	Important	13	40.6	
	Most important	7	21.9	
	Total	32	100.0	
Evaluation processes	Somewhat important	3	9.4	3.6563
	Indifferent	11	34.4	
	Important	12	37.5	
	Most important	6	18.8	
	Total	32	100.0	
Systems of bonuses and incentives	Least important	2	6.3	3.5625
	Somewhat important	2	6.3	
	Indifferent	11	34.4	
	Important	10	31.3	
	Most important	7	21.9	
	Total	32	100.0	

Source: Research data

It is evident from the table above not one aspect of rewards and evaluation systems compatibility was highly rated. All the aspects were moderately rated with mean scores ranging from 3.41 to 3.81. However, the findings indicate that with respect to respondent proportions regarding the respective reward and evaluation systems aspects, significant proportions indicated that they (the aspects) were considered as important and most important in determining the choice of M&A partners. The results therefore imply that the firms' reward and evaluation systems can not be completely ignored in determining the choice of M&A partners.

4.3.12 Role of Foreign Country Partner

In international mergers and acquisitions, a home country will gauge the role to be played by the foreign country in the merger and/or acquisition before it gives assent to the merger/acquisition proposition. It is also believed that the foreign country possesses firm specific and/or strategic resources which it will want to internalize and such resources could be of great competitive benefit to a home country partner. The findings on how important the foreign country partner's role determines the choice M&A partners as was considered by respondents are shown below.

Table 17: Role of Foreign Country Partner

	Frequency	Percent
Least important	6	18.8
Indifferent	7	21.9
Important	11	34.4
Most important	8	25.0
Total	32	100.0

Mean Score: 3.4687 ***Source: Research data***

With a mean score of 3.47, the role of foreign country partner was moderately rated as an important factor in determining the choice of a merger and/or acquisition partner. However, the proportion of respondents who viewed it as generally important factor was higher (34.4% + 25% = 59.4%) as compared to that which was indifferent and those indicated it as least important (21.9% + 18.8% = 40.7%). The results, therefore, indicate that multinational enterprises that enter local markets through mergers and acquisition are considered to play a role which determines their choice of host country partners and them being chosen. They play a role in contribution of strategic resources that can help an international cooperative venture succeed in the face of global competition.

4.3.13 Role of Host Country Partner

The same way a host country assesses and determines to choose a foreign country partner on the basis of its (foreign partner's) role in a merger and/or acquisition, the foreign country partner will also assess the role of the host country partner before determining the best partner to choose. The host country partner is believed to play a role in terms of providing complementary location specific resources, distribution channels, local brands, political influence, complying with tax laws, human resource management skills etc. The research findings with respect to how important respondents considered the host country's role are shown below.

Table 18: Role of Host Country Partner

	Frequency	Percent
Least important	6	18.8
Indifferent	4	12.5
Important	12	37.5
Most important	10	31.3
Total	32	100.0

Mean Score: 3.6250 ***Source: Research data***

The findings also show that the host country's role was moderately rated with a mean score of 3.63 as an important factor in determining the choice of M&A partners. The findings however indicate the role of host country partner cannot be understated because a total of 68.8% of respondents generally indicated it as an important determining factor. This is against the 31.3% who were indifferent and indicated it as least important. It could therefore be observed that when a host country controls most of the location specific resources, a merger and/or an acquisition may offer an effective means for a foreign partner to expand into a new area.

4.3.14 Product/Service Relatedness of the Combining Firms

The extent to which a firm's different lines of businesses or industries are linked has important performance implications and will determine a firm's choice of merger and or acquisition partner. The relatedness also transcends to the partner's lines of businesses so much so that the more the businesses are related, the more are the chances for the firms to consider one another for a merger and/or an acquisition. Research findings on how product/service relatedness determines the choice of M&A partners are as shown in Table 19.

Table 19: Product/Service relatedness of the combining firms

	Frequency	Percent
Least important	1	3.1
Somewhat important	1	3.1
Indifferent	2	6.3
Important	22	68.8
Most important	6	18.8
Total	32	100.0

Mean Score: 3.9687

Source: Research data

As shown above, the factor was moderately rated with a mean score of 3.98 with majority (68.8%) of the respondents considered it as an important factor and 18.8% as most important. 6.3% of them were indifferent while 3.1% each indicated it as somewhat important and least important. The results are to a great extent indicative of the importance of the product/service relatedness, both of an individual firm and that of the other prospective M&A partners. It is therefore evident that even though the factors mean score indicates moderate rating, firms base their choice of M&A partners on the extent to which their product/service lines are related in order to maximize the economic benefits of global market diversity.

4.4 Factor analysis

The study also made use of factor analysis to signify how well the factors determining the choice of M&A partners relate to successful selection of a partner and to measure the overall strength of the factors considered by different firms in choosing their M&A partners. Factor analysis is a statistical technique used to identify a relatively small number of factors that can be used to represent relationships among a set of many interrelated variables. It helps to identify underlying, not directly observable constructs. It is a multivariate method intended to explain relationships among several difficult-to-interpret, correlated variables in terms of a few conceptually meaningful relatively independent factors. A total of 38 variables participated in the factor analysis.

The study considered fourteen broadly described determining factors. These were then broken down into specific aspects which formed the variables of study. The fourteen determinants of choice considered include: knowledge transfer and management; cultural

distance between the partners; organizational distance: economies of scale and scope considerations; resource redeployment and revenue-based synergistic considerations; potential post merger/acquisition cross effects; asymmetry between target and acquiring firms; acquisition performance; possibility of post-acquisition integration; management styles compatibility; reward and evaluation systems compatibility; role of the foreign partner; role of host country partner; and lastly, the product/service relatedness of the firms anticipating a merger and/or an acquisition.

The various specific variables that describe the above determinants of choice (Appendix II) were the ones used in the questionnaire. This was intended to simplify most of the compounded determinants for ease of data capture from the respondents. From the 1-5 liker scale scores in which the respondents were required to score as appropriate, a summary statistics was first performed and the mean scores were obtained for each variable to inform the study on the generally considered factors when choosing a M&A partner. The results are as shown in Appendix III.

To determine how the various variables are explained for by the factor so that variables explained for by a particular factor are taken to be related and hence treated so under that factor, the Principal Component Analysis was used. This in essence reduced the number of variables under consideration. The Principal Component Analysis, performed on the respondents' scores, generated the output in a table of Communalities as shown in Appendix IV To reduce the variables and group them into only few factors, another output called Total Variance Explained (Table 20 below) was generated, which provided

the basis for determining what variables have been explained for by the various factors. These factors (also called components) account for a number of various variables.

Communality expresses the proportion of variance that is extracted or accounted for by the factors. For instance, 93.9% of variance observed in variable 1 is explained by the factors. Similarly, 90% variance observed in variable 10 is explained by the factors. An analysis of the achieved communalities reveals that most of the variation in the variables was captured by the factors. The lowest variance was captured for variable 5 with a communality of 61.4%

Table 20: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.312	21.874	21.874	8.312	21.874	21.874	6.255	16.460	16.460
2	6.590	17.342	39.216	6.590	17.342	39.216	6.191	16.293	32.753
3	4.091	10.767	49.983	4.091	10.767	49.983	3.823	10.060	42.813
4	3.088	8.125	58.108	3.088	8.125	58.108	3.452	9.083	51.896
5	2.557	6.729	64.838	2.557	6.729	64.838	3.229	8.498	60.394
6	2.481	6.530	71.368	2.481	6.530	71.368	2.488	6.548	66.942
7	1.789	4.709	76.077	1.789	4.709	76.077	2.210	5.817	72.759
8	1.570	4.132	80.209	1.570	4.132	80.209	2.084	5.485	78.244
9	1.190	3.131	83.340	1.190	3.131	83.340	1.937	5.097	83.340
10	.957	2.519	85.859						
11	.851	2.240	88.099						
12	.726	1.911	90.011						
13	.703	1.851	91.862						
14	.576	1.516	93.378						
15	.461	1.213	94.591						
16	.395	1.039	95.630						
17	.346	.910	96.540						
18	.273	.718	97.258						
19	.244	.642	97.900						
20	.197	.520	98.119						
21	.139	.367	98.786						
22	.116	.305	99.091						
23	9.295E-02	.245	99.336						
24	8.257E-02	.217	99.553						
25	6.183E-02	.163	99.716						
26	3.873E-02	.102	99.818						
27	3.382E-02	8.900E-02	99.907						
28	2.237E-02	5.887E-02	99.965						
29	9.275E-03	2.441E-02	99.990						
30	3.847E-03	1.012E-02	100.000						
31	5.104E-16	1.343E-15	100.000						
32	3.519E-16	9.261E-16	100.000						

33	2.424E-16	6.380E-16	100.000						
34	1.314E-16	3.457E-16	100.000						
35	5.332E-18	1.403E-17	100.000						
36	-2.780E-17	-7.317E-17	100.000						
37	-1.707E-16	-4.491E-16	100.000						
38	-5.212E-16	-1.372E-15	100.000						

Extraction Method: Principal Component Analysis.
Source: Research Data

Table 20 above shows the total variance explained for each of the extracted factors. Each factor accounts for a decreasing proportion of; variance subject to the condition that it is uncorrelated to all previous factors For a factor to account for at least one variable, it should have a variance of at least 1. This serves as a cut-off point for determining the number of factors to be extracted Looking at the figures, factor1 accounts for 21.87% of the total observed variation, factor 2 explains 17.34% of the total variation and so on. The 9- factor solution explained 83.34% of the total observed variation. The Eigen Values is a term that used In the Statistical Package for Social Sciences (SPSS) to denote the degree and/or proportion of contribution by a factor to the explanation of some variable. It explains how a particular factor is loaded by variables. For the purpose of this study, the concern was on the percentage variances explained by factors as explained above.

From the Total Variance Explained above, only nine factors were extracted for analysis. The Rotated Component Matrix (Appendix V), specified by a command in order to generate values on how the nine factors account for or are loaded by the variables was generated. From the literature review and as per the variables used in the questionnaire,

the nine factors were defined (named) as per the nature of the variables that were accounted for. The bolded figures in the Rotated Component Matrix output are the highest along the rows, meaning: that a particular variable is highly accounted for by a particular factor. These are the figure used to arrive at the Heavily Loading Variables as shown in Table 21 below.

The Rotated Component Matrix shows the results of orthogonal Varimax Rotation with Kaiser Normalization done on the initial factor matrix. "Varimax Rotation attempts to clean up the factors in the factor loading table- that is, force the entries in the initial factor matrix column to be near 0 or 1" (Churchill, 1999). Such loading shows more clearly what variables go together and thus more interpretable. This final rotated matrix represents both a pattern and a structure matrix since it is an orthogonal factor matrix. The coefficients in the matrix represent both regression weights and correlation coefficients.

In the results above, variables 2, 3, 6, 7, 10, 11, 26, 27, and 28 heavily load on factor 1. A summary of variables that load heavily on the various factors is shown in Table 21 below

Table 21: Heavily Loading Variables

Factor	Variables
1	2, 3, 6, 7, 9, 10, 26, 27, 28
2	4, 12, 13, 14, 15, 31, 32, 33, 34, 35, 38
3	20, 21, 22, 23, 24, 29
4	8, 18, 19
5	16,17
6	36, 37
7	5, 25, 30
8	11
9	1

Source: Research Data

CHAPTER FIVE: SUMMARY AND CONCLUSIONS

5.1 Introduction

This study set out to achieve one objective: To establish the factors considered in the choice of M&A partners in Kenya. A questionnaire based on available literature was used to gather the data. The data collected was analysed using frequencies, percentages, proportions, mean scores, and factor analysis. In this chapter, the findings of the research are summarised and conclusions drawn. This chapter also includes a section on suggestions for further research.

5.2 Summary

The need for survival for the local firms and the need to penetrate the local and global markets have occasioned mergers, takeovers, and buyouts. It should, however, be noted that most mergers and acquisition activities in Kenya involve multinational companies with ones involving local firms taking very low percentage. The study established that the proportion of firms opting for a merger is slightly higher at 53.1% as compared to that for acquisition. It was revealed that the firms exhibit a mixture of ownership and legal structures.

Firms that consider a merger and or an acquisition as their strategic move go through an involving process in order to identify a suitable partner to merge with and/or to acquire. Consequently, the firms get to consider a number of factors which would eventually determine a choice or otherwise of a partner. It was found out that firms take into consideration a number of factors when choosing merger and/or acquisition partners. The

factors that determine a choice decision fall into the categories of knowledge transfer and management; cultural distance: resource redeployment and revenue-based synergistic considerations; potential cross effects after a merger and/or an acquisition; asymmetry between the firms with regard to anticipated post merger and/or acquisition joint decision-making process and political processes; location specific factors; and management styles, reward and evaluation systems compatibility among others whose various aspects were moderately and highly rated.

5.3 Conclusion

The overall result show that the determinants of choice of a merger and/or acquisition partners in Kenya are varied depending on whether the combination is a merger and whether the partners are in the same sector of operation or otherwise. The findings indicate that merger and/or acquisition decisions are arrived at as one of the growth strategies that are at the firms' disposal. On the basis of this therefore, the determining factors on whom to partner with are those that will contribute to a great extent towards the realization of this goal. Here, cross effect factors and post merger and/or acquisition performance factors would be preceded by several other resource-based and firms compatibility factors if a sound and productive decision is to be made.

5.4 Limitations of the Study

The findings of this study should be interpreted with the limitations in mind in order to make informed generalization within the acceptable limits of objectivity. The study had set out to involve as many firms as possible and as they appear in the merger control notifications. Some firms refused to participate in the study while others recommended

that data be obtained from their overseas offices, which proved to be tedious and unachievable. However, there is no reason to believe that they could have responded differently.

The time available to complete the study was inadequate. More time to collect data from firms with overseas head offices could have helped authenticate the study the most.

Conducting research on mergers and acquisitions in some companies is made difficult by the art of confidentiality. Some respondents refused to indicate the names of their firms on the questionnaire although they participated in the study. It is difficult to know whether this phenomenon also made some respondents withhold some information or actually falsify it.

The questionnaires were supposed to be filled by top-level managers (CEOs or Strategy Managers and/or Directors) of the firms. Due to their busy schedules, most of them delegated the task to their subordinates, some of whom were not fully conversant with some salient determinants of choice of a M&A partner. This fact had an adverse bearing on the quality of the responses.

5.5 Suggestions for Further Research

It is generally a truism that no research is an end in itself. Therefore, what this study has achieved in this area can only be considered to be little hence requiring further research work. From the insights gained in the course of the study, the researcher offers the following suggestions, which should act as a direction to future researchers:

1. Due to complexities and intricacies involved in mergers and acquisitions, future studies of this nature should be conducted through interviews with the Chief Executive Officers (C. E. Os) themselves and questionnaires where possible. This will provide more authentic responses since senior officers are better placed to comprehend the facts on the ground than their subordinates.
2. There is need to undertake further research on other forms of alliances other than mergers and acquisitions in order to establish the similarity or otherwise of the outcomes.
3. A replication of this study should be done after some time in order to capture data from those M&A negotiations that have not been consummated so as to validate the findings of this study because it shall have factored in some changes that might have taken place.

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APPENDICES

Appendix I: Questionnaire

Section A

1. Names of the firms before the merger or acquisition

   (i)____________________________________

   (ii)____________________________________

2. Name of the firm after the merger or acquisition

   ____

3. Was the combination of your firm a merger or an acquisition? Please tick where appropriate.

   Merger [ ] Acquisition [ ]

4. Date of the merger or acquisition [ ]

5. How can your firm be classified in terms of ownership? Please tick as appropriate

   a) Locally owned [ ]

   b) Foreign owned [ ]

   c) Both locally and foreign owned [ ]

   If (c) above, what is the percentage of ownership? Please indicate appropriately

   Foreign [ ]

   Local [ ]

6. What is the legal structure of your firm? Please tick where appropriate

Partnership ☐

Privately owned ☐

Publicly owned ☐

7. Which sector is your firm operating in? Please tick where appropriate

Manufacturing ☐

Agriculture ☐

Service ☐

8. Which sub sector can you specifically describe your firm is operating in e.g in banking?

____

____

Section B

9. When (year) did your firm receive an approval from the Commissioner for Monopolies and Prices to merge, acquire, or be acquired? [ ]

10. What type/sort of merger or acquisition did your firm undertake? Please tick where appropriate.

Vertical Merger/Acquisition [ ]
- Backward [ ]
- Forward [ ]

Horizontal Merger/Acquisition [ ]

Conglomerate Merger/Acquisition [ ]
- Product extension [ ]
- Market extension [ ]
- Pure conglomerate [ ]

Concentric Merger/Acquisition [ ]

Section C

11. To what extent did the following factors determine the choice of your Merger or Acquisition partner? Please rank them as per the following key:
    1. Least important
    2. Somewhat important
    3. Indifferent
    4. Important
    5. Most important

a) Knowledge transfer and management:

i) Knowledge based resources. [1] [2] [3] [4] [5]

ii) Curb immitability and enhance internalisation of competencies) [1] [2] [3] [4] [5]

b) Cultural distance:

i) Partner's organizational culture [1] [2] [3] [4] [5]

ii) Partner's national culture [1] [2] [3] [4] [5]

iii) Partner's work routines [1] [2] [3] [4] [5]

iv) Partner's mode of communication [1] [2] [3] [4] [5]

v) Partner's managerial approaches [1] [2] [3] [4] [5]

c) Organizational distance:

i) Partner's business practices [1] [2] [3] [4] [5]

ii) Partner's organizational heritage [1] [2] [3] [4] [5]

iii) Partner's corporate and professional cultures
for ease of knowledge transferability [1] [2] [3] [4] [5]

d) Economies of scale and scope:

i) Production linked economies of scale [1] [2] [3] [4] [5]

ii) Functional areas' economies of scale
(R&D, distribution, sales and administration
activity) [1] [2] [3] [4] [5]

iii) Spreading of fixed costs over higher
total volume [1] [2] [3] [4] [5]

iv) Cost reduction based on learning
curve economics [1] [2] [3] [4] [5]

v) Cost savings due to increased variety
of activities to be performed [1] [2] [3] [4] [5]

e) Resource redeployment and revenue-based
synergistic considerations:

i)Possibility of and ability to enhance(ing) revenue
by accessing complementary resources [1] [2] [3] [4] [5]

ii) Possibility of increased market coverage [1] [2] [3] [4] [5]

iii)Enhanced innovation capacity [1] [2] [3] [4] [5]

iv)Achieve ongoing interaction through
pot-acquisition collaboration mechanisms
(cross posting of staff, formation of corporate

task force, joint management of shared functions) [1] [2] [3] [4] [5]

f) Potential cross effects after merger and/or acquisition:

i) Downsizing's conflict with innovation and market development [1] [2] [3] [4] [5]

ii) Violation of employee trust [1] [2] [3] [4] [5]

iii) Inhibition of risk-taking [1] [2] [3] [4] [5]

iv) Break networks of informal relationships used by innovators [1] [2] [3] [4] [5]

v) Asset divestiture's risk of damaging organizational capabilities (effects due to possible changes in organizational. [1] [2] [3] [4] [5]

g) Asymmetry between the firms

i) Anticipated post acquisition joint decision making process [1] [2] [3] [4] [5]

ii) Political processes of the firms [1] [2] [3] [4] [5]

h) Acquisition performance (performance implications of 'strategic fit', prospective gains accruing to bidding and target firms' shareholders) [1] [2] [3] [4] [5]

i) Post Merger/acquisition integration prospects
(integration of operations and managing
the integration) [1] [2] [3] [4] [5]

j) Management styles compatibility
i) Partner management
groups' attitudes towards risk [1] [2] [3] [4] [5]

ii) Partner managements' decision making
approaches [1] [2] [3] [4] [5]

iii) Partner managements' preferred
control and communication patterns [1] [2] [3] [4] [5]

k) Reward and evaluation systems compatibility:
i) The firms' evaluation criteria [1] [2] [3] [4] [5]

ii) Performance measurement indices [1] [2] [3] [4] [5]

iii) Evaluation processes. [1] [2] [3] [4] [5]

iv) Systems of bonuses and incentives) [1] [2] [3] [4] [5]

l) Role of foreign partner
(Possession of firm specific/strategic resources) [1] [2] [3] [4] [5]

m) Role of host country partner
(in terms of complementary location
specific resources: distribution channels.
local brands, political influence, complying with
tax laws, human resource management skills etc.) [1] [2] [3] [4] [5]

n) Product/Service relatedness/ unrelated ness
of the combining firms [1] [2] [3] [4] [5]

Any other determining factors (please specify and rate their importance to the choice of your merger/acquisition partner)

i) [1] [2] [3] [4] [5]

ii) [1] [2] [3] [4] [5]

iii) [1] [2] [3] [4] [5]

iv) [1] [2] [3] [4] [5]

Thank you for your time and cooperation.

Appendix II: Factors Determining Choice of a Partner

1. Knowledge based resources
2. Curb immitability and enhance internalization of competencies
3. Partner's organizational culture
4. Partner's national culture
5. Partner's work routines
6. Partner's mode of communication
7. Partner's managerial approaches
8. Partner's business practices
9. Partner's organizational heritage
10. Partner's corporate and professional cultures for ease of knowledge transferability
11. Production linked economies of scale
12. Functional areas' economies of scale
13. Spreading of fixed costs over higher total volume
14. Cost reduction based on learning curve economies
15. Cost savings due to increased variety of activities to be performed
16. Possibility of and ability to enhance(ing) revenue by accessing complementary resources
17. Possibility of increased market coverage
18. Enhanced innovation capacity
19. Achieve ongoing interaction through post acquisition collaboration mechanisms
20. Downsizing's conflict with innovation and market development
21. Violation of employee trust
22. Inhibition of risk taking
23. Break networks of informal relationships used by innovators
24. Asset divestiture's risk of damaging organizational capabilities
25. Anticipated post acquisition joint decision making process
26. Political processes of the firms

27. Acquisition performance
28. Post merger acquisition integration prospects
29. Partner management groups' attitudes towards risk
30. Partner managements decision making approaches
31. Partner managements' preferred control and communication patterns
32. The partner firms' evaluation criteria
33. Performance measurement indices
34. Evaluation processes
35. Systems of bonuses and incentives
36. Role of foreign country partner
37. Role of host country partner
38. Product service relatedness/unrelatedness

Appendix III: Summary Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
VAR1	32	3.00	5.00	4.3438	.7874
VAR2	32	1.00	5.00	3.6875	1.1483
VAR3	32	1.00	5.00	3.3125	1.2297
VAR4	32	2.00	5.00	3.6250	.7513
VAR5	32	1.00	44.00	4.7500	7.2616
VAR6	32	1.00	5.00	3.5625	1.1053
VAR7	32	1.00	5.00	3.5625	1.2165
VAR8	32	3.00	5.00	4.1250	.4919
VAR9	32	2.00	5.00	4.1250	.5536
VAR10	32	1.00	5.00	3.7188	.9914
VAR11	32	1.00	5.00	3.8750	1.1570
VAR12	32	2.00	5.00	4.1563	.8076
VAR 13	32	1.00	5.00	4.2187	1.0391
VAR14	32	2.00	5.00	4.1875	.8206
VAR15	32	2.00	5.00	4.4375	.8776
VAR16	32	2.00	5.00	4.1563	.7233
VAR17	32	4.00	5.00	4.5000	.5080
VAR18	32	1.00	5.00	4.0313	.9327
VAR19	32	3.00	5.00	3.9687	.7822
VAR20	32	1.00	5.00	3.7500	.8799
VAR21	32	2.00	5.00	4.0000	.8799
VAR22	32	1.00	5.00	3.6250	.9755
VAR23	32	2.00	5.00	3.5313	.7177
VAR24	32	1.00	5.00	3.8065	.9458
VAR25	32	3.00	5.00	4.2187	.4908
VAR26	32	1.00	5.00	3.4375	1.1341
VAR27	32	2.00	5.00	3.8438	.9541
VAR28	32	2.00	5.00	4.1250	.7931
VAR29	32	2.00	5.00	4.0313	.7399
VAR30	32	2.00	5.00	3.9688	.8224
VAR31	32	2.00	5.00	3.8438	.9197
VAR32	32	1.00	5.00	3.4063	1.0429
VAR33	32	2.00	5.00	3.8125	.8206
VAR34	32	2.00	5.00	3.6563	.9019
VAR35	32	1.00	5.00	3.5625	1.1053
VAR36	32	1.00	5.00	3.4687	1.3909
VAR37	32	1.00	5.00	3.6250	1.4312
VAR38	32	1.00	5.00	3.9687	.8224

Appendix IV: Communalities

	Initial	Extraction
VAR1	1.000	.939
VAR2	1.000	.802
VAR3	1.000	.860
VAR4	1.000	.756
VAR5	1.000	.614
VAR6	1.000	.821
VAR7	1.000	.870
VAR8	1.000	.854
VAR9	1.000	.872
VAR10	1.000	.900
VAR11	1.000	.906
VAR12	1.000	.770
VAR 13	1.000	.859
VAR14	1.000	.801
VAR15	1.000	.843
VAR16	1.000	.771
VAR17	1.000	.716
VAR18	1.000	.757
VAR19	1.000	.945
VAR20	1.000	.839
VAR21	1.000	.862
VAR22	1.000	.857
VAR23	1.000	.913
VAR24	1.000	.800
VAR25	1.000	.704
VAR26	1.000	.855
VAR27	1.000	.893
VAR28	1.000	.861
VAR29	1.000	.823
VAR30	1.000	.755
VAR31	1.000	.837
VAR32	1.000	.915
VAR33	1.000	.886
VAR34	1.000	.799
VAR35	1.000	.858
VAR36	1.000	.880
VAR37	1.000	.895
VAR38	1.000	.782

Extraction Method: Principal Component Analysis.
Source: Research Data

Appendix V: Rotated Components Matrix

	Component								
	1	2	3	4	5	6	7	8	9
VAR1	.149	9.690E-02	.132	.147	.101	-8.030E-02	8.320E-02	1.068E-02	**.919**
VAR2	**.771**	1.752E-02	-3.296E-02	-.318	-.197	-.191	.117	-2.509E-02	.127
VAR3	**.789**	.181	-.128	9.151E-02	.364	-.132	-.135	-1.395E-02	.111
VAR4	-1.130E-02	**.435**	-.317	.408	.107	-.172	-.431	.160	.217
VAR5	.272	.258	1.435E-02	2.294E-02	.195	6.124E-02	**.643**	.131	-2.665E-02
VAR6	**.874**	-.104	-1.137E-02	3.434E-02	5.557E-02	-4.681E-02	8.734E-02	-.158	8.471E-02
VAR7	**.690**	-3.884E-03	-.125	.324	3.445E-02	-.109	-4.918E-02	.362	-.355
VAR8	.481	.110	-1.074E-02	**.613**	.196	.407	-.164	-3.310E-02	-5.813E-02
VAR9	**.322**	9.254E-02	.132	5.531E-03	4.092E-02	-8.528E-03	-.112	-.852	-4.443E-02
VAR10	**.870**	-1.737E-02	4.043E-02	3.929E-03	-.125	-.266	-2.915E-02	-.224	-4.844E-02
VAR11	**.637**	.234	4.872E-02	-.114	.180	-.294	-1.736E-02	**.546**	-.115
VAR12	8.828E-02	**.520**	.359	-.463	-8.739E-02	3.058E-02	-.315	6.577E-02	.188
VAR 13	.184	**.848**	3.011E-02	-.105	.159	1.229E-02	-.135	-.162	.157
VAR14	.220	**.648**	.149	-.144	-.185	-.293	2.600E-02	.410	-2.399E-02
VAR15	.232	**.750**	-8.783E-02	-5.626E-02	.369	.115	-.228	-5.166E-02	-.107
VAR16	.244	.169	.336	-.275	**.584**	3.184E-02	.128	-.360	8.525E-02
VAR17	9.136E-02	.159	-5.714E-02	.108	**.775**	.182	9.462E-02	-4.587E-02	.147
VAR18	-1.223E-02	.167	.341	**.514**	.427	-3.969E-02	7.627E-02	.342	.205
VAR19	-.164	.250	7.006E-02	**.840**	-.229	-3.652E-02	-3.531E-03	-8.291E-02	.290
VAR20	8.647E-02	.117	**.767**	-.162	-2.696E-02	-6.578E-02	-.162	-5.333E-02	.411
VAR21	-.275	-1.118E-02	**.729**	-6.589E-02	-.367	.263	.170	-.114	-6.496E-02
VAR22	3.739E-02	.444	**.680**	1.229E-02	.405	3.910E-02	-.159	-6.840E-02	1.202E-02
VAR23	9.086E-02	.290	**.845**	.233	-.212	-1.818E-02	3.555E-02	-7.092E-02	-8.409E-03
VAR24	-.165	5.570E-02	**.672**	-.148	.250	-.317	.317	.183	3.797E-03
VAR25	-.163	-.223	-3.008E-03	1.048E-02	-.191	2.664E-02	**.759**	1.287E-02	.117
VAR26	**.605**	.122	8.541E-02	.215	.403	-.406	.149	.228	.142
VAR27	**.741**	-3.014E-02	2.162E-02	7.927E-02	.399	-3.144E-03	-.208	-1.880E-02	.366
VAR28	**.737**	-.108	6.741E-02	-.435	-4.158E-02	.182	-7.204E-02	-.227	-.143
VAR29	3.384E-02	.395	**.423**	-.657	-7.409E-02	.148	-.114	3.356E-02	.114
VAR30	1.724E-02	.219	.221	4.150E-02	-.746	.136	**.221**	-9.914E-02	.150
VAR31	-.204	**.485**	.219	.176	-7.152E-02	-.193	.404	.321	.415
VAR32	-6.497E-02	**.803**	.159	.436	-.191	-2.507E-02	-3.602E-02	-9.296E-02	5.543E-02
VAR33	-.257	**.790**	9.593E-02	-.147	.112	-.146	.348	5.672E-02	9.065E-02
VAR34	-.210	**.798**	.102	.235	-.140	.108	9.497E-02	8.667E-02	-7.096E-02
VAR35	1.256E-02	**.825**	.390	8.012E-02	8.211E-02	-3.675E-02	3.024E-02	-4.109E-02	9.033E-02
VAR36	-.245	4.165E-02	-1.120E-02	8.581E-02	-3.408E-03	**.899**	1.156E-03	4.903E-02	3.546E-02
VAR37	-.325	-.113	2.198E-02	-.230	9.599E-02	**.791**	.143	-.164	-.199
VAR38	.191	**.526**	.137	.452	.327	1.180E-02	-.337	.158	1.338E-02

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. ***Source Research Data***

Appendix VI: MERG[illegible]R CONTR[illegible] N[illegible]TIF[illegible]ATIONS

SOURCE: MPC ANNUAL REPORTS 2001-2004

	Name of Institution	Sector Affecte[illegible]	Y[illegible]
1.	Bidco(K) Ltd & Elianco [illegible]	[illegible]oking fat an[illegible] oils	2001
2.	Crown Berger & Barclays holdings	Paints	20[illegible]
3.	Johnson & Johnson Ltd. Direct Sales and Distribution	Baby Care products	20[illegible]
[illegible]	Raymond Woollen Mills & Heritage Woollen Mills	Textiles	2001
[illegible]	Securicor Security Serv. & Express Escorts	Private Security	2001
[illegible]	Fidelity Bank & Southern Credit Bank	Financial Services	2001
[illegible]	BP Oil (K) Ltd & Total (K) Ltd	Petroleum	2001
[illegible]	[illegible] Breweries & United Distillers & Vintners (K) Ltd	Alcoholic beverages	2001
9.	SmithKline Beecham & Glaxo Wellcome (K) Ltd.	Pharmaceuticals/ healthcare products	2001
10.	Crescent Construction Ltd & Cabro Works Ltd. Receivership	Building & Construction	2001
11	Lonrho Motors E.A. Ltd & Toyota E. A. Ltd.	Motor Industry	2001
12.	Lelkina Dairies Ltd & [illegible]side Dairies Ltd	Dairy	2001
[illegible]	[illegible]akuzi Ltd & Socfinaf [illegible]	Agriculture	2001
14.	Lonrho Hotel Africa & Starwood Hotel	Hotel	2001
[illegible]	Lonrho Motors & [illegible] Farm Machinery	Agriculture	2001
16.	Africa Online Ltd & Net 2000 [illegible]	Telecommunications	200[illegible]
[illegible]	Masai Mara [illegible] Lodge & Safari Retreat	Hotel	2001
[illegible]	SCB & Bullion Bank	Bank	2001
19.	Kapila Anjarwalla & Khanna	Legal Consultancy	2002
	[illegible]	Manufacturing [illegible]	2002
[illegible]	[illegible] Kenya Ltd	Agriculture	2002
[illegible]	Paramount Bank & Unive[illegible]nk	[illegible]nancial (Bankin[illegible]	2002
[illegible]	[illegible]		2002
[illegible]	[illegible]	Manufacturing	2002
[illegible]	[illegible] Breweries & Castle Brewing	Manufacturing	2002
	[illegible] Kamau & Maema Advocates	Legal Consultancy	2002
[illegible]	Barclay Trust Investment & Old Mutual Assets Managers	Financial	2002
28	Bank of India & India Finance Ltd	Financial	2002
29.	Stewart Scott Motors & Mitsubishi Motors Ltd	Automotive	2002
30	Greenlands Dairy & Westlands	Agriculture (Dairy)	2002
31	ABN-AMRO Bank & Citi[illegible] Ltd.	Financial	2002
[illegible]	Fidelity Bank & [illegible] Credit Ltd	Financial	2002
[illegible]	[illegible] Investment [illegible] Ltd	Agriculture	2002
[illegible]	[illegible] Africa/Carnaud [illegible] Box & Crown Cork Ltd	Manufacturing	2002
[illegible]	[illegible] Mara [illegible] Ltd & [illegible]	Hotel	2002
[illegible]	Aventis Crop Science & Agr[illegible]ical [illegible]	[illegible]ltural Chem[illegible]	2002

37.	[illegible]op Bank & [illegible] Bank Lt[illegible]	[illegible]nking	20[illegible]
38.	[illegible]	[illegible]riculture	20[illegible]
39.	Primarosa, Mw[illegible] & King[illegible]	[illegible]riculture	20[illegible]
40.	[illegible]	[illegible]tel Industr[illegible]	20[illegible]
41	Kenya [illegible] Savings a[illegible] Lo[illegible]	[illegible]ancial Servi[illegible]	20[illegible]
42.	Securicor [illegible] and Karen [illegible]	[illegible]curity Servi[illegible]	20[illegible]
43	Trust Finance [illegible] Ltd	[illegible]nking Sector	20[illegible]
44	Africa Online and Three M[illegible] Interactive Media [illegible]	IT (Internet Service Provision)	20[illegible]
45.	Kenol Kobil (K) Ltd & Mid Oil Africa	Petroleum	200[illegible]
46.	Crown Berger (K) Ltd and Unibuilt (K) Ltd	Manufacturing	20[illegible]
47.	[illegible] Johnson Wax and Bayer East Africa	Pharmaceutical	200[illegible]
48.	[illegible] Budget Rent a Car International & Avis Europe Plc	Transport	2003
49.	Eustoma K [illegible] Ltd & Penta Tencom Ltd Penta Flowers	Horticulture	2003
50.	Manu Spices and Millers Lt[illegible] & Spice World (K) Ltd	Food	2003
51	ICL(K) limite[illegible] and Sameer [illegible]T Ltd	Information Technology	200[illegible]
52.	Resort (K) Ltd & MS Family Town 2002 Ltd.	Hotel Industry	2003
53.	Nairobi Bottlers & Anspar Beverages Ltd	Soft Drink	2003
54.	Beta Healthcare Internati[illegible]l and Shellys Pharmaceutical Ltd	Pharmaceutical	200[illegible]
5[illegible]	Alexander Forbes Financial Services E. A Ltd. Bank of India and Pension Trust Services	Insurance	2003
56.	Flower Wings K [illegible] Ltd [illegible] Investments Ltd	Horticulture	2003
[illegible]	Pan African General Insura[illegible]e Ltd & Apollo Insurance Company Ltd	Insurance	200[illegible]
58	Crown Berger & Devan [illegible] & Aziz Tanners	Manufacturing	[illegible]
59	Greenlands Dairy & [illegible] Dairy Ltd	Dairy	2003
60	Alexander Forbes & H[illegible] Robertson (K) Ltd	Insurance	200[illegible]
[illegible]	Fidelity Bank & Southern [illegible] Ltd	Financial	2003
62	Muya & Ass[illegible] and Kom[illegible] Associates	A[illegible]untancy	200[illegible]
[illegible]	Group 4 [illegible] and [illegible] Plc	Security Services	2004
64	Trans-century Ltd and [illegible] Holdings Ltd	Manufacturing	2004
65	Bank of Afri[illegible] [illegible]edit [illegible] branch	Banking Service	2004
66.	[illegible] Security Group and EARS group Ltd	Security	2004
[illegible]	MTN Internat[illegible] Ltd. & Kenyan [illegible]	Te[illegible]communicatio[illegible]	2004
[illegible]	[illegible] International [illegible] Poly synthetics Eastern Africa Ltd.	Manufacturing	2004
69.	Sameer Telecom Ltd & Kenya Telecom BV	Telecommunication	2004
70.	Shell & BP Malindi and Oil Com	Petroleum	2004
71.	Homegrown [illegible] Ltd & Kijabe Ltd("Kijabe")	Horticulture	2004
72	Dawa Pharm[illegible]al Ltd & M[illegible]disel (K) Ltd	Pharmaceutical	2004
73.	Fresh Del Monte Produce Inc & Del Monte Kenya Ltd	Horticulture	2004
74.	Coast Silos (K) Ltd and Kenya Ports Authority	Transport	2004
75	ALICO & CFC Group	Insurance	2004

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