PERCEPTION OF EMPLOYEES ON ACQUISITION STRATEGY AT LIQUID TELECOM KENYA

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DECLARATION

I declare that this thesis is my original work and has not been submitted to any other University for examination.

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D61/75531/2012   **Signature**   **Date**

This project has been submitted with my approval as the Supervisor at University of Nairobi School of Business.

Dr Vincent Machuki ....   ………....................

 (Supervisor)   **Signature**   **Date**

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DEDICATION

To my family and to my supervisor Dr. Vincent Machuki. I am thankful for your continuous support that kept me going through out the study time. Wish you God's blessings.

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LIST OF ABBREVIATIONS

ICT   Information Communication Technology

CCK   Communication Commission of Kenya

KRA   Kenya Revenue Authority

ABSTRACT

Organizations operate in a very competitive environment and therefore there is need to change the way they operate to be able to fit in the current environment. Acquisition strategy is one of the key factors companies are considering in order to survive in the market, therefore they need to understand key issues like perception of employees on the strategy before its implementation to ensure it succeeds. This study sought to explore the influence of perception on acquisition strategy at liquid Telecom Kenya. The basic question that the study sought to address was: what is the employee perception of acquisition strategy at Liquid Telecom Kenya? The objective of the study was to determine perception of employees on acquisition strategy and to establish factors affecting perception of employees on acquisition at Liquid Telecom. The study was guided by Industrial Organization Economic theory. The study adopted an exploratory research design. Data was collected using questionnaire and it was delivered and responded through e mail. The study found out that employee's perception was positive this is because factors like motives caused by either internal or external factors affected their perception of the strategy. Also there personal attitudes and values played a great part in the way they perceived the strategy positively, furthermore support of acquisition strategy by other employees affected how they perceived the strategy in a positive way because it looked like a good idea to have Liquid Telecom on board. The fact the company understands the needs of employees and believe that the strategy if not carefully implemented can lead to lack of support by employees was assign that the company understand what it takes to succeed in the implementation. Updates from the company on the progress of the strategy and also educated them on the advantages of embracing the strategy, it played a big role in how they perceived the strategy positively. The respondents disagreed that acquisition strategy can actually cause division between employees.The study concluded that employee's motives, attitudes, values and communication from the management in regards to the process of acquisition strategy are key factors that organizations should consider when implementing acquisition strategy. The study recommends that any organization that would like to implement the strategy to adhere to the above key factors and also to do a thorough check of the company that they want to acquire understand their culture and values before implementation start for it to be successful. The study did not however agree to some of the theories like Industrial Organization Economic theory which focus on the market a company operates on rather than the firm itself, according to the structure conduct performance model there's a casual link in which the market operates, organization conduct and in turn profitability. If organizations will focus on its employees more, they will be able to deal with them better especially during implementation of a new strategy to ensure its success. The study recommends that further studies to be done in other companies in the same industry to be able to have a comparison and find out key issues affecting employees perception, also the study go deeper and get more information regarded as confidential to be able to get a clear picture of the situation.

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

Today businesses operate in a highly competitive economy. The level of business focus continues to change every day with the changing environment, therefore companies are looking for ways of surviving in the market using acquisition strategy. The firm is facing obstacles in the implementation of the strategy. Perception of employees on acquisition strategy is one of the main problems because it determines the performance of the firm. Understanding company position is crucial in developing competitive strategy. Industry organization structure will help us understand how organizations interact with its' environment (Kyung and Michael, 1999). An organization being an assembly of people working towards common objectives means that organizations should take keen interest on the people (Pearce and Robinson, 2012). The key to choosing a good acquisition strategy involves analysis of structure, conduct and performance of industry while bearing in mind the role of perception (Arnold and Feldman, 1986).

Industrial Organization Economic theory focus on the market a company operates on rather than the firm itself, this is reflected in the structure conduct performance model, which claims that there's a causal link in which the market operates, organization conduct and in turn profitability of the company (Ramsey, 2001). Structure of the market is the concept behind organization theory. The theory indicates the influence of competitive forces on the industry and profitability and the conflict existing between individual motives and organization demands (Button, 1966). Industrial

Organization Economic theory has its origin from the classical economic theories by Adam Smith. Structure of the market is the concept behind organization theory. The theory indicates the influence of competitive forces on the industry and profitability. These opportunities and threats in the external environment are the one's which influence strategic decision of a firm. Industrial organization theory is about how structure of the market has influence on the strategy and decision making of a company.

Market structure is determined by entry conditions like degree of buyer concentration, degree of seller concentration, condition of entry to the market and degree of product differentiation (Porter, 1987). While the conduct is the firm's use of resources and strategic behaviour based on market structure. Acquisition can be a conduct of a company and can happen vertical, horizontal or conglomerate. Performance of the company is as a result of market structure and firms conduct and also different aspects of market performance like advanced technology, profit rate and product quality. Thus the theory focuses on the whole industry and market conditions. The analytical aspects can be used to identify strategic choices which companies have in their respective industries which include mergers and acquisitions.

To be able to understand industrial organization economic theory, we'll need to understand Cognitive psychology of people to be able to know how there perception and attitudes affects decisions made on different strategies and how it's influenced by the environment (Neisser, 1992).

Perception of employees on acquisition strategy at Liquid telecom has been affected by processes in organizational change, both at pre and post-acquisition period. Most organizations are asking themselves why implementation of strategy well crafted is becoming difficult to implement (Jung, 2012). Some of the reasons involve employee perception, which is likely to vary in the organization. Liquid telecom has acquired Kenya Data Networks and is in the process of settling in but it seems to be facing problems in implementing the strategy. Lack of focus on employee relations is one of the main problems facing management. Approximately three quarters of acquisitions do not achieve expected results (Huang and Kleiner, 2004).

This study is intended to explore the likely role of employee's perception towards acquisition and how they are affected by organizational change in the pre and post-acquisition period and the way in which employee perceptions of acquisition are likely to vary and also how it will affect the organisation. Company acquisitions are complex procedures assuming a high degree of uncertainty and often resulting to failures. According to existing studies found that approximately three quarters of acquisitions do not achieve expected results (Huang and Kleiner, 2004). Some of the reasons being insufficient level of corporate cultural fit between companies and also lack of understanding employee's perception towards the change. With insufficient cultural fit the relationships between employees and the way the work is performed can show anomalies which can result in productivity decrease and incapability of organisational strategy execution at tactical level. So far there has been an attempt to study organizational perception related to acquisitions though most of the research done is in international corporations with strong corporate identity and the questions were focused on how the acquired company perception really fits the other.

1.1.1 Acquisition as a Strategy

Strategy is the creation of unique and valuable position involving different set of activities, it requires one to make tradeoffs in competing to choose what not to do, and it involves creating competitive advantage (Porter, 1990). Acquisition refers to a situation where one firm acquires another and the latter ceases to exist (Datta, 1991). Strategy is the creation of unique and valuable position involving different set of activities, it requires one to make trade-offs in competing to choose what not to do, and it involves creating fit among companies. Acquisition refers to a situation where one firm acquires another and the latter ceases to exist. An acquisition occurs when one company takes controlling interest in another firm. A firm that attempts to acquire another company are called acquiring company while Target Company is a firm that is being solicited by the acquiring firm. The firms invest capital or equity into these firms. In Acquisition a company buys majority shares of another company or shares to gain control of it. A firm can establish a wholly owned subsidiary in a country by acquiring an enterprise in the target market.

Young et al (2014) In Acquisition a company buys majority shares of another company or shares to gain control of it. The firms invest capital or equity into these firms. A firm can establish a wholly owned subsidiary in a country by acquiring an enterprise in the target market. Acquisition is a strategy used by many organisations as a way of expanding their businesses through entering into new market or even fighting competition by acquiring upcoming Companies. The acquiring company must also move fast and put and integration plan in place and to act on it to avoid failure of integrating acquired and acquiring firm (Hill, 2009). The firms invest capital or equity into these firms. In Acquisition a company buys majority shares of another company or shares to gain control of it. A firm can establish a wholly owned

subsidiary in a country by acquiring an enterprise in the target market. According to (Hill, 2009) the volume of cross –border acquisitions in 2001 mergers and acquisition in Europe accounted for 80% of all income inflows. Acquisition is a strategy used by many organisations as a way of expanding their businesses through entering into new market or even fighting competition by acquiring upcoming Companies.

Reasons why many organisations sort to use this mode is because they are quick to execute, for example by acquiring an established company a firm can build its presence in the target foreign market. Also it enables them to pre-empt their competitors. Furthermore acquisition is considered to be less risky compared to other methods because when a firm makes acquisition it buys assets that are already producing revenue and profits (Eisenhower, 2013). There's need for firms to be able to find away of overcoming them through auditing intended enterprise to purchase, on operations, management culture and financial position (Elang and Pattnaik, 2011). This will help reduce unwanted management attrition after the acquisition. In Acquisition just like other methods it has its own risks involved thus the need for firms to be able to find away of overcoming them by screening the enterprise the firm intends to purchase through conducting auditing of operations, management culture and financial position. This will help reduce unwanted management attrition after the acquisition. The acquiring company must also move fast and put and integration plan in place and to act on it to avoid failure of integrating acquired and acquiring firm.

1.1.2 Concept of Perception

Perception is a process by which employees organize and interpret their sensory impressions in order to give meaning to their environment (Pearce and Robinson,

2007). Perception is the manner in which a person understands someone or something. It is determined by both physiological and psychological characteristics. It correlates and comprehends diverse sensations to arrive at a meaningful conclusion. In psychology and cognitive science perception is the process of attaining awareness or understanding of sensory information. It is determined by both physiological and psychological characteristics. It correlates, integrates and comprehends diverse sensations to arrive at a meaningful conclusion. In psychology and cognitive science perception is the process of attaining awareness or understanding of sensory information. The word perception comes from latin words perception meaning receiving or collecting, it is the action of taking apprehension with the mind or senses (Neiser, 1992).

However, researchers like (Kariuki, 2009) tried to develop the concept around one of its most essential characteristics that the world around us is not psychologically uniform to all individuals. This is the fact in all probability that accounts for the difference in the opinions and actions of individuals/groups that are exposed to the same social phenomenon emphasize that perception ranks among the most important cognitive factors of human behaviour or psychological mechanism that enable people to understand their environment. Perception is the process whereby people select, organize, and interpret sensory stimulations into meaningful information about their work environment. It has been argued that perception is the single most important determinant of human behaviour, stating further that there can be no behaviour without perception.

What we perceive is the meaning we give to something sensed (Kotler, 2000).

However, many social psychologists have tended to develop the concept around one of its most essential characteristics that the world around us is not psychologically uniform to all individuals (Kanbe, 2013). This is the fact in all probability that accounts for the difference in the opinions and actions of individuals/groups that are exposed to the same social phenomenon emphasize that perception ranks among the most important cognitive factors of human behaviour or psychological mechanism that enable people to understand their environment. It has been argued that perception is the single most important determinant of human behaviour, stating further that there can be no behaviour without perception (Proctor et al, 2013).

Perception of acquisition strategy is influenced by internal and external factors (Porter, 1990). Though whatever one perceives can be different from the reality. Perception about Acquisition by another company therefore could differ depending on their different perceptions. One of the errors that distort attributions is contrast effect, Halo effect and stereotyping. This affects perception of acquisition strategy. People may look at the same thing and perceive it differently because of the following factors attitudes, motives, interests, experience and even expectations, other things would be social and work settings. Motivational state being one of the characteristics of perceiver influences the focus of perception for example a troubled in secure staff will read or hear of a corporate acquisition or re-organisation and will focus only on details that will affect her job while another person driven by desire for higher status will focus on the possibilities for promotion.

One effect of motivational state is the direction of perceptual focus. Attribution is one of the theories used to explain individual perception. It is an attempt to determine

whether an individual's behaviour is internally or externally caused. Employees judge others depending on the meaning they attribute to certain behaviour. Purchase of organisation by another company; the determination however will depend largely on distinctiveness, consensus and consistency. Internally caused behaviours are those we believe are under control of the individual while externally caused are what we imagine the situation will force individual to do. One of the findings from attribution theory is that errors distort attributions like contrast effect, Halo effect and stereotyping.

1.1.3 Kenya's ICT Industry

Kenya ICT sector has had a great potential for growth because of its previous low penetration levels in internet and broadband providers. The year 2001 saw significant changes in the country's ICT sector with introduction of more players into the market that were issued licences to be regional carrier, therefore making significant change in the competitive landscape for ICT services in Kenya.

The official regulatory body of the country is Communication Commission of Kenya (CCK). In 2009, the government recognized these rapid changes and developments in technology and introduced the Kenya Communication (Amendment) Act 2009. They are now responsible for facilitating the development of the information and communications sector and electronic commerce. The Government objective for the sector is to optimise its contribution to the development of the Kenyan economy as a whole by ensuring the availability of efficient, reliable and affordable communication services throughout the country. Kenya's ICT sector contributed 5% to the growth of GDP in 2011-2012 from contributing 3.7% to the growth of GDP in 2010. The review of the current ICT Policy is inspired by first, the need to align it with the new

constitutional dispensation and Vision 2030 economic blueprint of transforming Kenya into a leading information and knowledge economic hub in the region. Areas of focus include providing a framework that will enable ICT to contribute towards achieving national development goals as espoused in Vision 2030. Facilitate increased universal access to ICT services and products in order to transform Kenya into an information and knowledge society where everyone has equitable and affordable access to ICTs. Deploy widespread use of ICTs to enhance ease of doing business in Kenya. Ensure improved competitiveness for Kenya as an business processing Operation hub in the region. Position Kenya as a regional ICT centre of excellence and knowledge hub. Ensure improved public information management for efficient and timely delivery of government service. Ensure that ICT infrastructures are utilized effectively, are compliant with regional and international standards and are internationally competitive.

Some of the key challenges facing ICT sector includes inadequate implementation of policy and regulatory intention to support rapid development and deployment of infrastructure and services; limited support in research and development; and in adequate access to ICT services (Government of Kenya, 2013).

In the last 10 years, development in the telecommunication sector has become a real success story in Kenya economy. The Government formed Information technology and communication Authority that is supposed to consolidate functions of directorate of E-Government and ICT board. New technologies is propelling Kenya into Africa high tech capital and creating a silicon savannah of interconnected telecommunication hub to power our growing economy. Over the last 5 years Kenya has put in place

much of its ICT infrastructure including 5 new fibre optic cables as well as new regulatory regime (http://www.cck.co.ke).

1.1.4 Liquid Telecom Kenya

Liquid Telecom is the leading independent data, voice and IP provider in Kenya. They supply fibre optic, satellite and international carrier services to mobile networks, ISPs and businesses of all sizes, as well as communication solutions for individuals. The company has built Africa's largest single fibre network, currently stretching over 17,000km across Uganda, Kenya, Rwanda, Zambia, Zimbabwe, Botswana, Congo, Lesotho and South Africa. The Award winning Pan Africa Network covers Africa's fastest growing economies, where no fixed network has existed before. It provides reliable, high-speed, cost effective voice and data services – as well as Payment Solutions to Africa's largest mobile network operators, Internet service providers, financial institutions and businesses of across Africa and beyond.

Liquid is investing heavily in expanding into new countries to ensure that for the first time, operators in central, eastern and southern Africa are directly connected by a single fibre network. It will continue to add more metro fibre networks to their existing footprints as well as their last mile network. The company is developing a wide range of services for the Optic fiber network. The current service bouquet includes Internet Access, Virtual Private Networks, Point-to-Point links and disaster recovery links. These services are available nationally and internationally with a wide range of options covering Connection Speed, Contention Ratio and Service Level. Services are fully managed according to the service level agreement with penalties for nonperformance and monthly reports. The introduction by Liquid Telecom of Gigabit

Passive Optic Network equipment in several large cities in the sub-continent is enhancing the user experience whilst reducing costs.

Liquid Telecom used acquisition as a strategy to venture into Kenyan market. The company acquired Kenya data networks through purchasing 80 percent of shares owned by Altech Stream who were the former owners of Kenya data networks. One of the reasons that attracted Liquid telecom to purchase Kenya data networks was the location and already existing client base (http://www.liquidtelecom.co.ke).

1.2 The Research Problem

Organization strategy is increasingly becoming a concern for many organisations and firms are adopting different strategies to increase their competitiveness. The implementation of the strategy can be difficult especially when it comes to handling the process. This can lead to reduction in employee performance due to uncertainty that comes with it. Perception could be positive or negative depending on how organisation handles it (Kanakeh, 2009). Managers and other staff face challenges trying to get information regarding the new buyer, which can lead to frustrations. Organisations need to focus more on employee welfare and organisation culture, to improve on their perception (Korir, 2006). Within the context of intensification of competitiveness, acquisitions have become the dominant mode of the firm growth in the last two decades for most firms in Kenya.

Whereas these acquisitions have played an important role in firm strategy, employee perception of these acquisitions still remains a controversial issue. Some of the studies done on employee perception have been focused on the banking sector thus the need to expand to other sectors too to establish consistency of the findings (Kasongwa, 2009). Acquisitions are now a fact of life in business world and many senior managers believe that it will unlikely slow down but rather increase. This is a reflection of how important it is considering it provides a quicker and easier route to achieve growth (Datta, 1991).

Liquid telecom is trying to enhance its' competitiveness by acquiring smaller firms like Kenya data networks and rebranding them. Liquid telecom has more assets than Kenya data networks, which gave it an upper hand in steering the purchase. The implementation of the strategy however has become a challenge, because the company is focusing more on customers and infrastructure, paying little attention to managers and staff who are important in ensuring the service is delivered as expected. The company needs to pay more attention on employee needs and especially on their perception to be able to successfully implement the strategy.

Firms are facing challenges in implementation of acquisition strategy because of lack of understanding of managers and staff perception of the strategy, during and after acquisitions. For example the search for factors that influences managers and staff perception over job turnover merits further studies in other sectors too like telecommunication to enable management to understand human behaviour and how to handle each employee to reduce on the turn over (Kanakeh, 2009). A number of studies have focused on perception like Kariuki (2009) who focused on Institutional

investors perceptions on quality of financial reporting in Kenya while Bariti (2010) did a research on management perception of stakeholders involvement in reform and modernization programme at KRA, according to his research employee perception may change overtime.

Other studies have focused on acquisition but not Employee perception on acquisition as strategy. Maranga (2010) did a study on effects of mergers and acquisition on cost and scale efficiency of the combined commercial banks in Kenya these focused more on the regulation and organization risk management practices and competition while Katuu (2003) researched on a survey of factors considered important in merger and acquisition decisions by selected Kenyan based firms these study focused more on cultural factors which according to the findings is given least consideration during the process of acquiring a firm. Other studies done by Korir (2006) Effects of mergers and acquisitions on financial performance of companies listed at the Nairobi Stock Exchange the study focused on listed companies in the Nairobi stock exchange only. Mukele (2006) did a survey of the factors that determine the choice of mergers and acquisition partners in Kenya.

According to studies indicated above, they focus on perception and acquisition in other sectors but none has been done in ICT industry. Furthermore, there's no single study addressing perception of acquisition strategy directly. This constitutes a gap in literature that the present study will try and bridge, thus the need to carry out the study. It will document on perception of acquisition strategy at Liquid telecom and factors that affect perception. Therefore, what is the perception of employees on acquisition strategy at liquid telecom?

1.3 Research Objectives

The objectives of the study was to:

    i.   Determine perception of employees on acquisition strategy at Liquid Telecom.

   ii.   Establish factors affecting perception of employees on acquisition at Liquid Telecom.

1.4 Value of the study

The findings of the study is important to various policy makers in the country like Communication Commission of Kenya, different firms and ICT board they can use findings of the study to act as a guideline when developing various policies regarding acquisitions especially on ICT sector keeping in mind employee perception is one of the major determinants of the success of the strategy.

To the academic researchers the study will stimulate further interest in this area of employee perception. Researcher will find it necessary to use the findings of this study as the basis of conducting related studies on employee perception and acquisitions around the world. This can guide researchers in the confirmation of the findings.

It will also act as a guide into day to day management of the organizations and different organizations that intent to consider acquisition as part of their strategy will get insight on how to handle it better putting into consideration employee perception as key to success of the strategy.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter shows the body of knowledge and understanding of the conceptual and analytical framework in the area. It covers theories underpinning the study, Acquisition strategy, types of acquisition strategies and its importance, perception of acquisition strategy and factors affecting perception. The literature review also provides the researcher with a body of knowledge and understanding of the conceptual and analytical framework in the area.

2.2 Theories Underpinning the study

This study was anchored on two key theories. Industrial organization economic theory that focus on structure, conduct and performance of the industry and cognitive psychology theory that focuses on sensory organ of human brain.

Industrial Organization Economic theory has its origin from the classical economic theories by Adam Smith. Structure of the market is the concept behind organization theory. It consists of the market actors, products and entry conditions. This theory focus on the market a company operates on rather than the firm itself, this is reflected in the structure conduct performance model, which claims that there's a causal link in which the market operates, organization conduct and in turn profitability of the company (Ramsey, 2001). Thus industrial organization theory focuses on the whole industry and market conditions of a firm and the central analytic aspect can be used to

identify strategic choices which firms have in their respective industries (Porter, 1990). Market structure is determined by entry conditions like degree of buyer concentration, degree of seller concentration, condition of entry to the market and degree of product differentiation (Porter, 1987). The theory further suggests that the structure of the market has influence on the strategy and decision making of a company. Industrial economic is a development of micro economics and is concerned with economic aspects of firms and industries seeking to analyse their behaviour and draw normative implications. The theory can be used to identify strategic decisions that are important for development.

Cognitive psychology deals with the processes which sensory input is transformed, elaborated, stored, received and used it's concerned with the development of a person's thought processes (Wagman and Day, 2014). Furthermore it is the branch of psychology that studies mental processes including how people think, perceive, remember, and learn. As part of the larger field of cognitive science, this branch of psychology is related to other disciplines including neuroscience, philosophy, and linguistics. It also looks at how these thought processes influence how we understand and interact with the world. For example Bottom up process theory also known as direct perception theory takes information coming into the eye and make judgements about the nature of the visual world based on data driven. One way for people to recognize objects in their environment would be for them to compare their representations of those objects with templates stored in memory. People are

generally encouraged to think before acting; however, you may have found that, sometimes, you make good decisions without thinking about them first. Bottom-up processing is simply about the process moving in the opposite direction: First comes the response in the body (eyes see the bowl and contents, nose smells chocolate, pickles, and hot sauce, stomach churns, face grimaces, head turns away). This leads to emotion (repulsion, disappointment) and the brain's cognition and directive for action. Bottom-up processing is simply about the process moving in the opposite direction: First comes the response in the body (eyes see the bowl and contents, nose smells chocolate, pickles, and hot sauce, stomach churns, face grimaces, head turns away). This leads to emotion (repulsion, disappointment) and the brain's cognition and directive for action.

Often, the time it takes for the process to start in the body and end with the brain is so fast that it is almost impossible to separate the steps. While we may be more familiar with talking about how we think than our body sensations, top down process theory this is where the perceiver will   need to build a cognitive understanding of perception stimuli then uses sensory information as a foundation for the structure. These two processes are important because perception is frequently modified by subsequent knowledge. Information processing based on previous knowledge or schemata allows us to make inferences to perceive or know more than is contained in the datae (Neisser, 1992). Simple cues are used to suggest complex feelings and emotions.

2.3 Acquisition Strategy

Strategy is the process of matching the activities of an organization to the environment in which it operates – a process known as search for a strategic fit which is achieving the correct positioning of the organization such that it is able to meet the needs of the market and fulfil stakeholder's expectation (Pearce and Robinson, 1997). Mintzberg (1978) on the other hand viewed strategy as a plan, ploy, pattern, position and perspective. An acquisition occurs when one company takes controlling interest in another firm. A firm that attempt to acquire another company is called acquiring company while Target Company is a firm that is being solicited by the acquiring firm. strategy is about winning. It is perceived strategy as a combination of competitive moves and business approaches that managers employ to satisfy customers compete successfully and achieve organizational vision and objectives (Scheider and Bowen, 2011).

Ansoff (1965) views strategy as the common thread among an organization activities and the market. According to him, strategy in an organization exists in three levels which include corporate level which is concerned with competition with other business in the market and achievement of competitive advantage and lastly operational level strategy which is concerned with how the components parts of an organization deliver effectively the corporate and business level strategies in terms of resources, people and processes. These points to the fact that there is no single definition of strategy thus terms such as mission, vision, and strategy defines the scope and boundaries of an organization. Strategy is the heart of strategic management for it aids organizations to formulate and implement various tasks in its

attempt to prosper. Strategy must help organization develop and maintain a competitive edge on the market focusing on the customer needs and competitors. Business managers should evaluate and choose strategies that will make their business successful. Mintzberg, 1978) observed that for a firm to optimize its competitiveness and profitability and indeed long- term sustainability, it has to match its strategy and supporting capability with the environment. According to him, strategy formulation and strategies are context sensitive which might explain why there are many competing models in strategic development and strategic planning and implementation.

There are several reasons why firms consider acquisition strategy, like to help improve the target company's performance, consolidate to remove excess capacity from the industry by acquiring smaller firms, accelerate market access for the target products which can help increase growth in revenue, get skills or technology faster or at lower cost than they can be built and lastly identifying the company to purchase early enough and start helping them to develop their business (Brownlee, 2014). If a company run bankrupt it becomes an opportunity for bigger firms to implement acquisition by taking advantage of its distressed position in the market (Maranga, 2010). Companies typically take up all kinds of strategic benefits from acquisitions that are really entirely about cost cutting (Voss, 2013).

2.4 Types of acquisition strategies

The process of acquisition is a case of dominance of one company over the other. A bigger company will take over the shares and assets of the smaller company and either run it under the bigger company's name or might run it under a combined name.

There are four types of acquisitions. Reverse acquisition, this is where a private company takes over a public company. An act where a private company purchases a publicly traded company and shifts its management into the latter. It also normally involves renaming the publicly traded company. This allows private companies to become publicly traded while avoiding the regulatory and financial requirements associated with an IPO. In order for a reverse acquisition to happen smoothly, the publicly traded company is usually a shell corporation, that is, one with only an organizational structure and little or no activity. The two businesses can then merge the private company's products with the public company's structure. It also makes initial trading less dependent on market conditions, a key risk in IPOs. However, it is important to note that a reverse acquisition only provides the private company with more liquidity if there is a real market interest in it.

Secondly we have friendly acquisition, which is where both companies approve acquisition under friendly terms, there's no use of force and the whole process is cordial. Empirical analysis of specific acquisition strategies offers limited insight, largely because of the wide variety of types and sizes of acquisitions and the lack of an objective way to classify them by strategy. What's more, the stated strategy may not even be the real one: companies typically talk up all kinds of strategic benefits from acquisitions that are really entirely about cost cutting. In the absence of empirical research, our suggestions for strategies that create value reflect our acquisitions work with companies. Advantages of friendly acquisition is pursuing an acquisition as an exit strategy is that it can potentially result in a high valuation of a company that results in a high sale price. Acquisition by competitor can be preferable

to attempting to sell a company to a friendly buyer, because acquisitions allow owners to focus on negotiating the sale price as high as possible. It can be difficult to negotiate with a friendly party, because both sides may feel obligated to give the other a good deal, which can result in undervaluing or overvaluing a company. In addition, owners may have an ongoing relationship with friendly buyers, which could be affected by business dealings. Acquisition by a competitor allows owners to keep business and personal issues separate.

Thirdly we also have backflip acquisition, where purchasing company becomes a subsidiary of the other company, this kind of acquisition is known to be very rare. It's an unusual type of corporate takeover in which the acquiring company becomes a subsidiary of the acquired company. This rare type of takeover usually occurs when the acquired company is larger or better known than the acquiring company.

Lastly hostile acquisition, as the name suggests the whole process is normally done by force and smaller companies are normally driven to a condition that it has no option but to say yes to the acquisition to save the firm, the bigger company just buys its share, their by establishing majority and hence initiating the acquisition (Sherman, 1998). A hostile takeover involves the acquiring company buying stock directly from shareholders, sometimes by offering a particularly high price. The acquiring company may buy up to 5% of the target company without registering the move. Most hostile takeovers involve tender offers. The acquiring company tenders, or makes, a public

offer to stockholders to buy shares of the target company at a price much higher than their market value. The hostile bidder's goal is to acquire more than half of the target company's stock, thereby seizing ownership of the company without the approval of the target company's board of directors or shareholders. Hostile takeovers sometimes take the form of a proxy fight, in which the hostile bidder attempts to convince a large number of shareholders to assign it their voting rights. The hostile bidder then uses shareholders' proxy votes to elect its own members to the target company's board of directors.

The hostile bidder's goal is to gain control of the board of directors, which will then vote to approve the sale of the company to the hostile bidder. A poison pill is a common technique that corporations and small businesses use to reduce the risk of a hostile takeover. To create a poison pill, a board of directors usually adopts bylaws that entitle original shareholders the right to buy additional shares at a discount price. This right is triggered only when a new shareholder acquires a specified percentage of the stock. When triggered, the poison pill increases the number of shares, diluting a hostile bidder's stock holding and making it prohibitively expensive for the hostile bidder to acquire the target company through stock purchases. Preemptive and reactive defenses present several difficulties for hostile bidders. Some defenses make the target company less appealing by raising the acquisition costs or lowering the company's value. Others significantly lengthen the acquisitions process, giving the target company's management more time to prevent the hostile takeover.

Acquisition creates synergy that provides a surplus power that enables enhanced performance and cost efficiency. When two or more companies get together and are supported by each other, the resulting business is sure to gain tremendous profit in

terms of financial gains and work performance. Cost efficiency is another advantage of acquisition this is because it helps improves the purchasing power as there is more negotiation with bulk orders. Apart from that staff reduction also helps a great deal in cutting cost and increasing profit margins of the company. Also from this increase in volume of production results in reduced cost of production per unit that eventually leads to raised economies of scale.With an acquisition it is easy to maintain the competitive edge because there are many issues and strategies that can be well understood and acquired by combining the resources and talents of two or more companies. A combination of two companies or two businesses certainly enhances and strengthens the business network by improving market reach. This offers new sales opportunities and new areas to explore the possibility of their business. Furthermore it helps increase the market power of the company that in turn limits the severity of the tough market competition. This enables the acquired firm to take advantage of hi-tech technological advancement against obsolescence and price wars

2.5 Perception of Employees on Acquisition Strategy

Employee perception in any organization is important as they influence organization performance and output (Rhodes and Eisenberger, 2002). If managers and staff perception of what is expected of them is consistent with the actual expectations of the organization, then the result is effect in performance. In addition, if employee perception is distorted, then the outcome will be inappropriate behaviour (Anorld and Feldman, 1996). According to Jemison and Sitkin (1986), he argued that the

acquisition process it self has had a crucial role in determining acquisition activities and outcomes and the conventional choice perspective should be supplemented with a process perspective. This will focus on the idea that acquisition process will affect post-acquisition performance of acquiring firm and has a complementary relationship with traditional strategic fit and organizational fit. In order to capture intended acquisition benefits, the acquiring firm must perform there acquisition process in a deliberate manner that converts acquisition intent to a realised one.

Mintzberg (1978) attacked traditional planning approach because it inaccurately assumed that a firm's strategy is always an outcome of rational planning. He further argued that the core of strategy is that it relies on the role of process, rather than the plan. Sometimes a firm's strategy is as a result of unforeseen environmental circumstances. Studies based upon rational choice have had two key points; strategic fit and organizational fit, some researchers have acknowledged that the choice perspective may not provide a thorough view of acquisition process and outcome, correspondingly. This will focus on the idea that acquisition process will affect post acquisition performance of acquiring firm and has a complementary relationship with traditional strategic fit and organizational fit.

Employee perception is psychological and can be measured by qualitative factors such as people attitude, emotions and previous experiences. Employee attitude have a powerful influence upon what they pay attention to, what they remember and how they interpret information. Employee perception of the organization is strongly Influenced by their attitude towards organization in general. Employee emotional state strongly influences perception process. When employees are highly agitated,

frustrated or angry, their perceptual process becomes impaired, previous experience in similar circumstance also influence perception. Existence of stress, also impede the capability process and perceive information they receive. Some circumstances distort perception resulting in behaviour that is undesirable from the organizations standing point (Arnold and Feldman, 1986).

Perception is largely selective. Shiffman (1994) alludes that consumers exercise a great deal of selectivity as to which aspects of the environment stimuli they perceive. From large number of stimuli available in our complex world; we choose the ones that will be given attention. We pay attention to considerably fewer stimuli than we are exposed to and understand only some of them. Selectivity of perception serves as filter through which potentially important or favourable experiences will be allowed to flow while potentially unimportant or unfavourable experiences are locked out. Kotler (2000) argues that people can emerge with different perceptions of the same object because of three perceptual processes; selective attention, selective distortion and selective retention.

2.6 Factors Influencing Perception of Acquisition Strategy

Perception is the sensory experience of the world around us it involves recognition of environmental stimuli and action in response to the stimuli. A number of intrinsic and extrinsic factors affect perception of acquisition, these factors normally reside in the following, influence of expectation on perception, a person expectation before acquisition and after will determine his performance (Wagman and Day, 2014).

If one expects life to change for the better for example get increment after the acquisition, he will have a positive perception and look forward to the successful

implementation of the strategy, while on the other hand if the acquisition strategy will be characterised by job loss, this will have a negative influence on managers and employees perception.

Social classes will also influence perception of acquisition strategy. This is because if it's perceived that due to acquisition strategy there will be reduction in employee and managers salary to cut on cost, it will mean that they will have to cut down on spending too. Most of them will not afford the lifestyle, which they used to live before thus change of social class to a lower class. This will influence perception negatively. This is the discounting principle in social perception (Rhodes and Eisenberger, 2006).

Positions and power at work place can influence perception of acquisition strategy. Change of strategy can lead to restructuring which can lead to changes in the organization structure. Some positions can be removed and others added. If a manager's position is removed it means that he will have less power than what he used to have, this can be perceived negatively because we all like being powerful and have ability to make decisions at work place. This can affect the manager self-esteem thus affecting performance (Kanbe, 2013).

Motivation within an organization remains high if a worker perceives that there are opportunities for personal development or professional advancement, if he feels capable of completing tasks correctly and is involved with various organizational decision-making and goal-setting processes. Motivation can be reduced if the worker perceives a lack of opportunity for growth, a lack of involvement or a lack of opportunities to demonstrate any creativity (Harrar and Makin, 2014).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter helped researcher to conduct the survey and also to analyse the results from respondents. It gives an outline of the collection, measurement and analysis of data. In this section the researcher identified the procedures and techniques that were used in the collection, processing and analysis of data. It is divided into the following sub section research design, population, sample design, data collection and data analysis.

3.2 Research Design

The study adopted a descriptive survey research design. Mugenda and Mugenda (1999) notes that a survey research attempts to collect data from members of a population and describe existing phenomena by asking individuals about there perception, attitudes behaviour or values. It provided information about the nature, behaviour and attitude of Liquid Telecom employees. It provides a solid base for the whole research.

The research design helped researcher to carry out research in a proper and systematic way. It also acted as a firm foundation for the entire research. Data collected from this population was reliable and up to date because it provided maximum information with minimum spending effort and time hence the choice of this method. It also provided insight into the life experience of the respondents.

3.3 Population of the Study

The target population is a large collection of individuals to be used for research. It was designed to measure the impact of an intervention in a defined target population. The population of this study was a sample of employees of Liquid Telecom. As at 30.5.2014 there were 120 employees.

The population was a sample of 90 respondents. They were centred in one office, same location making it easier to reach them; also they have gone through similar experiences and have same interest. It was also easier to get deep insight into the area of study and there's reduced risk of missing potential insights from members not included. This population defined the units that the findings of the study will focus on.

3.4 Sample Design

The study had a sample of 90 employees who were chosen using simple random sampling method. Each unit of target population was assigned a number. Random numbers were generated and the units having those numbers were included in the sample. Each member of the population had an equal chance of being represented.

Already filled sampling tables were used to determine the correct sample to use. Since the total population was 120. I needed at least 90 questionnaires to attain a confidence level of 95% which had a margin of error of 3.5% thus making the data collected to be reliable and accurate.

3.5 Data Collection

The study involved a collection of data using semi-structured questionnaire. It also had questions, which were both closed and open ended accompanied by list of possible alternatives from which respondents were required to select answer that best describe the situation.

The advantages of questionnaires were that they were practical, easy to administer and large amount of information can be collected from large group of people in short period of time. Furthermore the results of the questionnaire were easily quantified by the researcher and used to analyse the findings objectively. The results were also analysed more objectively, and used to test existing hypothesis.

3.6 Data Analysis

The collected data was examined and analysed for completeness and comprehensibility. It was then summarised coded and tabulated descriptive statistics such as mean, average, standard deviation and frequency distribution was used to analyse the data. SPSS is a comprehensive and flexible statistical analysis tool, which will be used to also analyse the statistics through the use of factor analysis.

The data was presented using wide variety of graphs and frequency tables. The advantage of using above methods is that it provides effective data management making it easy to organize the data, and it provides accurate results while pointing out the exact percentages of respondent's response at each level.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to determine perception of employees on acquisition strategy at liquid telecom Kenya. This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 120 questionnaires were issued out and only 89 were returned. This represented a response rate of 74%.

4.2 Demographics

The study targeted employees of Liquid Telecom Kenya. As such the results of the demographic characteristics were investigated in the first section of the questionnaire. Socio demographic characteristics such as gender, age bracket, level of education and the length of continuous service with the company were important variables in the study. They indicated the proportion and representativeness of the respondents.

4.2.1 Gender Distribution of the Respondents

The research sought to find out the gender of the respondents who were asked to indicate their gender by ticking on the space provided. This was necessary in order to ensure that the results obtained captures the views of both gender and also provides the ability to understand how people from different gender perceive certain issues. The results are presented in Table 4.1.

Table 4.1: Respondents Gender

Level of Distribution	Frequency	Percentage
Male	52	57.8%
Female	37	41.1%
Missing	1	1.2%
Total	90	100%

The results indicate that 57.8% of the respondents were male while 41.1% of the respondents were female. This shows that the company is dominated by male with more than 50%. The findings indicate that the male and female difference was significant and therefore this implies that the study was gender sensitive and can be taken as a representative of the opinion of both genders.

4.2.2 Respondents Age Bracket

The respondents were asked to indicate their age bracket in order to establish the influence of age on the perception of employees and also to understand there familiarity with the strategy. This was important because different age groups have different needs in terms of career development and attaining job satisfaction. The results are presented in Table 4.2.

Table 4.2. Respondents Age Bracket

Years	Frequency	Percent
Less than 30	26	29.7
30 – 40	46	51.4
40 – 50	12	13.5
Over 50	5	5.4
Total	89	100.0

The results on the respondent's age bracket indicate that majority of the respondent's age bracket was between 30 and 40 years that is 51.4%. This shows that the respondents are at their prime age in terms of career development and are more concerned about how the company treats them and also how acquisition will affect their future. The results indicate that all ages were represented although majority of the employees' were middle aged and therefore the study represented all ages.

4.2.3 Level of Education

The respondents were requested to indicate the highest level of education. This was sought to investigate the level of formal education. The level of education was important in order to show the adequacy of the respondents on the concept of acquisition strategy. This was necessary because it helped in analysing how the respondents understand how acquisition process takes place, it's advantages and disadvantages and be able to make a sound decision whether to support it or not. The results are presented in Table 4.3.

Table 4.3 Level of Education

Level of Education	Frequency	Percent
Secondary	7	8.1
College	17	18.9
Undergraduate	34	37.8
Postgraduate	31	35.1
Total	89	100.0

The results indicate that 37.8% of the respondents had attained university level, 35.1% of the respondents said that their highest level of education was post graduate The results indicate that majority of the respondents were university graduates and above and therefore they understand the causes, factors and influence of acquisition strategy to the organization.

4.2.4 Length of Service with the Company

The respondents were requested to indicate the length of service with the company. Duration of service in the company was important in order to determine the respondents' level of understanding of internal information pertinent to the company. This was necessary because it helped in determining the views of long served employees in relations to newer employees. The results are presented in Table 4.3.

Table 4.4. Work Experience

Years	Frequency	Percent
Less than 1	12	13.5
1 – 3	26	29.7
Above 5	51	54.1
Total	89	100.0

The results indicate that majority of the respondents 54.1% have worked in the company for over 5 years. The results indicate that the respondents have worked in the company for a longer duration of time and therefore they understand the perceived acquisition strategy that has been taking place in the telecommunication sector.

4.3 Perception of Acquisition Strategy at Liquid Telecom

The key to choosing a good acquisition strategy involves analysis of structure, conduct and performance of industry while bearing in mind the role of perception. The respondents were requested to indicate their perception on acquisition strategy in a five point Likert scale. The range was 'strongly disagree (1)' to 'strongly agree' (5). The scores of strongly disagree and disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; $(0 \leq S.E < 2.4)$. The scores of 'indifferent have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: $(2.5 \leq M.E. < 3.4)$ and the score of both agree and strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; $(3.5 \leq L.E. < 5.0)$. A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

4.3.1 Employee Perception on Acquisition Strategy

The respondents were asked to indicate their perception on acquisition strategy. This was important for the study in order to determine how the respondents view acquisition strategy. The results are presented in Table 4.5.

Table 4.5. Employee Perception on Acquisition Strategy

Employee perception on acquisition strategy	Mean	Std. Deviation
It can cause division between employees and the company	3.6667	1.288441
The company has ensured all the employees understand what acquisition strategy is	2.5833	0.96184
The company believes that employee involvement in acquisition strategy leads to support of strategy	4.2000	1.23233
The company understands the need for acquisition strategy which can be related to resistance of implementation strategy	4.2054	1.01260
Employees are interested in learning about the process of acquisition	2.4833	1.12734
It influences employees' retention in the company	2.6500	0.93564
It can lead to retrenchment	2.5167	1.01667
If carefully implemented it can result in increased employee performance	4.9833	11.62186
It provides employees with better terms of employment	2.4167	0.88857
It can lead to job security	2.2333	1.12546

From the findings, the respondents were in agreement that acquisition strategy if carefully implemented it can result in increase in performance with a mean score of 4.9833. They further noted that the company understands the need for acquisition strategy can lead to resistance of the implementation with a mean score of 4.2054 however employee involvement in the strategy can lead to support of the strategy with a mean score of 4.2000.It can also cause division among employees with a mean score of 3.6667.The respondents further agreed that acquisition strategy influences employees' retention in the company with a mean score of 2.6500. They were also in agreement that the strategy can lead to retrenchment and that the employees were interested in learning about the process of acquisition with a mean score of mean 2.5167 and 2.4833 respectively.

The respondents were indifferent about the ability of the strategy to provide employees with better terms of employment a mean score of 2.4167,). They were further indifferent on acquisition strategy leading to job security with a mean score of 2.2333. The employees of the company perceive acquisition strategy as leading to retrenchment in the long run and therefore involving employees and making them understand the need to pursue the strategy by the company will result to non-resistance and increased employee performance. The perception index was calculated using the following formula.

E $(VRn \; x \; Wn)$ X 100

  [(TVR-NR) x 5]

VR= Variables Respondents for each weight   n = 1-5

Wn= Weighting on scale of 1-5   TVR= Total Variable Respondents

NR= Non Respondents

Table 4.6 Perception Index

	Perception index
Acquisition strategy can cause division between employees and the Company.	56%
Liquid Telecom has ensured all employees understand what is acquisition strategy.	69%
Liquid Telecom believes that employee involvement in the process of acquisition strategy can lead to support of the strategy.	74%
Liquid Telecom understands the need for acquisition strategy can be related to resistance of implementation of the strategy.	65%
Indicate your level of interest in learning about the processes of acquisition.	80%
Acquisition strategy can influence employees' retention by Liquid telecom.	54%
Acquistion strategy can lead to retrenchment.	70%
Acquistion strategy if carefully implemented can result to increase in employee's performance.	85%
Acquisition strategy provides employees with better terms of employment.	62%
Acquisition strategy can lead to job security.	67%

The perception index of the respondent, the questionnaire had both positive and negative questions. 7 questions were positive 3 were negative therefore the index was based on the majority questions which are 68% translating to 3.3. The table results are presented in Table 4.6

4.4 Factors Affecting Perception of Employees on Acquisition Strategy

A number of intrinsic and extrinsic factors affect perception of acquisition, these factors normally reside in the following, influence of expectation on perception, a person expectation before acquisition and after will determine his performance. The respondents were requested to indicate the factors that they perceive to affect employees on acquisition strategy. This was important for the study since this will influence how the employees perceive acquisition strategy. The results are presented in Table 4.7.

Table 4.7. Factors affecting perception of employees on acquisition strategy

Factors Affecting Perception	Mean	Std. Deviation	T test	Significance (2 tailed)
Your motives either caused by external or internal factors affect positive perception of acquisition by Liquid telecom.	2.8571	1.95753	8.635	0
Attitude and values can affect perception of acquisition strategy.	4.6857	0.75815	36.564	0
Life experience on implementation of any strategy affects your perception of acquisition strategy.	3.4286	0.9167	22.127	0
Fear of unknown consequences caused by acquisition strategy will negatively affect your perception of the strategy.	3.4054	0.9274	21.476	0
Support of acquisition strategy by other employees can influences your perception of the strategy.	3.9143	0.70174	33	0
Constant updates from executive team in regards to the process of acquisition strategy can positively affect perception of the strategy.	4.4	0.49705	52.37	0
Employees are happy about the new strategy of acquisition by liquid telecom.	4.4857	0.50709	52.333	0
Liquid telecom is concerned about the needs and welfare of employees.	4.7143	0.45835	60.849	0

Decision rule: Reject H0 if calculated T is <-1.96 or >+1.96 (Significance level =0.05)

The results indicate that the respondents were in agreement that motives caused by external or internal factors affect positive perception of acquisition strategy and that attitude and perception affects perception of the strategy with a mean score of 4.6857. The respondents further indicated that employees are motivated by the perception of personal development opportunities after implementation of acquisition strategy (mean 2.8571. The respondents further agreed that life experience on implementation of strategy affects employee perception of the strategy (mean 3.4286), support of the strategy by other employees influences employee perception of the strategy (mean 3.9143) and that constant updates from executive team in regards to the process of acquisition strategy positively affect perception of the strategy with a mean score of 4.4000.

The respondents further noted to a moderate extent that fear of unknown consequences caused by acquisition strategy will negatively affect employee perception of the strategy (mean 3.4054), that employees are happy about the new strategy of acquisition by the company (mean 4.4857) and that the company is concerned about the needs and welfare of employees with a (mean 4.7143). The results indicate that employees are concerned about their welfare after pursuit of the strategy by the company and therefore employees need to be guaranteed opportunities, change of positions should be clarified, motive for adoption need to be clarified, bringing on board all the employees and constant update by the management. A one sample t-test allows us to test whether a sample mean (of a

normally distributed interval variable) significantly differs from a hypothesized value. The following hypothesis was tested H_0 (Null hypothesis); there is no significant relationship between motives and its effect on perception while H_1 (Alternative hypothesis); there is a significant relationship between motives and its effect on perception. This is further explained in Table 4.8 and Table 4.9.

Table 4.8. Correlation Matrix

		Your motives either caused by external or internal factors affect positive perception of acquisition by Liquid telecom.	Attitude and values can affect perception of acquisition strategy.	Life experience on implementation of any strategy affects your perception of acquisition strategy.	Support of acquisition strategy by other employees can influences your perception of the strategy.	Constant updates from executive team in regards to the process of acquisition strategy can positively affect perception of the strategy.	Employees are happy about the new strategy of acquisition by liquid telecom.	Liquid telecom is concerned about the needs and welfare of employees.
Correlation	Your motives either caused by external or internal factors affect positive perception of acquisition by Liquid telecom.	1.000	.405	.609	.719	.907	.990	.609
	Attitude and values can affect perception of acquisition strategy.	.405	1.000	.665	.556	.343	.409	.665
	Life experience on implementation of any strategy affects your perception of acquisition strategy.	.609	.665	1.000	.836	.516	.615	1.000
	Support of acquisition strategy by other employees can influences your	.719	.556	.836	1.000	.691	.699	.836
	Constant updates from executive team in regards to the process of acquisition strategy can positively affect perception of the	.907	.343	.516	.691	1.000	.840	.516
	Employees are happy about the new strategy of acquisition by liquid telecom.	.990	.409	.615	.699	.840	1.000	.615
	Liquid telecom is concerned about the needs and welfare of employees.	.609	.665	1.000	.836	.516	.615	1.000

Source: SPSS, Factor Analysis.

Correlation coefficients for each pair of variables are based on all the cases with valid data for that pair. This means that most of its eigenvalues are negative, this signal a perfect linear dependency of one variable on another. Kaiser-Meyer-Olkin (1974) measure of sampling adequacy varies between 0 and 1, and values closer to 1 are better. A value of 0 indicates that the sum of partial correlation is large relative to the sum of correlation indicating diffusion in the pattern of correlation. Value close to 1 indicates that pattern of correlation are relatively compact therefore factors should yield a reliable and reliable factors.   A value of 0.5 is a suggested minimum.

Table 4.9. Communalities

	Initial	Extraction
Your motives either caused by external or internal factors affect positive perception of acquisition by Liquid telecom.	1	0.966
Attitude and values can affect perception of acquisition strategy.	1	0.702
Life experience on implementation of any strategy affects your perception of acquisition strategy.	1	0.934
Fear of unknown consequences caused by acquisition strategy will negatively affect your perception of the strategy.	1	0.833
Support of acquisition strategy by other employees can influence your perception of the strategy.	1	0.87
Constant updates from executive team in regards to the process of acquisition strategy can positively affect perception of the strategy.	1	0.924
Employees are happy about the new strategy of acquisition by liquid telecom.	1	0.934
Liquid telecom is concerned about the needs and welfare of employees.	1	0.901

Source: SPSS Factor, Analysis.

The extraction method was Principal Component Analysis, factor extraction was carried out so as to establish the total variance. Eigen values indicate the relative importance of each factor accounting for a particular set and hence those with small

eigen values were left out on the assumption that all variance is common. Using Kaiser's criterion it provided accurate and the communalities are all greater than 0.7. The total variance of all the factors is presented in the Table 5.0 and Figure 4.1

Table 5.0. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.669	74.102	74.102	6.669	74.102	74.102	5.776
2	1.292	14.356	88.458	1.292	14.356	88.458	5.259
3	0.453	5.033	93.491				
4	0.294	3.272	96.763				
5	0.188	2.086	98.849				
6	0.089	0.994	99.844				
7	0.014	0.156	100				
8	5.51E-17	6.12E-16	100				
9	-4.76E-17	-5.29E-16	100				

Source: SPSS, Factor Analysis.

This was extracted using principal component analysis. When components are correlated, sums of square loading cannot be added to obtain a total variance. The first two factors met the criterion of extraction method. There were only two factors with eigenvalues greater than 1; the others didn't make it to the grade. The results indicated 9 linear components within the data, and extracted 2 factors. Eigenvalues are displayed in terms of the percentage of variance. For example factor 1 explains 74.102% of total variance. Rotation has the effect of optimising square structure; this makes relative importance of the 2 factors to be equalized. Before rotation factor 1 accounted for more variance, but after extraction it accounts for only 5.776% compared to 5.259%.

Figure 4.1 Total Variance.

Source: SPSS Factor Analysis

Table 5.1. Rotated Component Matrix

	Component	
	1	2
Your motives either caused by external or internal factors affect positive perception of acquisition by Liquid telecom.	.976	
Attitude and values can affect perception of acquisition strategy.	.973	
Life experience on implementation of any strategy affects your perception of acquisition strategy.	.934	
Fear of unknown consequences caused by acquisition strategy will negatively affect your perception of the strategy.	.914	
Support of acquisition strategy by other employees can influences your perception of the strategy.		.919
Constant updates from executive team in regards to the process of acquisition strategy can positively affect perception of the strategy.		.917
Employees are happy about the new strategy of acquisition by liquid telecom.		.917
Liquid telecom is concerned about the needs and welfare of employees.	.418	.645

Source: SPSS, Factor Analysis.

Rotation method used was Oblimin with Kaiser Normalization.

Rotation converged in 7 iterations. This is a matrix of the factor loading for each variable onto each factor. Variables are listed in order of size of factor loadings because I asked for the output to be sorted by size. This matrix was compared with unrotated solutions before rotation most components loaded highly onto the first factor. The results are presented in Table 5.1

4.6 Discussion

In the globalized economy, acquisitions strategy acts as an important tool for the growth and expansion of the economy. Acquisitions strategy helps the companies in getting the benefits of greater market share and cost efficiency. Companies in the telecommunication industry are confronted with the facts that the only big players can survive as there is a cut throat competition in the market and the success of acquisition depends on how well the two companies integrate themselves in carrying out day to day operations.

The study found out that employees perceive acquisition strategy as causing division between employees and the company, company believes that employee involvement in acquisition strategy leads to support of strategy, carefully implemented acquisition strategy result in increased employee performance, acquisition strategy influences employees' retention in the company, the strategy lead to retrenchment and that the employees were interested in learning about the process of acquisition. The results are consistent with Anorld and Feldman (1996) findings that employees need to have all the facts about the process in order to fully support the strategy. At the same time if managers and staff perception of what is expected of them is consistent with the actual expectations of the organization, then the result is effect in performance.

The success of acquisition strategy by the company largely depends on the amount of information the employees have been provided with. Wagman and Day (2014) posited that a number of intrinsic and extrinsic factors affect perception of acquisition and these factors normally reside in the influence of expectation on perception, a person expectation before acquisition and after will determine his performance. These are consistent with the findings of the study that motives caused by external or internal factors affect positive perception of acquisition strategy, attitude and perception towards the strategy, motivations of personal development, past and future expectations, life experience, support of the strategy by other employees and constant updates from executive team.

Cognitive psychology deals with the processes which sensory input is transformed, elaborated, stored, received and used it's concerned with the development of a person's thought processes (Wagman and Day, 2014). It also looks at how these thought processes influence how we understand and interact with the world. For example Bottom up process theory also known as direct perception theory takes information coming into the eye and make judgements about the nature of the visual world based on data driven.

Top down process theory this is where the perceiver will need to build a cognitive understanding of perception stimuli then uses sensory information as a foundation for the structure. These two processes are important because perception is frequently modified by subsequent knowledge (Neisser, 1992). The results of this research support the theory in that according to this theory it confirms that motives, attitudes

and values being part of cognitive psychology has highly affected perception of employees at Liquid Telecom. Communications from management about acquisition lead to positive perception of the strategy. This finding also agrees to other researchers like Bariti (2010) who did a research on management perception of stakeholder's involvement in reform and modernization programme at KRA and confirmed that motives, attitudes and values of stakeholders highly determine their perception.

The results indicate that employees are mostly affected by similar issues. It further shows that Liquid telecom is concerned about the welfare of the employees, and it has tried to give them information in regards to the strategy implementation and also it keeps on updating the employees on the progress. Also compared to studies done by Karori (2010) he also found out that organization need to focus more on employee welfare and organization culture to improve on their perception. Kanakeh (2009) further recommended more research to be done in other sectors like telecommunications to enable management understand human behaviour and how to handle employees to reduce job turn over, she further noted that perception could be positive or negative depending on how organisation handles it. Schneider, Parkington and Buxton (2006) research on some practical realities revealed a strong relationship between employee perceptions of branch practices and procedures in relation to service and customer perceptions of service practices and quality. Schneider and Bowen (2011) found a significant relationship between employees' perceptions of organizational human resources practices and branch customers' attitudes about service.

Katuu (2003) researched on a survey of factors considered important in merger and acquisition decisions by selected Kenyan based firms these study focused more on cultural factors which according to the findings is given least consideration during the process of acquiring a firm, this research doesn't agree with the findings, because the findings show that emotions, motives and communication some of the key factors affecting acquisition. Mukele (2006) who also did a survey of the factors that determine the choice of mergers and acquisition partners in Kenya, she concluded that culture of the employees was one of the major factors which determined whether the acquisition will be successful or not, an understanding of different cultures can put the organization in a position of strength when implementing the strategy, because they will be able to understand how to go about it.

However from the findings of the study culture wasn't one of the key issues affecting employee perception. Some of the studies done on employee perception have been focused on the banking sector (Kasongwa, 2009) actually confirms this study that communication from management in regards to implementation of any strategy is key in determining employee perception, because this will either make them feel like they have been included and are part of the process or not.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of the survey including key issues, conclusion on what the results were from the respondent's and how it has impacted previous studies and recommendations of the study to other researchers, policy makers and management of Liquid Telecom. The suggestion for further research was also highlighted in other companies in the same industry.

5.2 Summary

The study show that the amount of information employees has towards acquisition strategy influences their perceptions to a great extent. The study found out that the employees of the company perceive the strategy as causing division between employees and the company, employee involvement in acquisition strategy leads to support of strategy, carefully implemented acquisition strategy result in increased employee performance, acquisition strategy influences employees' retention in the company, the strategy lead to retrenchment and that the employees were interested in learning about the process of acquisition.

Competition in the telecommunication industry is increasing daily and can no longer be ignored. Telecommunication companies are now developing different kinds of strategies to help them stay ahead of the competition. When managed correctly, acquisitions are helpful tools that managers can use to achieve their business objectives. The employees of the company are an important asset and their perception towards the strategy affects its long term success. The perception of the employees is

however affected by several factors that were found to include motives caused by external or internal factors affect positive perception of acquisition strategy, attitude and perception towards the strategy, motivations of personal development, past and future expectations, life experience, support of the strategy by other employees and constant updates from executive team.

5.3 Conclusion

In today's competitive market, companies seem to be appreciating the role of acquisitions in a bid to stay relevant and maintain market share, however, it may be possible that firms may opt to do it alone and still be successful, this however may not be sustainable as at a certain point in the growth of a firm, it will meet stiff competition and may need a partner with whom to join hands in a strategic partnership of sorts. These takeovers have brought along with them challenges in the operations of such arrangements which have either stifled performance and growth, or improved the same thus either positively or negatively contributing to the general business objectives of the firm.

These are some of the key finding from the study motives either caused by external or internal factors affect positive perception of acquisition by Liquid telecom and also individual attitude and values can affect perception of acquisition strategy too. Furthermore the company believes in employee development and therefore it ensures that all communication has trickled down to everyone in the organization. On the basis of the findings emanating from this study, it can be concluded that acquisition strategy has been used by the companies to enter into a market and the takeover will

have an effect on the employees of the company. Liquid company was not an exception as the employees perceive the acquisition strategy as a strategy that will cause division between the company and employees and retrenchment. In order to counter the challenges, the employees perceive their involvement as leading to support of the strategy, increased employee performance, employee retention and employee interest in learning about the process of acquisition.

Some of the key findings indicate that, acquisitions are a significant part of corporate strategy with both regard to the economy as a whole and the individual business in question. Strategic acquisitions are therefore a logical and timely response to the volatile changes in the economic environment that the businesses operate in. Employees' perception towards acquisition strategy was found to be influenced by several factors that include motives caused by external or internal factors, attitude and perception towards the strategy, motivations of personal development, past and future expectations, life experience, support of the strategy by other employees and constant updates from executive team. These factors will influence successful acceptance of the strategy by the employees.

5.4 Recommendation for Policy and Practice

This study is of great significance to the telecommunications industry because of the fact that many firms are in a hurry to acquire other firms in a bid to gain competitive advantage over each other, especially at this time in Kenya when undersea fiber infrastructure has been received into the country, this study would help add value in policy formulation by regulatory authorities like the Communications Commission of Kenya, in that the study goes to show that not all acquisitions are for competitive

advantage, but also to improve technical capacity of the citizens of a country as well as awareness.

The study found out that the employees of the company perceive acquisition strategy as leading to conflict with the company and retrenchment. It is therefore recommend that the management of liquid company should involve employees on every step of the strategy in order for them to support the strategy by understanding the need for the strategy to succeed. Employee perception was found to be influenced by several factors and it recommended that in order to change the perception the employees need to update regularly on the progress of the process and motivated in order to make them support the strategy. This study can contribute in helping to formulate policies that revolve around the acquisitions strategy in the telecommunications industry in Kenya and maybe contribute to the vision 2030 within the ICT sector.

5.5 Limitation of the Study

The study was undertaken at Liquid Telecom Kenya Company alone and the there was no room for comparison of the findings of the research with those of similar companies. Therefore more research should be done in other companies in the same sector so that we are able to establish exact figures on the impact of the strategy to employees and also understand how they dealt with the challenges.

The study also limited itself to information and details that could be discussed without compromising any part of the company's business aspects as it competes in a very dynamic and competitive industry. Therefore more questions should be added in the questionnaire in relations to for example remuneration of employees before and after

the acquisition strategy has been implemented. Limited accessibility to information in the organization due to confidentiality being maintained which strained accessibility of data. There was also a lack of cooperation from some staff during interviews as they had to go out of their work schedule to respond. More time should be allocated to do the research so that everyone is able to get time and respond to the questionnaire.

The limitations however did not affect the data collected to undertake the study. The common knowledge surrounding the company that acquisition could cause a lot of negative changes in the organization also affected the way respondents answered the questions. Most of them answered the questions on emotions rather than facts about the strategy.

5.6 Suggestions for Further Research

This research focused on only one telecommunication industry, even though there are more than 20 similar company's in the country. This research therefore should be replicated in other companies that have undertaken acquisition strategy in the same industry to be able to understand how others have handled the process. Also it can be done in other sectors too in order to establish the general perception of employees towards new strategy.

The findings afford an avenue for additional research to be done in the context of cognitive psychology theories and importance of perception of employees not only towards acquisition strategy but rather any strategy. Understanding cognitive psychology will lead to better understanding of employee's perception. This is

because perception plays a big role in the acceptance of the strategy leading to increase in success rate during implementation.

Further research should be done on the effects of the acquisition strategy and implication on the firm's revenue growth, a study on the effects of acquisitions on human resource performance in Safaricom for example could be a topic for research, this is because such information would help interested firms gauge the level of performance they would expect from employees as well as from the acquiring firms staff, this is important in that it would help clear the notion that in most acquisitions, many have to expect job losses as a result.

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APPENDICES

Appendix I: Introduction Letter

Felistars Obonyo

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July, 2014

Dear Respondent,

RE: Collection of Survey Data

I am a postgraduate student at the University of Nairobi, school of business. In order to fulfil the degree requirement, I am undertaking a management research project to determine the **Perception of Employees on Acquisition Strategy at Liquid Telecom.**

This is to kindly assist me collect the data by filling out the accompanying questionnaire. The information you provide will be used exclusively for academic purposes. Your co-operation will be highly appreciated. This will not take more than ten minutes of your time.

Your Cooperation will be highly appreciated

Yours faithfully

Felistars Obonyo

MBA Student

APPENDIX II: QUESTIONNAIRE

PERCEPTION OF EMPLOYEES ON ACQUISITION STRATEGY AT LIQUID TELECOM KENYA

PART A: GENERAL INFORMATION

NB: Tick where applicable

1. Gender: Male ☐ Female ☐

2. Age group: 0- 30 years   30 – 40 years   40 – 50 years   Above 50 years

3. Level of education:Secondary ☐College ☐ Undergraduate ☐Postgraduate ☐

4. Work experience: 1-12 months   1 – 3 years   Above 5 years

PART B: PERCEPTION OF EMPLOYEES ON ACQUISITION STRATEGY

1. To what extend do you agree with the following statements? Use a scale of 1-5

    1. Strongly Disagree 2. Disagree 3. Indifferent 4. Agree 5. Strongly Agree

	1	2	3	4	5
Acquisition strategy can cause division between employees and the Company.					
Liquid Telecom has ensured all employees understand what is acquisition strategy.					
Liquid Telecom believes that employee involvement in the process of acquisition strategy can lead to support of the strategy.					

	1	2	3	4	5
Liquid Telecom understands the need for acquisition strategy can be related to resistance of implementation of the strategy.					
Indicate your level of interest in learning about the processes of acquisition.					
Acquistion strategy can influence employees' retention by Liquid telecom.					
Acquistion strategy can lead to retrenchment.					
Acquistion strategy if carefully implemented can result to increase in employee's performance.					
Acquisition strategy provides employees with better terms of employment.					
Acquisition strategy can lead to job security.					

PART C: FACTORS AFFECTING PERCEPTION OF EMPLOYEES ON ACQUISITION STRATEGY.

1. To what extend do you agree with the following statements? Use a scale of 1-5

   1. Strongly Disagree 2. Disagree 3. Indifferent 4. Agree 5. Strongly Agree

	1	2	3	4	5
Your motives either caused by external or internal factors affect positive perception of acquisition by Liquid telecom.					
Attitude and values can affect perception of acquisition strategy.					
Life experience on implementation of any strategy affects your perception of acquisition strategy.					
Fear of unknown consequences caused by acquisition strategy will negatively affect your perception of the strategy.					
Support of acquisition strategy by other employees can influences your perception of the strategy.					
Constant updates from executive team in regards to the process of acquisition strategy can positively affect perception of the strategy.					
Employees are happy about the new strategy of acquisition by liquid telecom.					
Liquid telecom is concerned about the needs and welfare of employees.					

	1	2	3	4	5
Motivation within organization will remain high if employees perceive that there are opportunities for personal development after the implementation of the acquisition strategy.					
Expectations before and after implementation of acquisition strategy can determine performance of the organization.					
Change in various positions at work place as a result of the implementation of acquisition strategy, for example demotions can lead to negative perception of acquisition strategy.					