A SURVEY OF MERGERS AND ACQUISITIONS EXPERIENCES BY COMMERCIAL BANKS IN KENYA

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

Signed..^^Z?.....

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This project has been submitted with my approval as the University Supervisor

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DEDICATION

To my parents, my brothers and sisters for instilling in me discipline and love for education.

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TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION 1

1.1 Background 1
1.1.1 Concepts of Mergers and Acquisitions 1
1.2 Kenyan Banking Sector 7
1.3 Problem Statement 8
1.4 Research Objective 10
1.5 Significance of Study 10

CHAPTER TWO: LITERATURE REVIEW 12

2.1 Theories of Mergers and Acquisitions 12
2.1.1 Types of Mergers and Acquisitions 20
2.2 The process of Mergers and Acquisitions 23
2.3 Challenges of Mergers and Acquisitions 26
2.4 Measures of Success of Mergers and Acquisitions 31

CHAPTER THREE: RESEARCH METHODOLOGY 35

3.1 Research Design 35
3.2 The Population 35
3.3 Data Collection 35
3.5 Data Analysis Methods 36

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION 37

4.1 Introduction 37
4.2 Banks Profile 37
4.2.1 Date of Incorporation of the Banks 38
4.2.2 Completion of Mergers and Takeovers to its Conclusion 38
4.2.3 Legal Structure of the Banks 39
4.2.4 Ownership Structure 39
4.3 Banks Experience in Mergers and Acquisitions 40
4.3.1 A Merger or a Takeover 40
4.3.2 Types of Mergers and Takeovers 41
4.3.3 Reasons for a Acquisition and Merger 42
4.3.4 Approval period 43
4.3.5 Appeal of the High court 44
4.3.6 Negotiation with the Target Bank 45

4.4 Experience of the Banks in Pre and Post Merger Period 46
4.4.1 Degree of Involvement by Managers in Mergers and Acquisitions process 46
4.4.2 Effects of Mergers and Acquisitions 48
4.4.3 Management of Post Merger and Acquisition Process 51
4.4.4 Turnover of the Top Management during and after 52
4.5 General assessment 53
4.5.2 Management of takeover Process 58

CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS 60

5.1 Introduction 60
5.2 Summary 60
5.3 Conclusions 61
5.4 Recommendations for Further Studies 63

REFERENCES 64

APPENDICES 67

APPENDIX i : Introductory Letter to Respondent 67
APPENDIX ii : Approved Mergers and acquisitions 68
APPENDIX iii: Questionnaire 71

LIST OF TABLES

Table: 4.1 Adoption of the Trading Name after the Merger /Takeover

Table 4. 2: Legal structure of the banks

Table 4. 3: Ownership structure of the banks

Table 4.4: Type of merger or acquisition the banks undertook

Table 4.5: Reasons for undertaking the merger/acquisition

Table 4.6: The length of time it took to get the approval process within the frame work of Kenya competition law

Table 4. 7: Time taken conclude the negotiations

Table 4. 8: The degree of Involvement of the managers in the merger/acquisition process

Table 4.9: Enhanced Profitability

Table 4.10: Increase market share

Table 4.11: Create cost advantage

Table 4.12: Create product differentiation

Table 4.13: Integration of processes and systems

Table 4.14: Integration of cultures

Table 4.15: Human resource changes

Table 4.16: Learning processes

Table 4.17: Financial processes

Table 4.18: Customer's integration and experiences;

Table 4.19: Terming the merger/Acquisition as being Successful;

Table 4.20: Recommendation of the merger/Acquisition

Table 4.21: Management of the take over process;

Table 4.22: How the banks\managed a resistance from other shareholders or management

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Concepts of Mergers and Acquisitions

Acquisitions and mergers have been popular methods of increasing the size and value of firms in modern times. This approach, in contrast to the older system of increasing value through organic growth, is faster and in most cases cheaper. It is however, important to observe that one of the greatest challenges of corporate raiding has always been identifying the business area in which a firm should participate in order to maximize its 'long-term profitability. Hill and Jones (2001). It would be appropriate to adopt a definition of corporate strategy that helps in understanding issues in mergers and acquisitions, one such decision has been given by Hax and Majluf (1996) as a means of establishing the organizational purpose in terms of its long-term objectives, actions programmes and resource allocations.

Strategic management is considered to be an art and there is no scientific way at arriving at the best strategy. There are several definitions of strategic management with different authors giving different opinions depending on the area of study. The common point is that an organization formulates a strategy in order to have an advantage over its competitors in a given environment. Equally, there is no exact definition of strategy .

Renowned authors such as Mintzberg and Quinn (1991) define strategy as a pattern or a plan that integrates an organization's major goals, policies and actions. Strategic decisions as highlighted by Johnson and Scholes (2002), are based on building on or

stretching an organization's resources and competencies to create new opportunities or capabilities based on these resources. Strategy therefore, may in some cases require major resources which are beyond a firm's existing capability. In such a situation, merger or an acquisition may be the only available option. It may therefore, be an appropriate phenomenon for an organization to merge with or acquire a supplier of its raw materials so as to guarantee availability and quality of such raw material or with competitor so as to expand its market share or with another firm in order to comply with changes in legislation. Many managers will today regard buying a company for access to markets, products, technology, resources or management talent as less risky and speedier than gaining the same objectives through internal efforts or organic growth, Jemison and Sitkin (1986).

One of the important factors that influence corporate strategy is the environment in which a company is operating. It is in the search of suitable responses to that environment, that an organization realizes that it neither has the strengths needed, nor the time required to develop such strengths as the opportunity might be lost, that seeks and identifies another firm with which to merge or to acquire, that has appropriate capabilities and competences. This approach fits well with definition of a merger as given by Pike and Neale (2002) as the pooling of the two companies into a new enterprise requiring the agreement by both sets of shareholders. Firms will thus seek that strategic position that will provide them with the maximum impact on the external environment, internal resources, competencies, expectations and influence of the stakeholders Johnson and Scholes (2002/ Mergers and acquisition strategies are used by firms in strategic

positioning. As early as 1986, Jemison and Sitkin recognized the importance of use of acquisitions and mergers to redirect and reshape corporate strategy.

It is appropriate at this point to differentiate between mergers and acquisitions. David, (1997) states that a merger occurs when two organizations of about equal size unite to form one enterprise. In support of this, Pandy (1999> indicates that a merger is said to occur when two or more companies combine into one company. By definition, it can be deduced, therefore, that mergers involve friendly restructuring of each company's assets and resources into a new organization. Majority of mergers are mutual and are recommended by the Directors and the shareholders of both companies. Hill and Jones (2001).

Acquisition or a take over on the other hand is defined as an acquisition by one company of the share capital of another in exchange of cash, ordinary shares, loan stock, or some mixture of this. This directly results in the identity of the acquired being absorbed into the acquirer, Pike and Neale (2003). Another definition given by Hill and Jones (2002, of a takeover is when the acquiring company gains control of another without co-operation of its existing management. The raider gets control majority of the stocks and ousts the existing management. The acquiring company usually joins forces with the key shareholders, or purchase stock on open market or by soliciting proxies. Consequently, as highlighted by Pike and Neal (2002) many takeovers are hotly resisted by shareholders and the management of the entities

According to Jemison and Sitkin (1986/ people directly involved in acquisition process often point to powerful forces beyond managerial control that accelerate the speed of the transaction. Researchers and financial analysts usually describe acquisition and merger strategies as calculated acts.

Acquisitions and mergers of other companies are investment decisions that should be evaluated on essentially the same criteria as when new assets such as machinery are purchased. Indeed, the 'make or buy, decision process can be conceptually applied to the acquisition process Pike and Neale (2002). Competitive advantage, according to Porter (1980) results from firm's ability to perform the required activities either at lower costs than their rivals or differentiating products that create buyers value so as to command a premium price. A company seeking to merge or takeover another firm will evaluate all options during the screening period so as to acquire these generic strategies. Gain may also emerge from a particular way of combining resources. Most mergers and acquisitions, therefore, will be pooled to the attractiveness of the target in the areas like product design, manufacturer's technology, good management, tight financial discipline and the market share Hill and Jones (2002).

It would however be appropriate to point out that mergers and takeovers are sometimes used interchangeably as acquisition process. Other instances refer takeover as acquisition. The operational definition in the researchers view prefers merger definition as stated above but use takeover and acquisition interchangeably.

In large organizations, there are different levels of strategy that can be defined by the management. Robson (1994) defines these levels as corporate, business and functional strategy. All these levels must be consistent with each other in order for the entire corporation to be successful. Corporate strategy defines the broad (global) objectives of an organization. Strategic business units encompass a specific unit that can have a defined product range, market segment and competitor while functional strategies can be used to support the business strategy. Information systems (IS) strategy is a functional strategy. Information management strategic plans should put into consideration the organization's objectives, goals and strategies. In the way the information management plan reflects the strategic needs of an organization.

There are different definitions of strategy depending on the author or the field that is applied. The common agreement however that strategy is not static and it varies changes with change in business environment. The different definitions of strategy extend to that of strategic planning and strategic management. Hussey (1993) defines strategy as the means by which an organization moves to attain its long- term aims. Strategic planning is the detailed specification of both the long - term aims and objectives and strategy for achieving them. Strategic management is the process by which the long term aims, the strategy and its implementation are managed. These three concepts are related in such a way that strategic planning should give consideration to the culture, structure and systems in the organization, so that every element of the organization can be mobilized to make the strategy effective.

Strategic management encompasses both strategy and strategic planning, and it's the way in which strategy becomes the driving force of the organization. Robson (1997) defines strategic management as the correct interpretation upon them in order to choose an appropriate direction for future development of the organization. According to Hax (1987,) the essence of strategy is for a firm to achieve a long- term firm's strategic management has, as its ultimate objective, the development of its corporate values, managerial capabilities, organizational responsibilities and operational decision- making , at all hierarchical levels across all business and functional lines of authority.

Quinn Mintzberg & James (1991 > asserts that, there is no one best way to create strategy, nor is there one best form of organization. The world is full of contradictions and the effective strategist is one who can live with contradictions, learn to appreciate their causes and effects to appreciate their causes and effects and reconcile them sufficiently for effective action.

Changing business drivers are producing different sorts of organizations. Increasingly network based operations are becoming reality, with strategic alliances and partnering arrangements between suppliers and customers becoming commonplace. There are frequent mergers and acquisitions and the days of the so- called 'Virtual' organization seem to be upon us. Typically organizations are opting to move away from structuring themselves along functional lines to more multi- disciplinary and team based approaches.

1.2 Kenyan Banking sector

Banks are growing fast and outpace the economy: total banking industry assets in Kenya have been outpacing growth in the economy over the last five years. In 2004 and 2005, the sector grew by 11% and 17.6% while the economy only managed 5% and 4.3 %. This shows that banking accounts for an increasing share of national out put over the other sectors collectively, especially the so called 'real sectors'. Marketing Intelligence (Banking survey 2006).

Bank consolidation in Kenya signals the end of the niche banking as it emerges today. Kenya does not have the luxury to dither and put off what needs to be done. The timing of bank consolidation, or at least the start, should precede implementation of Basel II standards commencing in 2007-8. If the banking sector is left to continue in its current trends of increasing fragmentation, the top banks will continue winning less of the assets and deposit pie, while changes in market shares at the lower end remain miniscule.

The main reason for bank mergers or consolidation in Kenya is to increase in bank size to deliver higher standards of service or product innovations, lower costs and extend banking to the under banked or un banked. The other reasons are normal shareholder issues like revenue growth, lower operational costs and higher returns on equity and assets. Large banks command greater loyalty and generate more shareholder value. It is also expected that bank mergers and consolidation in Kenya should deliver benefits, by promoting greater soundness and stability of the banking sector while developing national economic interests like increasing savings and extending credit efficiently to

productive sectors of the economy. Obviously, bigger and larger banks are double edged sword and they can weather shocks better than smaller banks.

The savvy banks are looking closely at their banking model and are coming up with surprisingly similar answers. Go regional, get bigger, scale up spending on computers and IT and become more customer centered besides being able to comfortably maintain the minimum deposit requirements by the Central Bank of Kenya. If all fail, then merge, be acquired or go hunting for easy prey among smaller banks. Marketing Intelligence (Banking Survey 2006).

1.3 Problem Statement

Acquisitions and mergers have been popular methods of increasing the size and value of firms in modem times. This approach, in contrast to the older system of increasing value through organic growth, is faster and in most cases cheaper.

Other studies have been carried out world over on mergers and acquisitions, one of which having been carried out by Mercer Management Consultants, whose scope was 150 acquisitions worth more than $500 million each that were undertaken between January 1990 and July 1995. From this study it emerged that 50% of these acquisitions ended up eroding substantially the shareholders value, while 33% created only marginal returns and whereas 17% of the acquisitions were judged to be successful *Hill and Jones (2002).* Another study by Watson Wyatt based on a survey of 1,000 companies revealed that more than two thirds of companies failed to reach their profit goals following a merger,

and only 46% met their cost cutting goals. Those findings are further supported in a study by A.T Kearney that shows 58% of the mergers failing to achieve their stated goals, and only 42% of global mergers managing to outperform their competitors after two years.

Although many of the merging or acquiring companies state the importance of retaining and acquiring key talent, 47% of senior management in the acquired firm leave within the first year and companies experience on average a 50% drop in productivity in the first 6-8 months of integration.

In Kenya a number of companies had merged in the 1990's and the 2000's, the most recent having been seen in the information and communications technology sector where Wananchi online and ISP Kenya merged after two years of protracted negotiations to operate under Wananchi online in November 2005. Earlier mergers witnessed were PriceWaterhouseCoopers and SmithKline Beecham. In the banking sector, Commercial Bank of Africa acquired the First American Bank of Kenya, while Citibank N.A. acquired ABN Amro Bank and in the offing as per The East African, dated July 9-15, 2007, is the merger between Stanbic Bank and CFC Bank due in September 2007, see attached Appendix 1.

Studies by Chesang' (2002), Muya (2006) mainly focused on survey of mergers and acquisitions by Kenyan firms, merger restructuring and financial performance of Commercial banks in Kenya .None of these studies focused on experiences that Commercial Banks in Kenya go through in post merger / acquisition era

Consequently, this study will therefore seek to answer the following questions:

1. What are the experiences of the banks that have undergone through the process of mergers and acquisitions, and the perception as regards to factors contributing to their failure in the recent past in Kenya?

2. What experience challenges are faced by the banks in harmonization of systems and structures, the expansion strategies, value addition and increased profitability?

1.4 The Research Objective

1. Determine the factors that necessitates mergers and acquisitions in Kenya's banking sector.
2. Establish the experience of managing post-pre acquisition and merger change in banking industry in Kenya.

1.5 Significance of Study

The study is expected to be of importance to:

1. Central Bank of Kenya, as the country's banking sector regulator will be challenged to critically assess methods used to restructure banks with an aim of improving solvency, profitability and rebuilding of confidence.

2. The various bodies within institutional framework created by Kenyan competition law in an effort to identify the limiting factors in-built in the mergers and acquisition process and the end product.

3. To the Academic Researchers, this study will stimulate further interest in this area of mergers and acquisitions. Little has been explored in this case of bank mergers despite the application of this concept in the recent past.

4. The shareholders of the companies that intend to merge or undergo an acquisition. They will be more knowledgeable of risks involved and in particular, on value creation of their shareholding.

5. Individual Kenyan Businesses which intend to merge or acquire others in future - what can they learn from experiences of companies that undergone mergers and acquisition in the past?

CHAPTER TWO: LITERATURE REVIEW

2.1 Theories of Mergers and Acquisitions

Manager seeking to maximize the wealth of the shareholders of companies continually seek to exploit value creating opportunities. They believe that two enterprises will be worth more if merged or acquired than if operated as two separate entities, i.e.,

$V(a+b) > Va + Vb$

Where:

Va, Vb = Value of company A, B, respectively. Pike and Neale (2002).

Mergers and acquisitions are used as growth strategies for companies that wish to increase their market share and revenues. For instance, the many mergers and acquisitions between US and European firms after the World War **II,** according to Ansoff and McDonnell (1990), were more to do with growth in volume and size than anything else. The current trend is the reverse by many European firms, which see the US as a growth environment in the area of food and consumer marketing chains. They have argued further, that improvement in profitability saw European pharmaceutical firms merge with small US firms; Japanese invasion of the profitable computer markets and global automotive market firms whose domestic markets are no longer large enough to permit them to remain competitive, are examples given of growth strategies, in the Kenyan scene, the acquisition of First American Bank (FABK) by Commercial Bank of Africa (CBA) will enable CBA to obtain the stock of corporate customers held by FABK.

The Kenyan market is said to be very slow in creating an expansion of corporate customers (CBA Bulletin 2005).

Firms sometimes seek out under-developed, sick and threatened organizations because all they can see is the unrealized potential. The manner in which the top executives manage their business, In terms of a superior internal governance system, can create value by acquiring inefficient and poorly managed enterprises and improve their efficiencies by replacement of management, unproductive assets and set targets. A firm can transfer competencies in marketing, material management and create competitive positions for the new business.

The manager also believes that the target company can be acquired at less than its true value. If a company is thought to be undervalued on the market, there may well be opportunities for asset stripping Mintzberg and Quinn (1999/ As Hill and Jones (2001) have indicated, and have re-emphasized, a take over does serve as one way of deposing an inefficient management.

No company will attempt a takeover of another unless it sees an opportunity to substantially improve the return to its shareholders by better management and synergistic impact of the merger. A firm is therefore vulnerable to takeover when it shows poor performance relative to others in the same industry. This is especially so, when others are declaring dividend and the company is not. Secondly, it may have a surplus of liquid assets, and large unused borrowing capacity. The firm might be holding assets that could

be sold for more than their present market value. There are instances therefore when such firms have potential synergistic benefits that are being disregarded Hill and Jones(2001).

It was anticipated that, for example if the merger proposal between Housing Finance Company of Kenya (HFCK) and Development Bank of Kenya (DBK) was concluded, the synergies that existed between the two, such as bank license, wide capital base, corporate customers, a large stock over 40,000 depositors, and wide branch network would be enjoyed by the merged firm, (Kisero, 2005). Firms also make acquisitions because they believe they can increase the efficiency of the acquired firm by transferring capital, technology or management skills (Jonnes and Hill, 2003). According to Boseman and Phatak (1989) managers believe that together they could achieve objectives and results far more efficiently and effectively than would be possible should they stay separate. This is where synergy occurs, and particularly in elimination of duplicate staff and departments and combining the sales forces and distribution systems. Tomlinson (2005) sighted the takeover by Mittal of a 3.6 million ton capacity steel plant, from Czech government in 2003 carried out staff rationalization, brought in new management from North America, and now the plant is turning out higher- grade, higher-value steel for automobile and appliances manufactures.

Ball and McCulloch (1996, have highlighted that mergers and acquisitions take place when a firm is faced with expanding global competition, the growth-cost of research, product development and marketing, and the need to move faster in carrying out their global strategies.

The aim is to achieve faster market entry and start up, to gain access t new products, technologies, markets and to share costs, resources and risk. Pike and Neale (2002/ emphasized that many product markets have become more global, and the life of products has tended to diminish. Greater emphasis has been placed on research and development activities. There are some industries as aerospace, telecommunications and pharmaceuticals where small firms will not be able to generate the cash flows that are required to finance such research and development.

As emphasized by Porter(1980) competitive advantage starts from cost advantage and product differentiation. Exploitation of these creates value for the shareholders. When a company identifies the area of competitive advantage, it may decide to build on the existing strengths and to develop distinctive competencies through mergers and acquisitions. For a competitive advantage to be sustainable, the conditions of uniqueness associated with a business unit strategy should be preserved. It means that there should be no threat of competitive substitution or initiations. From the resource base point of view, the resource of a firm must have those attributes to hold the potential for sustainable advantage. They must be valuable, scarce, and difficult to imitate and to substitute Hax and Majluf (1996) Merger strategies of businesses assess the competitiveness created. Companies generate financial resource in excess of those necessary to maintain a competitive advantage in their original or core business. These become excess resource that can be used to create value by acquisitions through the internal generation funds.

This is what happened in mid 1980s which 1980 acquisitions and mergers triggered by growth of real profitability and cash generation hence the ability of companies to internally finance acquisitions an mergers Pike and Neale (2002).

Mergers and acquisitions are a preferred entry mode, when the industry to be entered is well established, and incumbent enterprises enjoy significant protection from barriers to entry. Barriers to entry arise from factors associated with the product differentiation, brand loyalty, absolute cost advantage and economies of scale. When such barriers are substantial, a company will find it very difficult to enter through internal venturing. The company has to expend heavy capital and resource outlay to establish the brand name or distribution outlets. An alternative route is for a firm to acquire or to merge with a market leader, already with the market benefits Hill and Jones (2001). The proposed merger between Commercial Bank of Africa (CBA) and First American Bank has enabled CBA extend to Tanzania in United Bank of Tanzanian Limited, a commercial bank operating on Tanzania. This is an important step for CBA to extend its coverage within the East Africa region as at the moment its acting as a subsidiary branch of Commercial Bank of Africa.

The firm will enjoy economies of scale in manufacturing facilities, advertising, distribution and research and development. Business units naturally invest less in the shared functions because a merger or acquisitions allows the expanded group to better utilize existing assets. When Proctor and Gamble strategically merged and acquired consumer firms, it successfully realized economies of scale as regards to the shared cost

of procuring raw materials, development of new technology for new products and processes, and a joint sales force and distribution system. Because of sharing cost, it achieves cost advantage that has enabled the company to undercut their less diversified competitors, Hill and Jones (2001/ Financial economies easier enabled a firm to access to capital markets on more favorable terms where size confers easier access to capital market. Financial economies would be achieved by mergers and acquisitions and favorable terms of loans can be achieved Pike and Neale (2002). Boseman and Arvind (1989) have emphasized that affirm that is too small, cannot effectively complete as it lacks productive capacity and market strength.

Firms have a reference for mergers and acquisitions, as an entry mode into a market segment, when they feel need to move fast as opposed that of internal venturing that can be a relatively slow process. Mergers and acquisitions are a much are a much faster ways to establish a significant market presence and generate profitability. A company can purchase a market leader, in a strong cash position overnight, so when speed is important, mergers and acquisitions are favored entry modes. One such example that can be cited is in the insurance industry. To build up new policy holders require substantial input of time and expense. This is the reason behind the takeover of ALICO Life Insurance by CFC life insurance in 2005 and it is also used as an international mode of entry in the foreign market. Hill and Jones (2001/ It is anticipated that Gillette will use the Proctor and Gamble distribution network to enter into China, one of the recognized world fastest growing 'big market' for consumer goods (Economist, 2005). Pike and Neale (2002) have emphasized that to obtain higher earnings it is obviously easier if there are fewer

competitors. However Mintzberg and Quinn (1991) while highlighting the reasons for mergers have pointed out that most of the companies which opt mergers or acquisitions because of this reason, usually find difficulties in convincing the authorities that they are not creating monopolies.

Mergers and acquisitions are also often perceived to be somewhat less risky because they involve less uncertainty. A company can merge with a target where profitability, revenue and a market share, are unknown, and this will reduce uncertainty. In contrast, an internal new venture is associated with large uncertainties, as depicted by projected by cash flows, profitability and revenue Hill and Jones (2001). So when, considering an entry mode into the foreign markets Hill and Jones (2003) have stated that mergers and acquisitions are regarded less risky than 'Greenfield' ventures. When a firm makes an acquisitions, it buys a set of assets that are producing a known revenue, acquires a set of tangible assets such as factories, logistics systems, customer services systems and intangible assets such a local brand name, plus the managers knowledge of the business environment.

The firm may have reached the maturity stage; growth rate is weakening, and it may look for younger and more dynamic companies both to obtain a quick short growth "fix" and utilize their entrepreneurial ideas to achieve higher rates of growth in the longer term. Pike and Neale (2002)

When there is divorce of ownership and control, and a high level of managerial autonomy, mangers are relatively free to follow activities and policies including

acquisitions of other firms, enhancing their own objectives in monetary and non-pecuniary forms. Management salaries and other benefits are usually higher in large and growing firms. Since growth by acquisitions is usually easier and swifter than organic growth, managers may view acquisitions with some eagerness Pike and Neale (2002/The greatest motivation for growth is the perception of individual managers. Managers believe that a growing organization is a healthy organization Boseman and Phatak (1989/ During the press conference on the on the proposed merger between East Africa Building Society and Akiba Bank Limited, for example Dhruv the Chief Operations Manager said optimistically that "We are building a formidable force in Kenyan Banking"(Riungu,2005).

Mergers and acquisitions are used as tools of strategy. They are exciting and make headlines news. New thrusts in the growth areas are foreshadowed. The status, security and social relationship of many people are affected. A merger with or an acquisition of another company is a major event in the life of an enterprise and may even be key to success of failure. They involve complicated financial negotiations, an organizational re-vamping, and many career adjustments. When the corporate strategy indicates the kind of business units desired, the management of a company's major decision is to decide whether the new business will be developed be an acquisition. A merger or an acquisition must offer strong advantages over internal expansion as no justification would suffice when one considers the many challenging experiences in the process Hill and Jones (2001). The managers to be driven by a belief that if they do not acquire a desirable target firm, then their global rivals will. The UN estimates that in 1999, some 80% of all

Foreign Direct Investment (FDI) inflows were in the form of mergers and acquisitions Jones and Hill (2003).

The literature that has been reviewed in this chapter will highlight the reasons, challenges, the types, the processes, the measures and strategic approach to the merger and acquisition activities.

2.1.1 Types of Mergers and Acquisitions

There are a number of ways of categorizing mergers and acquisitions and can be distinguished between, domain strengthening, domain extensions and domain exploration, depending upon whether they are aimed at acquiring, a new platform, or an entirely new business position Grundy (1995). Mergers are therefore split into four types.

The first type of merger is horizontal merger. Boseman and Phatak (1989) have described horizontal mergers as characterized by the combination of firms that have similar products or services and are in similar businesses. Such mergers allow a company to increase utilization in production, marketing and other functional areas, and thus increase its profitability. Pike and Neale (2002), have denied defined horizontal integration, as where a company merges with another from the same industry, and which is at the same stage of the production process. An example is of a supermarket merging with a competitor. However, if the authorities feel that a merger is reducing competition in the industry, antitrust suit could result. Most of the companies which opt to merge horizontally usually find difficulties in convincing the authorities in the relevant countries

that they are not creating monopoly. In the Kenyan system it is very difficult to push for a horizontal merger per se (MPC Annual Report 2000).

The second type is identified as vertical mergers. Vertical mergers are the commonest types of mergers. A company can merge upstream, that is backward integration to produce its own inputs, or downstream, to dispose of its own outputs. Typically the linked in the vertical chain consist of raw materials purchasing, manufacturing, distribution and retailing. When a firm acquires one or more of these links in the chain, it is said to be involved in a vertical merger.

The main objective is to create value through the integration and normally motivated by a desire to strengthen the competitive position of its original or core business. This is achieved by building barriers and gaining control over the source of critical inputs, as happened with Alcoa and Alcoa when the company acquired bauxite deposits in Jamaica in 1930-1950, Hill and Jones(2001).

Vertical mergers are also found where firm may want to protect product quality as commonly found in after sales services for complex products such as found in 1920s in Kodak outlets. Planning, co-ordination, and schedule of adjacent processes when effectively implemented, are important in Just In Time (JIT) inventory systems.

A firm will find that a supplier is unlikely make heavy investments on specialized asset, because of the risk of hold up that is being taken advantage of by a trading partner after

the investment is made. This kind of investment is found in the motor industry on components parts, in steel production and computer companies in cheap production Hill and Jones (2001).

Mintzberg and Quinn explain vertical merger as the management of inter dependence with either sources of input, or purchases of output, by absorbing them. Hax and Majluf (1996> see vertical mergers as where the target is in the same industry as an acquirer but operating at a different stage of the production chain mergers.

Concentric mergers involve firms that have a common thread between them. This common thread could be in technology, marketing and channels of distribution or customer service. In such mergers, one or more aspects are related between the merged or acquired firms. Common threads can range from marketing skills and channels of distribution. This is usually found in marketing oriented companies in consumer products with strong brands Boseman and Phatak (1989/ Conglomerate mergers involve combinations of firms that are in unrelated business. Such mergers do not seek functional synergy through relatedness among the merging firms. The principal motive for conglomerate mergers is diversification of financial risk, Boseman and Phatak (1989).

These kinds of mergers are said to lack industrial logic but can lead to economies of head office administration and access to capital market Hax and Majluf (1996).One of the reasons given by firms that merge is to diversify operations and thereby lessen dependence on the present organizations with which it exchanges Mintzberg and Quinn

(1991).This is a strategy used by Lonrho CEO Tiny Rowland in Group expansion in 1960's and 1970's in Africa, which has since unraveled.

2.2 **The Process of Mergers and Acquisitions**

According to Jemison & Sitkin (1986), most analysts on mergers and acquisitions stress on strategic fit between the firms' and the need to achieve an organizational strengthen by matching administrative system, corporate cultures or demographic characteristics. A sufficient degree of strategic and organizational fit ought to guarantee an acquisition success. Yet even friendly acquisitions that apparently satisfy this advice, often fail to work out. The managers therefore must look beyond strategic or organization fit to the process itself.

The first initial stage on any merger or acquisition is the target identification, evaluation and screening process. This process increases a company's knowledge about the potential acquisition, heading to amore realistic assessment of integration problems and a lessening the risk of merging with or acquiring a 'potential problem business.' A detailed assessment of the strategic acquisition focusing on the criteria of financial position, product market position, competitive environment, management of capabilities and corporate culture is one of crucial assignment in the pre-merger process Hill and Jones (200\). However, this is dominated by managers and analyst with specialized skills, because of the technical complexity of the required analysis, and the number of tasks to be accomplished. Consequently, this leads to a problem of fragmented views in the process. Jemisons & Sitkin (1986/ refer to a Chief Executive who had to assemble one

hundred and fifty specialists to complete an assignment in six days, and the team had not worked with each other before, did not use the same jargon and communicated only in most standardized information that undermined the process.

The second stage is the bidding process in respect of mergers and acquisitions. The bidding strategy is characterized by pressure to conclude the transition. Jemison & Sitkin (1986> have identified forces that increase the momentum in the acquisitions process.

First, once the possibility of transaction is known, a period of uncertainty sets in for shareholders, suppliers, customers, employees and competitors. Any merger or acquisitions involves two packages of assets, two sets of owners and the value both parties attach to the business being traded is different and so is the mode of payment, Hill and Jones (2001/ There is therefore, a high degree of secrecy and concentration. It is said that the deal between East African Breweries Ltd (EABL) and Castle Breweries Ltd. was not known to the employees, or in the Kenyan market, until the day final announcement was made.

The amount of time spent on analysis and negotiations frequently require a substantial, uninterrupted time commitment from the participants. The managers will hurry to conclude the deal as they have put their reputation at stake and are often not willing to accept any criticisms.

The managers see acquisitions as a stepping stone to personal rewards, advancement and enhancement of their reputation. Furthermore, the specialist and especially the Investment Bankers are compensated on transaction basis which does not vary dramatically if a deal takes three weeks or nine months to close. So it is in their personal interest to close the process quickly Jemison and Sitkin (1986).

The process of integration is a very wide area still to be researched on. However this study will cover limited scope of integration. Integration planning should begin at the point at which a target is identified. If a target is likely to be inherently difficult to integrate, this has an immediate bearing on its value. The most difficult part of a merger or an acquisition strategy and execution is the integration of the newly formed firm Pike and Neale (2002). Post acquisition management is often a complex and lengthy process and calls project management techniques and skills of high order (Grundy. 1995). A poor planning and executed integration period are the commonest reasons for failure with mergers and acquisitions. As soon as the merger is sealed, Senior Management attention is on the next adventure, rather than on developing adequate resources to absorb newly acquired company operations Hill and Jones (2001).

Positive steps need to be taken to integrate immediately after the mergers or acquisitions. Integration should centre on the source of the potential strategic advantages of acquisition and opportunities to share in value chain activities. This means the elimination of any duplication of facilities and functions and the disposal of any unwanted activities Hill and Jones (2001).

Normally there is a limited amount of information to guide the integration plans and management should not be too shocked to encounter some 'nasty' revelations regarding the quality of assets and some personnel. The difficulty of integration depends also on the extent to which the control of the operations stems from both entities.

If only limited control is required as in case of unrelated acquisitions, the integration is probably restricted to the financial reporting systems of the component companies
Pike and Neale (2002).

The integration sequences have been highlighted by Hill and Jones (2001) as the process to decide and communicate reporting relationships, achieve rapid control of key factors, review the resource base by resource audit, define corporate objectives, develop strategic plan and revise the organization structure. The employees want to know what the incentives are, pension schemes and career prospects in the newly formed enterprise. Jemison & Sitkin (1986) has emphasized the inclusion of operating managers on the negotiating team to ensure management continuity.

2.3 Challenges of Mergers and Acquisitions

According to Grundy (1995), it is very hard even with the best of intentions, to maintain objectivity and complete clarity about the rationale and value of an acquisition once the process gets under way. As Hill and Jones (2001) have emphasized, a merger or an acquisition signals change and because of uncertainties, anxiety builds up in many people whose jobs might be affected. Rumours substitute for facts and spread rapidly. It is

therefore important to mange pre-acquisition activity, especially in the area of communication with employees. Value does not come easily through acquisitions and mergers because of these challenges of the pre-and post-acquisitions process.

During the screening process, firms often have little or no access to intelligence about their targets beyond published financial and market data. There is often inadequate or unavailable of information. The due diligence examination will be able to assist and this is essentially a "search for skeletons in the cupboard". Firms often acquire other firms without adequate and thorough analysis only to discover after acquisitions are completed, that instead of a well run business, and they merged with or acquired a troubled organization. This can ultimately destroy value of even the stronger partner (Pike and Neale, 2002).A merger or an acquisition decision is thus a complex one that involves significant uncertainties, except when such merges and acquisitions are purely for assets stripping and not business growth and health.

The strategic motives and the benefits are often difficult to quantify as they are mostly for longer term motives. There are usually conflicting and often irreconcilable motives between managers, shareholders and other stakeholders. This will then de-motivate the managers of a firm that had only anticipated short term gains. Thompson and Strickland (1996) indicated that building a stronger long term competitive position is more likely to benefit shareholders that merely improving short term profitability.

The greater the scale of acquisition activity, the greater the resulting financing burden placed on the firm and the greater the impact of diverting managerial capability into solving integration problems. Firms usually experience a financing gap and are financially incapable of managing acquisitions of mergers. Acquisitions also require substantial funding and very few companies can finance acquisitions out of the own cash balances Pike and Neale (2002).

When companies are merging, some of the managers in both firms will not support it, particularly if the future does not look good for them. This is where there is proposed lay off of staff due to the implicit duplication of jobs. If an acquisition is managerially generated, the managers maybe prepared to expend more than necessary amount to gain ownership of target companies, simply to secure deals which managerial well-being but at the expense of shareholders value Pike & Neale (2002).

Hill and Jones (2002) argued further that problems of the post acquisitions period will pose a great challenge to the emerging new management. Integration can entail the adoption of common management and financial control systems, joint operations and establishment of linkage to share information and employees. Differences stem from the two corporate cultures. Failure to plan and the integration execute properly, frequently neglecting the organizational and internal cultural factors, becomes a challenge to the merged firm. This is brought about by inadequacy in the knowledge of the others business and which should be corrected in the process of due diligence Pike and Neale ^2002). Johnson and Scholes (2002) have defined a culture as co-ordination between

various activities that occurs naturally because people know their part in the wider picture, or is it simply taken for granted activities are done in particular ways. There is usually high management turnover, as employees may not like the way things are being done by the merged firm, or the acquirer. Management of the post acquisition is an area that can provide further research, as it is both broad and contains major challenge to the success of any merger or an acquisition.

There is a tendency of over-estimating the potential for creating value, and the strategic advantages. Managers typically over estimate their ability to create value from an acquisition, primarily because the CEOs have given themselves an exaggerated sense of their own capabilities. This is what happened to Coca-Cola, in 1975, when it embarked on the acquisition of several medium sized wine-making companies. Coca-Cola was taking advantage of their marketing competences. Little did they know that soft drinks and wines are very different products, with different kinds of appeal, pricing systems and distribution networks. Eventually Coca-Cola sold these companies at a loss. Acquisitions are frequently mismanaged because of the build up of untested commitments, over enthusiasm, and the "thrill of the chase" Grundy (1995).

There are also elements of exaggerating the price, especially where there are more companies that want to expand their market share during the time of mergers and acquisition boom. In any case, the capabilities of both firms may not be the same as should become apparent during the negotiations which take place before a merger or an acquisition is concluded. Therefore, the firm may have paid to much for their targets as a

result of a flawed evaluation process, which over estimated the likely the likely benefits or as a result of getting caught up in the mechanism of a competitive bidding situation, where to withdraw from bidding is regarded as a sign of corporate weakness Pike and Neale (2002).

Acquisitions of companies whose stock is publicly traded tend to be very expensive, and there may be market imperfections inbuilt within the share price. The price of the targets company's stock will go up and especially if there are contested bids. In 1980, an average of 40% to 50% premiums was not uncommon. The debt taken on to finance such expensive acquisition can later become "a nose around the acquiring company's particularly if there are interest rates rise Jones and Hill (2002).

There are challenges that face firms that merge vertically. If there is a change in technology, the company will find it difficult to change its supplier and its distribution systems already invested heavily in the preceding technology. In unstable and unpredictable demand conditions, a vertical merger may be difficult.
The problem is to balance capacity among different stages of the demand of the product Hill & Jones *(2001).*

Mintzberg and Winn (1991), have emphasizes that while absorption of supplier or a distributor will reduce the firms' uncertainty by bringing critical contingencies within the boundaries of the organizations, this strategy has some distinct costs. One danger is that

the process of vertical merges creates a larger organization, which is increasingly tied to a single industry.

Cost disadvantage once the investment is made, will lock the company's activities with the inputs produced in house. This usually does not happen where an external source from supplier exists. For example, in 1990, General Motors used 68% components from in-house compared to Toyota's 28%.In 1992, General Motors was paying $34.60 to unionisable workers, while non unionized suppliers were paying half the rate Hill and Jones (2001).

2.4 Measures of Success of Mergers and Acquisitions

Hill and Jones (2001) have indicated that many merges actually fail. The anticipated benefits do not develop at least to these defined, predicted and foreseen problems arise due to poorly not develop at least to these defined, predicted and unforeseen problems arise due to poorly conceived combinations and marriages of convenience that were clearly thought through.

The definition of success may vary, but any activity that fails to enhance shareholders interest, is unlikely to be regarded favorably by capital market. While it is often difficult to assess what would have happened had a company not embarked on the takeover trail, if post acquisition performance is inferior to pre-acquisition performance, or if the acquisition actually leads to a fall in shareholder wealth, it is difficult to argue that the acquisition has not been a failure Pike and Neale (2002).

The success of any mergers can be measured by the core competences generated to create value or enhance value. It can be measured using the parameters such as market attractiveness and competitive positioning. Hence creation of competitive advantage as a result of cost leadership and product differentiation. This will result in the long term profit sustainability and the creation of shareholders wealth Grundy (1995).

Ansoff and Mc Donnell (1990) describe environmental turbulence as a combined measure of the changeability and predictability of the firm's environment. The firms will face different, continually changing, challenges and those challenges of tomorrow will be different from those of yesterday. Each firm needs to diagnose its unique response to these challenges. In the process of this diagnostic process, firms realize that each has different strengths and if they merge, or an acquisition is undertaken, the new firm will be able to combined and adapt to environment constant changes, instead of going it alone. Therefore, the ability of the combined firm to respond to the environment turbulence can be considered a parameter of success.

The success of mergers and acquisition can be measured quantitatively in terms of increased profitability and share price, by comparing pre and post - acquisition performance. Mintzberg and Quinn (1991) state that the expressed rationales for mergers have been to increase profits and shareholder value. In the series of studies that have been carried out elsewhere since 1921, researchers have been unable to demonstrate that merger active firms are more profitable, or have higher stock prices, following the merger activity. Lucey (2000), indicated that the financial performance of the company can be

expressed in terms if income generated from its operation, after offsetting expenses when the profitability of the firm is arrived at. Atrill, et al (1991), has split ratios into the profitability and growth ratios. One of the profitability ratios is return on capital employed (ROCE) is arrived at as follows:-

Profit before interest and Taxes %

Total Assets

One of the growth rates Earning per Share (EPS) is arrived at as

= Net Earning after Tax

Number of Ordinary shares

A comparison of these ratios, pre and post acquisition will indicate whether new Value has been created.

In a study carried out on bank mergers, Chesang (2002) concluded that financial performance of some banks in Kenya improved, while that of others deteriorated.

However, Merger restructuring should still be a considered and recommended option to improve Banks performance. This is more so in the case of small medium sized banks, or weak or ailing financial institutions with a narrow business base. Another conclusion made in the study was that small and medium sized banking system institutions have been forced into merges and acquisitions essentially for survival. Smaller Banks have especially been prone to liquidity problems due to their weak capital base, imprudent lending policies, and inefficient management. The study also cited some strategies, which

have been used by the bigger banks, such as Barclays Bank Corporate Restructuring merging with Barclays Merchant Finance Limited, due to dwindling business and its increase in capital base. Fusion then was an easier option. Habib A.G.Zurich and Habib Africa Limited merged resulting in an increase to capital base of Kshs290million.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was a descriptive survey in nature; this was because descriptive research design provided data about the population being studied.

This descriptive type of research sought to describe the state of affairs, as they existed at that particular time. It provided a systematic description that was factual and accurate as possible hence this fitted well with my research problem.
The research targeted the banks listed in the attached appendix. This method captured the population's characteristics by making inferences from sample characteristics.
Generalizations about the findings were presented based on the sample to be studied.

3.2 The population

The population targeted all sampled banks that were part of the change process during the mergers or acquisitions so as to get accurate information. The research targeted a total of twenty six banks (Find attached appendix I), and since the banks were not many it was appropriate to use census survey.

3.3 Data Collection

Primary data was used, which was collected through administration of questionnaires, so as to get an accurate and current understanding of the on the impact of acquisition and mergers in Kenya's banking sector.

3.4 Administering the Questionnaire and Interviews

The questionnaires were distributed to the relevant respondents in the respective banks in the sample and the questionnaire packages included a letter of introduction and one questionnaire. Each respondent was asked to fill the questionnaire to his or her best of knowledge. The questionnaire was designed to assure complete anonymity and copies of questionnaires were sent to each bank. The research instruments were administered and responses collected by the researcher.

3.5 Data Analysis

The data used in this study was descriptive in nature, this was used to generate reports through graphs, tables, and pie charts which were used to interpret and derive conclusions from the analyzed data in relation to the research questions and objectives and the interpretations were made and conclusion drawn.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

There were twenty six banks that had so far submitted their merger notifications in the years 1994 to 2005 as shown in the appendix 2. The researcher decided to carry out a census survey of nine banks out of the twenty six. The nine banks were located and the questionnaires delivered to the respective managers who were involved in the merger process.

4.2 Banks Profile

The first part of the research findings consisted of the general information which gave background information of the banks in the sample. The data assisted in understanding the nature of the banks such as their names before the merger or takeover, date of incorporation, ascertain whether the merger process in the respective banks have been completed. It also showed the legal and the ownership structure of the respective banks.

Table: 4.1 Adoption of the Trading Name after the Merger /Takeover

Variable	Frequency	Percentage
Adopted both names of the firms	3	23%
Use of one name of the banks	6	46%
Different names	3	23%
Not indicated	1	8%
Total	13	100%

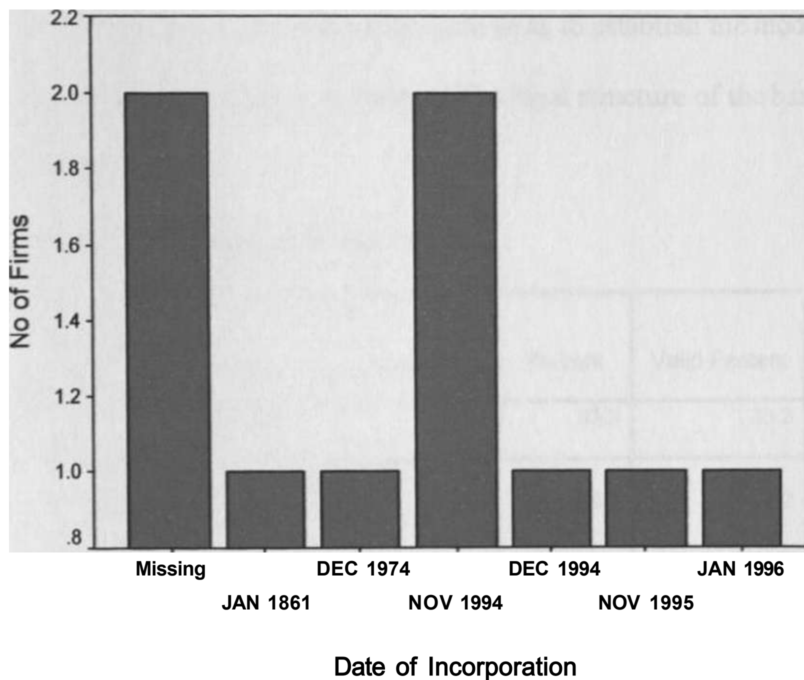
Source: Research Data

It was observed from the above findings that after the merger or takeover most of the banks adopted the use of one name of the concerned banks.

4.2.1 Date of incorporation of the banks

It was found appropriate at the early stage of the research to find out the dates when the banks in the sample were incorporated. Bar chart 4.1 below was the findings:

Bar Chart 4.1: Date of Incorporation of the banks



Source: Research Data

It was observed that of all the mergers/acquisitions 28% were merged or taken over in 1994 while an identical 14% were merged or taken over before or after the year 1994.

4.2.2 Completion of mergers/ takeovers to its conclusion

It was also quite appropriate to find out whether the banks in the sample had completed their merger/takeover processes to conclusion. This was important because it was interesting to know the reasons why they had not completed if any.

It was observed from the findings that of all the banks in the sample had completed the merger or acquisition to its conclusion and that therefore meant there was no application that had been rejected an indicator that they all fulfilled the necessary condition for merger/takeover.

4.2.3 Legal Structure of the banks

The legal structure of the firm was the third component of the banks profile. This information was meant to reinforce the data so as to establish the mode namely partnership, private or public ownership. The legal structure of the banks is illustrated in the table below;

Table 4. 2: Legal structure of the banks

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Partnership	3	33.3	33.3	33.3
	Privately owned company	2	22.2	22.2	55.6
	Publicly Owned Company	4	44.4	44.4	100.0
	Total	9	100.0	100.0	

Source: Research Data

Out of the nine banks that completed merger/acquisition process 44% were Publicly Owned Companies, 33% were Partnerships, while *22%* were privately owned companies.

4.2.4 Ownership structure

The ownership structure of the nine banks was analysed so as to establish which of the banks were either local, foreign, or both local and foreign owned. The data relating to ownership structure is illustrated in the table below;

Table4. 3: Ownership structure of the banks

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Both Local/Foregn Owned	3	33.3	33.3	33.3
	Foreign Owned	4	44.4	44.4	77.8
	Local Owned Ownership	2	22.2	22.2	100.0
	Total	9	100.0	100.0	

Source: Research Data

The research has shown that out of the nine banks that had completed merger/acquisition process, 44% were foreign Owned, 33% were both local and foreign owned, while 22% were local owned. From this analysis, the belief that only foreign owned firms undertake mergers has been proved otherwise, since even local banks as represented in this research.

4.3 Bank's experience in Mergers and Acquisitions

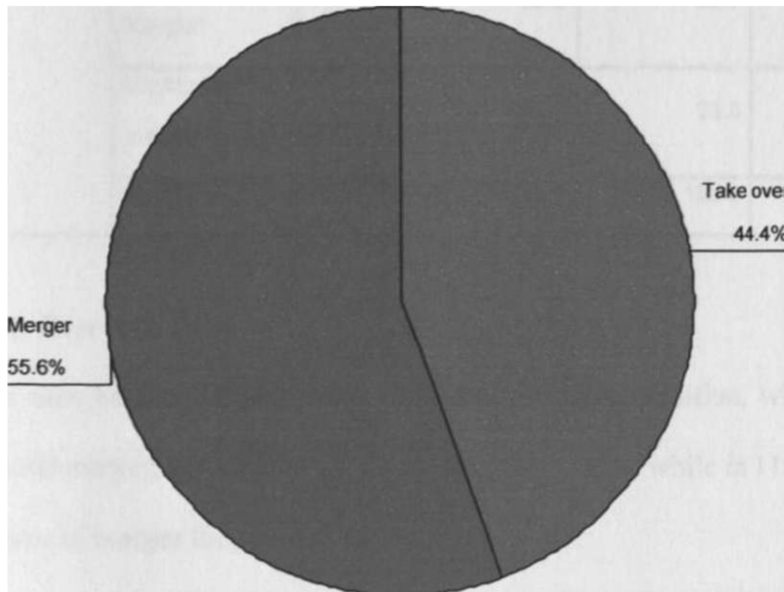
The first objective of this research was to determine the factors that necessitate mergers and acquisitions in the Kenyan banks.

4.3.1 A Merger or a Takeover

There are distinctive business definitions of a merger and acquisition as highlighted in chapter one of this study. The first experience analysed from the data was to document

chapter one of this study. The first experience analysed from the data was to document how many banks merged or acquired another bank. This was meant to demonstrate the mode adopted in this environment by the firms as a strategy. The analysed data was shown in the chart below;

Pie Chart 4.1: Banks experience as a Merger or Take over



Source: Research Data

Out of the nine banks that responded, 55.6% of the banks experienced a merger while 44.4% experienced a take over. This showed that both mergers and takeovers are popular amongst Kenyan banks.

43.2 **Types of Mergers/Takeovers**

There are four main types of acquisitions or mergers namely; horizontal, vertical, conglomerate and concentric as highlighted in chapter two of this study the researcher aimed at documenting the most common type of merger or acquisitions experienced by

Table 4.4: Type of merger or acquisition the banks undertook

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Unknown	1	11.1	11.1	11.1
	Acquisition	3	33.3	33.3	44.4
	Conglomerate Merger	2	22.2	22.2	66.7
	Horizontal merger	3	33.3	33.3	100.0
	Total	9	100.0	100.0	

Source: Research Data

Of the nine banks that responded, 34% undertook Acquisition, while 33% undertook horizontal merger, 22% undertook Conglomerate merger, while in 11%, it was not known what type of merger they underwent.

4.3.3 Reasons for acquisition/ merger

In chapter of this study, theories of mergers and acquisitions were exhaustively discussed. These theories are well documented in various literatures. In this study, the data relating to the reasons that led the banks to adopt these strategies was analysed and shown in the table below;

Table 4.5: Reasons for undertaking the merger/acquisition

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Acquire brand quality	1	11.1	11.1	11.1
	Acquire the state of Art Technology	1	11.1	11.1	22.2
	Diversify in growth business	2	22.2	22.2	44.4
	Increase market share	3	33.3	33.3	77.8
	Overcome barrier to entry	2	22.2	22.2	100.0
	Total	9	100.0	100.0	

Source: Research Data

33.3% of the bank's stated that reasons for merger/acquisition was to increase the market share, an identical 22.2% wanted to diversify in growth business and overcome barrier to entry respectively, while another identical 11.1% wanted to acquire brand quality and state of the art technology respectively.

4.3.4 Approval Period

Any firm that intends to adopt merger and acquisition strategies so as to redirect its long term goals and reposition and achieve competitive advantage over competitors has to submit a merger notification to MPC. It was important to document the banks experience in terms of duration of approval. The Kenya Competition Law has received criticism and challenge due to what is perceived as lengthy, outdated and non responsive to the needs

in the changing environment. The period between the dates of submission of merger notification to MPC and the date of approval by the Minister of Finance, was analysed and the Findings shown in the table below;

Table 4.6: The length of time it took to get the approval process within the frame work of Kenya competition law

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
	Over 12 Months	2	22.2	22.2	44.4
	6-11 Months	4	44.4	44.4	55.6
	Less than 6 months	1	11.1	11.1	77.8
	No Response	2	22.2	22.2	100.0
	Total	9	100.0	100.0	

Source: Research Data

It was observed that 33.3% of the bank's approval process was 10 months, an identical 22.2% took 11 months period and 1 year respectively, while another identical 11.1% took 3 months and 7 months respectively. This is contrary to the belief that approval process as an in built Act is cumbersome and is therefore bound to cause delay in the approval process.

4.3.5 Appeal to the High court

An aggrieved party has recourse to appeal first to the RTPT and if not satisfied, can move to the High Court. This is a legal due process that is provided by the Act. The information From the findings it was observed that 88.9% of were not subjected to a tribunal while 11.1% did not respond to the question.

4J.6 Negotiation with the target bank

Negotiation with the target bank whether it is a merger or an acquisition is a very important pre transaction activity and if not well managed can pose a great challenge to the whole process. Correct bid price, terms of payments or exchange of shares if settlement so demand and management structures in the post merger or takeover have to be negotiated and agreed upon. The data relating to the negotiation period was analysed and shown in the table below;

Table 4. 7: Time taken conclude the negotiations

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Unknown	1	11.1	11.1	11.1
	12 months	2	22.2	22.2	33.3
	24 months	4	44.4	44.4	77.8
	5 months	1	11.1	11.1	88.9
	7 months	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the findings it was observed that, 44.4% of the bank's interviewed, took 24 months to conclude negotiations, 22.2% took 12 months, while an identical 11.1% took 5 and 7 months respectively and another 11.1% absconded. This can be considered as a fairly shot period considering the lengthy discussions and negotiations involved at this stage.

4.3.6 Merger/Acquisition budget

Merger and acquisition processes are exceptional activities which occur in the course of a business circle as the firm realigns its operations. A transaction of this kind is managed as a project with set completion date with a price tag pegged on it. The researcher aimed at establishing whether the respondent banks experience of merger and acquisition set specific budget provision, to fund the activity and how much was set aside for the purpose. From the study it was observed that an identical 22.2% of the bank's estimate of the merger/acquisition budget was S10 Million and S20 Million respectively, while an identical 11.1% of the remaining banks estimated their budgets at S35 Million, between S7 Million and $5 Million respectively, while 11.1% absconded.

4.4 Experience of the banks in pre and post merger period

The second objective of the study was to establish the experience of managing pre and post merger/acquisition in Kenya's banking sector. There is no doubt that the merger and acquisition processes are major events in an organizations operating history. The researcher therefore devoted this part of study in asking the respondent banks that have undergone mergers/ acquisitions what experiences they have had both in pre and post the merger/ acquisition.

4.4.1 Degree of involvement by Managers in acquisition/merger process

There are several stages in a merger or an acquisition process that need to be managed to ensure its success. The process is a strategic change in a business set up and will

therefore encompass the techniques of change management and one such technique is involvement of the managers in the process. This was analysed and finding presented in the table below;

Table 4. 8: The degree of Involvement of the managers in the merger/acquisition process

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
	Extensively	1	11.1	11.1	11.1
	Moderately	3	33.3	33.3	44.4
	Not Known	2	22.2	22.2	66.7
	Quite a lot	2	22.2	22.2	88.9
	Very little	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: FLescarch Data

On identification, it was observed from the above findings that 77.8% of the companies involved their management very little, while 22.2% of the companies did not involve the management at all.

On screening it was observed from the above findings that 44.4% of the companies involved their management very little, while 33.3% of the companies moderately involved their management and 22.2% did not involve the management at all.

Coming to due diligence it was observed that 66.7% of the companies involved their management moderately, while 22.2% of the companies did not involve their management and 11.1 %t involved their management quite a lot.

On evaluation, from the above findings it was observed that 44.4% of the companies involved their management quite a lot, while 22.2% of the companies did not involve their management and another 22.2% involved their management moderately while

11.1%t involved their management very little. On approval process, from the above findings it was observed that **44.4%** of the companies involved their management quite a lot, while 33.3% of the companies did not involve their management at all and 22.2% involved their management moderately.

On bidding Strategies -Negotiations, it was observed that 33.3% of the companies involved their management quite a lot, another 33.3% involved their management very little while 22.2% of the banks involved their management moderately while 11.1% did not respond.

On post Integration activities- Integration planning it was observed that **44.4%** of the companies involved their management quite a lot, while 22.2% involved their management extensively and another 22.2% of the companies involved their management moderately while 11.1% did not respond.

4.4.2 Effects of mergers /acquisitions

In chapter one of this study, it was stated that mergers and acquisitions strategies are used by firms in strategic positioning. Firms search for suitable responses from its external environment and will endeavour to acquire strengths it lacks within the shortest time possible. Firms will increase their effort to gain a larger market share, create cost advantage, have product differentiation and consequently enhance profitability. These strategies are aimed at having a competitive advantage over its competitors. The table below shows the response on enhanced profitability;

Table 4.9: Enhanced Profitability

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Agree	3	33.3	33.3	33.3
	Disagree	2	22.2	22.2	55.6
	Neither agree nor disagree	3	33.3	33.3	88.9
	Strongly agree	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 33.3% of the banks agreed that post acquisition activities enhanced profitability another 33.3% of the companies neither agreed nor disagreed and 22% disagreed while 11.1% strongly agreed. So in essence merger/ acquisition as a strategy of enhancing profitability for respondent banks was working out well

Table 4.10: Increase market share

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Agree	6	66.7	66.7	66.7
	Disagree	2	22.2	22.2	88.9
	Others	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 66.7% of the banks agreed that post acquisition activities increased shares while 22.2% of the companies disagreed. This

meant that it was a worthwhile venture.

Table 4.11: Create cost advantage

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Agree	4	44.4	44.4	44.4
	Disagree	2	22.2	22.2	66.7
	Neither agree nor disagree	2	22.2	22.2	88.9
	Strongly agree	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 44.4% of the banks agreed that post acquisition activities created cost advantage, 22.2% of the banks disagreed and another 22.2% neither agreed nor disagreed while 11.1% strongly agreed.

Table 4.12: Create product differentiation

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Agree	3	33.3	33.3	33.3
	Disagree	4	44.4	44.4	77.8
	Neither agree nor disagree	1	11.1	11.1	88.9
	Strongly agree	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 44.4% of the banks disagreed that post

acquisition activities created product differentiation 33.3% of the companies agreed and 11.1% neither agreed nor disagreed while another 11.1% strongly agreed. This meant that most banks went into merger so as to have a wider range of products which would attract more customers

4.4.3 Management of post Merger and Acquisition Process

It has been previously noted that mergers and acquisitions fail if not well planned. Post acquisition management is highlighted in chapter two of this study as a complex and a continuous process. Identifying appropriate strategic fits for the mergers is a task that is embarked on as soon as the deal is sealed. This helps in eliminating duplication of activities and marrying of the different corporate cultures of the affected organizations or firms which requires careful management. In addition it is important for the affected firms to always make provision for enough funds to be availed for implementation of this activity. The researcher aimed at finding out the perception of the Kenyan banks in regards to failures in mergers and acquisitions. The results of the analysis are shown below;

Table 4.13: The main causes of failure in most merger/acquisition

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
	Lack of strategic fit	1	11.1	11.1	11.1
	Lack of organization fit	7	77.8	77.8	77.8
	Lack of finance	1	11.1	11.1	11.1
	Total	11	100.0	100.0	100.0

Source: Research Data

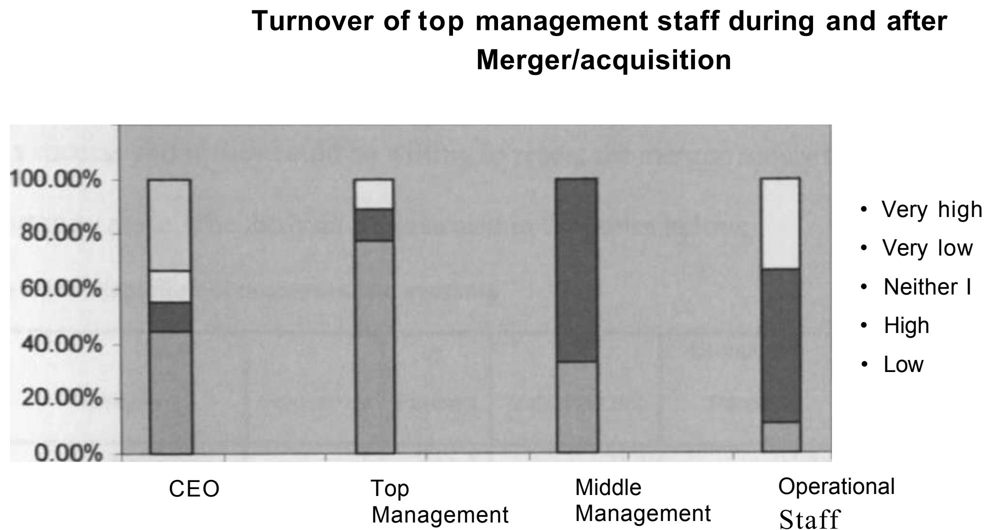
It was observed that the management of post acquisition is very important.

Approximately 80% percent of the firms that responded to this study agreed that post acquisition activities when not well planned were the main cause of failures in most mergers and takeovers and in particular in instances such as lack of strategic and organisation fit. 11 %of the firms agreed that failure to provide adequate finances to manage the process was a great contribution. The finding as documented reaffirms the importance of identifying both strategic and organisation fit immediately after concluding the process. It's also important for the firm to make enough provision of finances to be used in implementation of the process.

4.4.4 Turnover of the top management during and after the merger/takeover

The management of post merger activities involves a lot of change management strategies, which in turn creates duplication of activities, excess skills and the exit of some staff is inevitable. This could be attributed to restructuring and forced or voluntary early retirement. The researcher aimed at documenting the firm's banks perception on the staff turnover within the four levels of management. The data was analysed and the findings are illustrated in the chart below;

Bar Chart 4.2: Turnover of top management staff during and after merger/acquisition



Source: Research Data

The perception of most firms indicated that the turnover of CEO and operational staff was moderate, both top and middle management, staff exit was average. The top management plays a key role in the implementation of mergers and takeovers strategies. They are involved in the screening, approval and post merger and acquisition planning. For continuity of operation, it is considered that duplication of some key functions would be eliminated during the integration process. It is therefore a challenge to the management as to design and develop balancing strategies. It would be concluded that the firms in Kenya that have undergone mergers have not experience that exceptional exodus of labour during and after a merger and an acquisition.

4.5 General Assessment

Upon completion of any project or strategy, an evaluation is carried out to assess among

Upon completion of any project or strategy, an evaluation is carried out to assess among other aspects the general feelings of the stakeholders. In this research study, the respondents were asked to confirm as to whether the merger/acquisition they undertook was a success and if they could be willing to repeat the merger/acquisition process if an opportunity arose. The analysis is illustrated in the tables below;

Table 4.14: Integration of processes and systems

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Extensively	1	11.1	11.1	11.1
	Moderately	3	33.3	33.3	44.4
	Quite a lot	3	33.3	33.3	77.8
	Very little	2	22.2	22.2	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 33.3% of the respondents stated that banks were affected moderately in integration of processes and system another 33.3% of the respondents stated that the banks were affected quite a lot while 22.2% of the respondents stated that they were affected very little and 1 1.1% stated they were affected extensively.

Table 4.15: Integration of cultures

Vanable		Frequency	Percent	Valid Percent	Cumulative Percent
	Extensively	2	22.2	22.2	22.2
	Moderately	6	66.7	66.7	88.9
	Very little	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: F^search Data

From the above findings it was observed that 66.7% of the respondents stated that their banks were affected moderately in integration of cultures, 22.2% of the respondents stated that they were affected extensively, while 11.1% stated that they were affected very little.

Table 4.16: Human resource changes

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Extensively	2	22.2	22.2	22.2
	Quite a lot	4	44.4	44.4	66.7
	Very little	3	33.3	33.3	100.0
	Total	9	100.0	100.0	

Source: Rresearch Data

From the above findings it was observed that 44.4% of the respondents stated that some the banks were affected quite a lot at changes in human resource, 33.3% of the respondents stated that they were affected very little and 22.2% stated that they were

affected extensively.

Table 4.17: Learning processes

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Extensively	1	11.1	11.1	11.1
	Moderately	3	33.3	33.3	44.4
	Quite a lot	5	55.6	55.6	100.0
	Total	9	100.0	100.0	

Source: Fresearch Data

From the above findings it was observed that 55.6% of the respondents stated that they were affected quite a lot in learning processes, 33.3% stated that they were affected moderately, while 11.1% stated that they were affected extensively

Table 4.18: Financial processes

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Extensively	1	11.1	11.1	11.1
	Moderately	2	22.2	22.2	33.3
	Quite a lot	5	55.6	55.6	88.9
	Very little	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: H.esearch Data

From the above findings it was observed that 55.6% of the respondents stated that they were affected quite a lot at the financial processes, 22.2% stated that they were affected moderately while 11.1% were affected extensively and another 11.1% stated that they were affected very little.

Table 4.19: Customer's integration and experiences

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Extensively	6	66.7	66.7	66.7
	Moderately	2	22.2	22.2	88.9
	Not at all	1	11.1	11.1	100.0
	Total	9	100.0	100.0	

Source: FResearch Data

From the above findings it was observed that 66.7% of the respondents stated that their respective banks were affected extensively at integration and experience of customers, 22.2% stated that they were affected moderately, while 11.1% stated that they were not affected at all.

Table 4.20: Terming the merger/Acquisition as being Successful;

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	No	2	22.2	22.2	22.2
	Yes	7	77.8	77.8	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 77.8% of the respondents agreed that their merger/acquisition was a success, while 22.2% of the respondents disagreed.

Table 4.21: Recommendation of the merger/Acquisition

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	No	2	22.2	22.2	22.2
	Yes	7	77.8	77.8	100.0
	Total	9	100.0	100.0	

Source; Research Data

From the above Findings it was observed that 66.7% of the respondents agreed that they would recommend a merger/acquisition again while 22.2% of the respondents disagreed.

4.5.2 Management of takeover process

This section demonstrates the banks experience in management of takeover process and resistance which is common in acquisition process. The analysis is illustrated in the tables below;

Table 4.22: Management of the take over process

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Agreeing with major shareholders	4	44.4	44.4	44.4
	Buying stock in the market	3	33.3	33.3	77.8
	Obtaining proxies from the shareholders	2	22 2	22.2	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 44.4% of the respondents stated that their banks managed the take over process by agreeing with major shareholders, 33.3% of the

respondents stated that it was managed by buying stocks in the market, while 22.2% of the respondents stated that their banks obtained proxies from the shareholders.

Table 4.23: How the banksVmanaged a resistance from other shareholders or management

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
	Reward system through share/salary	3	33.3	33.3	33.3
	Sensitization	1	11.1	11.1	44.4
	Strategic plan	3	33.3	33.3	77.8
	Tthrough divesture	2	22.2	22.2	100.0
	Total	9	100.0	100.0	

Source: Research Data

From the above findings it was observed that 33.3% of the respondents stated that their banks managed resistance from other shareholders/management by creation of a rewarding system through share/salary another, 33.3% of the respondents stated that it was managed by drawing a strategic plan, 22.2% of the respondents stated that it was managed through divesture, while 11.1% stated that it was managed through sensitization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the research conclusions. It also offers a number of recommendations useful to scholars, planners, policy makers, shareholders and the Central Bank of Kenya. The chapter also highlights the recommendations for further research

5.2 Summary

This study was a census survey of mergers and acquisitions experiences by commercial banks in Kenya whose objectives were to;

1. Determine the factors that necessitates mergers and acquisitions in Kenya's banking sector.
2. Establish the challenges of managing pre/post acquisition merger change in banking industry in Kenya.

The population of the study was made up of the banks in Kenya that have gone through mergers and acquisitions and it used primary data which was collected using structured questionnaire appendix II containing both closcd and open ended questions. Data was then edited for completeness and consistency entered into a data entry system and analyzed using SPSS.

The terms mergers and acquisitions are usually used interchangeably unknowingly ignoring the distinctive business definition of each phenomenon. The Study gives a number of findings from which various conclusions are based. From these

recommendations and practical suggestions for those in search of knowledge in the field of mergers and acquisitions in the context of experience gained are offered.

5.3 Conclusions

This section will give a summary of key conclusions made from the findings of the study as discussed in chapter four. The three areas of study are divided into banks profile, the experience of the banks in the merger/acquisition process and lastly the factors that contribute to the success or failure of the strategy.

From the research objectives of determining the factors that necessitates mergers and acquisitions in Kenya's banking sector, from the findings it emerged that most of the banks have gone through the process so as increase the market share, this can be attested by write up in the literature review quoting from Hill and Jones, (2001,) "Firms have a reference for mergers and acquisitions, as an entry mode into a market segment, when they feel need to move fast as opposed that of internal venturing that can be a relatively slow process. Mergers and acquisitions are a much are a much faster ways to establish a significant market presence and generate profitability. A company can purchase a market leader, in a strong cash position overnight, so when speed is important, mergers and acquisitions are favored entry modes and it is also used as an international mode of entry in the foreign market".

On the research objective of establishing the experiences of managing pre and post acquisition merger change in banking, from the findings it emerged that most of the

banks took an average of 10 months to get approval to undertake the process. And that the negotiation took them 24 months to conclude. On involvement of the management in the process, most banks did involve very little their management in the identification process, very little at screening process, moderately in due diligence process, quite a lot in the evaluation process while on the approval process, most banks involved their management quite a lot. Coming to the bidding process and post integration activities, it emerged that most banks involved their management quite a lot.

It also clearly emerged that post acquisition activities enhanced profitability, increased shares and created cost advantage, but did not create product differentiation. Coming to the merger failures, it emerged that that lack of strategic fit and organization fit were the main causes of failure in most merger/acquisition.

On integration of processes and systems, it emerged that most of the banks were affected moderately in integration of processes and system and an identical number was were affected quite a lot .On integration of cultures, it emerged that most of the banks were affected moderately, The changes on Human Resources, learning processes, financial processes the banks were affected quite a lot while on integration of customer experiences the most of the banks were affected extensively.

From the findings it virtually emerged that majority of the respondents agreed that the their banks merger/acquisition was a success and that they would recommend of merger/acquisition again,

f

This can be attested y the literature review, quoting, Hill and Jones, (2001,) "The first initial stage on any merger or acquisition is the target identification, evaluation and screening process. This process increases a company's knowledge about the potential acquisition, heading to amore realistic assessment of integration problems and a lessening the risk of merging with or acquiring a 'potential problem business.' A detailed assessment of the strategic acquisition focusing on the criteria of financial position, product market position, competitive environment, management of capabilities and corporate culture is one of crucial assignment in the pre-merger process.

5.4 Recommendations for Further Studies

It would be recommended that in future, researcher should narrow down to undertaking further research in individual banks so as to come up with more comprehensive findings. It is also recommended that in future the banks which intend to merge should involve their middle level management in the whole process so as to enhance ownership of the whole process.

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APPENDICES

Appendix I: Introductory letter to Respondents

Felistus Wangui Njoroge
Faculty of Commerce
Department of Business Administration.
University of Nairobi
P.O Box 30197
Nairobi.

Dear Respondent,

RE: COLLECTION OF SURVEY DATA FROM YOUR ORGANIZATION

I am a postgraduate student at the University of Nairobi, Faculty of Commerce. I have completed my course work and am now required to carry out the mandatory management research project on. "A Survey of mergers and Acquisitions Experiences by Commercial Banks in Kenya.

After a careful analysis, your Bank has been selected to participate in the study. In this regard, you are kindly requested to participate in the study by filling out the accompanying questionnaire.

The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with
Confidence. At no time will your name or your organization's name appear in my report.
A copy of the final paper will be availed to your organization after completion of the study.

Your co-operation will be highly appreciated. Thank you in advance

Yours Faithfully

Felistus W. Njoroge	MR. JACKSON MAALU
MBA STUDENT	SUPERVISOR and LECTURER

Appendix II; List of Banks with Approved Mergers/Takeovers

No	INSTITUTION	MERGED WITH	CURRENT/PROPOSED NAME	DATE APPROVED
1	Indosuez Merchant Finance	Banque Indosuez	Credit Agricole Indosuez	10.11.94
2	Transnational Finance Ltd	Transnational Bank	Transnational Bank Ltd.	28.11.94
3	Ken Baroda Finance Ltd.	Bank of Baroda (K) Ltd	Bank of Baroda(K) Ltd	2.12.94
4	First American Finance Ltd.	First American Bank Ltd.	First American Bank Ltd.	5.9.95
5	Bank of India	Bank of India Finance	Bank of India Finance(K) Ltd.	15.11.95
6	Stannic Bank (K) Ltd.	Stannic Finance (K) Ltd	Stannic Bank Kenya Ltd	5.1.96
7	Mercantile Finance Ltd.	Ambank Ltd.	Ambank Ltd.	15.1.96
8	Delphi's Finance Ltd.	Delphi's Bank Ltd.	Delphi's Bank Ltd	17.1.96
9	CBA Financial Services	Commercial Bank of Africa Ltd.	Commercial Bank of Africa Ltd.	26.1.96
10	Trust Finance Ltd.	Trust Bank (K) Ltd.	Trust bank (K) Ltd.	7.1.97
11	National Industrial Credit Bank Ltd.	African Mercantile Bank Corporation	NIC Bank	14.6.97
12	Giro Bank Ltd.	Commercial	Giro Commercial Bank	24.11.98

		Bank Ltd.		
13	Guardian Bank Ltd.	First National Finance Bank Ltd.	Guardian Bank Ltd.	24.11.98
14	Diamond Trust Bank (K) Ltd.	Premier Savings & Finance Ltd.	Diamond Trust Bank (K) Ltd.	12.2.99
15	National Bank of Kenya Ltd.	Kenya National Corporation	National Bank of Kenya Ltd.	24.5.99
16	Standard Chartered Bank(K) Ltd.	Standard Chartered Financial Services	Standard Chartered Bank (K) Ltd.	17.11.99
17	Barclays Bank of Kenya Ltd.	Barclays Merchant Finance Ltd.	Barclays Bank of Kenya Ltd.	22.11.99
18	Habib A.G.Zurich	Habib Africa Bank Ltd.	Habib Bank A. G. Zurich	30.11.99
19	Guilders International Bank Ltd.	Guardian Bank Ltd.	Guardian Bank Ltd.	3.12.2000
20	Universal Bank Ltd.	Paramount Bank Ltd.	Paramount Universal Bank	11.1.2000
21	Fidelity Commercial Bank*	Southern Credit Bank Ltd.	Southern Fidelity Bank Ltd.	11.1.2000
22	Euro Bank Ltd.*	Daima Bank Ltd.	Euro Daima Bank Ltd.	11.1.2000
23	Kenya Commercial Bank	Kenya Commercial Finance Co.	Kenya Commercial Bank	21.3.2001

24	Southern Credit Bank Ltd	Southern Credit Bank Ltd.	Citibank NA	16.10.2001
25	Citibank NA	ABN Amro Bank Ltd.	Citibank NA	16.10.2001
26	Commercial Bank of Africa	First American Bank	Commercial Bank of Africa	2005

Appendix III: QUESTIONNAIRE

PART ONE - BANKS PROFILE

(1) Names of the banks before the merger or take over

(0

(ii)

(2) Date of Incorporation of your bank

(3) Name of the bank after the merger or take over

(0

(4) Has your bank completed the merger or acquisition to its conclusion?

(Please tick appropriately)

Yes	No

If no please state the reasons

If yes then proceed and complete the remaining part of this questionnaire.

(5) State the legal structure of your bank.

(Please tick where appropriate)

(i) Partnership_

(ii) Privately owned company

(iii) Publicly owned company

(6) How would you classify your bank in terms of ownership?

(Please tick where appropriate)

(a) Locally owned

(b) Foreign Owned

(c) Both Local/ Foreign Owned

(d) If (c) above Foreign owned Ownership %

(e) Local Owned Ownership %

PART TWO EXPERIENCE OF THE BANK

(7) Kindly state if your banks experience was a Merger (M) or a take over (T).

(Please tick where appropriate)

M	T

(8) What Sort of merger or acquisition did your bank undertake?

(Please tick where appropriate)

Horizontal Merger

Vertical Merger

Forward

Concentric Merger

Conglomerate Merger

(9) Please state reasons why your organization undertook merger.

(Please tick where appropriate)

(a) Increase market Share

(b) Acquire the state of Art technology

(c) Diversify in growth business

(d) Overcome barrier to entry

(e) Acquire brand quality

(0 Entry to a new geographical area

(g) Comply with a new legislation

(f) Any other (specify).

(10) Approval Process within the frame work of Kenya Competition law

(a) How long did you take to receive an approval from Commissioner Of? Monopolies and Price? Months

(b) Was your bank subjected to appeal to the Tribunal?

(Please tick where appropriate) Yes No

(c) If yes- How long did you take for the appeal to be concluded by the Tribunal?

Months

(d) Did you appeal to the High Court? Yes No

Give reasons for appeal.

(11) Negotiation with the target bank

(a) How long did your firm take to conclude the negotiation with the other firm?
Months

(b) Give an estimate of the Merger or Acquisition Budget

(12) To what degree did you involve your managers in the acquisition or merger process?

(Please indicate by ticking on the overleaf using the following scale)

Not at all - 1

Very little - 2

Moderately - 3

Quite a lot - 4

Extensively - 5

A. **Pre- merger/acquisition Process**

	1	**2**	**3**	**4**	**5**
1. Identification					
2. Screening					
3. Due to diligence					
4. Evaluation					
5. Approval Process					

B. Bidding Strategies

1. Negotiations

C. Post Integration activities

1. Integration planning

(13) To what extent do you agree with the following statement in the questions (14 and 15)

(Please indicate by a tick in the right box using the scale below)

Strongly agree	1
Disagree	2
Neither agree nor disagree	3
Agree	4
Strongly Agree	5

	1	2	3	4	5
1. Enhanced Profitability					
2. Increase in share					
3. Create cost advantage					
4. Create product differentiation ●	t				

(14) Post acquisition activities when not well planned are the main cause of failures in most mergers and acquisitions in area as the detailed below.

Strongly agree	-	1
Disagree	-	2
Neither agree nor disagree	-	3
Agree	-	4

Strongly Agree 5

	1	2	3	4	5
1. Lack of strategic fit					
2. Lack of Organization fit					
3. Lack of Finance					

(15) The factors listed below contributed to the success of the merger/acquisition of your firm.

(Please tick against each factor using the scale below)

Not important at all - 1
Unimportant - 2
Neither important or unimportant - 3
Important - 4
Very Important - 5

(16) Turnover of the top management staff during and after merger/acquisition.

(Please tick against each category using the scale below)

Very high - 1
High - 2
Neither high nor low - 3
Low - 4
Very Low - 5

I. CEO

2. Top Management

3. Middle Management

4. Operational Staff

GENERAL ASSESSMENT

(17) Would you term the merger or acquisition undertaken by your firm a success?

(Please tick where appropriate) Yes No

(18) Would you recommend a merger or an acquisition again?

(Please tick where appropriate) r ^ ^ r ^

This is only for those firms which have gone through a takeover.

(19) How did you manage the take over process?

Please tick w here appropriate)

Agreeing with major shareholders

Buying stock in the market ^ ^

Obtaining proxies from the shareholders ^ ^

(20) State how your bank \managed the resistance from other shareholders of management.