DETERMINANTS OF PERFORMANCE OF MERGERS AND ACQUISITIONS IN THE FINANCIAL SECTOR IN KENYA

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Determinants of Perfomance of Mergers and Acquisitions in the Financial Sector in Kenya

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DECLARATION

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

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This thesis has been submitted for examination in its present form with our approval as University Supervisors.

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DEDICATION

To my family who have been there for me through this period of writing this work.

"… there is nothing new under the sun! Here, at ground level, everything is much the same generation after generation. But, there is a God in heaven who rules over the sun! Meaning can be found in relation to Him, thus making life here tolerable, even delightful, and making ultimate perfect existence possible, through Jesus Christ. All those things that make life here so weary and boring can have new meaning, when we understand who God is what Christ did and we connect ourselves to the genuineness of being a child of God. "Fear God and keep his commandments, for this is the whole duty of man,"" (Berkley, 2012).

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ABBREVIATIONS AND ACRONYMS

AMOS	Analysis of Moment Structures, (an add-on module for SPSS, designed primarily for structural equation modeling, path analysis)
CAR	Capital Adequacy Ratio
GDP	Gross Domestic Product
EPS	Earning Per Share
IBM	International Business Machines, Incorporated
KDIC	Kenya Deposit Insurance Corporation
KPMG	Klynveld Peat Marwick Goerdeler
MCT	Measure of Central Tendency
M&A	Mergers and Acquisitions
OLS	Ordinary Least Squares
RBT	Resource-Based Theory
RBV	Resource-Based View
ROA	Return on Assets
ROE	Return on Equity

ROCE Return on Capital Employed

R & D Research and Development

SPSS Statistical Package for the Social Sciences (Statistical Product and Service Solutions)

VIF Variance Inflation Factors

OPERATIONAL DEFINITION OF TERMS

Acquisitions is the purchase of all substantial interests of a company by another company or the acquirer (Fapohunda, 2012).

Cultural integration - is a form of cultural exchange in which one group assumes the beliefs, practices and rituals of another group without sacrificing the characteristics of its own culture (Spencer-Oatey, 2012).

Determinants of Performance – is the organisational outcomes or elements that can be captured in organisation performance as; financial performance, product performance and shareholders return (Florian, 2013).

Financial Performance – is the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats (Sunday, Turyahebwa, Byamukama, & Novembrieta, 2013).

Market coverage – is the number of active retail and/or wholesale outlets (relative to a saturation level) that sell a specific firm's brands in a given market (Lynn, 2011).

Mergers – is any takeover of one company by another (Coyle, 2000).

Mergers and Acquisitions (M & A) – is a corporate strategy to penetrate into new markets, new geographic regions, and gain management expertise and knowledge, a change in ownership, with the view to maximize shareholders value and improve firm performance; (Ebimobowei & Sophia, 2011; Mboroto, 2012).

Performance – gives an idea of capturing the extent to which an organization succeeds in accomplishing its goals (McKenny et al., 2018).

Return on Asset – gives an idea as to how efficient management is at using its assets to generate earnings (Naba & Chen, 2014).

Return on Equity – is a ratio indicating how profitable a company is by comparing its net income to its average shareholders' equity (Naba & Chen, 2014).

Relationship – these are used in this study as those crucial areas where organizations get access to resources (Meglio, 2009).

Skill Competence – is the application of all that we know and can do (Hansen, 2011).

Stakeholders – these are those individuals and constituencies that contribute, either voluntarily or involuntarily, to the wealth creating capacity and activities (Post, Preston, & Sachs, 2002).

Value Creation – is the process of applying firm specific resources and capabilities to the needs and desires of the customer in a manner that is superior to alternatives (Tallman, Luo, & Buckley, 2018).

ABSTRACT

Mergers and acquisitions are common growth strategies for modern business. The purpose of this study was to critically examine the determinants of performance of mergers and acquisitions in the financial sector in Kenya, particularly banks and insurance companies. The following objectives were used in the study: to determine the relationship between culture integration and performance of mergers and acquisitions, to examine the relationship between market coverage and performance of mergers and acquisitions, to evaluate the relationship between skill competence and performance of mergers and acquisitions, to identify the relationship between value creation and performance of mergers and acquisitions. The study used both descriptive and cross-sectional designs, and a mixed methodology. Data collection instruments were questionnaire for obtaining the primary data and published data for secondary data. The study used behavioural, economic, resource-based and synergistic theories. These banks and insurance companies were included if they had undergone mergers and acquisitions from 2000 to 2014. A total of 93 returned questionnaires were used and the hypothesized relationships were tested using multiple regression analysis. Data analysis was conducted with the aim of describing and summarizing data, identifying relationships between variables, comparing variables, identifying the difference between variables and predicting outcomes of the research, coding, and developing themes. The study found out that culture integration, skill competence, market coverage and value creation contribute significantly to performance of mergers and acquisitions. The contributions for each variable indicated that value creation was the greatest predictor, skill competence followed and culture integration contributed less to the model. The study offered practical insights to policy makers, academicians, scholars and researchers in strengthening organizational identification of the determinants of performance of mergers and acquisitions by considering the crucial role of culture integration, skill competence, market coverage and value creation on the performance. The study suggested that there was a direct correlation indicating that; culture integration, skill competence, market coverage and value creation indicated a positively correlated. Regression showed that there was a relationship between culture integration, skill competence, market coverage and value creation and performance of mergers and acquisitions in the financial sector in Kenya. The findings reveal that further research will bring value creation to perspective, developing a strategic framework to enhance performance within the environment and the comparisons of major findings of mergers and acquisitions to understand synergistic theory. On the basis of these findings, it is recommended that value creation and skill competence bring a greater impact, and, therefore organization may do well to invest more in value creation and skill competence for performance. Market coverage was found to add value to the model and new mergers and acquisitions need to look at this with a critical mind.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In a changing economic se-up, organizations find themselves engaging in mergers and acquisitions as an important strategy and as a motivation for the organizations to amplify efficiency, enhance competitive advantage, achieve synergy, and improve the firm value (Ranft & Lord, 2002). This study's focus was on the determinants of performance of mergers and acquisitions in the financial sector in Kenya. The study was therefore structured through chapters one to five, highlighting the main concepts of the study, the related literature, the methodology used, the results and discussion, finally the summary, conclusion, and recommendations.

Research indicates that mergers and acquisitions open opportunities for organisations, among other benefits, to capitalize on the advantage of a large capital base, enjoy market power, create value for shareholders, gain new technologies and skills, access research and development (R&D) (Hitt *et al.,* 2007; Kumar & Bansal, 2008; Sherman, 2011). As noted by Dumon (2008); Gitau (2013), and Gway and Mungai (2015), organisations get into mergers and acquisitions to strengthen and maintain their position in the marketplace, acquire and exploit new technologies, create synergy or expand into new markets. Mergers and acquisitions are also a catalyst towards growth, working towards restructuring that leads to stability, which Kumar and Bansal (2008) referred to as, "influx" meaning that businesses shut down and new ones emerge.

On the negative side, possible low productivity and performance caused staff retention drop, retrenchment loom, wastage of time in developing new working plans, diversity in structure and corporate hierarchies and the legal tussles being inherited (Taneja & Saxena, 2014).

Globalization enhances technological changes which force firms into competitiveness (Kemal, 2011). Competitive advantage as a strategy boosts mergers and acquisitions towards combined operations, greater market coverage, an opportunity to enhance brand awareness, and economies of scale. However, through mergers and acquisitions, a great deal of risk, legal issues, cultural constraints, leadership issues, high staff turnover, and loss of skill emerge (Christensen, 2015; Sharma, 2009). The dilemma of planning, implementing and governance, results in various strategies setback ranging from miscommunication to employee turnover. The impact of not preparing an effective strategy and promoting open communication amongst stakeholders can be a drawback. Despite these, merger and acquisition activity elevates profitability growth of the company, allowing the company to create and exploit synergies as the primary motivation, increase market share, and exploit economies of scale.

The first attempts to measure the performance of merger-acquisition date back to 1992 (Yook, 2004). However, different disciplines have measured mergers and acquisitions performance differently for example, economist's talk of change in the company's value at the time of the announcement of the acquisition (Schoenberg, 2000). Financial analysts measure performance using "change in value of the acquirer, the target, and the combined entity" (Schoenberg, 2000). Capital market investors are concerned with the immediate wealth effects of an acquisition announcement (King *et al.,* 2004), and from the strategy angle King *et al.,* (2004) and Stahl and Voigt (2004) concluded that lack of consistency of performance metrics is loud.

Performance of financial sector is a measure of how well a firm uses assets to generate revenues, or its health position over a given period of time (Marembo, 2012; Upadhaya, Munir, & Blount, 2014). This offers a means of comparing similar firms. Types of Mergers include horizontal, conglomerate, vertical mergers (Marembo, 2012) and acquisitions include friendly, hostile, reverse, and backflip takeover (Fieldman. 2009). According to Herman (1998) mergers occurred in the markets

related to productivity in sectors like electricity and railways which affected steel, metal and construction industries.

These mergers were inefficient and failed, giving rise to the implementation of the Sherman Act Congress 1890, that created the phase of mergers from 1903–1905. The period from 1916 –1940 after World War 1 entertained mergers between oligopolies and created the fields of science and technology. In this period, the financial institutions cooperated with the government. At the time, mergers involved the manufacturers of metals, automobile tools, food commodities, chemicals, with the phase ending in 1929 with a massive decline in the stock market followed by great depression. But the tax exemptions in the 1940s encouraged the conglomerates to venture into mergers and acquisition activities. From 1965–1970 mergers were triggered by elevating stock and interest rates, and stern implementation of anti-trust rules and regulations. These classes of mergers were sponsored by equities, thereby eliminating the roles of banks (Newsletter, 1999-2010).

From 1981–1989, industries like oil and gas, pharmaceuticals, banking, and aviation combined their businesses with their national and international counterparts, creating cross-border buyouts (Newsletter, 1999-2010; Weber, Oberg, & Tarba, 2014). From 1992 to date, the players have been stimulated by globalization, an upsurge in stock market boom and deregulation policies, to which Weber *et al.,* (2014) declared that lack of human factor during the process of the planning and implementation of the merger led to failure. Daimler-Benz merger with Chrysler in 1998 deal was the best example of an international merger that failed, due to cultural integration challenges (Kwintessential, 2014) but CFC Stanbic and ICEA Lion showed a success story.

1.1.1 Performance of Mergers and Acquisitions

Zollo and Meier (2008) confirmed that acquisition performance is by its nature an extremely complex concept, a concept that can certainly be approached in different ways, but for which no individual way seems to suffice. This is in consensus with Schniederjans and Fowler (2017) who used similar words, '… important and

complex'. The concepts include efficiency benefits that include operating and managerial efficiencies that attract organizational change, a phase of restructuring.

The activities leading to mergers and acquisitions remain a secret from the public eye who include; shareholders, suppliers, customers, competitors, employees, and the media (Malik, Anuar, Khan, & Khan, 2014; Oghuvwu & Omoye, 2016). It is in this respect that Hassan and Ghauri, 2014) argued that mergers and acquisitions are mostly focused on economic gain, other than social or political objectives. These can be summarized by stating that the concept of mergers and acquisitions entails creating shareholders' value over and above that of the sum of the two companies, creating efficiency through collaborating, sharing expertise, and accelerating organization growth internally (organic) or externally (inorganic growth).

1.1.2 Global Outlook of Mergers and Acquisitions

Globally, mergers and acquisitions rose from 27,460 transactions in 2010 to 30,366 in 2011. These increased to $3.11 trillion in 2011 from $2.03 trillion in 2010 (Weber *et al.,* 2014). In the United States, mergers and acquisitions activity increased by 7%, from 9,238 transactions in 2010 to 9,923 in 2011 (Weber *et al.,* 2014). Mergers and acquisitions in Europe increased from 11,736 transactions in 2010 to 13,501 in 2011 (Weber *et al.,* 2014). China, which sought to align to growth, was not left behind showing that a $158 billion worth of deals was announced in 2011, and a 9% increase from $145 billion in 2010 (Milman, 1999; Zhu *et al.,* 2004). This view was shared in the Asia-Pacific region, where the number of deals increased by 12%, from 7,970 transactions in 2010 to 8,905 in 2011 (Weber *et al.*, 2014). Similarly, Mishra and Chandra (2010) inspected Indian pharmaceutical firms' performance concerning mergers and acquisitions. They concluded that mergers and acquisitions did not have a huge effect on a company's profitability. Yanan, Hamza, and Basit (2016) listed other several areas where similar studies had been done including; banking sectors in Pakistan, Philippines, Indonesia, and Germany's cooperative banking sector. These studies sought to contribute to the effect of mergers and acquisitions on financial performance.

1.1.3 Performance of Mergers and Acquisitions in Africa

The agenda for Africa's competitiveness had been influenced by the global reforms (African Economic Outlook, 2012) leading to various workshops through the East African Community (EAC), the Economic Community of West African States (ECOWAS), North Africa Algeria, Mauritania, Morocco and Tunisia (AMU) and the Southern African Development Community (SADC) that discussed how competitiveness could be raised in each region (Galvan & Konza, 2016). All this has been in the spirit for organizations growth (Bhatnagar, Kennedy, Magee, & Ruetschi, 2016). The strategy employed towards this goal included building strategic coherence, progressing from technical to strategic optimization, rethinking client profitability, accelerating operational efficiency and organizational change, and focusing on change execution to which mergers and acquisitions become means towards achieving this growth (Bhatnagar *et al.,* 2016).

Yanan, Hamza, and Basit (2016) quoting Naba and Chen (2014) and Omah, Okolie, and Durowoju 2013) who conducted studies in the Nigerian banking sectors and African banking sector respectfully, alluded to the aspiration to growth through reforms. These reforms attracted mergers and acquisitions, between 2003 and 2008 due to internal and external factor improvements (African Economic Outlook, 2012). Mergers and acquisitions in Africa have behaved in a similar manner to those of other developing regions of Asia and South America, with mixed outcome, implying that global factors towards mergers and acquisitions portrayed similar trends. In Ghana Seidu (2008) evaluated the effect of mergers and acquisitions on corporate financial performance and concluded that the mergers had not resulted in the expected benefits.

1.1.4 Performance of Mergers and Acquisitions in Kenya

Mergers and acquisitions have become a prominent feature in Kenya across industries ranging from agricultural, insurance, Banks, Information and Communication, and oil industries with examples being; Mobil Oil Ltd, taken by Oil

Libya Limited, CFC Bank merging with Stanbic Bank, and the recent case of Old Mutual, merging with UAP. For banks, mergers and acquisitions had the blessings of the Central Bank of Kenya creating shareholder trust (Mukele, 2006).

Gwaya and Mungai (2015) reported that mergers and acquisitions of the financial sector in Kenya performed a vital role in corporate finance in enabling firms achieve varied objectives and financial strategies. Kithitu, Cheluget, Keraro, & Mokamba (2012) added that any activity that fails to enhance shareholders' interest and value couldn't be deemed as a success, and therefore, the success of any merger and acquisition in Kenya, was measured by the core competencies generated to create value or enhance value. Marembo (2012); Nima (2015); Ayako, Musyoki, and Murungi (2015). Some other studies on the Kenyan financial institutions had similar sentiments that mergers and acquisitions generally resulted in increased financial performance of the firms.

1.1.5 Financial Sector in Kenya Involved in Mergers and Acquisitions

The financial sector as a set of institutions (Haldane & Madouros, 2011) included commercial banks, investment funds, insurance companies and real estate. Banks and insurance firms that had been involved in mergers and acquisitions included and Barclays who in 2009 acquired a US Lehman Brothers, when Lehman brothers sought to shield their performance from its creditors, after they failed to restructure their operations, improve their performance, and reduce overall cost structure (Dilshad, 2013). The deal was for US$1.35 billion (£700 million) (Biagi, Janowitz, & Ito, 2018; Treanor, 2013). Lloyds TSB in Britain in 2009 also acquired Halifax Bank of Scotland (Dilshad, 2013). Stanbic Holdings Plc, formerly known as CfC Stanbic Holdings Limited, was in 2016 amalgamated through a merger between Standard Bank Group of South Africa, and Capital Finance Company (CfC) Bank of Kenya.

In 2016, troubles in several banks in Kenya opened a haven for mergers and acquisitions. Dubai Bank became a target for KCB (Martin, 2015). Imperial Bank was placed under receivership to Kenya Deposit Insurance Corporation (KDIC), and

Chase Bank (Macharia, 2016) all became targets for acquisition and mergers as well. Ngunyi (2017) cited the problem of the Central Bank of Kenya rejecting State Bank of Mauritius (SBM) and Investments and Mortgages (I&M) Bank expression of interest to acquire a substantial equity in the Imperial Bank. This was followed by institution strategy of changing names and rebranding, such as, Ecobank Transnational Inc. (ETI)(ECObank)) became Spire, and National Bank of Kenya (NBK) changed colour to rebrand as, a venture that strategically would be a candidate for Mergers and Acquisitions (Olingo & Anyanzwa, 2016), and Islamic banking was not spared either (Shah & Qureshi, 2016).

The insurance division in the sector has a high mergers and acquisitions profile; the UAP-Old Mutual Kenya Group, for example, were working towards merging by July 2017 (Mwaniki, 2016). Old Mutual had earlier in 2014 acquired Quilter Cheviot, one of UK's largest investment firms at sterling pounds 585 million (Baines, 2014). Britam Holdings Limited, formerly British-American Investments Company, a highly diversified financial services group, had in the year 2017 moved to have International Finance Corporation (IFC) a member of the World Bank Group to acquire 10.37% stake in diversified financial services group Britam for Sh3.5 billion (Juma, D.N.3/1/2017).

Muli, Goko, Kitheka, Ngunjiri, and Mulwa (2013) reported that Kenya had a "relatively well-developed financial services sector in comparison to other African states", which included banks, microfinance institutions, savings and credit cooperatives, insurers, foreign exchange bureaus, non-bank financial institutions, mortgage finance houses, building societies, and a postal service offering savings products. The financial sector had the financial instruments, markets, and intermediaries working together (World Bank, 2015). A solid and well-functioning financial sector was a powerful engine in economic growth, generating local savings, which in turn led to productive investments in local business.

1.1.6 The Determinants of Performance

In discussing ownership positions of foreign acquirers in Africa, Ellis et al. (2018) mentioned colonial ties and fractionalization of the firms as determinants of such acquisitions. The determinants of performances can emerge from organization specific (internal) or macroeconomic (external) factors (Al-Tamimi, 2010). It is sure that internal factors are individual organizations' characteristics which affect performance.

The study did not link the observed determinants and performance patterns with a defined program, such that a rise in performance is attributed to employment of culture integration. The results that majored on performance showed a positive significant relationship between the determinants: culture integration, market coverage, skill competence and value creation and performance, suggest the need for further research to examine the actual effect of these determinants to record actual performance and the duration taken to improve, stabilize and eventually flatten downwards. This therefore means determinant of performance cannot be limited to the one used in this study only.

1.2 Statement of the Problem

Strategic management scholars have studied mergers and acquisitions since the inception of the field (Bettinazzi & Zollo, 2017). In addition, Chuang, Ho, Tsai, and Tsai (2011) noted that these studies continue to be an increasingly popular strategic option for organizations. Through mergers and acquisitions, organisations have grown, competed in the market and accumulated resources, becoming an integral feature of today's capital markets, the entire process aiming at changing the structure or nature of the corporation, creating and improving corporate behaviour, re-evaluating the human synergy and creating value thereafter improving performance in the firm.

Globally, mergers and acquisitions activities have remained active (Carow, Heron, & Saxton, 2004) and yet failure rate has remained a major challenge (Weber *et al.,*

2014). World Finance (2015) showed that approximately 40% to 80% of mergers and acquisitions failed. Christensen, Alton, Rising, and Waldeck (2014) placed the score at 70% and 90%. Schuler and Jackson (2001) highlighted possible reasons for these failures being; financial, economic, market, legal, and communication factors, and concluded that ignoring the role of human resources management was a major contributor.

In Kenya, several studies concurred that mergers and acquisitions improved performance (Gwaya & Mungai, 2014; Lole, 2011; Marembo, 2012; Mbae, 2014; Mboroto, 2012; Mitema, 2013; Rotich, Toroitich, Lulia, & Omwono, 2015; Vyas, Narayanan, and Ramanathan 2012 Wachira & Memba 2015; Zhang, 2008). Most of these studies, using financial ratios in performance, reiterated the use of Return on Assets (ROA), The Net Present (NP) ratio, Earning Per Share (EPS), Return on Capital Employed (ROCE), Return on Equity (ROE) ratio, Total Assets Turnover, Fixed Assets, Turnover and the Working Capital Turnover, and Capital Adequacy Ratio (CAR) as a measure of a banks' capital (Inoti, Onyuma, & Muiru, 2014; Mboroto, 2012). These studies concurred with Griffiths (2016), who shows that the coming together of organisations does not expose them to vulnerability.

This study has competently added to the knowledge bank that culture integration, skill competence, market coverage and value creation are strong determinants of performance of mergers and acquisitions. Empirically, Lakiyeviy and Vulanoviy (2011) noted that no published papers had attempted to answer whether there were determinants that potentially increased the probability of merger or acquisition increasing performance. The problem for this study was the disasters that emerged out of poor management of culture integration, market coverage, skill competence and value creation. There was limited information regarding which determinants were responsible for performance. By the same token, limited studies on these determinants have been carried out in mergers and acquisitions in the financial sector in Kenya. The problem statement which was derived from the theoretical foundations of the preceding chapters was critical in meeting the objectives set for the study.

1.3 Objectives of the Study

The general and specific objectives were as follows:

1.3.1 General Objective

The main goal of the present study was to develop and test the determinants of performance of mergers and acquisitions in the financial aector in Kenya.

1.3.2 Specific Objectives of the Study

The specific objectives of this study were as follows

1. To determine the relationship between culture integration and performance in the financial sector in Kenya after mergers and acquisitions.
2. To examine the relationship between market coverage and performance in the financial sector in Kenya after mergers and acquisitions
3. To evaluate the relationship between skill competence and performance in the financial sector in Kenya after mergers and acquisitions.
4. To identify the relationship between value creation and performance in the financial sector in Kenya after mergers and acquisitions.

1.4 Study Hypotheses

Hypothesis 01: There is no significant relationship between culture integration and performance in the financial sector in Kenya.

Hypothesis 02: There is no significant relationship between market coverage and performance in the financial sector in Kenya.

Hypothesis 03: There is no significant relationship between skill competence and performance in the financial sector in Kenya.

Hypothesis 04: There is no significant relationship between the value creation and performance in the financial sector in Kenya.

Table 1:1: Relationship of Objectives to Hypotheses

Objective	**Applicable hypothesis**
To determine the relationship between culture integration and performance in the financial sector in Kenya after mergers and acquisitions.	H_{01}
To examine the relationship between market coverage and performance in the financial sector in Kenya after mergers and acquisitions.	H_{02}
To evaluate the relationship between skill competence and performance in the financial sector in Kenya after mergers and acquisitions.	H_{03}
To identify the relationship between value creation and performance in the financial sector in Kenya after mergers and acquisitions.	H_{04}

Table 1.1 gave all the objectives set for this study that were being addressed by the formulated hypotheses. The questions were derived from the independent variables and were matched to the formulated hypotheses to ensure that the objectives set for the study were achieved.

1.5 Justification of the Study

Justification for this study sprang from the literature review from which; previous methodologies of studies addressed might not have adequately explained what the phenomenon was, new methodologies in related field of studies might have contradicted the existing knowledge about the phenomenon offering fresh insight which might have applied, and the way the problem and its associated concepts were

approached and defined were problematic. Many studies suggested that mergers and acquisitions affected the senior executives, labour force, and the shareholders, to which Makhlouk and Shevchuk (2008) suggested that research would enhance learning paradigm in the art of mergers and acquisitions management.

The rationale of the study, therefore, was that the determinants of performance would come out providing a good justification for this research. The purpose of the study was to show that as a strategic management tool, firms must be very careful to check on areas of weakness and follow through planning and implementation well. In considering determinants of performance on mergers and acquisitions, the results of this study would be helpful to shareholders or chief executive officers of the companies in deciding the option to join and do the merger and acquisition with other companies. The significance of this study is highlighted as it would affect the following audiences: policymakers, investors, researchers, theorists, consumers, among others.

1.5.1 Benefits to Policy Makers

The findings would be used to influence policies aimed at managing acquisition exercises and ensuring that positive impacts were attained in as far as the objectives intended were met. The job loss, negative impact to the economy and the growing concern of the firms are crucial to policymakers and stakeholders. Policymakers would gain a lot from the scholars and the practitioners of what mergers and acquisitions entail.

1.5.2 Benefits for Investors

Investors may make use of the results as they can sift through the challenges other organizations went through, and make more informed decisions on whether to invest through this mode. This study would benefit those seeking to buy out other companies, and this would be possible when the activity was viable.

1.5.3 Benefits to Scholars

The findings of this study would be valuable additions to the existing body of knowledge in the study of mergers and acquisitions. Students of management, strategy, and organizational growth would find this information beneficial if correctly interpreted and applied. This study would help scholars offer informed consultancy on mergers and acquisitions in the light of what had happened in the historical arena, and the future of mergers and Acquisitions. The scholars would be enriched in the area of; strategy, knowledge management, economics, finance, operations and axiology, being the field that discusses value creation resulting from mergers and acquisitions.

The study was able to not only analyse the financial measures of Return on Equity, a financial ratio that gives the amount of benefit an organization earned as opposed to the aggregate sum of shareholder equity contributed, but also Return on Assets, showing how gainful an organization was by contrasting its net incomes with its

normal shareholders' value alongside the strategies to move to mergers and acquisitions.

1.5.4 Benefits for the Consumers

Since the human race is complementary, researchers would continue contributing new knowledge and consumers of their research would continually provide areas of new research. The next group of stakeholders, namely graduates, professors, and employees of research units would include the summaries of the findings to meet the criteria for inclusion into the technical journals, access the international, national, regional and local professional associations and eventually; entry to newspapers and magazines, TVs or radios, and internet, among other media, thereby contributing to the demand for the pool of knowledge.

1.6 Scope of the Study

From the contextual viewpoint, this study was to limit itself to the financial sector in Kenya. The intention was to limit it to obtaining, assessing and evaluating the firms which had experienced mergers and acquisitions within a period of 15 years (2000–2014). The reason for the limitation of the period was to help capture key movements since the implementation of mergers and acquisitions by the organizations. The specific data would be used for the research and the theories would be used to interpret the data.

1.7 Limitations and Delimitations of the Study

Following the guidance of Holloway and Wheeler (2002), the following were the limitations of this study and their mitigations.

The limitation that featured throughout the study was in the choice of the research design and the data collecting instrument. Data management plan was established to control the possibility of the researcher being disorganized while storing the

questionnaires, consent letters, analyzed data, and other pieces of information that were central to the study.

In some offices, the researcher had to wait for two to three hours to collect and/or drop a questionnaire for the managers concerned. In others, after several visits, the managers would fill the questionnaire when the researcher arrived. The researcher had to be patient, make many telephone calls, and apologise to those that got offended by his several visits. In situations where data was not collected, the advice given by Rubin and Rubin (2005) that the researcher should ‘deleting them from being potential respondents’ was followed.

The other challenges experienced included unavailability of classified data, resistance and lack of cooperation on the part of some respondents despite the researcher producing the University and The National Commission for Science, Technology, and Innovation (NACOSTI) documents. These documents were meant to introduce the researcher to the respondents (American Psychological Association, 2010).

Another challenge encountered was that data on return on investment was classified and could not be received directly from the documented tools, and therefore, the need to devise a means of obtaining this data was delayed for future study.

The major challenge was the political temperature at the time of data collection which made the entire processes to be time-consuming.

The study population was spread across the capital city with some locations hard to access. However, the researcher’s knowledge of the geographical mapping of the city of Nairobi helped to facilitate movement to most headquarter offices of the banks and insurance companies. Distribution and collection of copies of the questionnaire were also challenging involving making several trips to the respondents.

1.8 Summary

This chapter provided an introduction of the topic of the study as well as a background of the problem. In focusing on the study of the determinants of performance of mergers and acquisitions in the financial sector in Kenya, the words of Lakiyeviy and Vulanoviy (2011) that '… no published papers had attempted to answer whether there were determinants that potentially increased the probability of merger or acquisition increasing performance' informed part of the problem of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, relevant literature with the lenses of theories looking at the problem, and shaping the research problem was reviewed. These "lenses" were those through which researchers looked at solving complicated problems of social issues, focusing their attention on different aspects of the data and providing a framework within which to conduct their analysis.

With the understanding that organisations may perform poorly if the selected determinants, namely culture integration, market coverage, skill competence and value creation, are poorly managed, coupled with the idea that there is limited information regarding these determinants that are responsible for performance on mergers and acquisitions in the financial sector in Kenya, this study sought to answer the question quantitatively by understanding these determinants (Mina, 2016). The study used resource-based theory, behavioural theory, economic theory and synergistic theory. This chapter went on to provide in Table 2.1 the following summary details.

Table 2:1: Highlights on Theories Selected

Theory	Why used	Conceptual framework
Resource-Based Theory	Various works have attempted to identify assets and their link to generating competitive advantage (Hernandez-Carrion, Camarero-Izquierdo, & Gutierrez-Cillan, 2017)	Theory will answer questions emerging from the conceptual framework to enhance value creation for competitive advantages
Behavioural Theory	This helped to get the central reasons for failure in a merger and acquisition, whether due diligence was observed or not and should that formation fail, the reason to exploit all synergies evolved (Recklies, 2011).	Theory will answer questions on proper communication systems to enable coordination thereby avoiding conflicts by handling culture integration.
Economic Theory	Chosen because the results of Hausman's test (Greene, 2002) rejected the randomness of residuals hypothesis.	The economic motive, which is shareholders wealth will be increased by the transactions taking care of market coverage, value creation
Synergistic Theory	Mergers and acquisitions are planned and executed based on perceived cost saving or market synergies. A unique combination sought, 2+2=5.	Theory will answer questions emerging from the conceptual framework skill competence, value creation and culture integration

2.2.1 Resource-Based Theory

The terms "resource-based theory" (RBT) and "resource-based view" (RBV) were often used interchangeably (Kamasak, 2015). From this argument, it is clear that resource-based theory aims at providing avenues for a managerial framework that would be used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage. Resource-based theory suggests that the firm's internal characteristics, such as the cultural patterns of learning and human capital

asset accumulation, have significant impact on the firm's capability to introduce new products and compete within disparate markets. The theory highlights that if a firm was to achieve a state of sustained competitive advantage; it must acquire and control valuable, rare, and non-substitutable resources and capabilities (Mutunga, Minja, & Gachanja, 2014).

RBT has emerged as a key perspective guiding inquiry into the determinants of organizational performance. This theory states that for a competitive advantage to be sustainable, it must be underpinned by resource capabilities that are scarce and imperfectly mobile, which means that well-functioning markets for these resources and capabilities cannot exist. The theory links the firms and the economic stability by emphasizing the role of resources and capabilities in forming the basis of competitive advantage. This includes the physical and financial assets as well as employees' skills and organizational (social) processes (Armstrong & Shiminzu, 2007). With these competitive advantages, organisations would endure through both good and bad economic, political, technological and social time. The theory is also linked to synergetic theory which touches on behavioural theory (April, 2004).

It is Barney's article of 1991 titled "Firm Resources and Sustained Competitive Advantage" that served as the early work to the emergence of the resource-based view. It pointed out that firms can develop sustained competitive advantage only by creating value in a way that is rare and difficult for competitors to imitate. It further stated that the possession of resources that are rare, valuable, non-substitutable and difficult to imitate allow a firm to move ahead of its competitors (Barney et al., 1991). Amongst its components are strategy, competitive advantage, capabilities, resources, and identifying the firm's potential key resources (Grant, 1991).

Hamel (2003) and April (2004) stated that 'core competence' was a capability or skill that provided the thread running through a firm's businesses, weaving them together into a coherent whole. According to Kamasak (2015), RBT was an old set of ideas, analysis of the economic consequences of the original and indestructible gifts of nature, with its background on land as a critical resource in fixed supply. The

reason for using resource-based theory in this study was that resources are the basic units of analysis and include physical and financial assets as well as employees' skills and organizational processes. This implies that competitive advantage can be sustained when the capabilities creating the advantage are supported by resources that are not easily duplicated by competitors.

2.2 Theoretical Review

Glanz (2008) stated that theories recognition in a discipline shapes the field and helps define the scope of practice, and influences the training and socialization of its professionals. In this kind of study, the dominant theories that have been used before in the literature included; efficiency theory, agency theory, motivation theory, expectancy theory, organization theory, integrative theory, Eysenck's theory, conflict theory, acculturation theory, learning theory, anxiety theory, and role conflict theory, among many others that related to mergers and acquisitions.

Theories previously used are executed to address mostly synergies, viewing mergers and acquisitions as effective tools to reap benefits of synergy. Much as these theories listed dominate merger and acquisitions work, they work well for short term. The four theories used in this work; Resource-based theory, behavioural theory, economic theory and synergistic theory offers an opportunity for the results to be generalizable and dealing with long term of the firm, indicating that mergers and acquisitions have served the intended purpose.

Resource based theory indicating that each firm has different resources which they can employ different strategies to accomplish given goals, behavioural theory proof that whether a leader or an employee, certain behaviors that fit scenarios come with trial and error, Economic theory providing the effects on output and inflation developed, and Synergy providing a dominant motive, as well as a key success factor for mergers and acquisitions, after mergers and acquisitions.

2.2.2 Behavioural Theory

The terms 'behavioural' and 'cultural' are used interchangeably in the literature.(Hofstede, 2011; Seo & Hill, 2005). Behavioural theory is a function of conflict, motivation, dynamics, productivity, expectations, leadership styles, decision making (Hofstede, 2011). Skinner (1936) is taken to be among the early advocates of behavioural theory, when he advocated for organisms and the concepts of operant conditioning and shaping. Skinner published Walden Two in 1948, in which he described a utopian society founded upon behaviorist principles (Skinner, 2013). The human factor to mergers and acquisitions used the hubris hypothesis formulated by Roll in 1986. Its origin was influenced by developments in several allied disciplines including sociology, psychology, economics, and engineering, as well as, by the experience of practitioners, and can be credited to the Industrial Revolution (approximately 1760). In this connection, Miner (2006a) highlighted the works of Henri Fayol, Chester Barnard, and Mary Parker Follet Barnard (n.d.) and sociologist Max Weber.

In the 1960s and 1970s, ideas such as the informal organization, resource dependence, contingency theory, and institutional theory emerged. Later came learning theories, social cognitive theory, theories of reasoned action and planned behavior, each focussing on different factors in attempting to explain behavioural theory. Mergers and acquisitions are important to companies as they allow them to acquire capabilities that they cannot create internally and to grow quickly, and behavioural theory enables backward integration strategies to help achieve distribution network. In 1980s, anthropology, psychology and sociology all worked to enhance behavioural theory. The theory takes the firm as its basic unit, and attempts to predict firm behavior on pricing, output, and resource allocation, focusing on the actual process of organizational decision making (Miner, 2006b).

Wagner and Hollenbeck (2010) gave three elements of organizational behavior as being; individuals in organizations or internal cultures (micro-level), work groups or basic ideas of cultures of units in question (meso-level), and how organizations or

external cultures behave in question that may include, religious or scientific beliefs, political ideologies, long-term personal goals or strategies (macro-level). Behavioural theory is used in this study because behaviorism, also called behavioral psychology, as a theory of learning, will give this study the focus that all behaviours are acquired through conditioning, which occurs through interaction with what is around or within one's sphere of operation, that causes a responses to environmental stimuli that would shape our actions (Krapfl, 2016). Drawing on works from behavioral learning theory in psychology, this study examines the influence of prior organizational acquisition experience on the performance of acquisitions.

Behavioural theory, which examines both the conditions preceding organization events and organizational responses, predicts that experience effects may range from positive to negative. Consistent with this theory, data from 449 acquisitions showed an overall U-shaped relationship between organization acquisition experience and acquisition performance. In addition, the more similar a firm's acquisition targets were to its prior targets, the better they performed. These findings suggest that relatively inexperienced acquirers, after making their first acquisition, inappropriately generalize acquisition experience to subsequent dissimilar acquisitions, while more experienced acquirers appropriately discriminate between their acquisitions. Behavioral learning theory, then, may enhance understanding of organization experience effects.

2.2.3 Economic Theory

Economic theory ideas sprang from philosophers and economic thinkers, Adam Smith's idea of capitalism and Karl Max's idea of socialism and Marxism. The theory is about people who think about economics; and was the brain child of Adam Smith (Wealth of Nations), from his book on how nations can be rich and powerful, and the need to expand, gather land and resources. However, Karl Marx introduced economic doctrines, which hold that human societies progress through class struggle: a conflict between ownership classes (controls production) to dispossessed labouring class (that provides the labour for production). He replaced capitalism and introduced

economic systems called socialism. Economic theory replacing neoclassical economic theory assumed that people are right in what they are doing. This theory helps give alternatives, and demonstrates how people can benefit from the advice as it can be costly to make mistakes and hurt organizations we want to help grow.

The origins of economic theory sprang from Adam Smith, David Ricardo and John Stuart Mill in 1870s who stressed on economic growth and economic freedom, as well as, laissez-faire ideas and free competition (Ekelund & Herbert, 2007). Niehans (1990) showed how the analytical tools used by economists have evolved from the eighteenth century to the present, through looking at the development of classical economics from the scholastic and mercantilist traditions to Marx, and concluded by describing economic theory in the model-building era from Pigou and Keynes to rational expectations (Niehans, 1990). The main elements of economic theory in this study include: nature space which houses diversity, human space which holds satisfaction of basic needs, social space that holds plan and market, and world space holding world systems all summed up into the reaction of supply and demand.

Empirical evidence suggests that mergers and acquisitions waves correlate positively with macro-economic factors, such as the state of the economy, resulting in an increased number of mergers and acquisitions transactions (Kristensen & Lund, 2015). Related theories to economic theory that is helpful to this study include classical economic theory (roughly in the 50s), Keynesian theory (1936 to the 80s), monetarism (roughly from the late ’50s), new classical theory (from the 70s to date), and new Keynesian theory (from the 80s to date) (Blaug, 2020). The reason economic theory was used in this study is that the theory helps to explain economic phenomena, helps to interpret why and how the economy behaves as it does, and how mergers and acquisitions are the best solution in solving these phenomena.

2.2.4 Synergistic Theory

The economists in business promote several competing theories of mergers and acquisitions amongst which are empire-building (Baumol, 1967), monopoly power (Mueller, 1993; Roll 1986), management-entrenchment (Shleifer & Vishny, 2003). These culminate into two leading mergers and acquisitions efficiency theories, namely the disciplinary and synergistic. Disciplinary mergers theory suggests that mergers and acquisitions discipline target firms' managers who pursue objectives other than profit maximization. Managers who do not maximize profits presumably would focus attention on goals other than profitability. Since this difference in focus can come at the expense of operating efficiency, a firm's performance may suffer. However, poor performance does not go unnoticed. Opportunistic buyers may observe the poor performance accompanied by good assets and discipline the poorly performing plant by acquiring it.

Thus, the disciplinary theory suggests that acquiring firms merge with poorly performing targets and improve their performance as new management realizes the synergetic impact of target assets (Lu, 2014). Synergistic theory sprung from the synergistic leadership theory that was developed by Irby, Brown, and Duffy (1999). It is a gender-inclusive theory which addresses the female perspective and which includes attributes, experiences, and abilities inherent in male, as well as, female leaders. Synergistic theory holds that firm managers achieve efficiency gains by combining an efficient target with their business and then improving the target's performance. Buyers recognize specific complementarities between their business and that of the target. Thus, even though the target is already performing well, it should perform even better when it is combined with its complementary counterpart, the buyer firm.

The synergistic theory implies that target firms (or plants) perform well both before and after mergers. Synergistic theory has been used for leadership behavioural theory (Lu, 2014) though it creates an environment where major success can be achieved from power of team work. It however can be the behaviour of a system that cannot

be predicted by the behaviours of its individual parts. Synergistic theory was used in this study because synergy appears in most of mergers and acquisitions studies as a management tool. The idea is that synergy alludes to the concept that the value of the merged entity is greater than the value of the individual firms (Whitlock, 2016). Synergy's potential within mergers and acquisitions in organizations portrays effectiveness in integration, and organizational cultural differences positively influencing the overall acquisition performance.

2.2.5 Theory Proponents and Link to Study

A theory is a contemplative and rational type of abstract or generalizing thinking about a phenomenon. The theories selected for this study are highlighted as follows.

Resource-based theory (RBT), also known as resource-based view (RBV), was originally used by Penrose (1959) and Grant (1991). Based on Grant (1991), resources 'are the inputs of the productive process of a firm' and 'the basic unit of analysis of the theory of resources and capabilities'. The theory starts from market imperfection and states that owning valuable, rare, inimitable, and non-substitute business resources is a source of sustainable competitive advantage (Barney, 1991; Black & Boal, 1994). Rare resources are those that are not possed by other firms at the same time (Barney 1991).

While this influential body of research within the field of strategic management was named by Birger Wernerfelt in 1984, the origins of organizational economics being the resource-based view traced back to the thinking of the work of Penrose (1959). The theory with a neoclassical focus is linked to the study through value creation and market coverage. The theory has emerged as a key perspective guiding inquiry into the determinants of organizational performance.

Behavioral theory (BT), also used in this study as cultural theory (CT), takes the firm as its basic unit, and attempts to predict firm behavior on pricing, output, resource allocation, focusing on the actual process of organizational decision making. The

year of origin for the theory dates from 1878-1958, 1930, and later Roll in 1986 and Hofstede in 2011 joined in. Simon (1990) indicated that a behavioral theory must incorporate two dimensions of reality analogous to the two blades of a pair of scissors. Cyert and March (1963) added that behavioral theory continues to be used widely to explain the relationship between performance and mergers and acquisitions. The proponent of this theory was John B. Watson (the founder of the behavioral theory), who was behind the classical conditioning. Posen, Leiblen, and Chen (2018) stated that to develop a behavioural real option theory, it is useful to consider the cononical real options valuation framework.

Decisions making on the behavior of the organization and cultural integration are the main link to the study variables. Economic theory has its base in the laws of demand and supply. For any merger and acquisition, economic theory supports shareholders' wealth to increase by the transactions since the two organizations are worth more when combined than when separate. The idea of economic theory springs from the early works of Adam Smith (1723 to 1790), Karl Marx (1818 to 1883), and John Maynard (1883 to 1946). In this study, culture integration, market coverage, skill competence, and value creation are influenced by economic theory.

Synergistic theory had its origin from the field of psychology in the 19th century, and Henri Mazel (1896) has featured a lot in the development of the theory. Mergers and acquisitions are one tool that organizations can employ in implementing strategy. Synergistic theory is one of the merger and acquisition efficiency theories. They imply that an organization performs well before and after merger and acquisition. In linking synergistic theory to the study, there is value creation, cultural integration, and skill competence.

This section is summarized by a philosophical reasoning from the researcher, that each variable is linked to the theories, as Table 2.2 depicts. If one takes an example of the variable, 'value creation', it can be argued that since value creation, in itself, is a function of quality and demand (demand being in itself a driver for value), it would be assumed that if no quality is allowed, demand would not exist, and that means no supply would be experienced; being economic theory in practice.

Table 2.2: The Link between Theories, the Study Objectives and the Variables

Theory	Link to the study of the objectives
Resource-Based Theory	Relationship between value creation and performance in the financial sector in Kenya after mergers and acquisitions. Linked variables include cultural integration, value creation and market coverage, are influenced by RBT.
Behavioural Theory	Relationship between culture integration and performance in the financial sector in Kenya after mergers and acquisitions. Cultural integration are influenced by behavioural theory.
Economic Theory	Relationship between market coverage and performance in the financial sector in Kenya after mergers and acquisitions. Culture integration, market coverage, skill competence, and value creation are influenced by economic theory.
Synergistic Theory	Relationship between skill competence and performance in the financial sector in Kenya after mergers and acquisitions. Value creation, cultural integration, and skill competence, are influenced by synergistic theory.

2.3 Conceptual Framework

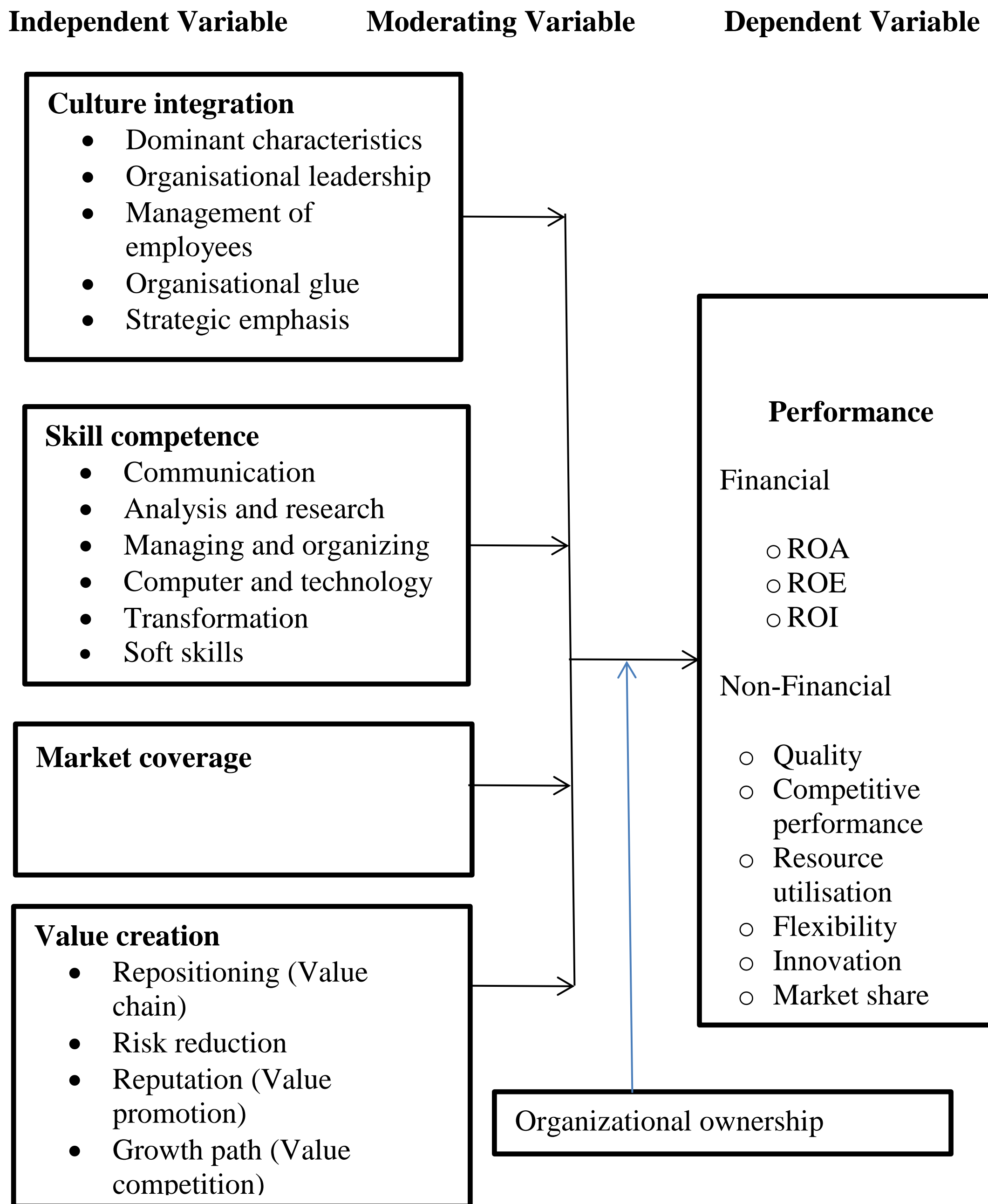


Figure 2.1: Conceptual Framework

Many research works use performance as a dependent variable, seeking to identify variables that produce variations in performance (Richard, Devinney, Yip, & Johnson, 2005). As Richard (2005) reckoned, performance being one of the most important constructs in management research is normally framed as a dependent

variable with specific emphasis on how it is operationalized and measured. However, Nienaber (n.d.) noted that performance research pose different meanings of performance in business and economics. It also has been viewed that merger has a minor positive impact on the profitability of the organization (IrfanShakoor, Nawaz, & Khan, 2014).

In this study, we examined how the effects of mergers and acquisitions on organizational performance were moderated by the centrality of ownership and cultural differences. The strategic involvement and centralization of ownership boosted a positive impact of mergers and acquisitions on performance. The positive impact of ownership would show in reward systems and the right to participate in the decision making. The moderating role of ownership identity for the determinants of performance of mergers and acquisitions in the financial sector in Kenya was not studied. This study was conducted with the desire to fill this gap.

The study looked at the determinants, namely integration (when staff from a culture adopts into another culture like attitudes and ceremonies while at the same time maintaining their own culture), market coverage (the ability to cover a given market through concentrated marketing, differentiated marketing, or undifferentiated marketing strategy), skill competence (specific learned activities and/or skills, that demonstrate the ability to perform the job(competence)) (Sturgess, 2012), and value creation (performance that increases the worth of a business), a relationship depicted by Table 2.3. A relationship existed between two variables which could be a causal or a correlational relationship. A correlational approach would be used to determine if a relationship existed between the variable under study and performance of mergers and acquisitions of the financial sector.

Table 2.3: How the Variables are Interlinked

Variable	Culture Integration	Skill Competence	Market Coverage	Value Creation
Culture Integration		Language and value	Value and leadership	Value rules, norms and effectiveness
Skill Competence	Language and value effectiveness.		Leadership, sales and marketing	Leadership
Market Coverage	Value and leadership	Leadership, sales and marketing		Marketing strategies
Value Creation	Value rules, norms and effectiveness	Leadership effectiveness	Skills and shareholders	

2.3.1 Cultural Integration

Cultural integration is the thread that determines the success or failure of a firm that has gone through mergers and acquisitions. The reason for taking this as a determinant for mergers and acquisitions is that, as stated by Koo (n.d.), planned synergies were achieved through corporate acquisitions, and appear to suggest that if the variables related to integration process could be considered with other variables, research model would be able to comprehensively account for the determinants of successful mergers and acquisitions by explaining the role of integration process. Coisne (2014) concluded that cultural factors have an important impact on mergers and acquisitions performance. Evans (2010) alluded to the fact that mergers and acquisitions transactions were prone to mismatched cultures, which allowed the prevailing culture coming from the acquirer.

In their article, Miller and Fernandes (2009) believed that culture must be a focus in efforts to integrate companies because when left to itself culture would often undermine value-creation. From their argument, the study deduced that culture was

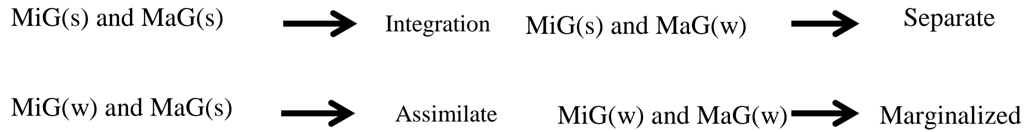
both powerful and implicit. Since culture can be rigorously linked to behaviors that affect business value the employees who are unlikely to change their cultural beliefs in response to exhortations to adopt new cultural values, would affect performance. From empirical literature, it has emerged that cultural integration carries three main views, that is, the assimilation theory, multiculturalism, and structuralism (Alga, Bisin, & Verdier, 2016). The authors, using Berry (1997) developed the following model (Figure 2.2) that this study adapted to link cultural integration with economics.

Majority Group

Minority Group	STRONG	WEAK
STRONG	Integration	Separtaion
WEAK	Assimilation	Marginalisation

Figure 2.2: Two dimensional Identity Model: Adopted from Berry 1997

Figure 2.2 shows that integration occurs only when the minority and the majority groups are both strong. Cultural integration is a form of cultural exchange in which one group (the majority) assumes the beliefs, practices, and rituals of another group (the minority) without sacrificing the characteristics of its own culture. The figure indicates that cultural integration is a positive phenomenon, as long as nothing is lost, but is marginalized when the mergers and acquisitions is weak. Ouimet (2013) gave a greater than 50 percent for the majority group (company) and less than 50 percent for the minority company, summarized as follows:



where a strong minority group (acquiring firm) merges with a strong majority group, with the two organizations sharing the best of both cultures.

Culture integration becomes critical when strong companies would buy other companies to create a more competitive and cost-efficient company (Jallow, Masazing, & Basit, 2017). Most studies, as indicated by Dixon and Nelson (2005), human resources were not included as part of post-merger integration plan. In Kenya, studies on cultural integration in relation to mergers and acquisitions in the finacial sector are very limited. This argument was summarized by the hypothesis that; **Hypothesis 01:** *There is no relationship between culture integration and performance of mergers and acquisitions in the financial sector in Kenya.*

2.3.2 Skill Competence

Competence is a required ability that is necessary to fully engage soft skills in an organization (Rousku, 2014). Competence and skills remain an intellectual capital. In one's own work, competence may refer to updating, expanding, deepening or completely redirecting one's competence (Eriksson, 2016). Skill competence is taken as a determinant for mergers and acquisitions because people are able to assimilate processes of the acquired company's core competencies into the new organization's portfolio of talents (Evans, 2010). Figure 2.3 highlights the skill competence awareness need for mergers and acquisitions, using the wrong intuition or the right intuition when applying the appropriate analysis between timelines and efficiency towards performance (Doyle, 2018).

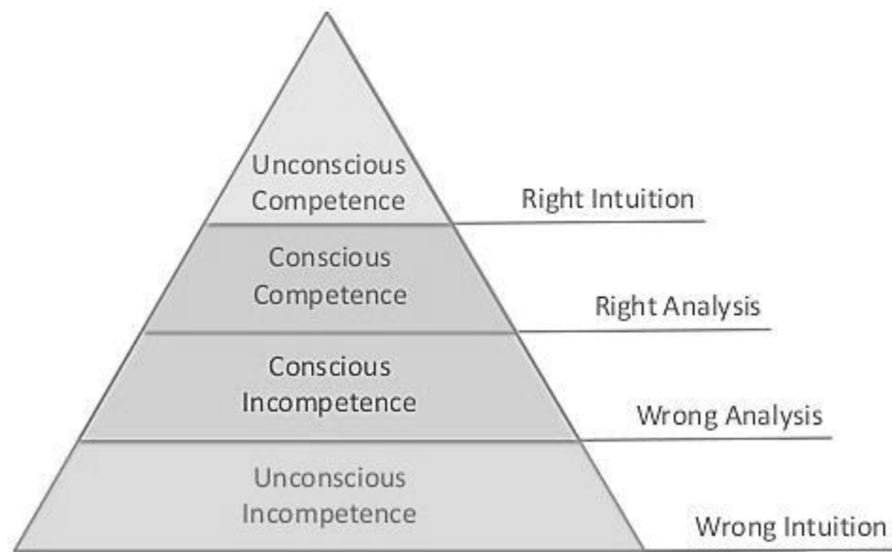


Figure 2.3: Hierarchy of competence, Source (Noel Burch)

Studies have indicated that performance management system helps employees to do their job better, and develop their skills and potential (Mansor, Chakraborty, Yin, & Mahitapoglu, 2011). It has further been noted that after mergers and acquisitions, skills competence causes the organization's efficiency to increase because now they are going to be in an extensive format of operation, and due to their large size their effectuality would also increase (IrfanShakoor, Nawaz, & Khan, 2014). According to the IrfanShakoor et al. (2014), the efficiency of any organization can be improved when the partners of mergers and acquisitions have no efficiency in cost but it also depends upon management of both the organizations. In Kenya, studies on skill competence in relation to mergers and acquisitions in the finacial sector are still at infant levels. The following hypothesis was used to appreciate this variable, ***Hypothesis 02:*** *There is no relationship between skill competence and performance of mergers and acquisitions in the financial sector in Kenya.*

2.3.3 Market Coverage

Market power refers to a company's relative ability to manipulate the price of an item in the marketplace by manipulating the level of supply, demand or both. This is because competitiveness markets promote economic efficiency and growth (Kolasky, 2002). The reason for taking market coverage as a determinant for mergers and acquisitions was that Flugt (2009) declared that the volume of increased mergers and acquisitions activities had market coverage as an indicator of growth. In their study on indicators, (Colletta & Cullen's 2002) had concluded that market coverage was an indicator that was used to measure change whether a quantitative or qualitative factor reflect the changes connected to an intervention.

Market coverage is also the evaluation of the marketplace and determination of how much of it one should cover with one's promotional strategy of a product or business. Once one understands the product's relationship to each market, one would be able to make the right decision about the market coverage strategy, which could either be concentrated marketing, differentiated marketing, or undifferentiated marketing (Uhlig, 2016). According to Rothenbuecher, Hoyningen-Huene, and Kratzert (2013) indicated that the latest study of global mergers and acquisitions found that transactions between developed and emerging countries increased from 5 to 9 percent of global mergers and acquisitions activity in just 9 years. The kind of secondary data that was being used included looking for Market share, Return on Assets, Return on Equity, Return on Investment, and Market coverage.

Greater market coverage is achieved when strong companies buy other companies to create a more competitive and cost efficient company in the hope of gaining a greater market share or achieving greater efficiency (Jallow, Masazing, & Basit, 2017). Many studies of mergers and acquisitions have proved that an increase on minimum core capital requirements and enhanced market coverage in the financial sectors in Kenya occur, thereby giving them the ability to compete in the sector (Njoroge, 2012). According to Imende and Odhiambo (2006), mergers and acquisitions are a strategy used by a business or corporation that seeks to sell a type of product in

numerous markets that enhances market coverage, ensuring that several small subsidiary companies are created.

From most research work, it is clear that market cover is one of the highly mentioned reasons behind mergers and acquisitions, beside achieving economy of scale and economy of scope, increase profits, team work (synergy) and diversifying the risk. IrfanShakoor et al. (2014) alluded to the fact that mergers and acquisitions will change the overall financial sector. This can be concluded by stating that mergers and acquisitions stimulate performance because new established organizations have a larger market power and other qualitative and quantitative factors. Njoroge (2012) noted that mergers and acquiring firms earned positive returns prior to the announcement day, but less than market portfolio in the post-merger period. From these studies, it can be deduced that shareholder value would be maximized in the events to mergers and acquisitions, bringing an increased market coerage and revenues, economies of scale, synergy, taxation, widen geographical areas and rationale, among others (Mboroto, 2013).

Studies on market coverage in relation to mergers and acquisitions in the finacial sector in Kenya are covered under market share, market returns, market value, market reaction, market power and market capitalisation and profit. The hypothesis that was used stated that; **Hypothesis 03**: *There is no relationship between market coverage and performance of mergers and acquisitions in the financial sector in Kenya.*

2.3.4 Value Creation

Value creation is the ultimate measure by which a firm is judged (Hindle, 2009). The rationale for taking value creation as a determinant for mergers and acquisitions was informed by Hamza (2011) that value creation is the determinant of performance that goes to improve understanding of the sources of value creation or destruction arising from mergers and acquisitions. Moreover, Ekholm and Svensson (2009) showed that value creation results in mergers and acquisitions though there is no significance to

link the best time when it is preferred to engage in mergers and acquisitions. A firm can strive to cooperate to create value, but it can also compete to capture value (Panico, 2016).

Value creation is a complex and multi-faceted issue in which new aspects are emerging (Lindfelt & Tornroos, 2006) but is the action that increases the worth of goods, services or a business. Mergers and acquisitions have been used as a popular strategy, but the research suggested that acquiring firms create little or no value. Reasons for these outcomes have been suggested to include an inability to create synergy, paying too high a premium in setting the new organization, selecting inappropriate targets, and ineffective integration processes, among others. However, careful selection of targets and effectively implemented acquisitions can achieve synergy and create value. For example, targets selected that have capabilities complementary to those held by the acquiring firm provide the greatest opportunity for synergy creation.

Acquisitions that provide new knowledge to the acquiring firm that can be used to enhance its competitive position often create value. For example, the knowledge gained from acquisitions can enhance innovation when the target firm has complementary science and technology to that held in the acquiring firm. In addition, cross-border acquisitions present significant opportunities, but they also provide more complex challenges for achieving synergy and creating value. Finally, research shows that executives frequently have trouble admitting failure and divesting acquisitions (Faulkner, Teerikangas, & Joseph, 2012).

Previous studies depended on the already available information to investors and their anticipation brings variance to actual value creation (Gwaya & Mungai, 2015), though Hart and Milstein, (2003) gave a different view as seen in Figure 2.4. This figure is borrowed to explain the need to manage today's business while simultaneously creating tomorrow's technology and markets. In one quadrant, the need to grow is highlighted, but regulators maintain the value created for shareholders. In the other quadrant, skills are developed but costs are checked.

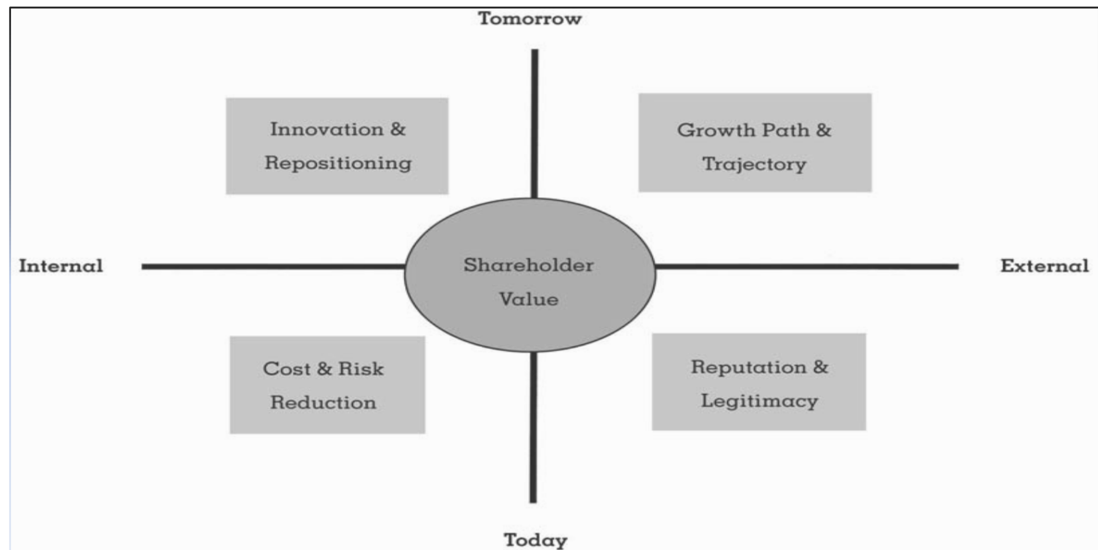


Figure 2.4: Creating Value, Source Hart and Milstein (2003)

Figure 2.4 then explains that value creation results in different perspectives from both an internal and external perspective. The basic idea in mergers and acquisitions is to create value and maximize the existing shareholders wealth. Lasher (2008) concluded that this is from the combination of two or more business units under a single controlling ownership. Companies merge so that the value of the companies can be increased and more resources could be generated by establishing synergies between that target and acquirer; a lot of theories emerged in this regard which became part of the literature. Value increasing theories suggest that mergers and acquisitions occur so that synergies can be created which would result in increment in the firm's value. In Kenya, studies on value creation in relation to mergers and acquisitions in the finacial sector are few. This was hypothesized as:

Hypothesis 04: *There is no relationship between the strategic implication of value creation and performance of mergers and acquisitions in the financial sector in Kenya.*

IrfanShakoor et al. (2014) listed several theories that would explain mergers and acquisitions in general, to which concept Table 2.4 refers;

Table 2.4: Variable and Related Theories Mentioning it

Variable	Example of theories	Discussion
Cultural integration	a) Process theory	This approach indicated that manager's behavior was over optimistic in the acquisition decision process.
Skill competence	a) Size and return to scale theory b) Synergistic theory	The benefits of companies coming together creates synergy, togetherness and high level learning.
Market coverage	a) Monopoly theory b) Efficiency theory c) Valuation theory d) Oligopolistic theory	This theory viewed acquisitions as execute to achieving market power.
Value creation	a) Efficiency theory b) Market power theory c) Corporate control theory d) Empire building theory	The value increasing theories suggested that mergers and acquisitions occur so that synergies created increment in the firm's value. (IrfanShakoor et al, (2014)

2.4 Empirical Literature Review

The empirical literature review here will cover the information and theories currently available concerning the determinants of performance of mergers and acquisitions in the financial sector. It is information acquired by observation or experimentation (Bradford, 2015). From the 19th to the present 21st century, mergers and acquisitions waves have been driven by globalization, technological change and deregulations (Schweiger & Goulet, 2000). The aim was that companies were attempting to improve their future strategic position, domestically, regionally and globally through acquisitions of new technologies, products, and services. Recently, mergers and acquisitions have grown at a rapid pace (Andrade et al., 2001; Holmstrom & Kaplan, 2001) showing that there is a force towards these activities, proving the studies that assessed the importance of acquisitions as a mode of entry in foreign market (Andersen, 1997; Kogut & Singh, 1988).

Literature revealed that there was a negative relationship between the mergers and acquisitions of firms and the concentration market (Hassan, Bashir, & Shakir, 2016). Cultural fit challenges affect performance, cooperation, decision making, control, communication, commitment, perception, and justification of behaviour (Pikula, 1999). Leadership roles affect skill competence (Tepedino & Watkins, 2010) and low success rates of value creation associated with acquisition being witnessed (Lawrence, 2002). Using a p value of $p=0.16$ and t-test $t=1.74$ at 95% confidence level, Lole (2011) concluded that there was an association between mergers and financial performance of insurance companies.

2.4.1 Culture Integration and Performance

Other than what Wagner and Hollenbeck (2010) was thinking about organizational behaviour, Schein (1997) grouped organizational behaviour into three; macro cultures (predominant in a society), micro-cultures (groups of people who share values, beliefs, behaviours, status, or interests that are different from the rest of society), organizational cultures (groups within organizations), as categories of

culture in organisations. These categories, according to Schein (1997) can be viewed from 3 levels: artifacts (visible), espoused beliefs and values (may appear through surveys), and basic underlying assumptions (unconscious, that is, those which are not visible). From Schein's argument, the study concludes that human minds need cognitive stability and any challenge of a basic assumption will release anxiety and defensiveness, which explains why such ventures may fail when the human face is lacking. Miller and Fernandes (2009) concluded that culture has emerged as one of the dominant factors that prevent effective integrations. This affects timely decisions making, effectiveness, and undermines the potential value created.

Gould Partners LLC (2015) introduced the aspect of effective communication during mergers and acquisitions to which they stated that it was critical. Communication can make or break a merger or acquisition. When communication is effective, Sotiris Zigiaris (2000), using Hammer and Champy's definition of processes for mergers and acquisitions, concluded that organization's change will have people who can manage change, thereby creating less pain in enhancing transition (Chang, 2006; Zigiaris 2000). As amatter of fact, Weber, Tarba, and Reichel's (2011) discussion gave a better picture of cultural integration, stating that; cultural differences play a major role in the performance of mergers and acquisitions. In an environment where culture integration is underrated, mergers and acquisitions are known to suffer from a high failure rate due to culture differences.

Cultural integration, here, is the glue for blending a merger-acquisition into the new company and includes delivering on the objectives which motivated the mergers and acquisitions and helps in the development of vision and strategy for the company's future. This glue helps to hold new management and workforce, communication, technology, systems, and management practices. In addition, this glue helps in rationalizing the acquired firm to enhance the vision and strategy of an integrative process which in turn seeks to blend people, processes, technologies and strategy (Stafford & Miles, 2013). Culture integration is part of due diligence, and refers to the cultural interaction of people, companies, and governments and touches on

economics, politics and culture, as well as trade and investments (Stafford & Miles, 2013).

Vaara (2003) was of the opinion that poor communication between the employees of the same company after a merger or acquisition could lead to problems of integration. Junni and Sarala (2014) showed that culture was a benefit to mergers and acquisitions through strategy (market orientation); structure (hierarchy levels, bureaucracy); leadership (interaction between leaders and subordinates) and cooperation (interaction between co-workers at the same level).

2.4.2 Market Coverage and Performance

The key to success of organisations in Kenya is the ability to create and grow products through the spreading of those products over a wide area. Market coverage was the strategy of evaluating the marketplace and determining how much of it is to cover promotional strategy of a product or business (Oxford Business group, 2016). The approach to market coverage was to evaluate the various segments of the marketplace and deciding which segments to cover in the marketing of a particular product. The strategy for market coverage is as follows: (1) undifferentiated marketing, which focuses on what is common in consumer needs in the marketplace and is affected by presenting one product for all markets or presenting all of a company's products in one market; (2) differentiated marketing, wherein several market segments are targeted for marketing campaigns with separate promotional offers for each market; (3) concentrated marketing, which focuses on one small part of the marketplace and is affected by a concentrated marketing promotion that seeks to gain a large share of the small market.

Product distribution is what market coverage would do, namely describing the number of distribution outlets in a given market through which the product is available, and using a percentage of outlets where the product is available compared to the number of possible outlets where the product could be available (All Business Networks, 1999 - 2016). According to Maina (2015) the reasons put forward for

mergers and acquisitions are meeting the increasing market demand and competition, diversifying to international markets, employing the emerging new and expensive modern technologies, meeting the new threshold capital required by the regulators such as in the banking sector, for market coverage. This was the use of a strategic management through which the organization grew, shrank, changed the nature of their business or improved their competitive position.

2.4.3 Skill Competence and Performance

Competency is the capability to apply a set of related knowledge, skills, and abilities to successfully perform functions or tasks in a defined work setting (Careeronestop, 2016). Competencies serve as the basis for skill standards that specify the level of knowledge, skills, and abilities needed for success. Competence is, therefore, a potential measurement criterion for assessing skill competence attainment.

Skill competence development would, therefore, aim at developing competence and increasing proficiency in relevant competencies for the existing staff, their manager, and the entire leadership within their current positions, or in developing new competencies to aid career development. SuccessFactor (2016) listed three main competence types used in performance management: values-based competency, leadership competency, and functional competency.

Khomeiran, Yekta, Kiger, and Ahmadi (2006) gave six categories that influence competence development, as, experiences, opportunities, environment, personal characteristics, motivation and theoretical knowledge. They declared that the development of competence is dependent on both the context and individual efforts. This implies that new organization after mergers and acquisitions would gain the most benefit from improving employees' competence, through developing coherent work-based plans for competence development by encouraging mandatory continued education programmes. Rousku's (2014) study on competence identification,

assessment, and development concluded that the competence of the employees aligned with the strategy is important or even crucial for organizational performance.

Ireri (2011) found out that high rate of employee turnover and companies merging were equals or in slight difference without loss of identity of individual companies involved. Loss of identity of the acquired occurs. The study could argue that competence attainment in terms of a level of knowledge, skills, and abilities needed for success can be used as potential measurement criteria. A team led by Kibisu, Angima, and Muhindi, (2012) conducting a study on insurance regulatory authority; an assessment of staff skills and competence levels in insurance companies in Kenya, found that competence assessment is an ongoing process of continually building knowledge and skills.

Thibodeaux (2017) stated that skill and competence were abilities or knowledge one had to enable one to do a task skilfully, effectively and efficiently. These skills and competencies would include communication, where other than speaking and writing, interpreting the use of proper body language would create work efficiency and reduce conflict, analysis and research, to help an organisation learn where their weak points were and fix them, managing and organising, where allocation of resources fell, computer and technology, innovation and soft skills such as listening well or negotiating (Thibodeaux, 2017).

Factors such as unrealistic expectations, poor planning, talent loss or mismanaged, poor communication, cultural clashes, changing external environmental conditions, integration difficulties, get listed alongside communication program for mergers and acquisitions performance (Papadakis, 2005). He goes on to state that mergers and acquisitions has grown exponentially over the past decade because of using sound communication program. This is easily achieved by the firm establishing strong working relationships with employees, promoting information and feedback, promoting employee involvement in planning and development activities, and recognizing, appreciating and praising top performers.

Various research disciplines, economists and finance scholars, strategic management scholars, and behavioural scientists, suggested that performance due to mergers and acquisitions was improved when a strong communication program existed by the management defining integration strategy, developing risk mitigation strategies, developing cultural integration plan, developing staffing plans and skill competencies and communication program itself (Papadakis, 2005). Also, Levine, Bernard, and Nagel (2017) added their voice to this debate by proposing that between managerial cognition skills to performance and analytic skills to performance, strategic intelligence takes the pre-eminence. Mukasa, Simpasa, and Salami (2016) maintained that the combination of the two groups might have developed different managerial capabilities and skills which influence their efficiency and productivity differently. Mindra and Moya (2016) noted that self-efficacy played a facilitative role in the process of cognitive engagement to realize more successful performance that would be propelled by the will to achieve besides the skills possessed.

2.4.4 Value Creation and Performance

Value creation to customers, employees, investors, as well as, its shareholders is what the primary objective of any business entity would be, in the spirit of maximizing the shareholders' wealth (Agbor & Ndakaw, 2016). Diversification is one strategy that is used to maximize the value of organizational capabilities, thereby improving performance (Agbor & Ndakaw, 2016). Kristensen and Lund (2015) in their study of value creation in mergers and acquisitions when accounting for the presence of merger waves and rational bubbles observed that, in the long term, significantly more firms experienced negative returns, but the returns were larger numerically for those having positive returns (positively skewed).

In his study, the effect of mergers and acquisitions on value creation of insurance companies in Kenya Mitema (2014) concluded that value creation improved with a merger or acquisition. He added that increased capital results in increased stability and capacity to take on new risks, thereby the merged insurance companies created

value. Kimeli's (2013) study on role of strategic partnership in value creation between development agencies and businesses argued that value created was as a result of the ability to manage its business processes and, on the other hand, the effectiveness and efficiency of performing organizational processes based on organizational competencies. Interfirm value creation includes customer satisfaction and loyalty, the long-term orientation of the relationship, the growth of the existing relationship, and new opportunity.

It was found that to create value in the relationships required much effort and a collaborative environment from both sides with effective communication among the partners playing a major role in the success of the partnership. From these studies, streaming from synergistic gains, value creation connects with the focus on large-scale information exchange in social chains, efficiencies gained, and sustainable competitive advantage.

Argandona (2011) noted that a company's sole purpose is to maximize economic value for shareholders. Value creation as an economic value is looked at as extrinsic value, and in Psychology, it is assumed to be an intangible extrinsic value. Ernst and Young (2013) reflected on some of the theory and practice that informs an understanding of value creation, and concluded that interconnections between corporate activity, society and the environment and the purpose of the corporation should, therefore, be understood in terms of what the corporation, society, and the environment can tolerate and still survive, for value creation. However, Grigorieva and Petronina (2013) went further to conclude that value creation after mergers and acquisitions declined by 3.3%.

2.4.5 Performance in the Financial Sector

Performance refers to the measure of how well a firm can use assets from its primary mode of business and generate revenues (Kenton, 2019). Financial performance is a measure of an organization's financial health over a given period of time, used to compare similar firms across the same industry or sectors and generate revenue

(Anjichi, 2014). Financial performance was determined by evaluating; profitability, liquidity, and solvency, thereby creating efficient in its operations (Azhagaiah & Sathishkumar, 2014). According to Papadakis and Thanos (2010), finance and economic scholars have relied on objective criteria, while strategic management and organizational behaviour scholars have employed non-financial measures. Performance of an organization has traditionally been measured by looking at the revenues or the profit made at the end of the year, or using key financial ratios (Wadongo, Odhuno, Kambona, & Othuon, 2010).

This has made researchers categorize measurement into four dimensions: financial performance, business performance, and organization effectiveness, and non-financial performance as an alternative way to measure performance. Gwaya and Mungai (2015), using ratios, declared that mergers and acquisitions did not lead to an improvement in financial performance.

Studies have analyzed operating performance in pre-and post-merger period using gross earnings, liquidity, financial risk, cost of utilization, turnover, growth, and operating leverage, concluding that significant positive effect on liquidity and solvency is reported (Azhagaiah & Sathishkumar, 2014). To measure performance, operating performance, financial performances, and human resource performance are employed as a performance metrics.

Performance metrics that could be applied in this study included; financial performance, operational performance, product performance, task performance, acquisition performance and firm performance which shows the profitability of the firm towards organizational growth. In his paper Tang (2015) discussed the fact that there was a decrease in the return on assets of acquiring firms post-merger and that there was no evidence of improved or decreased financial performance in terms of its performance.

Ahmed and Ahmed (2014) were of the opinion that profitability increases when success is attained in mergers and acquisitions noting the follow ratios; (1) Return on

Equity (ROE), a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. The higher the ROE the better the company was in terms of profit generation, (2) Return on Asset (ROA), a financial ratio that indicates the profitability of a firm. It was a Ratio of Income to its total asset (Ongore & Kusa, 2013) and a higher ROA spelled out that the company was more efficient in using its resources, and (3) Return on Investment (ROI), a financial ratio that calculated net profit after tax divided by total paid in capital. This would measure the new firm's efficiency in utilizing the invested capital (Gwaya & Mungai ,2015).

Sinha, Kaushik, and Chaudhry (2010) found that with the series of mergers and acquisitions taking place in the financial sector in India, more than half of the merging firms showed improved financial performance in the post-merger time-period as compared to the pre-merger period. This showed that earnings available to shareholders and debt to equity ratio showed a significant change in pre and post-merger financial position of the companies. For non-financial measures, the strategic approach was in terms of market share and profitability. Mergers and acquisitions helped achieve strategic objectives through alternative types of combinations which could be: horizontal, vertical, product expansion, market extension or other specified unrelated objectives depending on corporate strategies. Competitive environment helped organizations take advantage of the situation if certain things occurred, or were in line with future operation.

From the above argument, financial ratio measures alone, as a tool for evaluating the performance are insufficient. Both studies on financial and non-financial performance indicators had relied on ratios evaluation (Kaplan Financial Limited, 2012). The measures used were considered to be indicators of future financial performance. The current financial performance measures such as earnings or return on assets were considered to be a trailing measure of performance (Dikolli, 2001).

2.5 Critiques of the Existing Literature

The conceptual model showed the relationship between the variables indicating that cultural integration influenced performance as well as value creation, market coverage, and skill competence. The theoretical perspective employed was based on competing values. Corporate cultural integration was the most important activity in this study. This study would make a contribution to the literature, as it addressed the determinants that influenced performance.

Though it may be argued that mergers and acquisitions remained popular because companies were looking for higher returns and a dominant market position in the global market, yet studies recorded mixed feelings. In the words of Gopinath (2003), 'performance of mergers and acquisitions had not been satisfactory'.

This called for an alternative strategy to learn how to manage mergers better and to make them more successful. Jones and Miskell (2007,) on the other hand, stated that cultural problems lay at the heart of merger and acquisition failure, and the other selected determinants work around, management and leadership efforts to make mergers work. In the same vein, Grigorieva and Petrunina 2013) also stated that acquisitions destroy company value. The variables being studies added up to this mix. Further Capron and Pistre (2002) noted that out of the many studies carried out on mergers and acquisitions, most have relied on weak variables such as ratios and stock prices which portray a dependence on the already available information to investors and their anticipation that brings variance as compared to the actual value creation.

Many of the determinants highlighted have not given the practitioners, academicians or researchers a true determinant that works, or even a hint on a model that will act as a benchmark for mergers and acquisitions. Wang and Moini (2012) noted that performance measures have inherent limitations that should be discussed. One performance measure is superior to others only when its theoretic logic is more connected to the theoretic dimension of the question under investigation. Financial-

based measures of performance consist of a comparison of accounting measures prior and subsequent to a takeover. Profitability measures have been used, but these take a long-term perspective of acquisition performance. ROE and ROA which captured the realized returns was a good approach for event studies.

Stahl and Voigt (2003) explained that cultural differences have a positive or negative impact on mergers and acquisitions performance depending on the variable under investigation, the nature and extent of cultural differences, the integration approach taken and the interventions chosen to manage these differences. It is common knowledge that mergers and acquisitions do not give true benefits accrued, in the spirit of wanting to make profits. In the event of there being profits, this was in the short term. The variables used in the study of mergers and acquisitions, even those in this study, have a big influence on mergers and acquisitions. In their study, Bena and Kai, (2012) noted that mergers and acquisitions have received a high attention in research, even though there is no significant correlation between variables used and performance. This causes them to ask the question why firms prefer mergers and acquisitions despite the low performance.

Table 2.5 highlights the details of studies done and outcome of the determinants of performance of mergers and acquisitions in the financial sector in Kenya highlighted as cultural integration, skill competence, market coverage, and value creation.

Table 2.5: Critiquing of the Existing Literature

Variable	Study by	Related to this study
Cultural integration	Saunders, Altinay, and Riordan (2009); Hajro (2014); King, Dalton, Daily, and Covin (2004).	Handles various social and economic issues using panel data, longitudinal study, and nothing significant came out about mergers and acquisitions performance. This study will be a snapshot of respondents involved as affected by culture and how it was communicated

		by the human resource team.
Skill competence	Bertrand and Betschinger (2011); Schoop (2013); Hagedoorn and Duyster (2000)	These studies highlight that the firms go through a series of transformation, but none concludes whether the variable is significant or not significant. This study was able to clearly give a conclusion of the significance of skills competence to organizations in mergers and acquisitions
Market coverage	Golubov, Petmezas, and Travlos (2012); Graebner, Heimeriks, Huy, and Vaara (2014).	The studies here appear to hint that much is still to be discovered. Most studies here based their grounding on the market concepts and marketing strategies, none of which give guide into performance of mergers & acquisitions. This study brought out the various market orientations, and market related standard rates for possible interventions to enhance market coverage or share .
Value Creation	Golubov, Petmezas, and Travlos (2012); Cording, Christmann, and Bourgeois (2002)	The consesus here is that, value creation add private benefits to mergers and acquisitions but in the short term.

2.6 The Research Gap

The following studies from the researchers in Kenya (Gitau, 2013; Gwaya & Mungai, 2015;Ireri, 2011; Lole, 2011; Marembo,2012; Mboroto, 2012; Mitema, 2013; Rotich, Toroitich, Lulia, & Omwono, 2015; Saple, 2000; Taneja & Saxena, 2014) all looked at performance of mergers and acquisitions, concurring that market

share enlarged, profitability increased, the value of the shareholders increased, the capital base of the organization expanded, and customers' loyalty is raised. In almost all of these studies, the researchers used, ROA and ROE both improving as the assets of the company increased. These sources showed that mergers and acquisitions activity gave insight into the determinants of performance ranging from retention of key talents to an integration of corporate cultures.

It was evident that most of these studies done in this area had been financial and risk-based, carried out on banks, insurance, and other commercial-based organization, but few studies had looked at the determinants of performance of mergers and acquisitions in the financial sector in Kenya. None of the studies had focused on the four variables, namely culture integration, skill competence, market coverage, and value created. It was in this respect that this study sought to fill the gap by looking at these variables and proposed to produce a document showing the dominating determinant of performance of mergers and acquisitions in Kenya. The literature showed that mergers and acquisitions activity gave insight into the determinants of performance ranging from retention of key talents to an integration of corporate cultures.

Literature indicated that there was no clear relationship between performance and these strategic variables. This study competently adds to the knowledge bank that culture integration, skill competence, and value creation being strong determinants of performance of mergers and acquisitions. Market coverage was proved to be a determinant of performance of mergers and acquisitions.

2.7 Summary on Literature

This chapter reviewed the various theories that explained the independent and dependent variables. The chapter then listed the theories that would support the study and went on to access empirical literature that supported the study. It also presented the conceptual framework which is a pictorial relationship that showed the relationship between the dependent and independent variables, which helped to

establish the study gap. Variables in this study included; culture integration, skill competence, market coverage, and value creation.

From the literature review, it emerged that mergers and acquisitions activities that gave insight into the determinants of performance ranging from retention of key talents to an integration of corporate cultures were not clear. Literature also indicated that there was no clear relationship between performance and strategic variables determinants of performance of mergers and acquisitions. Stahl and Voigt (2003) added that cultural differences have a positive or a negative impact on mergers and acquisitions performance depending on the variable under investigation, the nature and extent of cultural differences, the integration approach taken and the interventions chosen to manage any differences.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the description of the research process. To this end, a detailed blueprint to be used in this research to establish the determinants of performance of mergers and acquisitions in the financial sector in Kenya were developed. The purpose of the chapter is to present the philosophical assumptions underpinning this research as well as introducing the research strategy and the empirical techniques applied. It provides information concerning the method that was used in undertaking this research as well as a justification for its use. The chapter also describes the various stages of the research, which include the selection of participants, the data collection process and the process of data analysis. The chapter ends with highlighting on heteroscedasticity, indicating that data used did not show a different dispersion.

3.2 Research Philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used. The term epistemology (what is known to be true) as opposed to doxology (what is believed to be true) encompasses the various philosophies of research approach. Edirisingha (2012) brought in the name ontology (the nature of reality) and epistemology (the relationship between the researcher and the reality). As noted by, Antwi and Hamza (2004), depending on the philosophical assumptions adopted, research can be classified as positivist, interpretive or critical. Chen and Hirschheim (2004) listed two major research philosophies which were identified in the western tradition of science as positivist (sometimes called scientific) and interpretivist (sometimes called antipositivist). Positivist approaches assume that the relationship between social reality and humans is independent of the objective of the cause and effect type. This approach has, however, been criticized as complex and not easily amenable to statistical deduction (Chen & Hirschheim,

2004). On the other hand, the epistemological stance on interpretive approaches is that knowledge of reality gained only through social constructions such as language, shared meanings, tools, and documents (Chen & Hirschheim, 2004).

According to Chen and Hirschheim (2004), there are seven principles that helps improve the quality of research conducted from the interpretive; (a) the hermeneutic circle, (b) contextualization, (c) interaction between the researcher and the subject, (d) abstraction and generalization, (e) dialogical reasoning, (f) multiple interpretations, and (g) suspicion. They finally recommended that researchers must work out for themselves 'how' and 'which' principle may be applied in any particular situation in the aim of improving the plausibility and cogency of the research.

The philosophical assumptions underlying this study, therefore, come from the positivism tradition, which implies a subjective epistemology, helping the researcher to zero in on data collection and interpretation using the objective approach and the interpretivism, which rides on an ontological belief that introduces the natural scientist.

This guided the research findings, leading to the hypotheses being tested and confirmed, in whole or part, or refuted, leading to further development of a theory which then could be tested by further research (Johnson & Duberly, 2003).

3.2.1 Positivism

Positivists believe that reality is stable and can be observed and described from an objective viewpoint (Chen & Hirschheim, 2004) without interfering with the phenomena being studied. Positivism has a long and rich historical tradition. It is so embedded in our society that knowledge claims not grounded in positivist thought are simply dismissed as not scientific and therefore invalid (Chen & Hirschheim, 2004). The main argument remains to be whether positivist paradigm is entirely suitable for the social sciences (Chen & Hirschheim, 2004). Positivist demonstrates

the belief that 'objective' data could be collected to predict the relationship among factors and to test hypotheses or theories (Chen & Hirschheim, 2004).

The positivist ontology believes that the world is external (Carson et al., 2001) and that there is a single objective reality to any research phenomenon or situation regardless of the researcher's perspective or belief (Chen & Hirschheim, 2004). Positivism as a philosophy was fronted by a French philosopher Auguste Comte (1798–1857) and has been adopted by social science studies in business (Dash, 2005).

3.2.2 Interpretivism

Interpretivists ride on the subjective interpretation of and intervention in reality, asking the question, can that reality be fully understood? The study phenomena being in their natural environment are key to the interpretivist philosophy. In this case, many interpretations of reality may occur, but scientific knowledge comes through maintaining that these interpretations are in themselves a part of the scientific knowledge they are pursuing.

The criteria for using interpretive indicate that there are no deterministic perspectives imposed by the researcher, that participants' perspectives are taken as the primary sources of understanding and investigating the phenomena, and the phenomena are examined with respect to cultural or contextual circumstances (Chen & Hirschheim, 2004).

3.3 Research Design

The study used descriptive and cross-sectional research design. Since descriptive cross sectional research is almost always based on a sample of the population, the success of the research was dependent on the representation of the sample with respect to a target population of interest to the researcher. Mugenda and Mugenda (2003) and Kombo and Tromp (2009) supported descriptive cross-sectional design as a tool which helps collect information that describes, explores and helps the

investigator understand the subject (problem) of the study. According to Denzin and Lincoln (2005), a research methodology or strategy is determined by the nature of the research question and the subject being investigated.

Most researchers choose from three primary methodology types, namely qualitative, quantitative and mixed methods. This study used mixed methodology as a tool to answer the research question, because this helps to investigate the topic at multiple levels, gaining different views of the subject. A mixed methodology meshes more than one philosophical perspective, allowing for the integration of different theories and ideas, which helps to; own the respondent's direction, obtain accurate and efficient people's thoughts, opinions, and feelings, and describing relationships between variables, and how one variable produces change in another (Miltiades, 2008).

This study was guided by the following hypotheses: there is no significant relationship between culture integration and performance in the financial sector in Kenya, there is no significant relationship between market coverage and performance in the financial sector in Kenya, there is no significant relationship between skill competence and performance in the financial sector in Kenya, and there is no significant relationship between the value creation and performance in the financial sector in Kenya. For market coverage, data analysis used themes to emphasize pinpoint, examine, and record patterns within data (Braun & Clarke, 2006).

3.4 Population of the Study

Since the participants in the general population must share at least a single attribute of interest (Creswell, 2003). The population of this study consisted of all the financial organizations in Kenya, as can be seen from Appendix 3 and 4, which included; 44 banks according to the Central Bank (2015) and 56 insurance firms as per the Insurance Regulatory Authority (IRA, 2014) report.

Vivar, McQueen, Whyte, and Armayo (2007) defined population as the total number of units from which data can be collected, such as individuals, artifacts, events or

organizations. Burns and Grove (2003) described population as all the elements that meet the criteria for inclusion in a study. Burns and Grove (2003) defined eligibility criteria as "a list of characteristics that are required for the membership in the target population". The criteria for inclusion in this study were their being registered organization with CBK, being registered organizations with IRA, and the individuals representing the organizations being at managerial level.

Because of the rapid growth in the financial sector in Kenya, the choice of the banks and insurance firms for this gave a strong argument for the same sector. The choice for both institutions was informed by the fact that both banks and insurance are financial institutions, have common process from financial point of view, both hold a lot of money that doesn't belong to them and their set of operations or various processes are based on distinct models that differentiate between them (Thangavelu, 2019).

The financial sector in Kenya includes; the Central Bank of Kenya, Savings and Credits Cooperative Societies (SACCOs), Commercial and Retail banks, Microfinance Lending Institutions, Insurance companies, Investment firms and Banks, Kenya Capital Markets and Informal financial services sector. The reason for selecting banks and insurance firms in this sector was based on their similarities in having a regulatory body and serving a huge population, and their popular merger and acquisition activities. Appendix 2, gives the inclusivity criteria for selecting banks and insurance. This was informed by their new model 'bancassurance', collaboration and integration model between banks and insurance company's which ends up as a driver for performance. An example of such collaboration in Kenya include; KCB working with KCB insurance agency.

3.5 Sampling

There are two types of sampling methods: Probability sampling involves random selection, allowing the researcher to make statistical inferences about the whole group. Non-probability sampling involves non-random selection based on

convenience or other criteria, allowing the researcher to easily collect initial data (Taherdoost, 2016). Similarly, Burns and Grove (2003) referred to sampling as a process of selecting a group of people, events or behaviour with which to conduct a study. Research participants are able to provide rich descriptions of their experiences and opinions Sampling is a portion that represents the whole population as selected (Polit et al., 2001). Sampling is closely related to generalizability of the findings. In this study the sampling was non-probable and purposive. According to Chen and Hirschheim (2004), in non-probability sampling, researchers use their judgment to select the subjects to be included in the study based on their knowledge of the phenomenon.

3.6 Sampling Technique

Researchers use two major sampling techniques: probability sampling and nonprobability sampling (Showkat & Parveen, 2017). Showkat and Parveen further listed various types of probability and non-probability sampling methods, but this study used non-probability sampling stating that non-probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected. This study used probability sampling, where a small randomly selected sample of the population was used to estimate the distribution of an attitude or opinion in the entire population with statistical confidence, proposing the use of survey research (Howard, 2019).

3.7 Sampling Frame

A sampling frame is taken to be a complete list of everyone or everything in the population. A sampling frame is the source of material or devices from which a sample is drawn (Carl-Erik, Bengt, & Jan, 2003). In our study, the sampling frame included all the banks and insurance firms in Kenya. All these were selected because they had similar qualities (Carl-Erik et al., 2003). The study sought for an up-to-date list, and all units of the frame were available.

3.8 Sample Size

Jelly (2003) defined a sample as a proportion of a population. Bulsink and Georges (2013) asserted that sample size does not influence the importance or quality of the study and that there are no guidelines that help us determine a sample size in any research. However, Asiamah, Mensah & Oteng-Abayie, (2017) declaring that data integrity drives the credibility of findings, shows that sample size influence this credibility. Adhering to data integrity on a selection of 100 institutions, this study targeted managers from the banks and insurance firms working at the headquarters and employed a census, employing Dr. John Curry's 'rule of thumb' formula (1984) as shown in table 3.1.

Table 3.1: Sample Size

Population size	Sampling Percentage
10 - 100	100%
101 – 1,000	10%
1,001 – 5,000	5%
5,001 – 10,000	3%
10,000 or above	1%

Source: (Ullah, Ayaz, & Shah, 2018)

The researcher worked in conjunction with the management in choosing participants, who qualified if they were at management level. The sample frame composed of operational managers, accountants, human resource managers, and marketing managers, all, forming the unit of study targeted. Operational managers were well placed to design and control the processes in the firms bringing in efficiency (using as few resources as needed), and effectiveness (meeting customer requirements). The accountants were the practitioners who offered the assurance about financial matters that gave other managers, and investor's tax authorities made decisions about allocating the resources (funds).

3.9 Pilot Testing

According to Project (2008) pilot testing is a dry run of procedures and instruments that one plans to use in carrying out a research. Pilot testing, according to Creswell (2003), ensures that the field assistants have a common understanding of the instrument and guidelines provided for in the questionnaire. Cooper and Schindler (2011) indicated that a pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. A questionnaire was given to just a few subjects with an intention of pre-testing the questions (Babbie, 2010). A pilot study (pre-exercise) was conducted with ten participants who met the sampling criteria and did not form part of the main study. Nonprobability sampling was used.

Pilot testing assists in discovering flaws, limitations, ambiguities, and helps in revision before full implementation of the study (Kvale, 2007). The research instrument was tested to obtain some accuracy of reliability and validity, by cross-checking for clarity of the questions, the level of difficulty, and the appropriateness of the tool. Where any question was found wanting, the researcher rephrased it, adjusted it or even deleted it. This helped remove ambiguities in the instrument after the questionnaire had taken into account all comments made in the pilot study. Ten questionnaires were distributed randomly to firms that had experienced a merger and acquisition but were not banks or insurance firms though of a financial nature.

According to Bulsink and Georges (2013), pilot studies are not usually used in qualitative studies, but may be used to; probe relevant responses from participants, approach the participants with sensitivity and open-mindedness, lay aside the researcher's preconceived ideas, ensure reflexivity and intuiting throughout the study, identify the shortcomings of the pilot study regarding the environment setup and the tape recorder, and transcribe and analyse data, which was an opportunity to increase data analysis skills and build in extra precautions to prevent errors in the interview.

3.9.1 Validity of Research Instrument

Validity is the strength of qualitative research and may be seen as the extent to which the instrument measures what it purports to measure (Creswell, 2003; Oloko & Ogutu, 2012). Validity in qualitative research gives data that would be plausible, credible and trustworthy. This data therefore can be defended when challenged. Validity exists when the knowledge sought is arrived at through a descriptive manner making it easier to understand the meaning and assures of experience (Castillo, 2009). According to Seidman (2006), if the interview structure works to allow them to make sense, this is the essence of validity. The various types of validity include; construct validity, content validity, face validity, criterion validity, concurrent validity, predictive validity, experimental validity, diagnostic validity. This study relied on construct validity, as to give relationships between the test and measures of other constructs.

3.9.2 Reliability of Research Instrument

Reliability helps in attaining rigor in qualitative research. Internal reliability brings in the consistency of results and plausibility of data within sites (Castillo, 2009; Creswell, 2003).. External reliability has to do with consistency and duplicative attributes of data across sites (Castillo, 2009). The primary rationale for preserving data integrity is to support the detection of errors in the data collection process, whether they are made intentionally (deliberate falsifications) or not (systematic or random errors). Whitney, Lind, and Wahl (1998), suggested a check on; (1) Quality assurance - activities that take place before data collection begins (Knatterud et al., 1998); (2) Quality control - activities that take place during and after data collection (Knatterud et al., 1998). The research used a rule of thumb for describing internal consistency using Cronbach's alpha, where an alpha value of $0.6 \leq \alpha < 0.7$ was acceptable (Cronbach, 1951) for this study.

3.10 Data Collection Instruments

Data collection process involved self-administered drop and pick questionnaires distributed to managers of banks and insurance firms. Audited accounts and secondary sources of data from published annual reports of the population of interest were accessed (Gall, Gall, & Borg, 2007). The questionnaires and copies of official documents were stored in a folder with a special name. The principal researcher checked for consistency to help verify that the data was reasonable (reliable). The study assumed that data was not erroneous (Bala, 2005). Primary data was collected using questionnaires and the secondary data was collected from documents, records and reports called for by the researcher. An instrument is a tool designed to measure knowledge, attitude and skills (Vivar, McQueen, Whyte, & Armayo, 2007).

3.11 DATA COLLECTION PROCEDURE

Bala (2005) stated that data collection procedures help the research to move from the general to specific research questions. This helps the researcher to give more focused findings of the research questions (Bala, 2005).

The sampling unit were managers and the study picked on those managers in the operational services, marketing services, accounting services, human resource services and the financial services. The operational services captured all groups that were known as supervisors, credit managers, and underwriter supervisors. Marketing services captured groups such as agency managers, security risk managers. Accounting services captured all the accountants. Human resource services captured Informatioon Technology managers and the financial services captured branch managers and development managers.

The questionnaires and copies of official documents were stored in a folder with a special name. The principal researcher checked for consistency to help verify that the data was reasonable (reliable). The study assumed that data was not erroneous (Bala

,2005). Primary data was collected using questionnaires and the secondary data was collected from documents, records and reports called for by the researcher.

3.12 Data Analysis and Presentation

After collecting data, data processing and analysis was a process used to make meaning to the findings of this data. Data analysis involved preparation of the data collected, coding, editing and cleaning of data so that it would be processed using Statistical Package for Social Sciences (SPSS) which was used to analyze the quantitative data (Afande, 2015). The only limitation in SPSS would be that Text fields cannot accommodate more than 255 characters and many open question responses may exceed this limit and the analysis of text score. This was sorted at the pilot testing phase of this study.

Descriptive and inferential statistics were used for analyzing quantitative data. The study used descriptive statistics such as mean, frequencies, standard deviation, and percentages. The results were presented in tables and figures. Cooper and Schindler (2011) highlighted the use of content analysis to analyze qualitative data. Qualitative data was obtained from open-ended questions and data collected from reports and financial information were observed (Cooper & Schindler, 2011). Data screening showed data points scores that appeared to be significantly different from the majority of the data, which prompted transformation using winsoring techniques. However, Winsoring technique does well for areas where data change would be less than 5% (Verardi & Croux, 2009). The extreme data values exerting undue influence upon the model by giving the idea of data out of range were excluded. Excluding a record(s) changed the coefficients substantially, and was considered influential. According to (Frydenberg and Lewis 1997) eliminating any factors affected the original structure of the questionnaire. The study examined carefully any influential records to determine whether to give them less weight in estimating the model, or truncate the outlying values to some acceptable threshold, or remove the influential records completely (Hoaglin, Iglewicz & Tukey, 1986). The researcher further

cleaned the data resulting in an analysis that indicated that outliers were within range, meaning that they were moderately internally consistent.

3.13 OPERATIONAL VARIABLES

Table 3.2: Measurement of Variables

Variable		Definition	Indicators/Measures	Scale and questions
Independent Variables				
Determinants of Mergers and Acquisition	**Cultural Integration**	Zhang (2010), defines it as a process to establish model through; selecting, and absorbing cultures	Dominant characteristics Organisational leadership Management of Employees Organisational glue Strategic emphasis.	Likert scale, SA/SD a total of 11 questions.
	Skill Competence	Refers to skills, competenceies, behaviours, attitudes, and personal qualities that enables people to effectively navigate their environment, work well with others, perform well, and achieve their goals. These skills are broadly applicable and complement other skills such as technical, vocational and academic skills (Lippman, Ryberg, Carney & Moore, 2015)	Communication Analysis and research Managing and organising computer and technology, innovation soft skills.	Likert scale, SA/SD a total of 10 questions.
	Market Coverage	Thois can be reflected to as a parameter of	Return of confidence, Industry transparency,	Open ended questions

		vertical product differantion (Valletti, 2003) Strategy Technology	Market access, Risk taking	
	Value Creation	Is the core purpose or common thread of the business model concept. Is made relevant by, Value creation (Zott, Amit & Massa, 2011).		Likert scale, SA/SD a total of 7 questions.
Dependent Variables Performance	**Financial**	This is a measure of how well a fiirm can use assets from its primary mode of business and generate revenues.	Return On Asset (ROA), Return On Equity (ROE), Return on Investment (ROI)	Secondary data
	Non-Financial		Quality competitive performance, resource utilization, flexibility, Innovation, Market access	Likert scale, SA/SD a total of 11 questions.

SA = Strongly Agree, and SD = Strongly Disagree

Table 3.3: Variables Operationalization

Variable	Type of Variable	Abbreviation Symbols	Analysis Statistical Test
Culture Integration	Quantitative variable describing variables numerically.	CI	T- test statistics
Market Coverage	Mixed Qualitative/Quantitative variable	MC	T- test statistics
Skill Competence	Mixed Qualitative/Quantitative variable	SC	T- test statistics
Value Creation	Quantitative variable describing variables numerically.	VC	T- test statistics

β_0	Intercept of effect of acquisition/model.	Constant
Beta	Slope/gradient showing the rate of dependent variable in changing for each unit change of the Independent Variable.	β_1 to β_4
Unobserveved casses		U
Error term	Error limits allowed by the study	μ

3.14 THE MODEL

The research moved on to develop a model; multiple regression which is shown as:

$$Y = \beta_0 + \beta_1 CI + \beta_2 SC + \beta_3 MC + \beta_4 VC + \mu \ldots\ldots\ldots\ldots \quad (i)$$

Where

Y = Performance

Culture integration, variable represented by, 'CI', Market coverage, variable represented by, 'MC', Skill competence, 'SC' and Value creation, 'VC'

β_0 = Constant term,

β_1, β_2, β_3, and β_4 = Beta coefficients

μ = Error term and any unobserved factors that we don't know

A significance test at 5% and confidence level of 95% was used, to measure the significance of the determinants in explaining the changes in the performance.

This multiple linear regression attempted to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to

observed data, and the following were observed; the population regression line for *p=4* explanatory variables Cultural Integration, Market Coverage, Skill Competence, and Value Creation were defined to be $\mu_{y=}$ $\beta_0 + \beta_1$Cultural Integration + β_2Market Coverage + β_3Skill Competence+ β_4Value Creation.

The model would be expressed as DATA = FIT + UNOBSERVED + RESIDUAL, where the "FIT" term was represented by the expression $\beta_0 + \beta_1$Cultural Integration + β_2 Skill Competence + β_3Market Coverage + β_4Value Creation. The "RESIDUAL" term was represented by the deviations of the observed values *y* from their means μ_y, which was expected to be normally distributed with mean 0 and constant variance. The unobserved value carried all values not considered in the model such as organizational politics, beliefs and ethics, legal tussles, and others. Market coverage veered out to a count variable introducing Logit modelling for finance and none finance. Since market coverage was treated as a dichotomous variable, a categorical variable that took two categories or levels (binary values; 0s = decreases and 1s = increases), Logit regression was run for financial data and non-financial data as it affected market coverage.

3.14.1 Test Score and the Overall Statistical Significance

After data had been collected using questionnaires, the statistical inference was used to give the opportunity to assess evidence in favor of or otherwise on the claims about the population of study. Winter (2000), in his class notes, declared that, examining each of the estimated coefficients helped to see if they were “significant”. Polit and Beck (2012) showed that a t-test can be used to determine if two sets of data were significantly different from each other, applying alpha = 0.05 for (social sciences) as a level of significance. Level of significance 0.01(Precision) usually reserved for medical and health lines was also allowed in the reports.

F-test was used to assess the statistical significance in explaining the whole module, and R^2 to assess the proportion of the variance in the values of the dependent variable (Performance) as explained by all the independent variables, CI, SC, MC, and VC of

the model. The methods of inference used to support or reject claims based on sample data known as tests of significance were used. The following various tests were run to assess which Independent variable to remain and which one to drop; T-test score = β_1/(S.e.1 β_1), for Cultural integration, T-test score = β_2/(S.e.3 β_2), for Skill competence, T-test score = β_3/(S.e.2 β_3), for Market coverage, and T-test score = β_4/(S.e.4 β_4), for Value creation, the results were provided through SPSS output

3.14.2 Test for Multicollinearity

Multicollinearity is a state where independent variables exhibit very high inter-associations amongst themselves. If present in the data the statistical inferences made about the data may not be reliable (Dougherty, 2010; Kutner, Nachtsheim, & Neter, 2004). The scores of 10 and 0.8 respectively would prove the existence of multicollinearity. The above multiple regressions were assumed to be linear, and high inter-associations were tested by the use of the Variance Inflation Factor (VIF):

$$tolerance = 1 - R_j^2, VIF = \frac{1}{tolerance} \text{ ....(ii)}$$

Where R_j^2 is the coefficient of determination of a regression of explanatory j on all the other explanatory. It was given that, a tolerance of less than 0.20 or 0.10 and/or a VIF of 5 or 10 and above will show that multicollinearity being a problem (O’Brien 2007). The results for VIF were provided through SPSS output.

3.14.3 Test of Goodness of Fit

The Jarque–Bera test is a goodness of fit test of whether sample data have the skewness and kurtosis matching a normal distribution (Ongore & Kusa, 2013) and test for normality of the errors in an Ordinary Least Squares (OLS) regression model given by:

$$JB = \frac{n-k+1}{6}\left(S^2 + \frac{1}{4}(C-3)^2\right) \quad \ldots\ldots\ldots\ldots\ldots \text{(iii)}$$

where n is the number of observations (or degrees of freedom in general); S is the sample skewness, C is the sample kurtosis, and k is the number of regressors: The basic idea behind the J-B test is that the normal distribution (with any mean or variance) has a skewness coefficient of zero, and a kurtosis coefficient of three and testing if these two conditions hold, is what JB does. A sufficiently large value of JB led us to reject the hypothesis that the errors were normally distributed and concluded that the data was not normally distributed. The results for JB were provided through running Statistical Package for the Social Sciences**.**

3.14.4 Normality test

Normality tests were in addition used to determine if the data set (collection of data) was well-modelled by a normal distribution. These tests included;

(a) Descriptive statistics, where a measure of goodness of fit to a normal model to the data, would be to make sure that the fit is not poor.

Descriptive statistics are ways of summarizing large sets of quantitative (numerical) information by obtaining; Central tendency (an idea that there is one number that best summarizes the entire set of measurements),

$$\overline{x} = \frac{1}{N}\sum_{i=1}^{N} x_i = \frac{x_1 + x_2 + \cdots + x_N}{N} \quad \ldots\ldots\ldots\ldots\ldots \text{(iv)}$$

Statistical dispersion (the idea that there is a second number which tells us how "spread out" all the measurements are from this central number),

$$\sigma = \sqrt{\frac{1}{N}\sum_{i=1}^{N}(x_i - \overline{x})^2} \quad \text{...(v)}$$

and the normal curve (to handle the curve).

(b) Statistical hypothesis testing, where data was tested against the null hypothesis that it was normally distributed.

Hypothesis tests were used in determining what outcomes of a study would lead to a rejection of the null hypothesis for a pre-specified level of significance at alpha = .05. Two types of errors, Type 1 and type 2 were monitored by specifying parametric limits on how many types 1 error was permitted (Daniel, 2002). The normality test values were obtained through SPSS output.

3.14.5 Heteroscedasticity

From the works of (Gupta, 2000), heteroscedasticity was referred to as regression disturbances whose variances were not constant across observations. According to (Baltagi, 2005), and in line with the argument of (Gupta, 2000), heteroscedasticity would cause the estimation results to be inefficient.

3.15 Summary

In this chapter we have presented a detailed account of the research philosophy, strategy and methodology according to which we shall conduct this research. We place our research in both the positivist and the interpretivist camps, utilizing a mixture of survey research approach.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The purpose of this study was to look into the determinants of performance of mergers and acquisitions in the financial sector in Kenya. It specifically looked at the following objectives: to determine the relationship between culture integration and performance, to examine the relationship between market coverage and performance, to evaluate the relationship between skill competence and performance, and to identify the relationship between value creation and performance in the financial sector in Kenya. A detailed report on the analysis of primary data collected from the 100 institutions using a questionnaire and secondary data was given. The results were presented utilizing descriptive and inferential statistics in accordance with the order and form of the tools used to collect the data, allowing the different forms to complement each other. The data collected was processed based on the research questions posed. The data was analyzed, interpreted and the findings were presented using tables, graphs, and charts.

4.2 Respondents' Characteristics

Data on type of organization, job title, gender, involvement in mergers, tome of mergers and duration that the respondents had been in the organization were collected and analysed. The response rate and characteristics of the respondents from which data was collected is as follows.

4.2.1 Response Rate

The number of questionnaires distributed at the firm's headquarters were two each totaling 200. From these, 93 questionnaires were completed and returned giving a return rate of 46.5% for the entire financial sector, as shown in Table 4.1. The rate of return for the questionnaires was due to the effort of continuous visits and telephone

calls. Though Kothari (2004) and Mugenda and Mugenda (2003) cited a response rate of 50%, Cooper and Schindler (2011) fronted a response rate of 30% being acceptable and sufficient to commence data analysis, and therefore, 46.5% was deemed to be adequate for this study.

Table 4.1: Response Rate

Institution	Value Label	Frequency	Percentage
Banking and Insurance Sectors	Questionnaire returned	93	93%
Banking and Insurance Sectors	Questionnaire not returned	7	7%
Total		**100**	**100%**

To support the results on response rate Mellahi and Harris (2016) concluded that there was no consensus on what is an acceptable response rate. Mellahi and Harris (2016) went ahead to cite Baruch and Holtom (2008) who allowed a response rate of between 50% and 80%, Goyder (1986) who gave between 30% and 70% as acceptable response rate. To address this problem, a survey of journal editors (Carley-Baxter et al., 2013) revealed that editors tended to use unwritten ‘rule of thumb’ to judge response rate resulting in ‘widely varying response rates of 16 to 91 percent. Using descriptive statistics, Table 4.2 shows an overview of how respondents reacted to the preliminary questions.

Table 4.2: Statistics of the Preliminary Case Processing

Value Label	N	Min.	Max.	Mean	Std. Deviation
The title of the respondent	93	1	5	2.88	1.206
Type of organization	93	1	2	1.43	.498
Respondent gender	93	1	2	1.42	.496
The organization has been Involved in M&A	93	1	3	1.46	.563
The nature of the corporate action	93	1	5	2.43	1.107
Working in the organization during the M&A	93	1	3	1.74	.779
How long have you served the organization	93	1	4	1.76	.902
Total	**651**	**7**	**24**	**13.12**	**5.551**
Valid N(listwise)	**93**	**1**	**3.429**	**1.874**	**0.793**

"Valid N (listwise)" denotes the number of cases that don't have any missing values on any of the variables shown in the table. The various statistics highlighted were (N=93, Mean=1.874, Std. Dev.=0.793), indicating that the average of the various respondents was 1.874. With the Std. Dev. of 0.793, the research concluded that 1.874 – 0.793 = 1.081 and 1.874 + 0.793=2.667 showed that most of the respondents had been in the organization for between 1 year to 3 years, or the nature of organization has had between 1 and 3 attempts on mergers and acquisitions. Generally, the mean of the scores in this area ranged between 1.42 to 2.88. The measure of dispersion was (Maximum – Minimum) =24 – 7 = 17, a single score that gave the highest and the lowest scores of the data values, resulting in a coefficient of a range of (Maximum – Minimum)/ (Maximum + Minimum) = 0.548. This indicated that the range (Maximum – Minimum), was standardized by the total (Maximum + Minimum) of 0.55.

4.2.2 Type of the Organization

Table 4.3 offers the results of the respondents on the types of organization they worked for. This was cross-tabulated across the variables and the results shown indicated the following: culture integration for banking scored (24.88%), insurance (25.16%), market coverage for banking (25.35%), insurance (24.53%), skill competence for banking (24.88%), insurance (25.16%) and value creation for banking (24.88%), insurance (25.16%). The scores for the type of organization the respondent worked for scored a constant 25%, implying that the respondents accepted the fact that skill competence and value creation improved performance. Richard et al., (2009) showed that organizational performance encompasses three specific areas: financial performance, product market performance and shareholder return leveraged by culture integration, market coverage, skill competence and value creation.

Table 4.3: Type of Organization

Label	Frequency		Total	Percentage	
	Banking	Insurance		Banking	Insurance
Culture Integration	53	40	93	24.88%	25.16%
Market Coverage (Count)	54	39	93	25.35%	24.53%
Skill Competence	53	40	93	24.88%	25.16%
Value Creation	53	40	93	24.88%	25.16%

4.2.3 Job Title of the Respondent

In the effort to understand the various titles of the respondents, Figure 4.1 shows these job titles which were categorized into 5 groups. The financial services scored 45.0%, and the lowest of the cadres were accountant services, human resources services and marketing services that cumulatively scored 36.0%. This score showed how the respondents gave a reflection of what the industry is, indicating that there was a variety of job titles in the industry. Job titles create an avenue for teamwork, developing confidence, performance, and enhance communication between workers and customers, and human resources services will need to enhance and help in acquiring of skills, developing them and retaining them.

Marketing services were to boost services and products of the firm. Sullivan (2012) confirmed that job titles and job descriptions are both marketing and sales tools that can have a tremendous impact on recruiting, engagement, retention, and product sales, adding that current job titles are under-managed at large corporations. Sullivan thus proposed the need for a strategy and program to ensure that key jobs, the titles and the content of the jobs both become key selling and branding points. Haak

(2015) added that job titles are means through which organizations work towards overcoming change resistance.

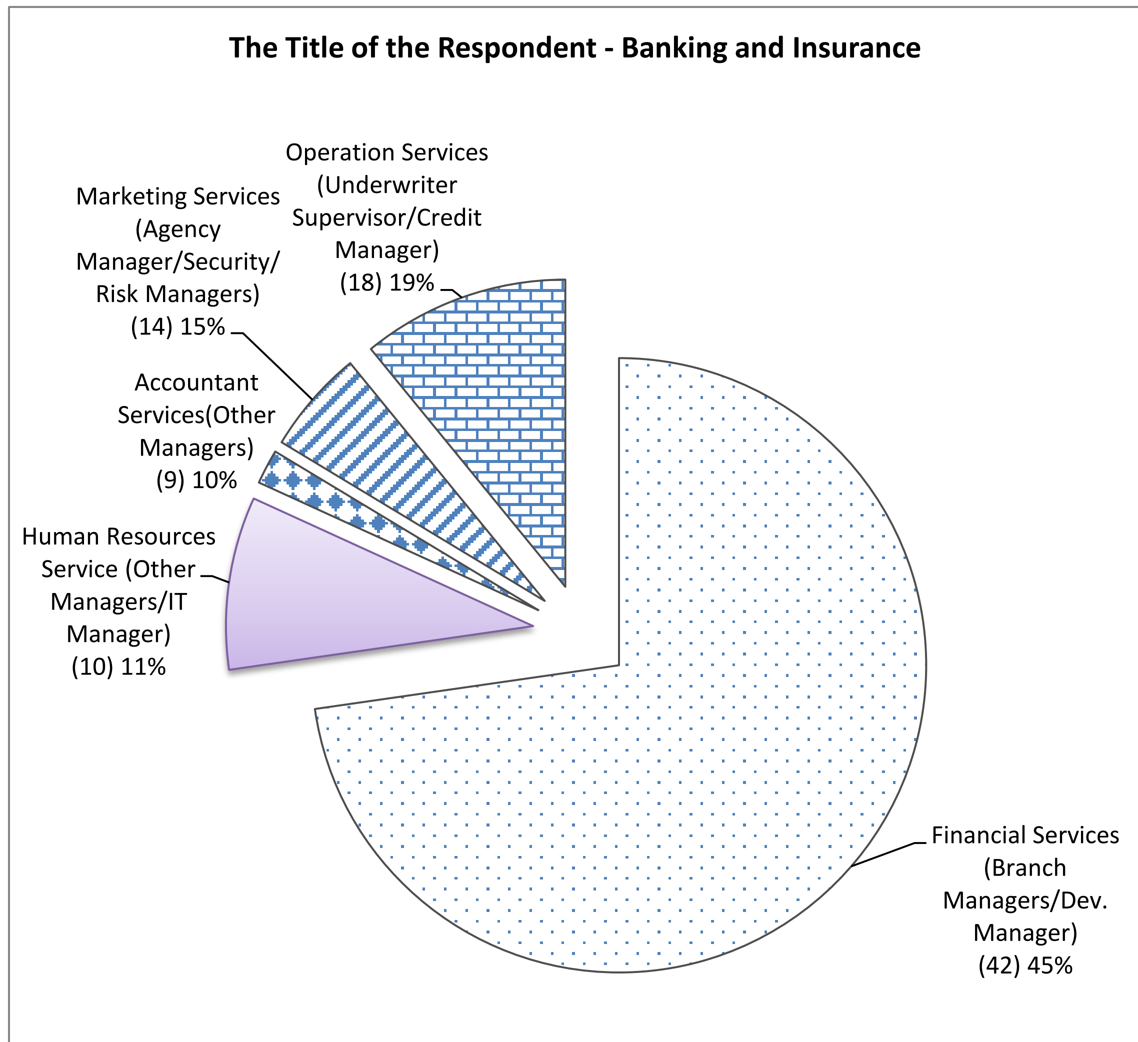


Figure 4.1: The Title of the Respondent

These titles revealed that there was an existence of heterogeneity (diversity), consisting of professionals from lots of different backgrounds, and the strategy would be to appreciate standardization and quality control. These findings proved that job titles are evolving, which affects communication, creates employee distrust and culture clashes and leads to employee turnover. The various job titles require integration planning, communications planning, and organizational alignment, in involving everyone, and the information needed to make more fully informed

decisions about the merger and acquisition. Job titles influence the kind of behavior that is expected from staff to help them perform (O'Donnell & Boyle, 2018; Wood, 2018).

4.2.4 Gender of the Respondents

The respondents were asked to indicate their gender and the results are shown in Table 4.4.

Table 4.4: Respondent Gender

Valid		**N**	**Percentage**	**Cumulative Percentage**
Valid	Male	54	58.1	58.1
	Female	39	41.9	100.0
Valid N(Listwise)		**93**	**100.0**	

The results (Table 4.4) suggest that 54(58%) were male and 39(42%) were female. This result implies that the sector has more male gender or that those at the managerial level are of the male gender. However, the difference of 16% though significant may not lead to the conclusion that that gender distribution of managers in mergers and acquisitions very highly favoured the male gender. In comparison to Kenya's Constitution 2010, the gender rule is satisfied since no gender was less than a third of the total number of managers. Cutura et al. (2007) were of the opinion that women were a major actor in an economy, demystifying the fact that the male dominate performance. The findings of Christiansen et al. (2016) added to the fact that performance is significantly stronger in sectors that employ more women in the labour. In this study, the female gender was significantly represented at the management level thus the assertion by Cutura et al. (2007) and Christiansen et al. (2016) applied to the studied firms.

4.2.5 Respondent Involvement in Mergers and Acquisitions

On whether the firms had been involved in mergers and acquisitions, the results if analysis of data are presented in Table 4.5 which shows that 59% of the respondents had been involved in mergers and acquisitions, while 41% were not directly involved in the mergers and acquisitions events.

Table 4.5: Results of the Involvement Levels of the Respondents

		Frequency	**Percent**	**Cumulative Percentage**
Valid	Yes	55	59.1	59.1
	No	38	40.9	100.0
Total		**93**	**100.0**	

The results appeared to reveal that the organizations merging were those that couldn't keep up with economic forces, yet 41% indicated that staff were least involved. However, with a 59% score, it was clear that mergers and acquisitions were not a bad idea. These results showed that keeping the organization involved created larger companies, maximizing shareholder value and strengthening the financial position of the companies from a touch of ownership.

4.2.6 The nature of the corporate action of the Respondent

The result in Table 4.6 shows that while 81.8% had been involved in either a merger or an acquisition, 18.2% had been involved in both a merger and an acquisition.

Table 4.6: Results of the Nature of the Corporate Action

Organization Status		Frequency	Percentage	Cumulative Percentage
Valid	Mergers	26	28.0%	28.0%
	Acquisition	50	53.8%	81.8%
	Both Merger and Acquisition	17	18.2%	100.0%
Total		93	100.0%	

The results suggested that mergers and acquisitions were used as a growth strategy. This finding concurs with findings by Heakal (2018) and Kumar and Bansal (2008) who also conclude that mergers and acquisition was a popular growth strategy by organisations. According to The Depository Trust and Clearing Corporation (2004), corporate action events such as mergers and acquisitions are integral features of today's capital markets. The entire process aims at; Changing the structure or nature of the corporation, creating and improving corporate behaviour, revaluing the human synergy, creating value, and thereafter, improving performance.

4.2.7 Time of the Merger and or Acquisition of the Respondent

Figure 4.2 shows the results of whether the respondents were working for the organization at the time of mergers and acquisitions.

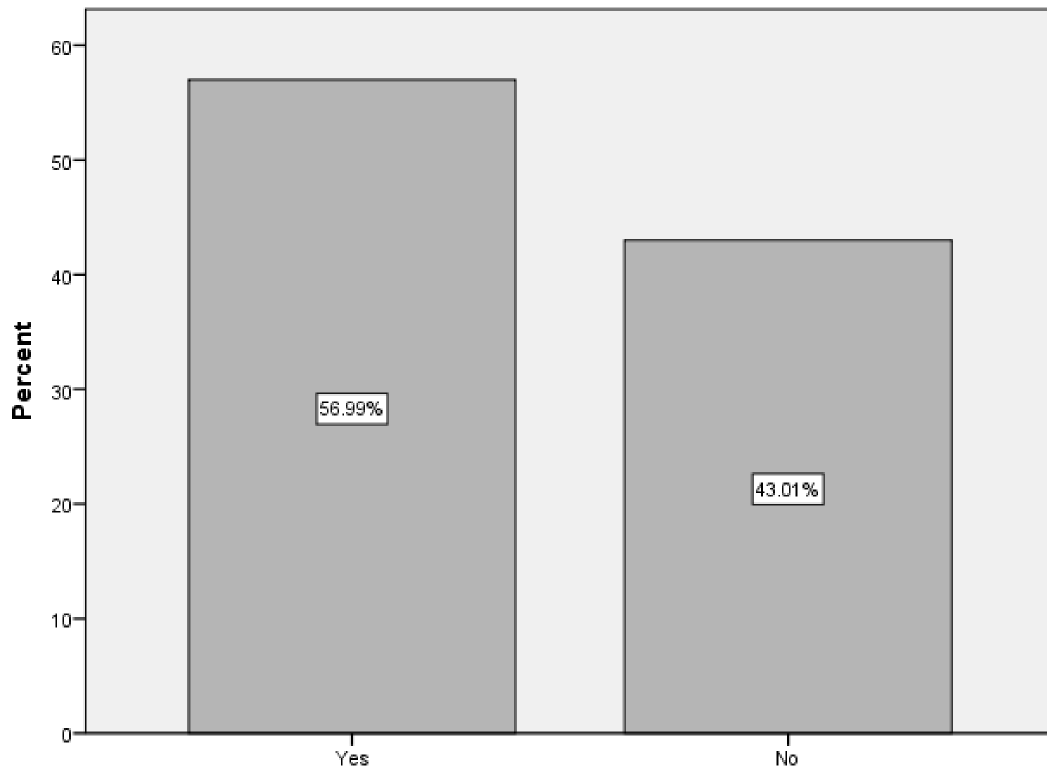


Figure 4.2: Were you working in the organization during M&A event?

As seen from Figure 4.2, 56.99% of the managers were working in the firms during the mergers and acquisitions activities, while 43.01% were not working in the firms at that period that mergers and acquisitions took place. The 43.01% rate would suggest the possibility of existence of resistance if management change was poorly executed and if poor communication strategy arose; and possible lack of competence to execute mergers and acquisitions. Further, this number of managers (43.1%) suggests that there may have been a high turnover to account resulting from mergers and acquisitions Since 56.99% had been in the studied organisations during the mergers and acquisition where they shared a strategy map during this process, it is suggested that h there is combined pool of organization and leadership consensus on that the execution of mergers and acquisitions activities in the country.

4.2.8 Duration of the Respondents in the Organisations

The cross-tabulation respondents according to type of organization and the period they had worked in firms is presented in Table 4.7.

Table 4.7: Respondent Duration in the Organization

	Number of years	**Type of Organisation**				
		Frequency		**Total**		
		Banking	**Insurance**		**Banking**	**Insurance**
How long have you served the organisation	1 to 5 Years	23	23	46	43.4%	57.5%
	6 to 10 Years	17	11	28	32.1%	27.5%
	11 to 15 Years	9	5	14	17%	12.5%
	16 Years and above	4	1	5	7.5%	2.5%
Total		**53**	**40**	**93**		

The descriptive statistics show that respondents who had served in the organizations during the mergers and acquisitions for 1 to 5 years scored; 23(43.4%) for banking and 23(57.5%) for insurance, 17(32.1%) for banking and 11(27.5%) for insurance had been in the organization for between 6 to 10 years, 13(24.5%) for banking and 6(15%) for insurance had been in the organization for between 11 and above. Based on the result in Table 4.7, and an examination of the percentages across the columns, it is concluded that there were differences in the number of years served. The largest group had served for between 1 to 5 years and the lowest for 16 years and above.

This was an indication that there was a sense of identity with the organisation among the managers due to longevity in those organisations and that knowledge base of the managers in those organizations was adequate (Seaman & David, 2012). This findings suggests that it was possible to make references can be to history, and that adversity and rifts could be contained and managed, and healing of hurts attained towards better performance in the context of mergers and acquisitions. The lower score of above 10 years is a good indication that mergers and acquisitions ushered in high mobility of staff in organisations.

Consequently, to avoid losing the best talent, a strategy to provide opportunities for self-development and advancement, effective leadership, opportunities for challenging tasks, and a conducive work environment/culture would be among the approaches of retaining staff after the merger and acquisition.

4.3 Descriptive Results

In this section, the study used descriptive statistics in describing the basic features of data by showing summaries about the sample. Tronchim (2006) supported this in stating that graphics; the means, maximum and minimum, and a standard deviation of data collected are provisions of descriptive analysis forming the basis of the qualitative analysis of data.

4.3.1 Culture Integration and Performance

A combined 65.77% (Appendix 12(a)) shows that culture integration was reported by respondents to be a determinant for the performance of mergers and acquisitions. From Appendix 12(a), it was found that 16.01% did not consider culture integration to be a determinant of performance. Related statistics based on Culture Integration, showed that culture integration was fairly appreciated to influence performance (M=3.73, SD=0.887). With further calculations, these results were interpreted to give; 3.73 + 0.887 = 4.617 and 3.73 - 0.887 = 2.843(SD=0.89), indicating that most respondents concurred 5 times more than the 3 times that culture integration was a determinant of performance for mergers and acquisitions.

A Shapiro-Wilks (SW) test ($p > .05$) for normality test with SW statistic of 0.261, showed that the distribution of data on culture integration was approximately normally distributed. The data had a Skewness of .501, and Kurtotis at -1.339. The collinearity test for culture integration was VIF=1.806 which showed the absence of multicollinearity. Further, Collinearity = 0.501 ($p < .001$). It was also found that homogeneity of variances was not violated as tested using the Levene's test for equality of variances which showed an average ($p=.283 > .05$).

4.3.2 Skill Competence and Performance

The respondents were asked to rate the extent to which skill competence was a determinant of performance of mergers and acquisitions. Appendix 12(b) shows; the average of the respondents who thought that skill competence was highly observed scored (30) 32.19%. The respondents who thought that skill competence was moderately and highly observed scored 24.3% and 23% respectfully, the lowest being least observed that scored 7.44%. Highly observed meant being highly active in the acquisition of information from a primary source, whereas least observed meant having a low rate of acquisition of information from a primary source.

Using other related statistics based on Skill Competence, showed that skill competence was fairly appreciated to influence performance (M=3.66, SD=1.535). The results were interpreted to mean that; $3.66 + 1.535 = 5.195$ and $3.66 - 1.535 = 2.125$ (SD=1.535), indicating that most respondents concurred 5 times more than the 2 times that skill competence was a determinant of performance for mergers and acquisitions.

A Shapiro-Wilks (SW) test $p=0.801$ for normality test with SW statistic of 0.000 ($p>.05$) showed that the distribution of data on skill competence was approximately normally distributed. The data had a Skewness of .290, and Kurtosis = -1.468. The collinearity test for skill competence was VIF=1.630 which showed the absence of multicollinearity. Further, collinearity = 0.532 ($p < .001$). It was also found that

homogeneity of variances was not violated as tested using the Levene's test for equality of variances which showed an average ($p = .283 > .05$).

4.3.3 Market Coverage and Performance

The study analyzed whether market coverage and performance (finance or non-finance) were independent of each other. Data collected were from the open-ended questions. For non-financial, the study collected data through a questionnaire. For financial, the study collected secondary data.

Six themes were emerged from the responses that were collected; these were: Return of confidence (c), Industrial transparency (t), Risk-taking (r), Strategy (s), Market access (m) and Technology (t). Braun and Clarke (2006) and Jugder (2016) advocated the use of themes. Richardson and Evans (2007) stated that market coverage could be used to measure the performance of an organization towards growth strategy.

Together with the foregoing, the performance (both financial and non-financial) was coded into binary "0" for "decrease", and "1" for "increase" in performance. Logistic regression was not run on the independent variable (MC) as it was nominal variable where instances of various market coverage attributes were counted. The analysis assumed that data the was an independent categorical variable, and linearity test as assessed, outliers and multicollinearity assumed (Tabachnick & Fidell, 2014). Table 4.8 gives the count frequency scores of 2% decrease in 0s scores and 98% increase in 1s scores.

4.8: Market Coverage (Market-Bank-Insurance)

		Frequency	Percentage	Cumulative Percentage
Valid	0	2	2.2	2.2
	1	91	97.8	100.0
Total		**93**	**100.0**	

The 98% score for binary 1 indicated that most respondents concurred that market coverage was a determinant of performance of mergers and acquisitions in financial institutions.

Further, the result in Table 4.9 shows a strong belief that return of confidence of staff, market access, technology and risk taking all together (89.48%) improved performance of mergers and acquisitions, whereas there was little evidence that industry transparency and strategy all together scoring 10.52% affected performance of mergers and acquisitions. The little evidence showed that during the mergers and acquisitions, both industry transparency and strategy attracted minimal performance feedbacks, communication was not enhanced, use of preemptive management and recognition was low and probably, regular meetings to discuss outcomes and results of the mergers and acquisition were few.

Table 4.9: Market Coverage for Banks and Insurance Performance (Finance)

Count		Perf_bin_fin		Total	Performance (%)	
		0	1		0	1
Market_Bnk_Ins	Return of confidence	22	10	32	29.73	52.63
	Industry transparency	6	1	7	8.11	5.26
	Market access	3	3	6	4.05	15.79
	Risk taking	22	2	24	29.73	10.53
	Strategy	6	1	7	8.11	5.26
	Technology	15	2	17	20.27	10.53
Total		74	19	93	100	100

Table 4.10 indicates that the combination of return of confidence, risk taking and technology together scored 78.37%, while industry transparency, market access and strategy scored 21.63%. The results indicated that return of confidence, risk taking and technology were rated as critical to performance, whereas, industry transparency, market access and strategy showed less influence of mergers and acquisitions on performance.

Table 4.10: Market Coverage for Banks and Insurance Performance (Non-Finance)

Count		Perf_bin_nf		Total	Perfirmance (%)	
		0	**0**		**0**	**1**
Market_Bnk_Ins	Return of confidence	7	25	32	36.84	33.78
	Return of confidence					
	Industry transparency	1	6	7	5.26	8.11
	Market access	2	4	6	10.53	5.41
	Risk taking	6	18	24	31.58	24.32
	Strategy	1	6	23	5.26	8.11
	Technology	2	15	17	10.53	20.27
Total		**19**	**74**	**93**	**100**	**100**

Concluding from the results, using finance or non-finance yielded similar outcomes which indicated that market coverage was a determinant of performance of mergers and acquisitions. Running a cross tabulation, market coverage against non-financial performance test, the results obtained were a reverse of the financial count but similar effects were observed on the themes selected, namely confidence of staff, risk taking by the same staff, market access, industry transparency, strategy and technology.

In developing these themes, reliability and validity were assumed to be met (Hanemann et al., 1991; Kang et al., 2013). These themes were operationalized as highlighted in Table 4.11.

Table 4.11: How Market Coverage was Operationalized and Measured

Theme (Attributes associated with MC vs Performance	Measured	1st Order interpretation	2nd Order interpretation	Meaning in data	Previous studies Authors
Return of confidence Return of confidence	Count	Calculate number of responses	The more confident with less margin of error accepted.	Number of respondents from the sample size being positive.	Porter (2011), Skinner (2013), Skinner (2013) and Oney and Oksuzoglu-Guven (2015)
Industry transparency	Count	Stakeholders undersdtand efficient and effective process	Accountability, transparency, participation, and inclusion towards consensus.	The openness, communication, and accountability.	Chan, (2013), Grimmelikhuijsen *et. al.*, (2013)
Market access	Count	Implications the mergers and acquisitions firm may	Entering new markets, creating a strategy.	The favourable conditions, tariff and non-tariff measures.	Sendyona *et al.,* (2016), Berger et al. (2004), Lebedev et

		have on the wider market, the understasnding of the impact the change in the market will have on performance, a positive environment that supports mergers and acquisitions and communicating the 'value'of product/service to the range of customers.			al.(2015).
Risk taking	Count	The entrepreneur spirit. The intentional interaction with uncertainty.	The consequence of action taken in spite of uncertainty. Uncertainty is a potential, unpredictable, and uncontrollable	The potential of gaining or losing value	Keniff (2015), Kaplan and Mikes (2013). Li and Wan, (2016)

			outcome.		
Strategy	Count	A high level plan to achieve one or more goals under conditions of uncertainty.	An aspect of strategic management that allows mergers and acquisition enterprises to grow.	Mergers and acquisitions brings corporate finances, management and strategy together.	Das and Kapil (2012), Hopkins (1987), Christofi *et al.,* (2017)
Technology	Count	Growth strategies	Strategy of firm leading to changes in the market structure. IT as a driver of merger and acquisition is part of technology.	Acquiring a firm with a different business model.	Grimpe and Hussinger (n.d.), Memic (2015), Zhovtobryukh (2014)

4.3.4 Value Creation and Performance

The respondents were asked to rate the extent to which value creation determined performance, and as Appendix 12(c) shows; satisfied (43) 46.2%, followed by (28) 29.98% highly satisfied, those who remained neutral (20) 21.53%, those dissatisfied scored (3) 2.88%, with a Likert mean of 4.172 and standard deviation of 1.428. This meant that there was a consensus that (71) 76.18% value creation was an ingredient to the performance of mergers and acquisitions activity. Dissatisfied score accounted for only (3) 2.92%. These statistics showed that value creation was fairly appreciated to influence performance(M=4.172, SD=1.428). For the 4.172 + 1.428 = 5.600 and 4.172 - 1.428 = 3.644(SD=1.428), indicating that most respondents concurred 6 times more than the 4 times that value creation was a determinant of performance for mergers and acquisitions.

A shapiro-Wilks (SW) test (p = 0.158 > .05 for normality test with SW statistics of 0.158, showed that the distribution of data on value creation was approximately normally distributed with a Skewness of =.253, and Kurtosis of -1.774. The variance inflation factor (VIF) and collinearity statistics for value creation (were VIF= 0.518, collinearity=0.518 with p<.001). In addition, homogeneity of variances was not violated as Levene's test for equality of variance showed an average (p=.283 > .05).

For the open-ended question on Value creation, themes were extracted and grouped into customer satisfaction (16)12%, products developed (10)8%, teamwork (10)7%, the right to innovate (9)7%, dynamic involvement (5)4%, skilled staff, one-stop-shop, market segmentation, synergy drive all under 5%, vision created, mold culture, information technology, communication, skilled staff, staff turnover, enhanced, reduced cost, accelerated growth, customer expectation, management boost, bankrupt firm, diversification all at 2% score and lower. There was near consensus that customer satisfaction was enhanced as a strategy to improve marketing penetration and performance.

4.4 Pilot test Results

A pilot study was conducted to determine the reliability and the validity of the instruments used for primary data collection. SPSS gave the Cronbach value, within the range $0.6 \leq \alpha < 0.7$ proving that the tool (questionnaire) was reliable and valid to be used. As a rule of thumb (Appendix 10(a)), Cronbach alpha value of 0.00 showed no consistency in the measure, 1.00 showed a fair consistency in measure and a 0.70 and above showed an acceptable measure. However, DeVellis (2003) and Streiner (2003) brought out the idea that there were different reports about the acceptable values of alpha, ranging from 0.70 to 0.95, concluding that a low alpha was due to poor correlation between items that could be revised or discarded and too high alpha suggesting that some items were redundant as they were testing the same question but in a different guise.

4.4.1 Reliability

Figure 4.3 adapted from Trochim (2006) shows X_1 was a given score, T and e (error) were errors accounted for or not, and led the study to deduce and infer that the tool was considered reliable as it gave the same result over and over again, being careful to base the study's stand on the economy term, 'ceteris paribus', that is, everything remaining the same. The figure was taken to mimic the data collecting tool.

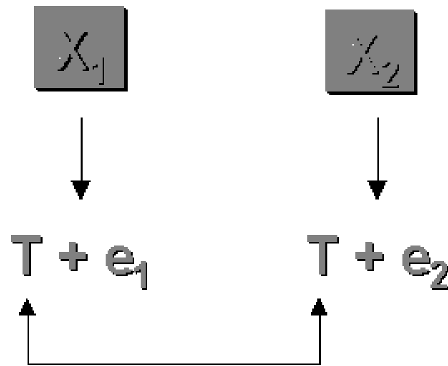


Figure 4.3: Arbitrary Measurement that is Consistent.

From the SPSS, computer program, the result in Table 4.12 was generated from which results, Figure 4.3 gave the support. The table provided the actual value for Cronbach's alpha, which was used to measure the internal consistency since there were multiple Likert questions in the questionnaire. The results were in line with what Creswell (2003) and Castillo (2009) had shown.

Table 4.12: Reliability Statistics

Variable	Cronbach's Alpha	N of Items
Culture Integration (CI)	0.736	10
Skill Competence (SC)	0.872	10
Value Creation (VC)	0.813	6
Performance (Perf)	0.870	11

From this analysis, out on the perceived task values scales comprising 4 items. Cronbach's alpha showed the questionnaire to reach acceptable reliability, α= .74, .87, .81 and .87. All items appeared to be worth of retention and therefore, the questionnaire was reliable. Taber (2017) confirmed that Cronbach's alpha is regularly adopted in studies, having been referred to in 69 different papers published in 4 leading science education journals in a single year (2015) - usually as a measure of reliability.

4.4.2 Validity of the Results

For the study's results to be valid, conclusive, and non-manipulate, a validity test was conducted. Cherry (2017) declared that, in determining usefulness and applicability, validity becomes a measure of how well a test measures what it claims to measure. Table 4.13 gives a Kaiser-Meyer-Olkin (KMO statistics), which vary from 0 to 1, indicating the degree to which each variable in a set was predicted without error by the other variables. The rule of thumb Appendix 10(d) for KMO being, 'the lower the proportion, the more suited the data is to Factor Analysis.' In this research, the lowest KMO was 0.669 for culture integration. Hair et al. (2010) suggested accepting a value of 0.5 (50%) or more as being adequate to carry out with factor analysis. The chi-square test was used to discover if there was a relationship between two categorical variables.

Table 4.13: Chi-Square Test Statistics Results

Label	Culture Integration	Skills Competence	Value Creation	Market Coverage	Performance Non-Fin
KMO	0.669	.839	.839	0	.772
Chi-Square (Bartlett's Test of Sphericity)	300.980	347.682	347.682	0	173.049
df	55	45	45	0	15
Sig.	.000	.000	.000	.000	.000

The results indicated that validity was established; except for very few values, there was an increasing linear relationship, at the $p< 0.05$ level (most statements were less than 0.05 alpha) indicating that these statements were statistically significant. The reason was that Bartlett's Test of Sphericity using a 95% level of significance, $\alpha = 0.05$, proved that factor analysis would be valid. This, therefore, led to the acceptance of the hypothesis that there was a relationship between all independent variables (predictors) and performance of mergers and acquisitions. This was

because values lay in the range 0 < KMO < 1, if KMO > 0.5, the sample is considered to be adequate for factor analysis.

4.5 Diagnostic Tests

This section listed and discussed the group of statistics related to this research, that was used to measure the research finding's intelligence, cognition, and behaviour, helping to predict possible outcomes of the areas of; independent sample test, correlation, outliers, Levene's Test for equality of variance, linearity, normality, and homoscedasticity. The data used in highlighting these terms were from the research work output from SPSS. Tables and Q-Q plot were used to show the results. Diagnostic tests allowed the researcher to plan meaningful, systematically and efficient reporting of the findings, helping to provide information to individualize statistical values and creating a baseline for further reports.

Table 4.14 provides t-test values ranging from 78.6 the highest to 18.094 the lowest at p <.05. The means obtained (Table 4.14) could not occur by chance alone and therefore there was evidence that culture integration, skill competence, and value creation were significantly explaining the difference in the average number of times performance improved. The results proofed to be reliable indicating significant difference between the means of the group related in influencing performance after mergers and acquisitions in the financial sector in Kenya.

Table 4.14: Group Statistics

Variable	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Cultural Integration	78.561	92	.000	3.72	3.63	3.82
Skill Competence	38.583	92	.000	3.55	3.37	3.74
Value Creation	56.121	92	.000	4.00	3.85	4.14
Performance	18.094	92	.000	2.99	2.86	3.12

The results show the mean, standard deviation, and standard error mean of the determinants of performance for mergers and acquisitions. The mean for performance was far lower than for cultural integration, skill competence, and value creation, with a huge standard deviation. These results show that the null hypothesis could not be rejected at the 0.05 level because the significance value was 0.000, concluding there to be a statistically significant difference between the means.

4.5.1 Independent Sample Test

The study sought to compare means, the model assuming that a difference in the mean score of the dependent variable was found because of the influence of the independent variable. The assumption of homogeneity being observed, Levene's Test for Equality of Variances access groups (Appendix 13). The p – value was 0.26 (p > .05) this finding suggests that the variability in the two conditions; the stability of performance and non-performance of financial sector was not significantly different.

From the results of the independent samples test; there was a mean difference of 0.204 (p = 0.194 > .05. It was concluded that there was no statistically significant difference between the means, meaning that the participants were able to recall significantly on the fact that the determinant of performance had an effect on mergers and acquisitions.

4.5.2 Model Diagnostics

Model diagnostics were performed to determine the appropriate analytical approaches to be used to test the relationships between variables. Since collinearity implies two variables being near perfect linear combination of one another, Table 4.15 shows that the estimates were very stable and with very low standard errors. These results indicated that subsequent inferential procedures should proceed and that the inferential procedures would result in valid conclusions.

Table 4.15: Collinearity Diagnostics

Variable	Eigenvalue	Condition Index	Variance Proportion (Constant)
Culture Integration	1.000	20.693	0.0833
Culture Integration			
Skill Competence	0.9998	12.3415	0.0909
Market Coverage	0	0	0
Value Creation	1.000	17.4181	0.1429
Performance	0.9999	21.5112	0.0842

The study concludes that the low Eigenvalue was because the predictors were few, which could impact on multicollinearity. High condition index for few predictors may promote multicollinearity.

4.5.3 Outliers

Table 4.16 shows the major area of data screening, checking on; missing data, multivariate outliers, normality, linearity, homoscedasticity, and multicollinearity, to

enable data to be usable, reliable, and valid for various statistical testing being satisfied.

Table 4.16: Extreme Values

			Case Number	Value
Type of Organisation	Highest	1	2	2
		2	5	2
		3	12	2
		4	13	2
		5	15	2a
	Lowest	1	93	1
		2	87	1
		3	85	1
		4	83	1
		5	80	1b
Respondent gender	Highest	1	2	2
		2	5	2
		3	13	2
		4	15	2
		5	29	2a
	Lowest	1	93	1
		2	92	1
		3	89	1
		4	87	1
		5	86	1b

a. Only a partial list of cases with the value 2 are shown in the table of upper extremes.
b. Only a partial list of cases with the value 1 are shown in the table of lower extremes.

From this table, the study concluded that there were no outliers in the data collected, as assessed by inspection of the percentiles and extreme values for; Culture Integration, Skill Competence, and Value Creation.

4.5.4 Linearity

Linearity test aimed to determine the relationship between independent variable (value creation, culture integration, skill competence) and the dependent variable (performance) being linear or not. The aim was that the study could graphically represent the findings as a straight line. Table 4.17, for ANOVA output, was used to consider the significant deviation from linearity.

Table 4.17: Linearity from ANOVA[a]

Model			Sum of squares	df	Mean square	F	Sig.
Perf *CI,CV,SC	1	Between Groups	26.9487	23	1.3827	5.4848	.005
		Linearity	10.6493	1	10.6493	44.1577	.055
		Deviation from linearity	16.2993	22	0.7283	2.5533	.077
		Within Groups	20.7887	69	0.3107		

a Dependent Variable: Performance

b Predictors: (Constant), Value creation, Culture integration, Skill competence

Based on the results in Table 4.15, deviation from linearity p-value of 0.077 was greater than 0.05, leading to the conclusion that there was a linear relationship between the independent (Value creation, Culture integration, Skill competence) and performance.

4.5.5 Normality

Table 4.18 shows how to hold dependent variable approximately normally distributed to each of the independent variables. Skewness and kurtosis, Z-values and the Shapiro-Wilk test for p-values were checked, on the sample of 100, giving independent variable (CI, SC, and VC) group performance (dependent variable) showing normality distribution, both with $p < .05$.

Table 4.18: Test of Normality

Value Label	Kolmogorov-Smirnov Statistics	df	Sig.	Shapiro-Wilk	df	Sig.
Culture integration (Average)	0.058	93	.200	.986	93	.422
Skill competence (Average)	0.092	93	.050	0.949	93	.001
Value creation (Average)	0.116	93	.004	0.846	93	.000
Performance (Average)	0.135	93	.000	0.841	93	.000

The study with a population 100 organizations, concluded that, the scores data were a little skewed and kurtic. From table 4.16, the results suggest that the data on skill competence, value creation and performance were significantly different from a normal distribution because $p < .05$, as Shapiro-Wilk (SW) shows. Only culture integration indicates not significantly different from normal distribution ($p > 0.05$. The study, therefore, assumed that the data were approximately normally distributed in terms of skewness and kurtosis. The Normal Q-Q Plots were also observed to be approximately normally distributed.

4.5.6 Homoscedasticity

For the analyzed results to be valid, data satisfied the assumption of homoscedasticity, same variance, and levenes' test of equality of errors. This was done through a Q-Q plot as shown in Figure 4.4. The study concluded from the Quantile-Quantile curve that there were equal sized groups indicating an equal probability of observed values within the groups. Since the results portrayed a normally distributed curve for SC, most of the points being on the line, the same scenario was observed for CI, VC and Performance. The assumption was that the variance around the regression line was the same for all values of the predictor variable.

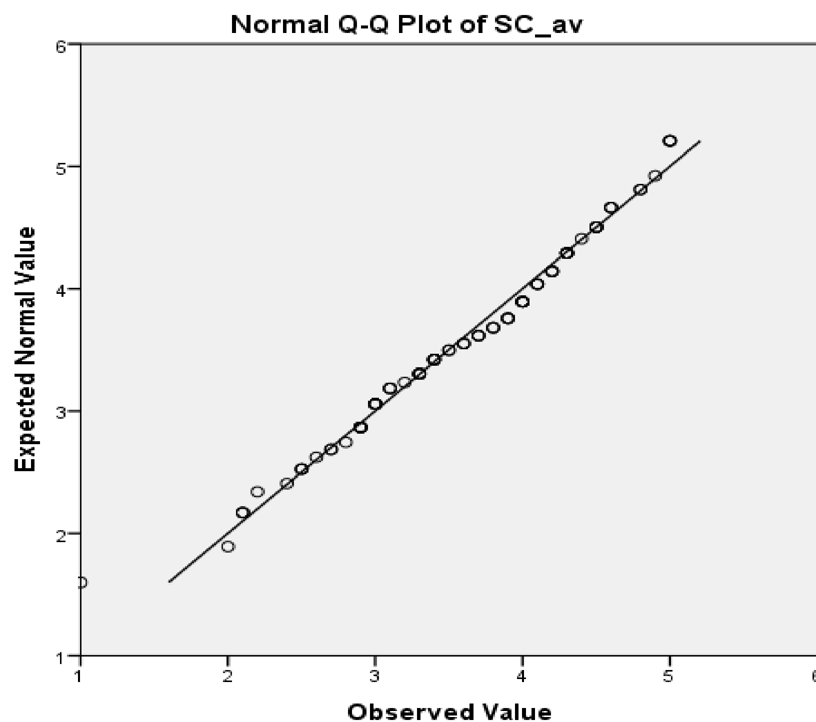


Figure 4.4: Homoscedasticity Tests for Normal Distribution of Data

The study concluded that the plot did not show a violation of the assumption, as both the lower values on the X-axis and the higher values on the Y-axis showed little variability around the regression line. Since the points were very close to the

regression line it was concluded that the homoscedasticity (the variance around the regression line) was the same for all values of the predictor/independent variables). Figure 4.4 indicates testing for homoscedasticity being the opposite of homoscedasticity.

This study agrees with (Meme, 2017), who states that the results of heteroscedasticity being opposite to homoscedasticity. This concludes that; homoscedasticity ($p > .05$) and heteroscedasticity ($p < .05$) are the same test being opposite of each other and both tested using the Levene statistic.

4.5.7 Levene's Test for Equality of Variance

Further from (Gastwirth et al. 2009) argument, Levene's test was used to verify the equality of variances in the sample (homogeneity of variance with $p > 0.05$. Appendix 13 was extracted to determine whether there was statistical evidence that mergers and acquisitions affected performance significantly.

4.5.8 Chi Square Test Statistics Results for each Variable

From the results on the tables in Appendix 11(a), component matrix indicated that only culture integration loaded values of .226, .105 and -.046. For skill competence, value creation and performance, non-finance loaded .400 and above. The results aimed at proving what Kalla (2017) had stated that to facilitate the correct conclusions from the data captured, the measure of the relationship between variables was important to help avoid a risk of statistically inferring from wrong results.

4.5.9 Factor Analysis Assumptions

Factor analysis was used to explore possible underlying factor structure of a set of observed variables, in which Tabachnic and Fedell (2007) recommended that they could be used for further analysis. Kaiser-Meyer-Olkin (KMO) Test, which returns a value between 0 and 1, was used to measure how suited the data was for factor

analysis. The test measured a sampling adequacy for each variable in the model and for the complete model (Leech, Barrett, & Morgan, 2005). A rule of thumb for interpreting the results was applied (see Appendix 10(d)), and generally, apart from culture integration, the data were adequate for carrying out factor analysis.

4.6 Relationship Performance and its Determinants

In this section, the study sought to use the Pearson's correlation coefficient, r, (a parametric measure) to measure the strength and direction of linear relationships between pairs of continuous independent variables. While correlation coefficients were reported as a value between -1 and +1, the researcher squared the results to give a better interpretation. In analyzing these variables, the researcher employed scatter plots and correlation coefficients, and the relationships began emerging. A $p > .05$ proved that the variability in the two conditions were not significantly different. Correlation helped to describe the strength which the researcher interpreted as -1 to + 1 indicating a perfect negative or positive linear relationship, with zero indicating that the variables were uncorrelated and there was no linear relationship.

4.6.1 Culture Integration and Performance

To test the hypothesis linking culture integration with performance Pearson's product moment correlation analysis was to test the following hypothesis:

> H_{01}: *there was no significant relationship between Integration and Performance in the financial sector in Kenya*
>
> H_{11}: *There was a significant relationship between culture integration and performance in the financial sector in Kenya.*

The result of the analysis of the relationship between culture integration and performance is presented in Table 4.19.

Table 4.19: Culture Integration and Performance

Pearson Correlation	1	2	3	4	5	6	7	8	9	10	11	12
Average for performance	1											
Organization culture is easily adopted after M&A	.061	1										
Common values, beliefs, verbal and non-verbal symbols shared	-.010	.611**	1									
The two companies vision, philosophy and values Integrated	.126	.195	.358**	1								
The two organizations operate independently	.002	-.008	.018	-.092	1							
The acquiring and acquired group work well together	-.028	.394**	.018	-.092	1							
Organizational alignment creates better performance	.110	-.005	-.083	.210*	.024	.367**	1					
Workforce readiness improves								1				

performance												
Organization fosters the process of learning and comp									1			
Strategic emphasis helps enhance the practices of the Company towards success										1		
Innovation and the need for diversity of ideas improve performance											1	
emphasis on quality propels the company into greater performance												1
N	**93**	**93**	**93**	**93**	**93**	**93**	**93**	**93**	**93**	**93**	**93**	**93**

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

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

The coefficient of determination gave the idea of how much variance the two scores shared that gave $r = (0.362)^2 = 13.10\%$. Each score of culture integration helped to explain 13% of the variance in the scores. There was no significant evidence to reject

the null hypothesis, and so, it was concluded that there was a strong positive association across the scores (M = 3.73, SD = 0.88), r (93) = 0.362, p<.001.

As presented in Table 4.19, for cultural integration, each row of the table corresponded to one of the variables' indicators. Each column also corresponded to one of the variables' indicators.

Pearson's correlation coefficient was all significance at .01(2-tailed) indicating that r was purely due to chance factors and not to an actual relation. This indicated that if there was no relationship between the variables, the outcome r could not be this big with the 93 being the observations that were used to calculate the correlation coefficient.

4.6.2 Market Coverage and Performance

Mergers and acquisitions, being an integral feature of today's capital markets, the entire process aims at changing the structure or nature of the corporation, creating and improving corporate behavior, re-evaluating the human synergy and creating value thereafter improving performance in the firm. This study was anchored on six themes that were developed out of an open-ended question. From the sample results of the 93, open-ended questions evaluated whether there was a relationship between market coverage and performance of mergers and acquisitions. Table 4.20 shows that Cramer's V was equal to the Phi coefficient = .308, because the case was of a 2×2 contingency table.

Table 4.20: Symmetric Measure

		Value Label	Approx. Sig.
Nominal by Nominal	Phi	0.308	0.117
	Cramer's V	0.308	0.117
	Contingency Coefficient	0.294	0.117
N of Valid Cases		93	

Using the knowledge that a value above .35 is strong, .25 to .35 is moderately strong and below .25 is weak; the study concluded that there was moderately strong (V = 0.308) relationship between market coverage and performances at 95% confidence. Cramer’s V indicated how strongly the two categorical variables were associated (X^2 =0.3). The results showed that there was a medium association between market coverage and performance given a Phi (φ) =.308 and contingency coefficient of .294 respectively, that measured the association of the two binary variables all with a significance of 0.117, indicating that there was no proof of a strong relationship between market coverage (IVs) and performance (DV) in mergers and acquisitions because the p-value was greater than 0.05 ($p > .05$). Cramer's V = 0.308 measuring the association between two nominal variables lay between 0 (corresponding to no association between the variables) to 1 (complete association). The study tested the hypothesis

> *H_{02}: there was no significant relationship between market coverage and performance in the financial sector in Kenya*
>
> *H_{12}: There was a significant relationship between market coverage and performance in the financial sector in Kenya.*

Since Chi-Square results did not offer information on the magnitude and strength of the relationships between the variables MC and performance (finance) or performance (non-financial), Table 4.21 was given for the purpose of direction and strength of the variables. The Lambda value was 0, implying that there was no association in the variables. However, Goodman and Kruskal tau = 0.024 for the market – bank – insurance at $p < 0.05$, but financial performance showed a value of 0.095 at $p >.05$. Somers’ d was run to determine the association between market coverage and performance among the 100 participants. There was a strong, positive correlation between market coverage and performance, which was statistically significant (d=.091, $p<0.05$.

Table 4.21: Directional Measures – Market Coverage and Performance (Finance)

			Value	Asymp. Std. Error	Approx. T[d]	Approx.. Sig.
Nominal by Nominal						
	Lambda	Symmetric	0	0	.b	.b
		Market_Bnk_Ins Dependent	0	0	.b	.b
		Perf_bin_fin_Dependent	0	0	.b	.b
	Goodman and Kruskal tau					
		Market_Bnk_Ins Dependent	0.024	0.017		.049c
		Perf_bin_fin Dependent	0.095	0.063		.121c
	U ncertainty Coefficient					
		Symmetric	0.044	0.029	1.485	.129e
		Market_Bnk_Ins Dependent	0.029	0.019	1.485	.129e
		Perf_bin_fin Dependent	0.091	0.06	1.485	.129e

a Not assuming the null hypothesis.

b Cannot be computed because the asymptotic standard error equals zero.

c Based on chi-square approximation

d Using the asymptotic standard error assuming the null hypothesis.

e Likelihood ratio chi-square probability.

f ETA statistics are available for numeric data only.

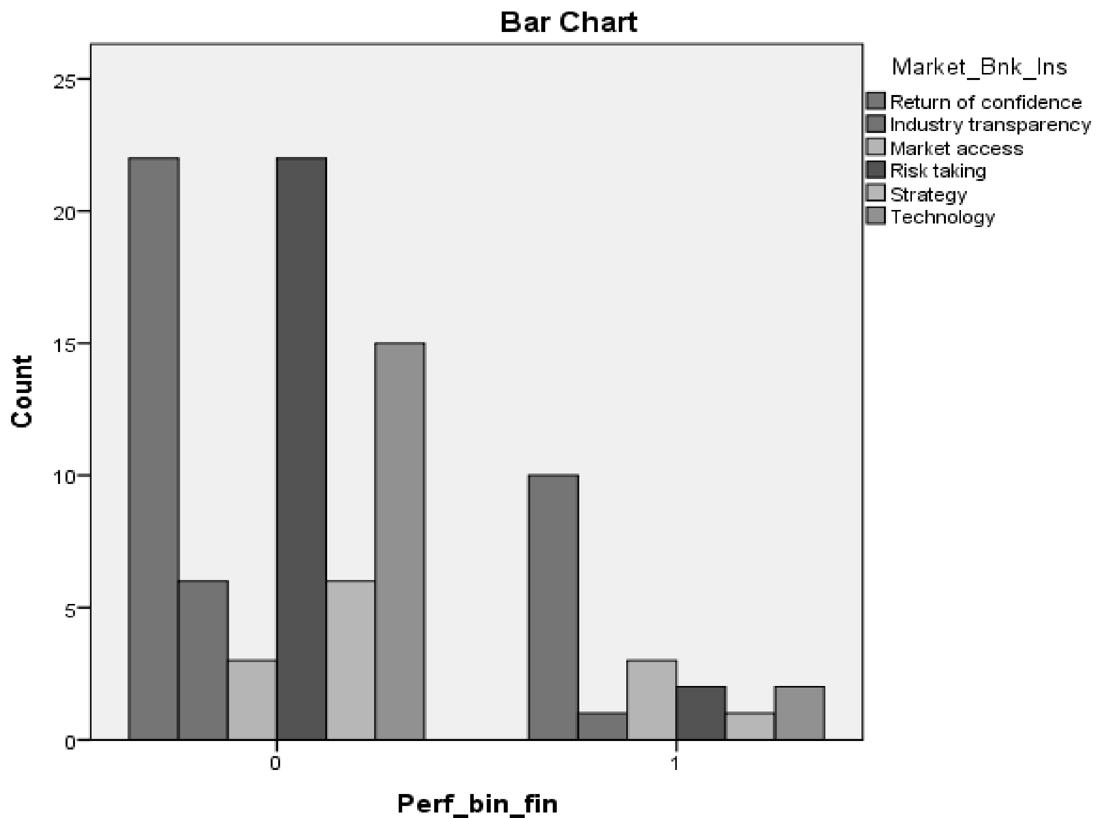


Figure 4.5: Market - Banks – Insurance (Finance)

Figure 4.5 shows the cluster bar chart from the crosstabs procedure showing the heights of each bar representing the total number of observation (count). The clusters were formed by the row variables (Perf_bin_fin). The more the market coverage the less satisfactory was the financial performance; the return of confidence and risk-taking appeared to have been the most associated with poor financial performance. The chart emphasizes the differences between the 0s and 1s groups and in this case; these differences are more stacked within class rank groups. The hypothesis relating to this variable was tested using the non-parametric chi-square.

4.6.3 Association between Market Coverage and Non-Financial Performance

Since Chi-Square results did not offer information on the magnitude and strength of the relationships between the variables MC and performance (finance) or performance (non-financial), Table 4.22 was given for the purpose of direction and strength of the variables. The Lambda value was 0, implying that there was no association in the variables. However, Goodman and Kruskal tau = 0.004 for the market – bank – insurance at $P<0.05$, but financial performance showed a value of 0.022 at $p >.05$. Further, the Somers' d value shows a statistical significance at $p<.05$.

Table 4.22: Directional Measures – Market Coverage and Performance (**Non Finance)**

			Value	**Asymp. Std. Error**	**Approx. T[d]**	**Approx..Sig.**
Nominal by Nominal						
	lambda	Symmetric	0	0	.b	.b
		Perf_bin_nf Dependent	0	0	.b	.b
		Market_Bnk_Ins Dependent	0	0	.b	.b
	Goodman and Kruskal TAU	Perf_bin_nf Dependent	0.022	0.03		.842c
		Market_Bnk_Ins Dependent	0.004	0.006		.857c
	Uncertainty Coefficient	Symmetric	0.011	0.015	0.745	.832f
		Perf_bin_nf Dependent	0.023	0.03	0.745	.832f
		Market_Bnk_Ins Dependent	0.007	0.01	0.745	.832f
Ordinary by Ordinary	Somers' d	Symmetric	0.058	0.08	0.721	0.471
		Perf_bin_nf Dependent	0.041	0.057	0.721	0.471
		Market_Bnk_Ins Dependent	0.097	0.134	0.721	0.471

a Not assuming the null hypothesis

b Cannot be computed because the asymptotic standard error equal zero

c Based on Chi-square approximation

d Based on 10000 sampled tables with starting seed 112562564

e Using the asymptotic standard error assuming the null hypothesis

f Likelihood ratio chi-square probability.

g ETA statistics are available for numeric data only

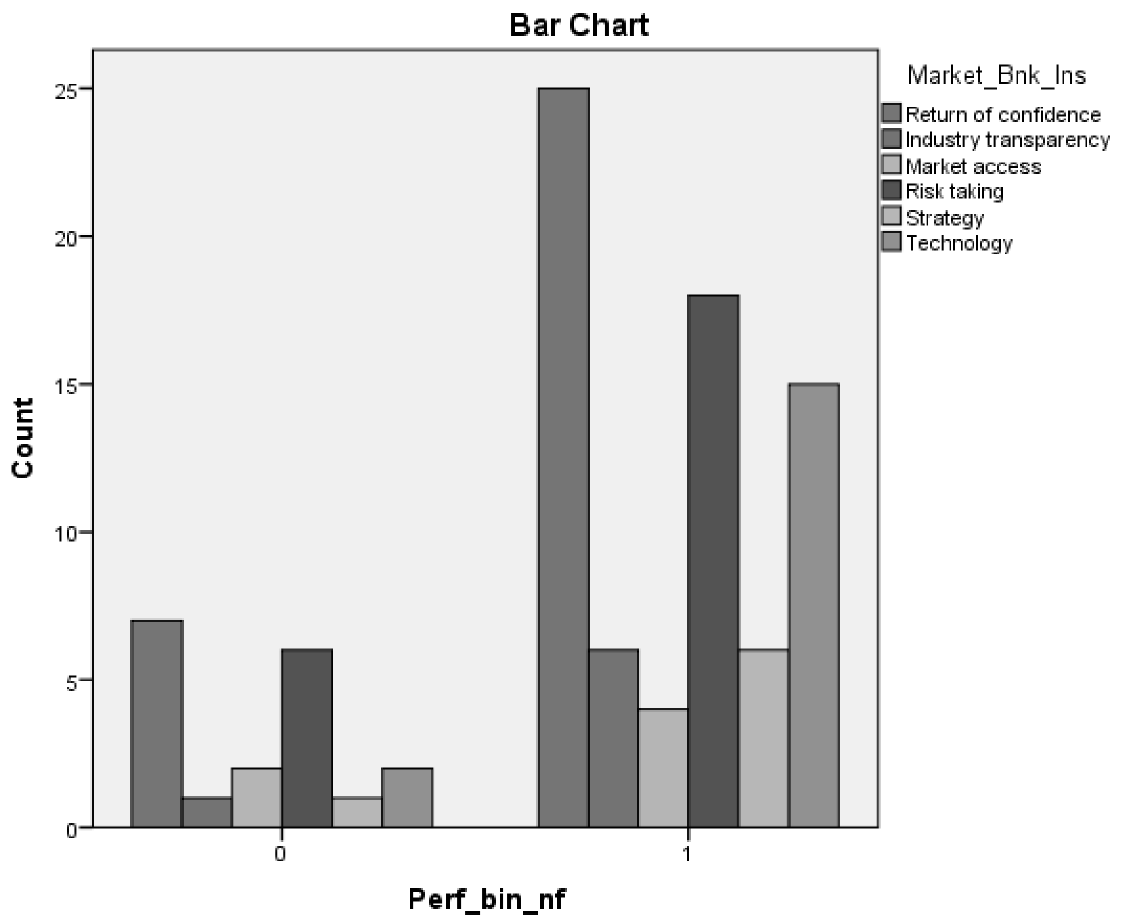


Figure 4.6: Market-Bank-Insurance (None Finance)

Looking at Figure 4.6, it is clear that market coverage attributes were more associated with performance (non-finance) than they were with performance (Finance) from Figure 4.5. The market coverage attribute that was most associated with the satisfactory performance (none-finance) was 'return of confidence'. The clusters were formed by the row variables (Perf_bin_nf). The chart emphasizes the

differences between the 0s and 1s groups and in this case, these differences are more stacked within class rank groups.

4.6.4 Skill Competence and Performance

A Pearson product moment correlation coefficient was conducted to test the hypothesis that;

H_{03}: There is no significant relationship between skill competence and performance in the financial sector in Kenya

H_{13}: There is a significant relationship between skill competence and performance in the financial sector in Kenya.

The results of the analysis of for the relationship between skill competence and performance is presented in Table 4.23.

Table 4.23: Skill Competence and Performance

Pearson Correlation	1	2	3	4	5	6	7	8	9	10	11
Average for performance	1										
Employees develop high level language	.210*	1									
Body language makes communication more efficient- reduce conflict	-.129	.418**	1								
Problem solving makes	.258*	.257*	.423**	1							

learning on the job easier											
Managing includes allocating resources, making and Implementing	.416**	.219*	.341**	.545**	1						
Includes ability to hire and retain competent staff	.214*	.312**	.337**	.387**	.521**	1					
Causes the ability to see the big picture	.211*	.228*	.351**	.369**	.480**	.470**	1				
Involves keeping track of resources and distributing them where needed								1			
Technical competencies and positioning the Organization									1		
Innovation skills develops new objectives to foster use of few resources										1	
Soft skills diffuse conflict											1
N	93	93	93	93	93	93	93				

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

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

As shown in Table 4.23, for skill competence, each row of the table corresponds to one of the variable indicators. Each column also corresponds to one of the variable indicators.

Pearson's correlation coefficients were all significant at .01 (2-tailed) indicating that r was not purely due to chance factors but due to an actual relation. This indicated that if there was no relationship between the variables, the outcome r could not be this significant with the 93 being the observations that were used to calculate the correlation coefficient. Weber et al. (2011) noted that skill competence plays a major role in the performance and mergers and acquisitions.

4.6.5 Value Creation and Performance

Pearson's product moment correlation coefficient was conducted to evaluate that;

> *H_{04}: There is no significant relationship between value creation and performance in the financial sector in Kenya*
>
> *H_{14}: There is a significant relationship between value creation and performance in the financial sector in Kenya.*

The result of the correlation analysis for the relationship between value creation and performance is shown in Table 4.24.

Table 4.24: Value Creation and Performance

Pearson Correlation	1	2	3	4	5	6	7
Average for performance	1						
The firm operates efficiently	.240*	1					

reducing risk							
Enables the firm to reposition themselves for the future	.205*	.361**	1				
Creates shareholder value leading to innovations of tomorrow	.194	.438**	.651**	1			
The firm performs efficiently generating products and services of the future	.231*	.366**	.413**	.522**	1		
The firm is able to articulate a clear vision for the future growth	.338**	.300**	.457**	.448**	.553**	1	
The firm offers new products to existing customers	.359**	.357**	.357**	.385**	.303**	.464**	1
N	93	93	93	93	93	93	93

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

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

As Table 4.24 shows, for value creation, each row of the table corresponds to one of the variables indicators. Each column also corresponds to one of the variable indicators.

All the Pearson's correlation coefficients were significant at .01 (2-tailed) indicating that r was not purely due to chance factors and not due to an actual relation, indicating that if there was no relationship between the variables, the value of r could not be significant.

The overall conclusion of this section, which covered the correlation coefficient values between dependent and independent variables and between the dependent variables themselves concurs with Schaeffer and Kennedy (1986) who reported that on overall the correlation coefficients with much less than 0.8 thresholds indicates that there were no concerns of multicollinearity. The study, therefore, rejected the null hypothesis that *there is no correlation between the explanatory variables (culture integration, market coverage, skill competence, value creation)* and concluded that there was a positive and strong significant relationship between culture integration, market coverage, skill competence, value creation and performance in the financial sector in Kenya.

These results led to the following conclusion that staff from a different culture would adapt easily into the other culture while at the same time maintaining their own culture. The stronger culture overrides the less strong one in cultural integration. Value creation increased the worth of the firm and shareholders (Finance). Learned activities enhanced the skills of the staff in the new firm showing that job performance impacted financial performance positively (Huselid, 2017).

4.7 Determinants of Performance of Mergers and Acquisitions

In this section, regression analysis was used to estimate the explanatory power of predictors of performance and modeling of the relationships with the focus being on the relationship between the dependent variable (performance) and the independent

variables/predictors (culture integration (CI), skill competence (SC), market coverage (MC) and value creation (VC). The change in the dependent variable (performance) was assessed when each one of the independent variables (CI, SC, MC and VC) was varied, while the other independent variables remained held fixed.

4.7.1 Univariate influence of Culture, Skill competence and Value Creation on Performance

A hierarchical multiple regression, where the relationships among, and testing hypotheses about, a dependent variable (performance) and the four independent variables (Culture integration, Skill competence, Market coverage and Value creation ‘predictors’) were done to enable modeling. Linear and logistic regressions were used for predictive modeling, where linear regression was to establish a relationship between the dependent variable (performance) and one or more independent variables (predictors) using a best fit straight line (a regression line), and logistic regression was to find the probability of event = Success and event = Failure.

The results of the influence of culture integration performance are presented in Table 4. 25 and Table 4.26 which are Model summary and Model fit respectively.

Table 4.25: Culture Integration - Model Summary

Model	R	R Square	Adjusted R Squared	SE of the Est.	Change Statistics R Square	F Change	df 1	df 2	Sig. F Change
1	.362[a]	.131	.013	.753	.131	1.109	11	81	.365

Table 4.26: Culture Integration - ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.924	11	.629	1.109	.365[b]
	Residual	45.959	81	.567		
	Total	52.883	92			

Table 4.25 for culture integration supported with Table 4.26 gave the regression model summary, R = 0.362 indicating a low degree of correlation with $R^2 = .131$, which was 13.1%, indicating how much of the total variation in the dependent variable (performance) could be explained by the independent variable (culture integration), which is low. Table 4.25 gave F (11,81) = 1.109, $p > .05$, $R^2 = .131$, process that the correlation of R = .362 and $p > .05$, F=1.109. The SE = .753 showed how much culture integration would be off by .75 on the model.

This findings supported Miller and Fernandes (2009) who asserted that culture must be a focus in efforts to integrate companies, as the results prove that value creation was not undermined. The results concur with Alga et al. (2016) who fronted the two-dimensional identity model that this study alluded to in Figure 2.2.

The influence of skill competence of performance is performance are presented in Tables 4.27 and Table 4.28

Table 4.27: Skill Competence - Model Summary

Model	R	R Square	Adjusted R Squared	SE of the Est.	Change Statistics R Square	F Change	df1	df2	Sig. F Change
1	.909[a]	.826	.804	.393	.826	38.825	10	82	.000

The results led to the conclusion that the higher levels of skill competence the more satisfactory the performance was. Further the model fit result is presented in Table 4.28.

Table 4.28: Skill Competence - ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	59.965	10	5.997	38.825	.000[b]
	residual	12.665	83	.154		
	Total	72.630	93			

As seen from Table 4.28) the model that was specified for the relationship between skill competence and performance was significant: $R^2 = .826$, $F(10, 82) = 38.825$, $p < .05$.

The results proved that Evans' (2010) thought line was vital. The general meaning of the high r score indicated that Figure 2.3 was a tool that could help enhance skill competence. The study concurs with the sentiments of Kibisu et al. (2012) that skill competence is an ongoing process and as the results show, building on the knowledge concept by concept.

Further the result of the influence of value creation on performance is shown in table 4.29 and Table 4.30.

Table 4.29 gave the regression model summary, R=0.749 indicating a high degree of correlation with $R^2 = .561$, which was 56.1%, indicating how much of the total variation in the dependent variable (performance) could be explained by the independent variable (skill competence), which was high.

Table 4.29: Value Creation - Model Summary

Model	R	R Square	Adjusted R Squared	SE of the Est.	Change Statistics R Square	F Change	df 1	df 2	Sig. F Change
1	.749[a].749 [a]	.561	.530	.470757	.561	18.297	6	86	.000

Table 4.30: Value Creation - ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.329	6	4.055	18.297	.000[b]
	Residual	19.059	86	.222		
	Total	43.388	92			

As seen in Table 4.30 ANOVA result: $F(6,86) = 18.297$, $p < .05$, $R^2 = .561$ there was a good model fit.

4.7.2 Market coverage and Performance

In this section, the hypothesis relating to the independent variables (market coverage (MC)) was tested using the non-parametric chi-square statistics with an aim to ascertain the association between MC attributes and performance of mergers and acquisitions.

For market coverage, data was collected using open-ended questions, and the themes were thereafter extracted. Non-financial data was collected using the questionnaire and financial data was through the secondary data. For financial data (return on assets [ROA]), secondary data was collected for the period from 2000 to 2014 (15 years) and was coded into binary (Figure 4.7) as follows:

If y = financial performance,

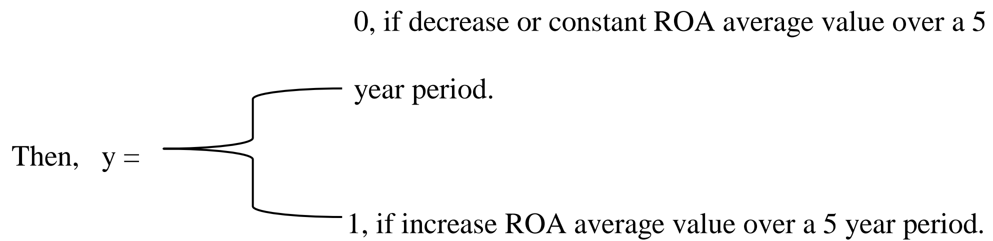


Figure 4.7: Binary Values for ROA

The hypothesis relating to MC was tested using the non-parametric chi-square statistics to ascertain the association between market coverage attributes/characteristics and performance of mergers and acquisitions. This test was done for both financial and non-financial performance.

Using Chi-Square, the case of performance (finance), Table 4.31 shows the state of the Chi-Square.

Table 4.31: Chi-Square Test (Finance)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.803a	5	0.117
Likelihood Ratio	8.539	5	0.129
N of Valid Cases	93		
N of Valid Cases	93		

a 6 cells (50.0%) have expected count less than 5. The minimum expected count is 1.23

For performance (finance), since the p >.05, the study failed to reject the null hypothesis, and concluded that there was not enough evidence to suggest an association between MC and performance, $X^2(1) >= 8.803$, P=.117.

Table 4.32 shows Chi-square test for market coverage and non-financial performance.

Table 4.32: Chi-Square Test (None Finance)

	Value	df	Asymp. Sig. (2-sided)	Monte Sig.	Carlo Sig. (2-sided) 99% Confidence Interval Lower Bound	Upper Bound
Pearson Chi-Square	2.074[a]	5	0.839	0.867[c]	0.858	0.876
Likelihood Ratio	2.124	5	0.832	0.863[c]	0.854	0.872

N of Valid Cases 93

a 6 cells (50.0%) have expected count less than 5. The minimum expected count is 1.23

b based on 10000 sampled tables with starting seed 112562564

In conclusion for financial performance, since the p-value >.05, the study could not reject the null hypothesis, and concluded that there was not enough evidence to suggest an association between MC and performance, $X^2(1) >= 2.074$, p=.839. The insignificant Chi-square statistics p=0.867, at $p > 0.05$ shows that there was a significant association between market coverage and performance of the firm.

4.7.3 Influence of Culture Integration, Skill Competence and Value Creation on Performance

As shown is Table 4.31, P-values .004, .001 and .001 for CI, SC, and VC were statistically significant, therefore, culture integration, skill competence, and value creation had a statistically significant impact on the performance. A value of -0.390 shows that as CI, performance decreased by -.390 meant that CI was associated with low performance. SC value was 0.281 meaning that SC index increased by the value of 1 unit of change; the research gave a 0.281 change in performance. VC value was 0.683 meaning that VC index increased by a value of 1 unit of change, research giving a 0.683 change in performance. The research gave the standardized coefficients (beta= - 0.248) for CI showing a lower impact compared to SC (beta=0.315) and VC (beta=0.651), that gave a higher impact to performance. The results concurs with Hart and Milstein (2003) that value enhances performance both at the internal level and an external perspective (Figure 2.4). It is also on tandem with Mitema (2014) that value creation improves with a merger or acquisition.

Since all the predictive values of the model indicated were statistically significant (Table 4.33), the study rejected null hypothesis that there was no significant relationship between culture integration, skill competence, value creation and performance in the financial sector in Kenya and concluded that there was a significant strategic implication of the relationship between culture integration, skill competence and value creation and performance in the financial sector in Kenya.

Table 4.33: Regression coefficients

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.767	0.456		3.873	<0.001
	Culture integration	-0.390	0.132	-0.248	-2.950	0.004
	Skill Competence	0.281	0.077	0.315	3.668	<0.001
	Value Creation	0.683	0.081	0.651	8.485	<0.001

a Dependent Variable: Performance

$Y = \beta_0 + \beta_1 CI + \beta_3 SC + \beta_4 VC + \mu$

Where

Y = Performance

CI ~ Culture Integration, SC ~ Skill Competence, VC ~Value Creation

β_0 = Constant term, β_1, β_3, and β_4 = Beta coefficients,

μ = Error term and any unobserved factors that we don't know

$$\textbf{Performance} = 1.767 - 0.390CI + 0.281SC + 0.683VC$$

4.7.4 Prediction of Performance by Combination Culture integration, Skill Competence and Value Creation

Market coverage was not included in this analysis because it was nominal level variable where instances of various market coverage attributes were counted and frequency distribution table prepared. The association of market coverage with performance has been covered in Part 4.7.2.

For financial data, each grouping of 5 years from 2001, was averaged and binary codes were assigned, where binary 0 = decrease/decline, 1 = increase depending on financial performance was increasing (upward trend) or going down (downward trend). For non-financial data, coding into the binary 0= decrease, 1 = increase indicated respondents were in agreement that performance was increasing or decrease. Logistic regression was then run for the binary coded performance on independent variables (culture integration [CI], skill competence [SC] and value creation [VC]) the results are presented in table format respectively.

The study used a dichotomous variable to indicate whether finance binary=0, decreased or binary =1 increased as shown in Table 4.34 for performance (finance). The analysis assumed the data was an independent categorical variable, and the linearity test, no outliers in the data, and no high correlations (multicollinearity) among the predictors. Tabachnick and Fidell (2014) suggested that as long correlation coefficients among independent variables are less than 0.90 the assumption was met.

Table 4.34: Classification Table[a] (Financial)

Observed		Predicted		Percentage
		Perf_bin_fin		**Count**
		Poor = 0	Good = 1	
Step 1 Perf_bin_fin	Poor = 0	74	0	100
	Good = 1	19	0	0
Overall Percentage				79.6

a The cut value is .500

Table 4.35: Classification Table[a] (Non Finance)

Observed		Predicted		Percentage
		Perf_bin_nfin		**Count**
		Poor = 0	Good = 1	
Step 1 Perf_bin_nfin	Poor = 0	9	10	47.4
	Good = 1	2	72	97.3
Overall Percentage				87.1

a The cut value is .500

Both Tables 4.34 and 4.35 indicate the behaviour of financial and non-financial performance, showed that both had a cut value of .500, but the overall percentages being different.

Table 4.36 is a summary of the successive number of times until the estimates converged to a point where they became almost constant and stabilize; in this instance the Coefficient constant stabilized at – 3.977. Since stabilization occurred at -3.977, the computer stopped the adjustment to the model after 5 iterations. Since

stabilization occurred at -2.425, the computer stopped the adjustment to the model after 6 iterations.

Table 4.36: Iteration Historya,[b,c,d] (Finance)

Iteration		- 2 Log Likelihood	Coefficients			
			Constant	CI	SC	VC
Step 1	1	92.033	-2.724	0.751	-0.293	-0.051
	2	90.935	-3.794	1.157	-0.463	-0.063
	3	90.918	-3.974	1.228	-0.495	-0.062
	4	90.918	-3.977	1.23	-0.496	-0.062
	5	90.918	-3.977	1.23	-0.496	-0.062

a Method: Enter

b Constant is included in the model.

c Initial -2 Log Likelihood: 94.173

d Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Table 4.37 is a summary of the successive number of times until the estimates converged to a point where they became almost constant and stabilized; in this instance the coefficient constant stabilized at – 2.425.

Table 4.37: Iteration History[a,b,c,d] (None-Finance)

Iteration		- 2 Log Likelihood	Coefficients			
			Constant	CI	SC	VC
Step 1	1	73.45	-1.155	-1.006	0.824	0.782
	2	66.423	-1.859	-1.839	1.356	1.374
	3	65.26	-2.31	-2.403	1.605	1.853
	4	65.211	-2.424	-2.547	1.66	1.982
	5	65.211	-2.424	-2.554	1.663	1.989
	6	65.211	-2.424	-2.554	1.663	1.989

a Method: Enter

b Constant is included in the model.

c Initial -2 Log Likelihood: 94.173

d Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

The coefficient constant stabilization for both financial (Table 4.36) and non-financial performance (Table 4.37) was at -3.977 after 5 iterations and – 2.425 after 6 iterations. The computer stopped the adjustment to the model after 5 and 6 iterations for each case.

In order to estimate the extent to which culture integration, skill competence and value creation determined the probability of satisfactory (Good) performance, binary logistic regression analysis was done using financial performance Logit and the result is presented in table 4.38

Table 4.38: Model Summary (Finance)

Step	- 2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	90.918[a]	0.034	0.054

The value -2 log likelihood = 90.918 indicates how fairly the model predicted the probability of satisfactory financial performance. With Nagelkerke R^2 = 0.054, the study could explain variation in performance based on the model range from 34% to 54%.

Table 4.39: Variables in the Equation (Finance)

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1a	**Culture Integration**	**1.230**	**0.721**	**2.909**	**1**	**0.088**	**3.421**
	Skill Competence	-0.496	0.412	1.447	1	0.229	0.609
	Value Creation	-0.062	0.385	0.026	1	0.872	0.940
	Constant	-3.977	2.411	2.721	1	0.099	0.019

a Variable(s) entered on step 1: Culture Integration, Skill Competence, Value Creation.

From the result in Table 4.39 it was concluded that with regard to financial performance, it is on CI which increased the odds for satisfactory performance by 3.421 times ($\beta = 1.230$, $p = 0.088 < 0.1$, exp (B)=3.421)).

Similarly, the prediction of probability of satisfactory non-financial performance was assessed using binary logistic regression (Non-financial performance Logit) and the result is presented din Table 4.40.

Table 4.40: Variables in the Equation (Non-Finance)

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1a	Culture Integration	-2.554	1.006	6.449	1	0.011	0.078	0.011	0.558
	Skill Competence	1.663	0.551	9.124	1	0.003	5.275	1.793	15.517
	Value Creation	1.989	0.798	6.205	1	0.013	7.306	1.528	34.933
	Constant	-2.425	2.889	0.705	1	0.401	0.089		

The logistic results in Table 4.40 indicated that Skill Competence and Value Creation increased the chances of satisfactory non-financial performance by 5.275 and 7.306 times respectively while Culture Integration significantly reduced (B = - 2.554, Wald = 6.449, $p = .011 < .05$, exp(B) = .078) the odds for good (satisfactory) performance. Both Table 4.39 and Table 4.40 indicate different increases or reduction of satisfactory performance for both financial and non-financial performance; exp (B) = .078 suggest that cultural integration very significantly determines the probability of non-financial performance. Specifically, it reduces it by over 12 fold (12.8) which is the reciprocal of .078.

In conclusion, Table 4.41(finance) and Table 4.42 (non-finance) extracted details on the analysis:

Table 4.41: Modelling (Finance)

Value	ln(ODDS)	Table	Wald	Exp(B)	Explaination
Culture Integration	1.230	4.42	2.909	3.421	Wald=2.909 was used to determine statistical significance for the IV(SC). EXP(B)=3.421, the ODDS of having 1 category Non Finance improve

Skill Competence, Value Creation and Market Coverage were not accounted for.

The odds are converted into probability as follows:

Probability, p = ODDS /(1 + ODDS) = 3.421/(1+3.421) = 0.774; based on this result, it is concluded that culture integration would explain satisfactory performance of mergers and acquisitions with a probability of 0.774 (p = 0.774); and that the other .226 would be accounted for by other factors.

Table 4.42: Modelling (Non-Finance)

Value	ln(ODDS)	Table	Wald	Exp(B)	Explanation
Skill competence	1.663	4.46	9.124	5.275	Wald=9.124 was used to determine statistical significance for the IV(SC). Exp(B) =5.275, the ODDS of having 1 category NF improve
Value creation	1.989	4.46	6.205	7.306	Wald = 6.205 was used to determine statistical significance for the IV(SC). Exp(B)=7.306, the ODDS of having 1 category NF improve.

Culture Integration and Market Coverage were not accounted for.

Converting the ODDS into probability, we have probability, p = ODDS/(1 + ODDS) = for SC = 5.275/(1+5.275) = 0.841. We concluded that 84% of MC would decide to use NF for mergers and acquisitions. The threshold set for a decision in this study

was based on 0.5, which concluded that ‘Continue using non-financial’ category, or stop using non-financial category if the probability is .5. From the ODDS, probability calculated the probability for NF =0.841 and for F=0.77. Because of these results and the classification, the possibility of obtaining a ‘false positive’ or ‘false negative’ was high, and therefore it was concluded that a simple Pearson’s Chi-Square analysis would have given a different scenario.

The results confirmed that mergers and acquisitions were complex concepts (Schniederjans & Fowler, 2017; Zollo & Meier, 2008). The results indicated that the study was sensitive to the methodology used. The results proofed the fact that there were no published papers that which had attempted to show whether there were determinants that potentially increased the probability of mergers or acquisitions performance receives a competitive argument that there are a few determinants of performance for mergers and acquisitions that could be listed as potential determinants for performance of mergers and acquisitions (Lakiyeviy & Vulanoviy, 2011).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter the most important aspect of the research was highlighted, namely the determinants of performance of mergers and acquisitions. The first focus was on; (1) the summary of key findings, the chapter presenting discussions in details. The study desired to highlight how previous relevant research findings in chapter 2 related to this study. From these findings, the study recommended future research. (2) Hypotheses and objectives as derived from this thesis were highlighted and discussed comprehensively. (3) Conceptual framework and theoretical implications were used in guiding the study. The study went on to monitor how the indicators related to the conceptual framework did or did not relate. The policy and further study recommendations which should be of interest to both academics and practitioners were covered. Conclusions, recommendations and areas for further research were proposed.

5.2 Summary of the Findings

The general objective of this study was to look into the determinants of performance of mergers and acquisitions in the financial sector in Kenya. The summaries of the findings from the objective indicated that; culture integration process has been identified as one of the key issues that may help explain the failure of many mergers and acquisitions, or great performance. This shows that cultural integration (CI) was a determinant of performance of mergers and acquisitions in the financial sector. Market coverage (MC) was a determinant of performance of mergers and acquisitions in the financial sector. Skill competence (SC) was a determinant of performance of mergers and acquisitions in the financial sector. Value creation (VC) was a determinant of performance of mergers and acquisitions in the financial sector.

All these had a positive effect on performance, proving what Alga et al. (2016) alluded to, that cultural integration as carrying three views; the assimilation theory, multiculturalism, and structuralism. Flugt (2009) concluded that market coverage was an indicator of growth. Rousku (2014) added that skill competence is an intellectual capital in an organization, and on value creation, Lindfelt and Tornroos (2006) declared that it is the action that increases the worth of goods, services or business.

5.2.1 Culture Integration and Performance in the Financial Sector

The first object of the study was to determine the relationship between culture integration and performance of mergers and acquisitions in the financial sector in Kenya. The results of the study indicated that there was awareness of the value of the organizational culture, common values, beliefs, verbal and non-verbal symbols, and the organizational alignment to create better performance. The results indicated that the two companies' vision, philosophy and values were integrated, facilitating the workforce to improve performance through teamwork, emphasis on quality, innovation and the need for diversity. Strategic emphasis helps enhance the practices of a company towards success, and the organization fosters the process of learning and competence building.

These were demonstrated by the mean score of responses ranging from 2 to 4 with an average of 3.731, standard deviation of 0.093 and standard error of 0.093. The correlation between culture integration and performance was found to be strong and statistically significant Sig. =0.02009, P-Value < .05. This is supported by what Kurui (2014) stated, that there was a strong relationship between culture integration and performance of mergers and acquisitions in the financial sector.

The various responses fitted and linked together objective 1 and the resource-based theory, and other works supporting the findings include Mulwa (2015) Farah (2015) and Muriithi et al. (2014). This concurs with Coisne's (2014) opinion that cultural factors have an important impact on mergers and acquisitions performance.

Depending on whether it is merger or acquisition; when the weaker group acquired another one of equal strength, integration was very easy. This thought agrees with Alga et al.'s (2016) sentiments that cultural integration supports the assimilation theory, multiculturalism, and structuralism. The question of whether culture integration determines performance in financial sector upon mergers and acquisitions received an affirmative response in line with the findings.

It was found that there was a strong relationship between culture integration and performance of mergers and acquisitions implying that culture integration is a determinant of performance of mergers and acquisitions. Culture cannot be ignored in decision making, and where culture does not favour the performance, management must use the human skill to assist in this change. In the words of Armstrong (2006), "strategies for culture management are about the achievement of long term objectives either for changing the culture in specified ways or for reinforcing the existing culture of an organization". Therefore, it is important that management seek to understand the culture that exists in the organization and the one brought in from the merger-acquisition, and strive to integrate them well.

The strategies the management will highland include; (1) culture change strategies, (2) the analysis of the present culture and the extent to which goals can be achieved, (3) culture reinforcement strategies. In line with Kurui (2014), the study concludes that there was a strong relationship between culture integration and performance of mergers and acquisitions implying that culture integration is a determinant of performance of mergers and acquisitions.

5.2.2 Market Coverage and Performance in the Financial Sector

The second object of the study was to examine the relationship between market coverage and performance of mergers and acquisitions in the financial sector in Kenya. The study concludes that, to get market coverage, several small subsidiary companies were created in the financial sector in Kenya after mergers and acquisitions. The results of the study indicated that there was awareness of the

market coverage through a realization of return of confidence and risk taking, strategy and market access, technology and industry transparency, themes listed from the open-ended question. This was supported by Oxford Business group (2016) who reported that market coverage was the strategy of evaluating the marketplace, using; undifferentiated marketing.

Looking at market coverage against performance (finance), performance (non-finance) indicated that there was a moderately strong relationship with non-finance performance and market coverage. Research and development in the area of market coverage, and also market coverage and performance in the merger and acquisition of financial sector is low in Kenya. Kolympiris and Klen (2017) with their idea of incubators provided better understanding of what constitute market strategy and performance. This indicated that market coverage is a strategy that affects organizational performance.

With Oxford Business group (2016) confirming that, the study concluded that there was a strong relationship between market coverage and performance of mergers and acquisitions implying that culture integration was a determinant of performance of mergers and acquisitions. This variable indicated that using performance (finance) showed a strong relationship, whereas with non-finance performance a moderately strong relationship was observed.

5.2.3 Skill Competence and Performance in the Financial Sector

The third object of the study was to evaluate the relationship between skill competence and performance of mergers and acquisitions in the financial sector in Kenya. The results of the study indicated that there was awareness of the skill competence of computer and technology positioning the organization to greater performance, gathering information and being sensitive to any diversity in the organization and its resources, and innovation skills developed new objectives to foster use of few resources. Also, it involved keeping track of resources and

distributing them where needed most, ability to hire and retain competent staff and allocating resources, making and implementing budgets, and obeyed business law.

Problem solving makes learning on the job easier; body language makes communication more efficient reducing conflict and employees develop high level language enhancing soft skills that help diffuse conflicts. These were demonstrated by the mean score of responses ranging from 2 to 4 with a mean of 3.658, standard deviation of 1.535, and standard error of 0.160. The correlation between skill competence and performance was strong and statistically significant Sig. =0.00004, P-Value < .05. These are supported by SuccessFactor (2016) who groups competence into; values-based competence, leadership competence and functional competence.

The six categories listed by Khomeiran et al. (2006) support the findings of the research. The various responses fitted and linked together objective 3 and the two theories; behavioural theory and synergistic theory, and other works supporting the findings include Ndung'u (2011), Mboroto (2012), Njoroge (2012), and Leepsa and Singh (2017). This study differed from Ireri (2011) who found out that high rate of employee turnover arose whereas this study could not conclude that way.

Organizations need to seize the opportunity to improve continuous learning in their organizations so as to improve the skills, attitude and behavior of employee towards the discharge of their individual tasks to be able to attain high performance potentiality. Skill competence of employees contributes immensely to the performance of an entire organization. Levine et al. (2017) in answering the question of how skills affect performance, strengthened the argument that skill competence contributes to the performance of an entire organization.

As the various studies indicated (Khomeiran et al. 2006; Leepsa & Singh, 2017' Mboroto, 2012; Ndung'u, 2011; Njoroge, 2012), the study concluded that there was a strong relationship between skill competence and performance of mergers and acquisitions.

5.2.4 Value Creation and Performance in the Financial Sector

The fourth object of the study was to identify the relationship between value creation and performance of mergers and acquisitions in the financial sector in Kenya. The results of the study indicated that there was awareness of value creation of the firm operating efficiently reducing all risks, enabling the firm to reposition themselves for future growth, creating shareholder value leading to innovations of tomorrow, performing efficiently generating products and services of the future, articulating a clear vision of its future growth path and offering new products to existing customers and tapped into previously unserved markets for growth trajectory. These were demonstrated by the mean score of responses ranging from 3 to 4 with and mean-average of 4.113, standard deviation of 1.343 and standard error of .140.

The correlation between VC and performance was found to be strong and statistically significant Sig. =0.00004, P-Value < .05. These are supported by Agbor and Ndakaw (2016) who stated that diversification is one strategy that is used to maximize value of organizational capabilities. Mitema (2013) added that value creation improves with a merger or acquisition. The various responses fitted and linked together objective 4 and economic theory, and other works supporting the findings include Mboroto (2012) and Mailanyi (2014). However, the findings of Grigorieva and Petronina (2013) portrayed a different picture that value creation after mergers and acquisitions declined after deals. The finding concurs with the work of Hamza (2011) and Ekholm and Svensson (2009) that value creation was the determinant of performance.

The afore-stated findings gave the study a confirmation that culture integration, market coverage, value creation and skill competence were determinants of performance of mergers and acquisitions in the financial sector. Value creation is critical in highlighting to management that; (1) value added in terms of seamless deliveries to customers through better and quality service, (2) improved efficiency and effectiveness of services is experienced through reduced costs. Zhang and Chen (2008) noted that value creation is a strategy of the organization that significantly

effects value creation, thereby creating value and providing services within the organization. Several studies (Agbor & Ndakaw, 2016; Mitema, 2013) showed that there was a strong relationship between value creation and performance of mergers and acquisitions.

In summary the foregoing discussions, Figure 5.1 show a pictorial view of how the variables are related, after this study concluding that there is a positive relationship between each variable and performance after merger and acquisitions, and how theories selected linked up to these variables to prove that performance strategy.

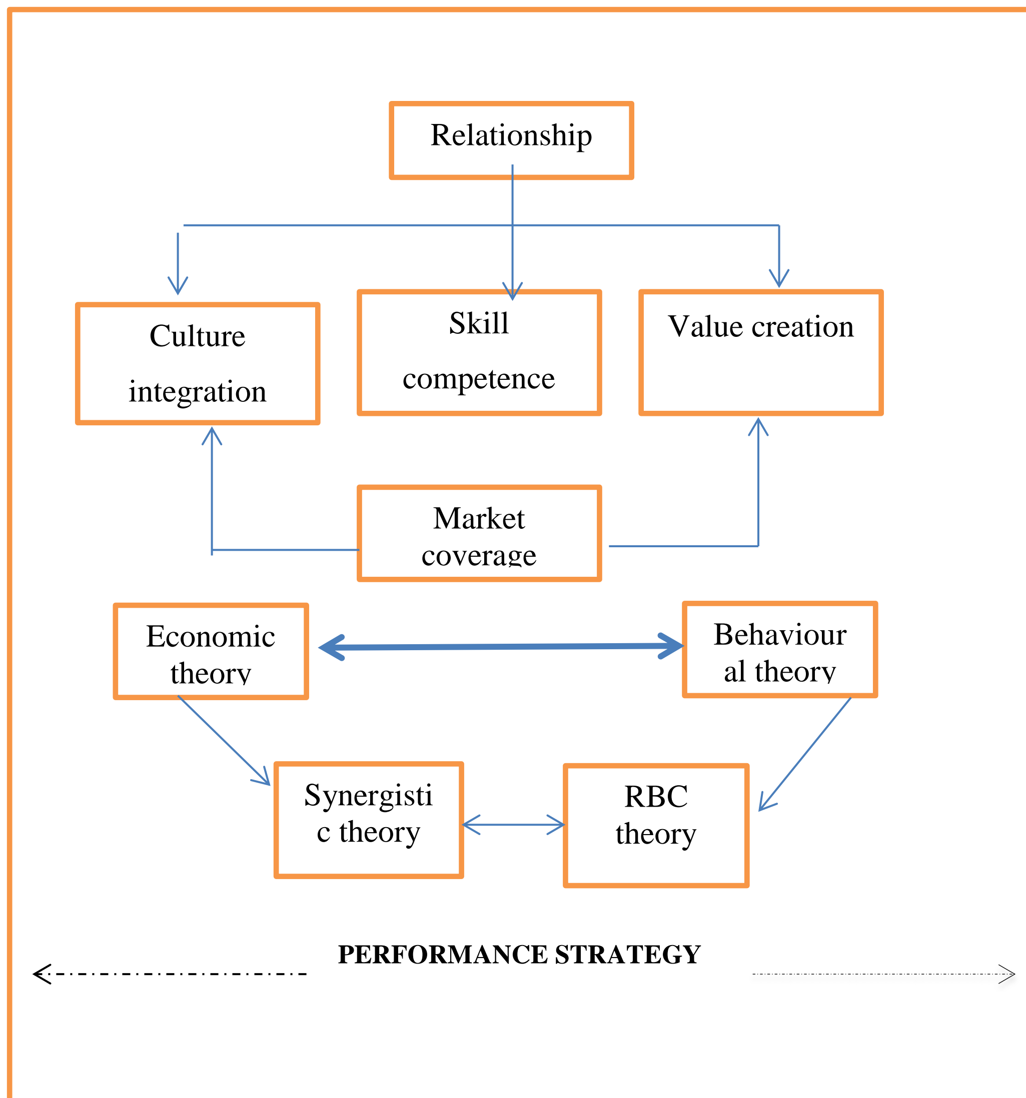


Figure 5.1: Relationship between Performance Strategies.

The results of this study concur with the earlier studies that mergers and acquisitions are strategy for organizations growth. Figure 5.1 also indicates that performance and/or growth of firms depends on culture integration, skill competence, value creation and market coverage. Further, economic, behavioural, synergistic, and resource-based theories offered the guide to the study in appreciating the high demand for businesses involved in mergers and acquisitions for speculative reasons

or for growth. Robertset al. (2012) suggested that there will be some complications and difficulties involved but there are also some obvious potential synergies available.

Stafford and Miles (2013) and Stahl and Mendenhall (2005) added that another less developed in terms of methods and another less developed in terms of cultural understanding is the people side of the merger or acquisition.

.3 Conclusions

There has been much research and development in this broad area of study that we refer to as determinants of performance of mergers and acquisitions and how mergers and acquisitions are an important component of strategic management. However, the major result from this research was the development of an understanding of the determinants of performance of mergers and acquisitions in financial sector in Kenya. These are a potential help to all stakeholders who include; the policymakers, mergers and acquisitions advisors, legal consultants, investment bankers, multinational managers and private equity firms, among many others.

Looking at the extent to which culture integration was the determinant of performance on mergers and acquisitions, and based on the findings, the study concluded that culture integration has a positive and significant effect on performance on mergers and acquisitions. The study concluded that performance on mergers and acquisitions success depends on how culture integration is handled when staff from a culture adopts into another culture like attitudes and ceremonies while at the same time maintaining their own culture (Stahl & Voight, 2003; Weber et al., 2014). From Figure 2.2, we confidently concluded that integration occurs only when the minority and the majority groups are both strong. The study also agrees with Ouimet (2013) that cultural integration is a form of cultural exchange in which one group (majority) assumes the beliefs, practices and rituals of another group (minority) without sacrificing the characteristics of its own culture.

Looking at the extent to which skill competence was the determinant of performance on mergers and acquisitions, and based on the findings, the study concurs with Refsnes (2012) and Knight (2016) that developing leadership base and a more inclusive work environment, specific learned activities and/or skills are required. The study also concluded that skill competence had a positive and significant effect on performance due to mergers and acquisitions. The study concurs with Rousku (2014) that competence is a specified skill, knowledge, attitudes and behaviour necessary to fulfil a task as intellectual capital in an organization.

Given the extent to which market coverage is the determinant of performance on mergers and acquisitions, the study agrees with Investopedia, LLC (2016) that market coverage enhances competitiveness promoting economic efficiency and growth. Many times market coverage is used as the evaluation of the marketplace and determination of how much of it should be covered with promotional strategy of a product or business, bringing on board the strategy of concentrated marketing, differentiated marketing, and undifferentiated marketing (Uhlig, 2016).

Looking at the extent to which value creation is the determinant of performance on mergers and acquisitions, the study concurs with Hindle (2009) that value creation is the ultimate measure by which a firm is judged. Since most reporting of value creation depends on previous studies (Gwaya & Mungai, 2015). This study provides additional information to investors and their anticipation brings variance to actual value creation.

5.4 Recommendations

Based on the findings and conclusions discussed, the study presents the following recommendations;

The findings and conclusions from the objective on culture integration, the study recommends that;

a. Management will do well to harness culture integration, which will give focus to staff, reduce organization frictions, and bring about integration when the minority and the majority groups are both strong.
b. Strategic emphasis helps enhance the practices of organisations towards success, and organizations foster the process of learning and competence building.
c. Culture cannot be ignored in decision making, and where culture does not favour the performance, management must use the human skill to assist in this change.
d. Management should seek to understand the culture that exists in the organizations and the one brought in from the merger and acquisition, and strive to integrate them well.
e. The strategies the management will highlan include; (1) Culture change strategies, (2) The analysis of the present culture and the extent to which goals can be achieved. (3) Culture reinforcement strategies.

From the findings and conclusions from the objective on market coverage, the study recommends that;

a. As financial tools are used to monitor market coverage and/or market share, non-financial tools should not be ignored.
b. Management should seek to understand; return of confidence to all affected staff, manage risk taking to all operations, look for strategies to help improve market coverage, improve opportunities for market access, enhance technology to improve market coverage and remain industry transparency in all operation.

From the findings and conclusions from the objective on skill competence, the study recommends that;

(a) Management should enhance gathering information and being sensitive to any diversity in the organization and its resources and innovation skills, and develop new objectives to foster use of few resources.
(b) Management should involve staff in keeping track of resources and distributing them where needed most, have the ability to hire and retain competent staff and allocate resources, make and implement budgets, and obey business law.
(c) Management should provide opportunities to staff to make learning on the job easier; make communication more efficient, reduce conflict among employees, develop high level language, and enhance soft skills that would help diffuse conflicts.
(d) Organizations need to seize the opportunity to improve continuous learning in their organizations so as to improve the skills, attitude and behavior of employee towards the discharge of their individual tasks to be able to attain high performance potentiality.

From the findings and conclusions from the objective on value creation, the study recommends that;

(a) Management to enhance staff to attain operating efficiently reducing all risks, thus enabling the firm to reposition themselves for future growth, creating shareholder value leading to innovations of tomorrow, performing efficiently generating products and services of the future, articulating a clear vision of its future growth path and offering new products to existing customers and tapping into previously unserved markets for growth trajectory.
(b) Management to be aware that value creation is critical in highlighting (1) value added in terms of seamless deliveries to customers through better and quality service, (2) improved efficiency and effectiveness of services through reduced costs.

5.5 Areas of Future Research

The objectives that guided this study focused on the variables under study, thereby delving into the intended purpose but at the same time being skewed to the extent and relationship that existed between the variables. Several areas that were not covered and were not known remained unclear and therefore require further research by data collection beyond the 100 organizations that engaged this study. The study proposed that further research be carried out to; observe the important emerging issues from the study of mergers and acquisitions and culture integration, carry out a repeat study to help compare the results using a longitudinal methodology to be able to capture the intricacies of culture integration, market cover, skill competence and value creation over time, on market coverage using the six significant themes from this study, and the academics and scholars develop theories on managing merger and acquisition events.

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APPENDICES

Appendix I: Questionnaire

Date:………………………

Jonathan Ekambi

C/O Daystar University,

P.O. Box 44400 – 00100,

NAIROBI, KENYA.

Dear Respondent,

Ref: DATA COLLECTION

I am a PhD candidate at the Jomo Kenyatta University of Agriculture and Technology, and I am currently conducting a research study on the **DETERMINANTS OF PERFORMANCE OF MERGERS AND ACQUISITIONS IN THE FINANCIAL SECTOR IN KENYA** to fulfill the requirements of award of the degree of Doctor of Philosophy in Strategic Management. The target respondents are managers who are currently engaged or were previously engaged in mergers and acquisitions.

You have therefore, been selected to participate in this study and I would highly appreciate if you would assist me by responding to all questions as completely, correctly and honestly as possible. Your response will be treated with utmost confidentiality and the report will not identify you as an individual or your organization, but will be used for academic purposes. A copy of the final report and any related journal publications may be made available to you on request.

Thank you in advance for your co-operation.

Yours faithfully,

Jonathan Ekambi

RESEARCH QUESTIONNAIRE

DETERMINANTS OF PERFORMANCE OF MERGERS AND ACQUISITIONS IN THE FINANCIAL SECTOR IN KENYA.

Jomo Kenyatta University of Agriculture and Technology

Research Description

This research seeks to analyze the determinant of performance of mergers and acquisitions in the financial sector in Kenya.

Instruction

It will be very kind of you to fill in this questionnaire personally for the results to reflect the true picture. Select answers that best represent your views, opinion or perspective. Any extra information on your opinion will be highly appreciated and will enhance in the study.

Confidentiality

The confidentiality of the respondents is assured. Taking part in this survey is VOLUNTARY. By returning the questionnaire, you are indicating your willingness to participate. This research is purely for academic purpose and therefore the results will not be published for any other reason.

SECTION A: PRELIMINARY – Kindly complete this section:

1. Title (**IMPORTANT**):____

2. Type of the Organization: 1. Banking ❒ 2. Insurance ❒

   3. Others(Please Specify) ❒ _______________________________________

3. Gender: 1. Male ❒ 2. Female ❒

4. Has your organization ever been involved in Acquisition and/or merger?

   1. Yes ❒ 2. No ❒ 3. Not Sure ❒ (Please explain your response)_________

5. What was the nature of the corporate action?

   1. Merger ❒ 2. Acquisition ❒ 3. Both Merger and Acquisition ❒

4. Others(Please Specify) ❒ ____

6. Were you working in the organization at the time of Mergers and/or acquisition?

   1. Yes ❒ 2. No ❒ 3. Not Sure ❒

7. For how long have you served the organization?

   1. 1 to 5 Years ❒ 2. 6 to 10 Years ❒

   3. 11 to 15 Years ❒ 4. 16 Years and above ❒.

SECTION B: Culture Integration

Indicate by ticking[✓], to whether you agree or disagree with the following statement, **SA**=Strongly Agree, **A**=Agree, **N**=Neutral, **D**=Disagree, **SD**=Strongly Disagree, where **[SA means highest agreement and SD means lowest agreement]**

		SA 5	A 4	N 3	D 2	SD 1
8	Organizational culture is easily adopted after Mergers and acquisition.					
9	Common values, beliefs, verbal and non-verbal symbols are easily shared					
10	The two companies' vision, philosophy and values are integrated					
11	The two organizations operates independently					
12	The acquiring and acquired groups work well as a team					
13	Organizational alignment creates better performance					
14	Workforce readiness improves performance					
15	Organization fosters the process of learning and competence building					
16	Strategic emphasis helps enhance the practices of the company towards success					
17	Innovation and the need for diversity of ideas in the organization improves performance					
18	Emphasis on quality propels the company into greater performance					

SECTION C: Skill Competence

[From questions 19 to 23, enter 1=Least observed (LO), 2=Accepted(A), 3=Observed(O), 4=Moderately observed(MO) and 5=Highly observed(HO)]

		HO 5	MO 4	O 3	A 2	LO 1
19	Employees develop high level language					

20	Body language makes communication more efficient reducing conflict					
21	Problem solving makes learning on the job easier					
22	Managing includes allocating resources, making and implementing budgets, and obey business law					
23	Includes ability to hire and retain competent staff					
24	Causes the ability to see the big picture					
25	Involve keeping track of resources and distributing them where needed most, gathering information and being sensitive to any diversity in the organization and its resources					
26	Computer and technology competencies are positioning the organization to greater performance					
27	Innovation skills develops new objectives to foster use of few resources					
28	Soft skills diffuse conflicts					

SECTION D: Market coverage

29. Do you feel market coverage is achieved through mergers and acquisition? Please, explain your answer

____

____

SECTION E: Value Creation

Indicate by ticking [✓], 1 = highly dissatisfied to 5 = highly satisfied

		Highly satisfied **5**	**Satisfied** **4**	**Neutral** **3**	**Dissatisfied** **2**	**Highly dissatisfied** **1**
30	The firm operates efficiently reducing all risks					
31	Enables the firm to reposition themselves for future growth					
32	Creates shareholder value leading to innovations of tomorrow					
33	The firm performs efficiently generating products and services of the future					
34	The firm is able to articulate a clear vision of its future growth path					
35	The firm offers new products to existing customers and taps into previously unserved markets for growth trajectory					

36. Highlight an important scenario that in your opinion creates value in the organization

---

SECTION F: Performance:

Indicates on a scale of 1 to 5, [1 – No impact to 5-major impact], estimate non-financial measure that determine performance.

37. Measuring non-financial performance

Details	**Major impact** **5**	**Medium impact** **4**	**Minimal impact** **3**	**Impact** **2**	**No impact** **1**
Employees are committed to organizational goals and quality.					
Senior management provides the leadership to leverage alignment with a clear value proposition to enhance competitive performance.					
The strategies for competitive advantage work well					
Effective management of resources has improved performance and increased wealth.					

The firm has enabled flexible operation towards clear strategic direction					
Innovation brings employees to have one vision					
Customer satisfaction is observed through, customers coming back and telling their friends and having					
Strategic differentiation has helped the firm to portray efficiency in operation.					
Individual players are acting as a coherent unit during team sports performance, forming a team synergy.					
Mergers and acquisition as a means to a long-term business strategy improves the company's performance					
Working together, the company has introduced their products into new markets more quickly					

SECTION G: Comments or Additional Information

38. Please use the space below for any comment or additional information that you feel could help enrich this study.

Appendix II: Population Inclusivity Criteria

Financial Sector	Type	Inclusion/Exclusion Criteria
Central Bank	Regulatory bank	Excluded due to its oversight and management of all other banks. Is involved in conducting monetary policy and supervision and regulation of financial institutions. Consumers do not have direct contact with this bank, but they serve the general public through financial institution who provide products and services to them.
Retail and Commercial Bank (Retail banks offers products individual consumers) (Commercial banks works directly with businesses)	Bank	Included if the institution had had a merger acquisition or both, and is affected due to its ability to provide a wide variety of deposit, lending and investment products to individuals, businesses or both. While some financial institutions focus on providing services and accounts for the general public, others are more likely to serve only certain consumers with more specialized offerings.
Internet Banks	Online banking	Excluded due to its being new entrant institution and widely virtue, using online platforms instead of brick and mortar locations.
Credit Unions	SACCOs, Credit	Excluded due to its customer targets who mainly are

		members of common interest. However, products and services are similar to commercial banking.
Savings and Loan	Saving and credit	Excluded due to its operative form where associations individual consumers use savings and loan associations for deposit accounts, personal loans, and mortgage lending.
Investment Banks and Companies	Investment banks	Excluded due to the fact that these don't take deposits,but are involved in individuals, businesses and Governments to raise capital through the issuance of securities.
Brokerage Firms	Securities	Excluded as is specializes in buying and selling securities among available investors.
Insurance Companies	Insurance	Included if the institution had had a merger, acquisitions or both, and is involved in products that transfer risk of loss. Included because, commercial banks offer this product and service to its customers.
Mortgage Companies	Mortgage	Excluded due to their specialization to house mortgage loans to individual consumer market and lending options for commercial real estate.
Other Companies	Non-Financial	Excluded because these are a set of institutions which deals in non-financial goods and

	services. (Foreign Exchange Bureaus, Credit Companies, Financial Agents)

Source: Horton, M. (n.d.)

Appendix III: List of Commercial Banks

No.	Name of Bank
01	African Banking Corporation
02	Bank of Africa Kenya Ltd.
03	Bank of Baroda (K) Ltd.
04	Bank of India
05	Barclays Bank of Kenya Ltd.
06	CFC Stanbic Bank Ltd.
07	Charterhouse Bank Ltd. (Under Statutory Mgt.)
08	Chase Bank (K) Ltd.
09	Citi Bank N.A. Kenya
10	Commercial Bank of Africa Ltd.
11	Consolidated Bank of Kenya Ltd.
12	Co-operative Bank of Kenya Ltd.
13	Credit Bank Ltd.
14	Development Bank of Kenya Ltd.
15	Diamond Trust Bank (K) Ltd.
16	Dubai Bank Kenya Ltd.
17	Ecobank Kenya Ltd.
18	Equitorial Commercial Bank Ltd.
19	Equity Bank Ltd.
20	Family Bank ltd.
21	Fidelity Commercial Bank ltd.
22	Fina Bank Ltd.
23	First Community Bank ltd.
24	Giro Commercial Bank Ltd.
25	Guardian Bank Ltd.
26	Gulf African Bank Ltd.
27	Habib Bank A.G. Zurich

28	Habib Bank Ltd.
29	Imperial Bank ltd.
30	I & M Bank Ltd.
31	Jamii Bora Bank Ltd.
32	Kenya Commercial Bank Ltd
33	K-Rep Bank Ltd.
34	Middle East Bank (K) Ltd.
35	National Bank of Kenya Ltd.
36	NIC Bank Ltd.
37	Oriental Commercial Bank Ltd.
38	Paramount Universal Bank Ltd.
39	Prime Bank Ltd.
40	Standard Chartered Bank (K) Ltd.
41	Trans-national Bank Ltd.
42	UBA Kenya Bank Ltd.
43	Victoria Commercial Bank Ltd.
44	Housing Finance Ltd.

Source: Central Bank of Kenya (2014)

Appendix IV: List of Insurance Firms

List of Insurance Companies in Kenya, regulated by the Insurance Regulatory Authority

#	Firm	#	Firm
1	AAR Insurance Kenya	29	Kenya Reinsurance Corporation
2	APA Insurance – part of Apollo Investments Company	30	Liberty Life Assurance Kenya Limited (Liberty Mutual Insurance)
3	Africa Merchant Assurance Company (AMACO)	31	Madison Insurance Company Kenya
4	Apollo Life Assurance	32	Mayfair Insurance Company
5	AIG Kenya Insurance Company	33	Mercantile Insurance Company
6	Allianz Insurance Company	34	Metropolitan Life Insurance Kenya
7	BlueShield Insurance	35	Next Insurance Kenya
8	British-American Insurance Company Kenya Limited	36	Occidental Insurance Company
9	Cannon Assurance Company Limited	37	Old Mutual Life Assurance Company
10	Capex Life Assurance Company	38	Pan Africa Insurance Holdings
11	CIC General Insurance	39	Pacis Insurance Company
12	CIC Life Assurance	40	Phoenix of East Africa Assurance Company
13	Continental Reinsurance	41	Pioneer Assurance Company
14	Corporate Insurance Company	42	Real Insurance Company
15	Directline Assurance Company	43	Resolution Insurance Company
16	East Africa Reinsurance Company	44	Sanlam Kenya plc – was Pan

			Africa Life Assurance
17	Fidelity Shield Insurance Company	45	Saham Assurance
18	First Assurance Kenya Limited	46	Shield Assurance Company Limited
19	Gateway Insurance Company	47	Takaful Insurance of Africa
20	GA Insurance Ltd.	48	Tausi Assurance Company
21	Geminia Insurance Company	49	Heritage Insurance Company
22	Intra-Africa Assurance	50	Jubilee Insurance Company Limited
23	ICEA LION General Insurance Company	51	The Monarch Insurance Company
24	ICEA LION Life Assurance Company	52	The Kenyan Alliance Insurance
25	Intra Africa Assurance Company	53	Trident Insurance Company
26	Invesco Assurance Company	54	UAP Insurance Company
27	Kenindia Assurance Company	55	UAP Life Assurance Company
28	Kenya Orient Insurance	56	Xplico Insurance Company

Source: CFM (May 2017); www.ira.com

(https://softkenya.com/directory/insurance-companies-in-kenya/)

Appendix V: Gap Analysis

Topic	Author	Variables	Conclusion	-/+ on determinants of performance on M&A
Effects of mergers and acquisitions on financial performance of oil companies in Kenya	Ireri (2006)	Sales Firm size Liquidity	Despite the process of M & A being smooth and the management orientation remaining the same, still uncertainty and confusion among the employees persist.	-ve did not look at performance of M&A on financial sector.
Post Mergers and Acquisitions performance of Acquiring Firms, Measured by Tobin's Q.	Zhang (2008)	The acquirer's Tobin's q Diversification relatedness Industry effect Profitability	The finding shows that the industry effect and profitability have a significant impact on the efficiency gain of the acquiring firm over the short term after the takeover. In the long	-ve did not look at performance of M&A on financial sector.

		Firm size Financial leverage	term, the acquirers' performance prior to the takeover and profitability are the most important determinant for the efficiency gain.	
The impact of mergers and acquisition on the Financial performance of commercial banks in Kenya	Marembo (2011)	Return on Assets (ROA) Capital adequacy Ratio (CAR) Return on Equity (ROE)	Increased commercial banks' stability and ability to lend, the commercial banks in turn make higher profits.	-ve did not look at performance of M&A on financial sector.
Determinants of Mergers and Acquisitions in Indian Pharmaceutical Industry (INDIA)	Vyas, Narayanan and Ramanathan (2012).	Effect of firm Size, Effect of Age of the firm, Effect of Tobin's q, Effect of Multinational Affiliation, Effect of Capacity Utilization, Effect of Leverage,	M&A activity could be largely explained by factors that motivate firms to grow an d expand and it is considered as faster and efficient way to expand	-ve did not look at performance of M&A on financial sector.

		Effect of Advertising Intensity Effect of Profitability (profit margin), effect of R&D intensity.	firm's asset base and productive capacity.	
The effect of mergers and acquisitions on the financial performance of petroleum firms in Kenya.	Mboroto (2012)	Quick ratio Current ratio Total asset ratio Total debt ratio	The analysis and results show that petroleum firms performed better in the post-merger/acquisition era as compared to the pre-merger/acquisition era.	-ve did not look at performance of M&A on financial sector.
The Effect Of Mergers And Acquisitions On The Financial Performance Of Commercial Banks In Kenya	Mbae (2014)	Profitability ratios Solvency ratios Capital adequacy ratios Other measures of bank	The values after mergers were greater than those before merging. Thus the study found that there is improvement in financial performance after banks	-ve did not look at performance of M&A on financial sector.

		finance performance.	merger.	
The Effect of Mergers and Acquisitions on Financial Performance of Banks (A Survey of Commercial Banks in Kenya)	Gwaya and Mungai (2015)	Shareholders value on Mergers Profitability on mergers.	Such resources as skills, management systems, equipment, processes and procedures are strengthened through the mergers and acquisitions with an aim of raising their productivity.	-ve did not look at performance of M&A on financial sector.
Factors of Mergers and Acquisition on the Financial Performance of Dairy Processing Industry in Kenya: Case Study of Brookside Dairies.	Wachira and Memba (2015)	Firm size Firms financing structure.	Increase in the profitability of the dairy firms after M&A and decrease in debt ratio and increase in firm size of the dairy firms after M&A, the study thus concludes that there was improvement in financial	-ve did not look at performance of M&A on financial sector.

			performance after dairy firm completed the acquisition and mergers.	
Determinants of Cross-Border Merger & Acquisition Performance of Chinese Enterprises	Changqi and Ningling (2010)	Pre-acquisition performance Free cash flow Proportion of the state owned shares Organizational age	Pre-acquisition performance and proportion of the state owned shares has a positive impact on the performance a cross border M&A. Corporate age and free cash flow do not have statistically significant impact on performance.	-ve did not look at performance of M&A on financial sector.
Role of Mergers and Acquisitions on the Performance of Commercial Banks in	Kithitu, Cheluget, Keraro and Mokamba (2012)	Profitability Shareholders' value Firms' efficiency	ROA of the new institution improved after the acquisition or the merger, though with	-ve did not look at performance of M&A on financial sector.

Kenya

mixed signals.

ROE improved gradually from the year of merger/acquisition, though with mixed signals.

EPS of the new institution formed after the merger improved tremendously

after the merger/acquisition, with

			mixed reactions.	
The Effect Of Mergers And Acquisitions On Client Retention In The Kenyan Banking Sector	Oluoch (2015)	Financial stability Culture and human factor Pricing Relationship management	Financial stability influences client retention and growth to a great extent Culture and human factors influence client retention and growth to a great extent. Pricing affects client retention and growth to a very great extent. Relationship management influences customer retention and growth to a moderate extent.	-ve did not look at performance of M&A on financial sector.

CONCLUSION:

Many studies conducted on the determinants of performance, have not looked at the determinants of performance of Mergers and

Acquisitions in the Financial Sector in Kenya. And also, many of these studies of merger and acquisition have generated inconclusive and mixed results.

Appendix VI: Data Collection for Secondary Data on ROA and ROI

BANK PERFORMANCE INDICATOR DATA PER YEAR FOR 15 YEARS

Taking ROA and link to BANK and INSURANCE. Values are in Percentages.

CODE: 0 if decreasing or constant, 1 if increasing

QUESTIONNAIRE		2001	2002	2003	2004	2005	AVER_5 Yrs	2006	2007	2008	2009	2010	AVER_5 Yrs	2011	2012	2013	2014	2015	AVER_5 Yrs	Binary Code
							Yrs. 2001 - 2005						Yrs. 2006 – 2010						Yrs. 2011 - 2015	
Bnk001	ROA	0.19	-3.5	1.17	1.32	1.83	**0.202**	2.6	3.1	3	3.57		**3.0675**	4.98	5.2	5.5	5.93	5.01	**5.324**	1
Bnk002	ROA	1.37	1.5	1.76	1.91	1.54	**1.616**		2.10	3.1	1.5	1.35	**1.49275**	2.23	3.5	4.1	4.31	3.56	**3.54**	1
Bnk003	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk004	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk005	ROA				3.0	4.0	**3.555**		4.9	4.3			**4.6**	6.8	7.4	7.7	7.2	6.5	**7.152**	1

					5	6								4			6	6		
Ins006	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins007	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins008	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins009	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins010	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins011	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins012	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins013	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins014	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins015	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins016	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins017	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk018	ROA	4.69	2.4	4.58	4.67	4.18	**4.104**	4.4	4.2	4.7	5.3	0	**3.72**	7.18	7	5.8	5.44	5.01	**6.086**	1
Bnk019	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk020	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk021	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk022	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk023	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins024	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk025	ROA	0	0	0	0	0	**0**	0	0	0	5	2.5	**1.5**	2.01	2.7	4	4.24	3.55	**3.3**	1
Bnk026	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0

Bnk027	ROA	4.75	4.3	5.98	3.83	3.36	**4.444**		3.30	5.3	4.7	5.39	**3.85575**	5.03	5.9	6	6.42	3.83	**5.436**	1
Bnk028	ROA	3.84	3.1	2.97	2.12	1.73	**2.752**		2.30	3.2	3.4	-	**2.20767**		4.2	4.6	4.44	3.99	**4.3075**	1
Bnk029	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk030	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk031	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk032	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk033	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk034	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk035	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk036	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk037	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk038	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk039	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins040	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins041	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk042	ROA	3.23	1.2	2.92	1.94	1.51	**2.16**	0	2.9	4.5	5	3.91	**3.262**	4.18	2.4	4.1	3.74	3.49	**3.582**	1
Bnk043	ROA	0	0	0	0	0	**0**			0.5			**0.5**	0.45	-4.8	-3.3	-1.09	0.18	**-1.712**	0
Bnk044	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	-1.7	1.5	1.3	0.73	0.22	**0.392**	1

														9						
Bnk045	ROA	0	0	0	-0.62	0.09	**-0.106**	0.7	0.7	2			**1.13333**	1.43	1.3	2	0.33	-2.07	**0.598**	1
Bnk046	ROA	1.43	1.5	1.5	1.71	1.4	**1.508**	1.5	2.2		2.33		**2.01**	3.07	2.7	3.8	4.18	3.99	**3.548**	1
Ins047	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins048	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk049	ROA	1.19	0.7	1.71	3.17	2.35	**1.824**	2.9	3.3				**3.1**	4.57	3.6	4.8	4.35	3.65	**4.194**	1
Ins050	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins051	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins052	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins053	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins054	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk055	ROA	2.34	1.8	2.8	1.94	1.68	**2.112**	2.9	3.5	3.3	3		**3.175**	3.58	4	3.6	2.57	3.14	**3.378**	1
Bnk056	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins057	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk058	ROA	1.14	1.2	2.23	2.37	2	**1.788**		3.1	4.3			**3.7**	5.8	5.2	5.5	5.64	5.66	**5.56**	1
Bnk059	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk060	ROA	-0.3	1.9	0.3	-1.5	-0.2	**0.02**		0.4	0.5			**0.45**	1.61	1	-0.8	-1.8	0.35	**0.068**	0

					5	5											2			
Bnk061	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	1.6	2.08	1.86	**1.108**	1
Bnk062	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	2.72	**0.544**	1
Ins063	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins064	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk065	ROA	1.67	3.2	2.39	1.37	3.47	**2.42**	3.4	3.7	7	5.92		**5.005**	6.43	10.4	7	5.22	6.33	**7.076**	1
Bnk066	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk067	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins068	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins069	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk070	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk071	ROA	1.1	1.1	1.66	2.64	2.01	**1.702**	2.1	2.8				**2.45**	4.12	2.9	2.9	1.49	1.61	**2.604**	1
Bnk072	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins073	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk074	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins075	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins076	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins077	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk078	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk079	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0

Bnk080	ROA	0	0	0	0	0	**0**	0	0	0	-17.47	0	**-3.494**	-5.72	-13.6	-7.5	-6.97	-3.91	**-7.54**	1
Ins081	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins082	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk083	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins084	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk085	ROA	2.5	1.1	4.13	3.36	5.05	**3.228**	3.4	3.1	2.6	2.27		**2.8425**	1.37	0.8	1.8	1.88	1.05	**1.38**	0
Ins086	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk087	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins088	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins089	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk090	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins091	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Ins092	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0
Bnk093	ROA	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0	0	0	0	0	**0**	0

Appendix VII: Articles on highlighted Themes of previous Studies

Theme summaries	2001-2005 (%)	2006 – 2015 (%)
Theme as picked from open ended question and interviews.		
Value creation is ingredient to performance after M&A, a determinant of Performance affecting the organization growth and yields customer satisfaction and development of new products affecting the organization growth.	(5/13) 38.4615%	(5/29) 17.2414%
Culture Integration were determinant of performance affecting the organization growth under M&A.	(3/13) 23.0769%	(12/29) 41.3793%
Skill Competence were determinant of performance affecting the organization growth under M&A.	(0/13) 0.0000%	(3/29) 10.3448%
Return of confidence by staff, risk taking and technology emerged as the highest value on question 29. Strategies highlighted indicated concentrated were concentrated markets, differentiated markets and undifferentiated market affecting the organization growth under M&A. Diversification as a strategy was mentioned in terms of societal, economic, technological and regulatory affecting the organization growth under M&A. A link affecting market coverage between market penetration and market share was highlighted as influencing performance of the organization growth under M&A.	(2/13) 15.3846%	(2/29) 6.8966%
Improving operating efficiency were ingredient	(3/13) 23.0769%	(7/29) 24.1379%

of performance affecting the organization
growth under M&A. Soft skill in performance
was highlighted as determinant of performance
affecting the organization growth under M&A.

Appendix VIII: Articles Related to Listed Themes

	2001-2005 Authors	2006-2015 Authors
Return of confidence and Market coverage		Edelman 2010, Bertella, Pires, Feng, and Stanley (2014), Olowoniyi and Ojenike (2012), Priyanka and Parvinder (2014).
	0	4
Industry transparency and Market coverage.	European Central Bank (2000).	Regal and Smith (2016), Jones (2016), Poposki (2007), Gollier and Ivaldi (2009).
	1	1
Market access and Market coverage.	Weber and Dholakia (2000), Berger, Bonime, Goldberg, and White (2004)	Carbone (2011).
	2	1
Risk taking and Market coverage.		Gillston (2014)
	0	1
Strategy and Market coverage.		Pragides (2015), Caltabiano (2015)
	0	2
Technology and Market coverage.		Gibson (2013).
	0	1
Total	**3**	**10**

Appendix IX: Research Open ended questions analysis

(1) Research Open ended questions Analysis – Question 29.

(NB. 1 = Most occurring code, 0=Less occurring code or No score was entered on a questionnaire. Picked each with a score =1, since it is each questionnaire. 0 is assumed to be ignored since each respondent answered each question 29 of the questionnaire.)

Question	Cust. 2	Responses	Assigned	Code_MC	Common Trend	Code
			Code		THEMES	
Bnk001	1	Maintain Existing customers	c	1	Return of confidence	c
	2	Increase in Customers base	c		Risk taking	r
Bnk002	1	Access wider customer base	c	1	Strategy	s
	2	Increase market share	c		Market access	m
Bnk003	1	Wider reach	c	1	Technology	t
Bnk004	1	Market coverage not achieved	r	1	Industry transparency	i
Bnk005	1	Makes penetration	m	1		
	2	Expand coverage	m			
Ins006	1	Market coverage not achieved	r	1		
Ins007	1	enter new markets	m			
	2	Foreign entry	i	1		
	3	New brand	i			
Ins008	1	Large customer base	c	1		
Ins009	1	Market coverage not achieved	r	1		
Ins010	1	Diverse knowledge	t	1		
Ins011	1	Market coverage not achieved	r	1		
	2	Improves in Long terms	s			
Ins012	1	Ideas developed	t			
		Common goals acquired	s	1		
Ins013	1	Clients remain loyal	c			
	2	New customers join	c			
Ins014	1	Market coverage not achieved	r	1		
Ins015	1	New ideas into the market	t	1		
Ins016	1	Makes penetration	c	1		
Ins017	1	Makes penetration	c	1		
Bnk018	1	Stronger products	t	1		
	2	Improves Services	t			
Bnk019	1	New ideas into	t	1		

		the market				
Bnk020	1	Market coverage not achieved	r	1		
Bnk021	1	Market expands	c			
	2	Acquire skilled staff	t	1		
	3	Acquire quality assets	t			
	4	Access funding	i			
	5	Increase customer base	c			
Bnk022	1	Utilisation of resources	t	1		
Bnk023	1	Various Synergies derived	t	1		
	2	Presence in new geographical markets	i			
Ins024	1	Diversification opportunity	i			
	2	Team work	s	1		
Bnk025	1	Increase market share	c	1		
		Increase customer base	c			
Bnk026	1	Organisation Vision matter	s	1		
	2	Organisation strategy matter	s			
Bnk027	1	Penetration achieved	c	1		
	2	Representation reached	i			
Bnk028	1	Market coverage not achieved	r	1		
Bnk029	1	Secure an opportunity to achieve growth objectives	t	1		
	2	Providing area of expansion	i			
	3	Add to product/services line in market not met by others	r			
Bnk030	1	Reach new markets	c			
	2	Access to better products	m	1		
Bnk031	1	Takes over existing Networks	i			
	2	Pulling together of resources	t			
	3	Financial expansion	s	1		
Bnk032	1	Market coverage complementary	r			
	2	Increase power and control in the market	i	1		
Bnk033	1	Wide branch	c	1		

		network				
	2	Infrastructure improves	t			
	3	enter new markets	c			
Bnk034	1	Operational networks are spread	t	1		
	2	Strengthening portfolio to capture a wider market	t			
Bnk035	1	Access to wider customers base	c	1		
	2	Increase market share	c			
	3	Diversification opportunity	s			
Bnk036	1	Market coverage not achieved	r	1		
Bnk037	1	Market coverage not achieved	r	1		
Bnk038	1	Bigger market share	c	1		
Bnk039	1	Market coverage achieved	c	1		
Ins040	1	Able to tap into wider market	c	1		
	2	Economies of scale improve market cover	m			
	3	Economic use of resources	t			
Ins041	1	Each brings its market base	i	1		
Bnk042	1	Economies of scale improves	m	1		
Bnk043	1	Market coverage is reason for M&A	s			
	2	Market penetration	c	1		
Bnk044	1	Cultural challenges	r			
Bnk045	1	Wider reach	c	1		
Bnk046	1	Market coverage strategy has high possibility of working	s			
	2	The stronger party's input affect success	r			
	3	A felt sense of inclusivity of parties	c	1		
Ins047	1	Bigger market share	c	1		
Ins048	1	Bigger market share	c	1		
Bnk048	1	Market coverage not achieved	r	1		
Ins050	1	Market coverage	r			

		not achieved				
	2	Aggressiveness of new company may salvage performance	t	1		
Ins051	1	Market coverage not achieved	r	1		
	2	Depends on the market environment	i			
Ins052	1	New customers join	c	1		
Ins053	1	Wider market reach	c	1		
Ins054	1	Market coverage may be achieved	r	1		
Bnk055	1	Bigger customer base	c	1		
Bnk056	1	Market coverage not achieved	r	1		
Ins057	1	Innovation emerge	t	1		
	2	More brands introduced	t			
	3	New 'baby companies' emerge	i			
Bnk058	1	Opening up new markets/ventures	c	1		
Bnk059	1	Increase network of one service provider	i	1		
Bnk060	1	Increases firm's capitalization	t	1		
	2	Increases capacity of meeting clients financial needs	t			
	3	Increases market coverage	c			
	4	Ability to tap into unreached markets	i			
Bnk061	1	New products and Technologies	t	1		
	2	New Innovation	t			
Bnk062	1	Attract new markets	c	1		
Ins063	1	Integrates both brands represented	t	1		
Ins064	1	Market coverage may be achieved	r	1		
Bnk065	1	Enables the firm to leverage on their individual strengths	m	1		
Bnk066	1	Both parties bring in new clients	m	1		
Bnk067	1	Possible for the firms to be different on	s	1		

		products offered				
Ins068	1	Reach new markets	c	1		
Ins069	1	Enables capacity building	t	1		
Bnk070	1	Expansion has facilitated market share	m	1		
Bnk071	1	Firms gain access to markets and visible	i	1		
Bnk072	1	Market coverage not achieved	r	1		
Ins073	1	Market coverage not achieved	r	1		
Bnk074	1	different markets joined as one	t	1		
Ins075	1	Efficiency in service delivery improves	t			
	2	Client/customer referrals expands	c			
	3	Increased value chain	c	1		
Ins076	1	Market coverage not achieved	r	1		
Ins077	1	Market coverage not achieved	r	1		
Bnk078	1	Market coverage may be achieved	c	1		
Bnk079	1	Market coverage not achieved	r	1		
Bnk080	1	Bigger customer base	c	1		
	2	High product base	c			
	3	Diversity can be achieved	r			
Ins081	1	Market coverage not achieved	r	1		
Ins082	1	Diverse opinion come in	r	1		
	2	Sharing of ideas as a team	t			
Bnk083	1	Wider market reach	c	1		
Ins084	1	Possible loss of clients due to fear and panic	r	1		
Bnk085	1	Expansion has facilitated market coverage	c	1		
	2	Reach new markets	c			
Ins086	1	Removes unhealthy competition	i	1		
	2	Avails data towards problem solving	r			
Bnk087	1	More factors play a role in market	c	1		

		penetration				
	2	Risk appetite is a role to market penetration	r			
	3	Available resources-like funds help in market penetration	c			
	4	Culture and business model are critical factors to market penetration	c			
Ins088	1	Enhances resource availability	t			
	2	Facilitate focus on market prospects	c	1		
Ins089	1	Better penetration into new markets	c	1		
Bnk090	1	It gives bigger presence	c	1		
	2	It gives higher market share	c			
Ins091	1	Market coverage not achieved	r	1		
	2	Marketing strategy influences market coverage	i			
	3	Customer are the best marketers	c			
Ins092	1	Combined market share results into greater market share	i	1		
Bnk093	1	Synergies develops	s	1		

(2) Research Open ended questions analysis – Question 36

Question	Cust. 2	Responses	Assigned Code	Common Trend	Code	Statistics			
				THEMES		FREQUENCY	THEMES	COUNT	Frequency
Bnk001	0	Nill	99	Nil	99		nil	35	35
Bnk002	1	The right to Innovation	Ir	The right to Innovate	Ir		The right to Innovate	9	9
Bnk003	1	Dynamic involvement	D	Dyanamic involvement	D		Dyanamic involvement	5	5
Bnk004	0	Nill	99	Products developed	Pd		Products developed	10	10
Bnk005	0	Nill	99	Vision created	Vc		Vision created	3	3
Ins006	1	new products developed	Pd	Mold culture	Mc		Mold culture	2	2
	2	Vision created	Vc	Customer satisfaction	Cs		Customer satisfaction	16	16
Ins007	1	Mold culture	Ce	Information technology	It		Information technology	2	2
Ins008	1	Customer satisfaction	Cs	Staff turnover	St		Staff turnover	2	2
Ins009	0	Nill	99	Skill staff	Ss		Skill staff	6	6
Ins010	1	Use Information Technology	It	Enhanced communication	Ec		Enhanced communication	2	2
	2	Minimal Staff Turnover	st	Bankrupt firm	Bf		Bankrupt firm	1	1
	3	Highly skilled Staff	ss	One-stop-shop	Os		One-stop-shop	4	4

Ins011	1	Enhance Communication	cc	Team work	Tw		Team work	10	10
Ins012	0	Nill	99	Management boost	Mb		Management boost	1	1
Ins013	1	Bankrupt Firms merge	bf	Customer expectation	Ce		Customer expectation	1	1
Ins014	0	Nill	99	Accelerated growth	Ag		Accelerated growth	3	3
Ins015	0	Nill	99	Reduced cost	Rc		Reduced cost	3	3
Ins016	1	One stop shop	os	Diversification	Di		Diversification	3	3
Ins017	1	Team work	tw	Market segmentations	Ms		Market segmentations	5	5
	2	Management boost	mb	Synergy drive	S		Synergy drive	5	5
Bnk018	0	Nill	99				TOTAL	128	128
Bnk019	1	Customer satisfaction	cs						Percentage
	2	Customer Expectations	cs			PROPORTION	nil	27.3438	27
	3	Customer Service	cs				Innovate right	7.03125	7
Bnk020	0	Nill	99				Dyanamic involvement	3.90625	4
Bnk021	1	Accelerated growth	ag				Products developed	7.8125	8
	2	Reduced costs and overheads	rc				Vision created	2.34375	2
	3	Increased product	di				Mold culture	1.5625	2

		diversification							
Bnk022	1	Market segmentation	ms				Customer satisfaction	12.5	12
	2	Excellent Customer experience	cs				Information technology	1.5625	2
Bnk023	1	Business growth opportunities	cs				Staff turnover	1.5625	2
Ins024	1	Innovation from motivated staff	ir				Skill staff	4.6875	5
Bnk025	1	new products developed	pd				Enhanced communication	1.5625	2
	2	New payment methods(Internal banking)	cs				Bankrupt firm	0.78125	1
	3	Technology Innovation(Mobile banking)	it				One-stop-shop	3.125	3
Bnk026	0	Nill	99				Team work	7.8125	7
Bnk027	1	Lack of staff engagement	cs				Management boost	0.78125	1
Bnk028	0	Nil	99				Customer expectation	0.78125	1
bnk029	1	Generate cost efficiency thro	cs				Accelerated growth	2.34375	2

		economies of scale							
	2	Enable revenue through gain in market share	rc				Reduced cost	2.34375	2
Bnk030	1	New better products available	pd				Diversification	2.34375	2
	2	Technology Innovation	ir				Market segmentations	3.90625	4
	3	Greater pool of skills	tw				Synergy drive	3.90625	4
Bnk031	1	Existing structure modified	t				TOTAL	100	100
Bnk032	0	Nill	99						
Bnk033	0	Nill	99						
Bnk034	1	Planning meetings	cc						
	2	Potential demonstrated	ss						
	3	Previous working experineced brought on board	ss						
Bnk035	1	Understand the value of customer needs	cs						
	2	Customer satisfaction	cs						

	3	Better player force to competitors	ag						
Bnk036	1	Promotes team work	tw						
	2	Cohesiveness emerge	d						
	3	Idea exchange opportunity	pd						
Bnk037	0	Nil	99						
Bnk038	0	Nil	99						
Bnk039	0	Nil	99						
Ins040	1	Duplication of jobs removed	tw						
Ins041	0	Nil	99						
Bnk042	1	Capital base increased	ms						
Bnk043	1	Strategy drive	s						
	2	Change to new market environment	di						
Bnk044	1	Innovation opportunity	ir						
Bnk045	1	Strategy drive	s						
	2	Synergy drive	s						
	3	Value drive	s						
Bnk046	1	Research of current	ir						

		operations critical							
	2	Business environment check	os						
	3	Market trends	ms						
	4	Innovation for growth	ir						
Ins047	0	Nil	99						
Ins048	1	Change to new market environment	pd						
	2	Chain of command can be longer	ec						
Bnk048	0	Nil	99						
Ins050	1	Increased sales and markets	ms						
	2	Creates value for new company	ag						
Ins051	1	Enhances use of Technology/ICT	t						
Ins052	1	Diiferent products combined	ir						
	2	Selling costs are reduced	rc						
Ins053	1	Customer satisfaction	cs						
Ins05	1	Need to	mc						

4		embrace the objectives of firm							
Bnk0 55	0	Nil	99						
Bnk0 56	0	Nil	99						
Ins05 7	1	Developing new products	pd						
Bnk0 58	1	Customer focus	cs						
Bnk0 59	1	Risk management	di						
	2	Employees motivation	tw						
Bnk0 60	1	Introduces Euro-master visa card	t						
	2	Introduces digital banking products	t						
	3	Increase client volume	cs						
Bnk0 61	1	new products developed	pd						
		Technology Innovations	t						
Bnk0 62	1	Good remuneration and benefits to staff	ss						
	2	Focus on organisationa l goals	mc						
Ins06	0	Nil	99						

3									
Ins06 4	0	Nil	99						
Bnk0 65	1	Value created	os						
Bnk0 66	0	Nil	99						
Bnk0 67	1	All staff participation	tw						
Ins06 8	1	Customer satisfaction	cs						
Ins06 9	0	Nil	99						
Bnk0 70	1	Integrity of staff critical	tw						
	2	Staff feeling very important in creating value	tw						
Bnk0 71	1	Good management skills	ec						
Bnk0 72	0	Nil	99						
Ins07 3	1	Generates efficient products needed by clients	d						
Bnk0 74	1	Staff satisfaction promotes efficiency	tw						
	2	Efficiency leads to high value	ss						

Ins075	1	Strong branding and advertising enhanced	vc						
	2	More awareness creates market penetration	ms						
Ins076	0	Nil	99						
Ins077	0	Nil	99						
Bnk078	1	Strengthening the organisations asset base	os						
	2	Enhances ability to offer customer need satisfaction	cs						
Bnk079	0	Nil	99						
Bnk080	1	Advisory on compliance issues	vc						
	2	The AML Reporting Office (AMLRO) Governance Group, provide meaningful analysis and	d						

		support							
	3	This also entails providing AML Governance related guidance to the respective LOB's in Capital Markets.	d						
Ins081	0	Nil	99						
Ins082	1	Workforce reduction grips in	st						
	2	Profitability increase due to efficiency	tw						
Bnk083	0	Nil	99						
Ins084	1	Brings assets together to improve on capital base	s						
	2	Growth enhanced	pd						
Bnk085	1	Tapping into new markets	pd						
Ins086	0	Nil	99						
Bnk087	0	Nil	99						
Ins088	0	Nil	99						

Ins089	1	Provision of new products introduced	ir						
Bnk090	0	Nil	99						
Ins091	1	Product innovation possible	pd						
	2	Staff training emphasised	ss						
Ins092	1	Products innovation to cater for untapped markets	ir						
Bnk093	1	Synergy drive	s						

(3) Research Open ended questions analysis – Question 38

Question	Cust. 2	Responses	Assigned Code	Common Trend	Code	Statistics	
				THEMES		FREQUENCY	THEMES
Bnk001	0	Nill	99	Nil	99		Nil
Bnk002	0	Nill	99	Market Penetration	ms		Market Penetration
Bnk003	0	Nill	99	Pionner Venture	pv		Pionner Venture
Bnk004	0	Nill	99	Change Management	cm		Change Management
Bnk0	1	Market Penetration	Ms	Right Values	rv		Right Values

05							
	2	Pionner Venture	Pv	Risk impact	ri		Risk impact
	3	Culture Challenges	Cc	Challenges to clients	cc		Challenges to clients
	4	Change Management	Cm	Staff loss	sl		Staff loss
	5	Right Values	Rv	Timely study	ts		Timely study
	6	Risk impact	Ri	Avoid crowding market	cm		Avoid crowding market
Ins006	1	Challenges to clients	Cc	improve operating efficiency	e		improve operating efficiency
	2	Staff loss	Sl	improve synergies	s		improve synergies
Ins007	1	Timely study	Ts	improve diversification	d		improve diversification
Ins008	1	Avoid crowding market	Cm	Limit severity of competition	c		Limit severity of competition
	2	Improve products	Ms	Get bancassurance staff	b		Get bancassurance staff
Ins009	0	Nill	99	Experienced staff	es		Experienced staff
Ins010	1	High Growth	Hg	High Turnover	t		High Turnover
	2	Enhance profitability	Ep				
	3	improve economies of scale	Es				
	4	improve operating efficiency	Es				
	5	improve synergies	S				
	6	improve diversification	D				
	7	Limit severity of competition	C				
	8	Increase company Market power	Ms				
Ins011	1	Adopt different norms	D				Nil

		High Turnover	t				Market Penetration
		Employees disatisfaction	Sl				Pionner Venture
Ins012	1	Get bancassurance staff	B				Change Management
Ins013	1	Experienced staff	Es				Right Values
Ins014	1	Experienced staff	Es				Risk impact
Ins015	0	Nill	99				Challenges to clients
Ins016	0	Nill	99				Staff loss
Ins017	0	Nill	99				Timely study
Bnk018	0	Nill	99				Avoid crowding market
Bnk019	0	Nill	99				improve operating efficiency
Bnk020	0	Nill	99				improve synergies
Bnk021	1	Identify value drivers(brand or staff)	Es				improve diversification
	2	Maximise the effect on new task	E				Limit severity of competition
Bnk022	1	Research and dsevelopment	Ms				Get bancassurance staff
Bnk023	0	Nill	99				Experienced staff
Ins024	1	New thinking as a plus	E				High Turnover

	2	Different ideas introduced	D				
	3	Checks on retrenchment	Sl				
	4	Economic growth of a country	T				
Bnk025	1	Organisational culture challenges	Rv				
	2	Resistance to change	Ri				
	3	Adverse effect on top management change	Ri				
Bnk026	1	Tapping into different skills, knowledge and staff experiences	B				
	2	Anxiouty reduces productivity	C				
	3	Synergies increase results	S				
	4	Vision and strategy delivered	Ts				
Bnk027	1	Good for developed economies	Ms				
	2	Stiffle employment in developing economies	Es				
Bnk028	0	Nil	99				
bnk029	1	Tough environment drive	Pv				
	2	Regulator push for complaince	Cc				
	3	Monetary policies	E				
	4	Increased level of share capital	E				
	5	Expand distribution network	E				
	6	Expand market share	Ms				
	7	Benefit from the best global practices	E				
Bnk030	0	Nil	99				
Bnk031	0	Nil	99				
Bnk032	0	Nil	99				
Bnk033	1	Human Capital base	Es				
	2	Preparing staff skills	Es				
Bnk0	1	Redeems manpower from	Es				

34		redundancy					
	2	Redeems work force under-utilised	Es				
	3	Grow Capital base	E				
	4	Improved products	E				
	5	enhanced experiences	Es				
	6	Avail more products/services to customers	E				
	7	Attract investors	E				
Bnk035	0	Nill	99				
Bnk036	0	Nill	99				
Bnk037	0	Nil	99				
Bnk038	0	Nil	99				
Bnk039	0	Nil	99				
Ins040	1	Economies of scale	E				
	2	Ability to deal with competitors easily	E				
	3	Challenges of dislike of change	E				
	4	Change Management	Cm				
	5	Resistance to change	Es				
Ins041	0	Nil	99				
Bnk042	1	Market Penetration	Ms				
Bnk043	0	Nil	99				
Bnk044	0	Nil	99				
Bnk045	1	Market Penetration	Ms				
Bnk046	1	Do well in an environment where players have diluted services	E				

	2	Goal should be to improve on efficiency and effectiveness	E				
	3	Synergy within parties critical	S				
	4	Acquirer need move to sell future strategic goals	Es				
	5	Change Management be inclusive	Cm				
	6	Proper market research of business environment critical	Ms				
Ins047	0	Nil	99				
Ins048	1	Change process to be handled prfessionally	Cm				
	2	Culture Challenges can be enriched	Cm				
	3	People aspect is most critical	Es				
	4	Change Management be inclusive	Cm				
Bnk048	0	Nil	99				
Ins050	1	Creation of structural advantages	Cc				
	2	Reduce administrative costs	T				
	3	Cost efficiency in the processes	T				
	4	Creates competitive advantage increasing sales	Cc				
Ins051	1	Too many insurance companies in Kenya	Cc				
Ins052	1	Reduced operational costs	T				
	2	Reduced labour force	Es				
Ins053	1	May not improve performance	E				
	2	May increase revenue for the firm	E				
Ins054	1	Enhance objectives	Cm				
Bnk055	0	Nil	99				
Bnk056	0	Nil	99				

Ins057	0	Nil	99				
Bnk058	1	Enable liquid companies to grow its business in shortest time	E				
Bnk059	1	Determinants: Government regulations	Cm				
	2	Determinants: Policies to consider	Cm				
Bnk060	0	Nil	99				
Bnk061	0	Nil	99				
Bnk062	1	Organisation match goals, product, direction and strategy focus	Cm				
	2	Organisation motivates staff	Es				
Ins063	0	Nil	99				
Ins064	1	Less than 10 Insurance involved in M&A	E				
	2	Possible mergers in 2018	E				
Bnk065	1	Need to include other parameters other than stock value	Rv				
	2	Overal value can be measured after some time	E				
	3	Retained staff tend to be motivated as they join a larger organization	Es				
Bnk066	1	Need to hire consultants	Es				
	2	Smooth transistion critical	Pv				
Bnk067	1	Management style affect operations	Cm				
	2	Level of education of staff affect operations	Es				
Ins068	1	More expertise need be acquired	Es				
Ins069	1	Useful for firms that have not met regulation threshold	E				
	2	Minimal penetration challenges	Ms				

Bnk070	1	Focus on IT critical for all services	Rv				
	2	Interest rate capping reduce expenditure	E				
	3	What to do to remain a float?	E				
Bnk071	1	necessary for weak firms struggling to survive	E				
	2	Firms facing stiff competition	E				
Bnk072	0	Nil	99				
Ins073	1	Right systems in place growth is achievable	E				
Bnk074	0	Nil	99				
Ins075	1	Customer trust may improve or decline	E				
	2	Distrust on the new Management	Cm				
	3	Distrust on shareholders	Sl				
	4	Client/customers may be unaware of the activity	E				
Ins076	0	Nil	99				
Ins077	0	Nil	99				
Bnk078	1	Need to confirm asset quality	E				
Bnk079	0	Nil	99				
Bnk080	0	Nil	99				
Ins081	0	Nil	99				
Ins082	1	Integration should be done gradually to introduce smooth flow	E				
	2	Culture of staff on both sides remain separate	Rv				
Bnk0	0	Nil	99				

83							
Ins08 4	1	Impact is felt slowly and long run	E				
	2	Staff take time to assimilate	Es				
	3	Staff take time to feel secure	Sl				
	4	Rivals in management grips in	Cm				
	5	Control on who wants to show authority	Sl				
Bnk0 85	1	Increase on branches	E				
	2	Increase on staff-employment	Sl				
	3	Increase on products in the market	Ms				
	4	Stability of business	Rv				
Ins08 6	0	Nil	99				
	1	Synergy availability is desirable	S				
Ins08 8	0	Nil	99				
Ins08 9	1	With best management, new outfit receive better opportunities	Cm				
	2	With best management, better competitiveness due to wider market arise	E				
	3	Stronger capital base develops	E				
	4	Enriched skills develops	Es				
	5	Diverse cultures and staff establishment learn to cope with market challenges easily	Es				
Bnk0 90	0	Nil	99				
Ins09 1	1	Possible creation of problem bugs	Ms				
	2	Possible unfair treatment to retrenched staff	Es				
Ins09 2	0	Nil	99				
Bnk0	0	Nil	99				

93							

Appendix X: Rule of Thumbs

(a) Cronbach Alpha

Reason for choosing the variable and who studied

Value	Interpretation (Rule of Thumb)
$\alpha \geq 0.9$	Excellent, shows a perfect consistency in measure
$0.9 > \alpha \geq 0.8$	Good consistency in measure is acceptable
$0.8 > \alpha \geq 0.7$	Very Good consistency in measure is acceptable
$0.7 > \alpha \geq 0.6$	Not good consistency in measure is questionable
$0.6 > \alpha \geq 0.5$	Poor consistency in measure is not acceptable
$0.5 > \alpha$	Very poor consistency in measure is unacceptable
Summary:	
0.000	No consistency in measure
0.700	Perfect consistencies in measure
1.000	Perfect consistency in measure

(b) VIF (Rule of Thumb)

Value	Interpretation(Rule of Thumb)
1	No correlation
VIF >=5	Being highly correlated.
VIF > 10	Multicollinearity is high

(c) Correlation Coefficient: Rule of Thumb for Interpreting the Size of a Correlation Coefficient

Size of Correlation	*Interpretation*
.90 to 1.00 (-.90 to –1.00)	Very high positive (negative) correlation
.70 to .90 (-.70 to -.90)	High positive (negative) correlation
.50 to .70 (-.50 to -.70)	Moderate positive (negative) correlation
.30 to .50 (-.30 to -.50)	Low positive (negative) correlation
.00 to .30 (.00 to -.30)	Little if any correlation

(d) Rule of Thumb for Kaiser-Meyer-Olkin (KMO) Test

Size of Correlation	*Interpretation*
0.00 to 0.49	Unacceptable
0.50 to 0.59	Miserable
0.60 to 0.69	Mediocre
0.70 to 0.79	Middling
0.80 to 0.89	Meritorious
0.90 to 1.00	Marvelous

For reference, Kaiser put the above values on the results:

(e) Rule of Thumb to measure strengths of relationships.

The meaning of Pearson's Correlation coefficients. The same rule of thumb can be used for the Phi coefficient.

(f) Rule of Thumb for Phi Coefficient Test

r value	**Description**
+.70 or higher	Very strong positive relationship
+.40 to +.69	Strong positive relationship
+.30 to +.39	Moderate positive relationship
+.20 to +.29	Weak positive relationship
+.01 to +.19	No or negligible relationship
0	No relationship
-.01 to -.19	No or negligible relationship
-.20 to -.29	Weak negative relationship
-.30 to -.39	Moderate negative relationship
-.40 to -.69	Strong negative relationship
-.70 or higher	Very strong negative relationship

Source: Quinnipiac University. Meaning of Pearson's. Retrieved Jun 20, 2016 from: http://faculty.quinnipiac.edu/libarts/polsci/Statistics.html

(g) Excel Formulas

(i) Mean: =Average(A1:A9)

(ii) Standard Deviation: =STDEV(number1, [number2], ...)

(iii) Standard Error: =steyx(A1:A9, B1:B9) Standard error of the predicted y-value for each x in the regression

(iv) p-Value: =tdist(n,df,tails)

(h) Social Scientific Paradigms

This is a summarizes each of the paradigms under use.

Paradigm	**Emphasis**	**Assumption**
Positivism	Objectivity, knowability, and deductive logic	Society can and should be studied empirically and scientifically.
Social constructionism	Truth as varying, socially constructed, and ever-changing	Reality is created collectively and that social context and interaction frame our realities.
Critical	Power, inequality, and social change	Social science can never be truly value-free and should be conducted with the express goal of social change in mind.
Postmodernism	Inherent problems with previous paradigms	Truth in any form may or may not be knowable.

Source: https://saylordotorg.github.io/text_principles-of-sociological-inquiry-qualitative-and-quantitative-methods/index.html

Appendix XI: Factor Analysis – Component Matrix

(a) Component Matrix[a] (Culture Integration)

	Component
Strategic emphasis helps enhance the practices of the company towards success	.785
Organizational alignment creates better performance	.724
Workforce readiness improves performance	.687
Innovation and the need for diversity of ideas improve performance	.663
Organization fosters the process of learning and compe	.623
Emphasis on quality propels the company into greater performance	.606
The acquiring and acquired group work well together	.472
The two companies vision, philosophy and values integrated	.413
Organization culture is easily adopted after M&A	.226
Common values, beliefs, verbal and non-verbal symbols shared	.105
The two organizations operate independently	-.046

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

(b) Component Matrix[a] (Skill Competence)

	Component
	1
Managing includes allocating resources, making and implementing budgets, and obey law	.787
Involve keeping track of resources and distributing them where needed	.750

Includes ability to hire and retain competent staff	.743
Innovation skills develops new objectives to foster use of few resources	.712
Technology competencies and positioning the organization	.711
Soft skills diffuse conflict	.685
Causes the ability to see the big picture	.670
Problem solving makes learning on the job easier	.633
Body language makes communication more efficient-reduce conflict	.562
Employees develop high level language	.502

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

(c) Component Matrix[a] (Value Creation)

	Component
	1
Creates shareholder value leading to innovations of tomorrow	.810
Enables the firm to reposition themselves for the future	.760
The firm is able to articulate a clear vision for the future growth	.748
The firm performs efficiently generating products and services of the future	.735
The firm offers new products to existing customers	.643
The firm operates efficiently reducing risk	.630

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

(d) Component Matrix[a] (Performance – Non-Financial)

	Component
	1
Senior management provides the leadership to leverage alignment	.748
Effective management of resources has improved performance	.694
The strategies for competitive advantage work well	.663
Employees are committed to organizational goals and quality.	.639
Individual players are acting as a coherent unit-forming team synergy	.629
The firm has enabled flexible operation towards clear strategic direction	.622
Innovation brings employees to have one vision	.621
Customer satisfaction is observed through: Returns and Broadcasting	.616
Strategic differentiation has helped the firm to portray efficiency in operation	.614
Team work moves products-service to the market quickly	.611
M&A improes the company's performance	.575

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Appendix XII: Descriptive Tables

(a) Culture Integration as a determinant of performance

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Likert Mean	SD
Organisation culture is easily adopted after Mergers and Acquisition	11 12.1%	17 18.7%	22 24.2%	32 35.2%	9 9.9%	2.88	1.191
Common values, beliefs, verbal and non-verbal Symbols are easily shared	14 15.2%	33 35.9%	21 22.8%	21 22.8%	3 3.3%	3.37	1.097
The two companies vision, philosophy and values Integrated	19 20.9%	36 39.6%	21 23.1%	15 16.5%	2 2.2%	3.65	.993
The two organisations operate independently	6 6.9%	7 8.0%	21 24.1%	32 36.8%	21 24.1%	2.37	1.142
The acquiring and acquired group work well together	12 13.3%	31 34.4%	35 38.9%	11 12.2%	1 1.1%	3.47	.914
Organisational alignment creates better performance	30 32.6%	47 51.1%	12 13.0%	2 2.2%	1 1.1%	4.12	.796
Workforce readiness improves performance	38 41.8%	40 44.0%	11 12.1%	2 2.2%	-	4.25	.754
Organisation fosters the process of learning and competence Building	22 24.2%	57 62.6%	11 12.1%	1 1.1%	-	4.1	.633
Strategic emphasis helps enhance the practices of the company towards success	35 37.6%	44 47.3%	13 14.0%	-	1 1.1%	4.2	.76
Innovation and the need for diversity of ideas improve Performance	48 52.2%	36 39.1%	8 8.7%	-	-	4.43	.651
Emphasis on quality propels the company into greater Performance	37 39.8%	43 46.2%	9 9.7%	3 3.2%	1 1.1%	4.2	.828
Average	**25** **26.96**	**36** **38.81%**	**17** **18.43%**	**11** **12.02%**	**4** **3.99%**	**3.73**	**0.887**

(b) Skill Competence as a determinant of performance

Statement	HO	MO	O	A	LO	Likert Mean	SD
Employees develop high level Language	(11) 11.8%	(20) 21.5%	(33) 35.5%	(13) 14.0%	(16) 17.0%	2.97	1.238
Body language makes communication more efficient reduce conflict	(16) 17.2%	(14) 15.1%	(27) 29.0%	(17) 18.3%	(19) 20.4%	2.9	1.36
Problem solving makes learning on the job easier	(35) 33.6%	(20) 21.7%	(20) 21.7%	(14) 15.2%	(4) 4.4%	4.24	4.45
Managing includes allocating resources, making and implementing budgets, and obey law	(37) 39.8%	(20) 21.5%	(20) 21.5%	(14) 15.1%	(2) 2.2%	3.82	1.179
Includes ability to hire and retain competent staff	(30) 32.3%	(24) 25.8%	(22) 23.7%	(12) 12.9%	(5) 5.4%	3.67	1.21
Causes the ability to see the big Picture	(29) 32.6%	(24) 27.0%	(22) 24.7%	(8) 9.0%	(10) 6.7%	3.7	1.21
Involve keeping track of resources and distributing them where needed	(26) 28.0%	(31) 33.3%	(19) 20.4%	(14) 15.1%	(3) 3.2%	3.68	1.134
Technology competencies and positioning the Organization	(44) 47.3%	(29) 31.2%	(11) 11.8%	(7) 7.5%	(2) 2.2%	4.14	1.038
Innovation skills develops new objectives to foster use of few resources.	(40) 43.0%	(18) 19.4%	(18) 19.4%	(13) 14.0%	(4) 4.3	3.83	1.248
Soft skills diffuse conflict	(30) 32.3	(25) 26.9%	(20) 21.5%	(10) 10.8%	(8) 8.6%	3.63	1.275
Average	**(3) 32.19**	**(23) 24.3%**	**(21) 23%**	**(12) 13.2%**	**(7) 7.44%**	**3.66**	**1.535**

(c) **Value Creation as a determinant of performance**

Statement	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Likert Mean	SD
The firm operates efficiently reducing risk	(16) 17.4%	(45 48.9%	(24) 26.1%	(7) 7.6%	-	3.76	.83
Enables the firm to reposition themselves for future	(38) 41.9%	(40) 43.5%	(13) 14.0%	(2) 1.1%	-	4.71	4.2
Creates shareholder value leading to innovations of Tomorrow	(28) 30.4%	(40) 43.5%	(24) 26.1%	(1) 1.1%	-	4.04	.755
The firm performs efficiently generating products and services of the future	(20) 21.7%	(48) 52.2%	(23) 25%	(1) 1.1%	(1) 1.1%	3.95	.717
The firm is able to articulate a clear vision to future Growth	(26) 28.3%	(44) 47.8%	(20) 21.7%	(2) 2.2%	-	4.02	.77
The firm offers new products to existing customers	(37) 40.2%	(38) 41.3%	(15) 16.3%	(2) 2.2%	(1) 1.1%	4.2	.788
Average	**(28)** **29.98%**	**(43)** **46.2%**	**(20)** **21.53%**	**(3)** **2.55%**	**(0.33)** **0.37%**	**4.172**	**1.428**

Appendix XIII: Independent Sample Test

		Levene's Test for Equity of Variance				T-Test for Equality of Means			95% Confidence Interval of the Difference	
		F	Sig.	t	Df	Sig.(2-tailed)	Mean Difference	S.E Difference	Lower	Upper
Culture Integration	Equal variances assumed	0.001	0.981	-.306	91	0.760	-0.036211	0.118159	-0.281873	.198497
	Equal variances not assumed			-.302	27.493	0.765	-0.036211	0.119828	-0.281873	.209450
Skill Competence	Equal variances assumed	2.071	0.154	-4.580	91	0.000	-0.948649	0.207131	-1.360089	.537208
	Equal variances not assumed			-3.654	22.418	0.001	-0.948649	0.259619	-1.486483	-.410815
Value Creation	Equal variances assumed	2.654	0.107	-4.093	91	0.000	-0.667971	0.163199	-0.992146	.343795
	Equal variances not assumed			-2.834	20.468	0.010	-0.667971	0.235716	-1.158946	-.176996
Performance (nf)	Equal variances assumed	5.441	0.022	-10.061	91	0.000	-1.289474	0.128169	-1.544066	-1.03488

	Equal variances not assumed			-6.587	19.888	0.000	-1.289474	0.195755	-1.697958	-.880989
Performance (Binary - Fin)	Equal variances assumed	5.056	0.027	-7.399	91	0.000	-1.146	0.155	-1.454	-0.838
	Equal variances not assumed			-5.039	20.289	0.000	-1.146	0.227	-1.620	-.672

Appendix XIV: Letter of Introduction

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY
NAIROBI CBD CAMPUS

Department of Commerce and Economics Studies

P.O. Box 62000
NAIROBI·00200 TEL: 020-221306

KENYA Email:

cesncbd@jkuat.ac.ke

To Whom It May Concern,

Dear Sir / Madam;

RE: JONATHAN EKAMBI - HD433-C004-IS89/201 1

This is to confirm that the above named is a student pursuing Doctor of Philosophy in Business

Administration programme at Jomo Kenyatta University of Agriculture and Technology, Nairobi CBD Campus. He is currently undertaking a research project titled: **Determinant of performance of mergers and acquisitions on performance of financial institutions in Kenya** in partial fulfillment of the requirements fell; the degree programme. As such, he will be contacting you for data collection for his research study.

Any assistance accorded to him will be highly appreciated. Please do not hesitate to contact the undersigned for any more information.

Yours faithfully,

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Dr. Rotich G. C. (Ph.D)

Associate Chair, CES

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JKUAT is ISO 9001:2008 & 14001:2004 Certified.

Selling Trends in *Higher Education, Research and Innovation*

Appendix XV: Research Permit from NACOSTI

on the topic: *DETERMINANTS OF PERFORMANCE OF MERGERS AND ACQUISITIONS IN THE FINANCIAL SECTOR IN KENYA*

Permit No : NACOSTI/P/17/33111/I7906
Date Of Issue: 26th July,2017
Fee Received :Ksh 2000

for the period ending:
25th July, 2018

Applicant's Signature

Director General
National Commission for Science, Technology & Innovation

CONDITIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the License and any rights thereunder arc non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report,
4. The Licensee &hall report to the County Director of Education and County Governor in ~h~ area of research before commencement of the research.
S. Excavation, filming and collection of specimens are subject to further permission from relevant Government agencies.
6, This License docs not give authority to transfer research materials.
7, The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8, The Commission reserves the right to modify the conditions of this License including its cancellation without prior notice.

REPUBLIC OF KENYA

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No.A15124

CONDITIONS: see back page