

**MERGERS AND ACQUISITION AS GROWTH STRATEGY IN THE OIL AND GAS
SECTOR (A CASE STUDY OF TOTAL NIGERIA PLC)**

BY

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DECLARATION

I hereby declare that this research project titled *Mergers and Acquisition as Growth Strategy in the Oil and Gas Sector (A Case Study of Total Nigeria Plc.)* is a result of my research work. All relevant sources of information collected for the study are duly acknowledged by means of references.

<u>AISHA KABIR</u>	_____
NAME OF STUDENT	Signature
DATE	

CERTIFICATION

This is to certify that the project titled “*Mergers and Acquisition as Growth Strategy in the Oil and Gas Sector (A Case Study of Total Nigeria Plc.)*” by **AishaKabir** meeting the requirement for the award of the degree of Masters of Business Administration (MBA) Ahmadu Bello University, Zaria and is therefore approved for its contribution to knowledge and literary presentation.

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DEDICATION

I dedicate this work to myself for my immense effort and to my mum Hajia Hadiza Umar for her full support.

Acknowledgement

All praises belong to Allah, the master of mankind for his infinite mercy, guidance and protection throughout my period of study.

My profound gratitude to my supervisor who diligently put me through this report.

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Abstract

The Oil and gas industry has long been an abundant of merger and acquisition deals which have given investors access to new technologies, diversification, integration, improved operational efficiency, gain economies of scale and other cost synergies. A research work was carried out to determine the pre-merger and post-merger growth of Total Nigeria plc. Using mainly the secondary data such as; its financial statements, annual reports and the federal Inland Revenue service publications using a time series data between the period of 1993-2000; which represents pre-merger and 2001-2013 which represents the post-merger. The study showed a tremendous increase in Total Nigeria Plc. Especially in its gross earnings which rose from N12,986, 690,250 and its profit after tax which also rose from N1, 426,050,000 to N4, 856, 158,380 which ascertains a significant difference of N9,975, 118, 500 and N3,430, 108, 380 respectively of the company's growth comparing the two periods. Total Nigeria Plc is believed to be a leader as well as the symbol of good service in petroleum marketing in Nigeria, Therefore, recommending companies in the oil and gas sector to in M & A to tap into economies of large scale production, reduction in tax liability, better utilization of funds to increase profit, diversification of activities for stability etc. which may result in their growth as in the case of Total Nigeria PLC.

Key Words; Merger and Acquisition, Growth strategy, Synergy

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The global oil and gas industry is changing. Demand has shifted east, companies are developing more challenging and higher cost fields, prices are fluctuating and shale revolution has the United States producing more than nine million barrels a day. Winners in this industry confront change head on anticipating potential outcomes, choosing when to act, and understanding how decisions affect their competitive positions.

Before the oil crisis of 1973, the members of the seven sisters [BP Plc (United Kingdom), Chevron Corporation (United States), Exxon mobil corporation (United States), Royal Dutch Shell Plc. (Netherlands & UK), Saudi Aramco (Saudi Arabia), Total S.A (France) and Eni (Italy)] controlled around 85% of the world's oil reserves. The super majors begin to emerge in the late 1990's in response to the fall in oil price. And large petroleum companies began to merge to hedge against oil price volatility and reduce large cash reserves through reinvestment.

In 1998, when oil prices hovered around \$20 a barrel, oil companies were flourishing. The severe development between then and the 1999 low of \$10 a barrel ushered in a wave of merger to gain economies of scale, creating the super majors today: Exxon and Mobil in 1998; BP, Amoco and Arco in 1998 and 1999; Total Petrofina and Elf in 1999 and 2000; and then chevron and Texaco in 2000.

The era of easy oil is over. The oil and gas industry faces growing challenges including rapidly resources, increased regulation and heightened public scrutiny. International oil

companies (IOC's) are increasingly upstream sector investments for reserve replacements, restructuring downstream in mature countries and developing downstream sectors in emerging economies. Afterwards, merger and acquisition would be among most effective was to expedite the implementation of plans to grow rapidly. Companies in all industries have grown at lightning speed, in part because of an aggressive merger and acquisition strategy.

The oil and gas industry has long been in abundant source of merger and acquisition deals. Merger & Acquisition has given investors access to new technologies, diversification integration etc. Merger & Acquisition has also offered companies opportunities to improve operational efficiency, gain economies of scale and other cost synergies which are heavily sought during adverse economic and financial situation. The process of corporation of consolidation created some of the largest global corporation by the Forbes global ranking and as of 2007 all were within the top 25.

The Nigeria oil and gas industry has recently registered itself in the global list of Merger and Acquisition through the outright purchase of assets from interested parties as well as series of divestment by the international oil companies (IOC's). The divestment according to experts was triggered by a number of factors like security concerns, fiscal policy issues and particularly surrounding the passage of the Petroleum Industry Bill (PIB).

1.2 Statement of the Problem

The oil prices recently fell as low as \$46 a barrel having hovered around \$50 - \$60 per barrel since the beginning of the year. The current low prices is putting tremendous strain on the cash flow of oil companies irrespective of the size begging them to ask questions of themselves as to their survival in the near and/or long terms.

Stakeholders in the oil and gas industry have expressed worries that the rising operational cost in the industry and other challenges have been limiting the industry's growth. They also need that the sector is affected by the inadequate finance poor policy implementation, professional knowledge gaps and low capacity building. Hence, there is need to evaluate strategies that will improve growth in the oil and gas sector.

1.3 Objectives of the Study

- i. To determine the effectiveness of Merger and Acquisition as a growth strategy in oil and gas sector.
- ii. To ascertain if there is any significant difference in Gross Earnings in the pre and post-Merger period.
- iii. To establish if there exist any significant difference in profit after tax in the pre and post-merger period

1.4 Hypotheses of the Study

1. **HO₁**: There is no significant difference in Gross Earnings in the pre and post-Merger period.
2. **HO₂**: There is no significant difference in profit after tax in the pre and post-merger period

1.5 Scope of the study

This study covers the oil and gas sector with emphasis to recent growth in the sector. It examines the growth rate achieved in Total Nigeria, Plc. as a result of Merger and Acquisition.

The data of the two (2) companies namely: Total fina and Elf Aquitaine are used in the purpose of analysis from 2002 to date.

1.6 Significance of the Study

The research objective is to explore the effectiveness of the Merger and Acquisition as a growth strategy adopted by Total Nigeria, Plc. and how it successfully used it in strategizing to improve productivity and maintain sustainability.

1.7 Historical Background of Total Nig. Plc

Total Fina Elf S.A is one of the four major largest oil natural gas and specialty chemical companies in the world along with BP Amoco Plc., Exxon Mobil Corporation, royal Dutch/Shell Corporation and Chevron Texaco Corporation.

Its activities are organized into three main areas: upstream, downstream and chemicals. The company's upstream sector consists of exploration for and production of crude oil and natural gas, along with development activities in gas and electricity and operations on coal mining. Its downstream unit focuses on refining, marketing and trading of petroleum products while the chemical sector includes rubber products made by its Hutchinson subsidiary.

Following the oil crisis in 1973, Elf and Total cooperated in chemicals and upstream operations in the North Sea. Both companies need to learn to better handle risk, as oil prices were very unstable. The Oil crisis extended into the 1980s forcing both Total and Elf to reduce their refining capabilities sell off most of their tanker and boost the productivity of their retail networks. Total had reduced excess refining capacity but continued to enter into new markets, divesting assets in the United States to make investment in China.

Elf Aquitaine S.A, known as Elf was one of the France's largest oil companies and one of the world's top ten petrochemical companies when it was acquired by Total Fina. Total Fina and Elf have complementary strategies and would be able to strengthen their geographic presence in Africa and the Middle East. This configuration apparently worked well, as Total Fina Elf net income was up by 24 percent at the end of the first quarter of 2000.

Since Total's merger with its rival Elf Aquitaine in 2000, and the purchase of Belgium's Petrofina in 1999. The then, chairman Desmarest has met the goals he set as the start of the merger and continued to expand to new goals; In May 2000, Total bought into the Russian Vankorskoye project in East Siberia through an agreement with the UK registered Anglo Siberian Oil Company making Total the operator and 52percent owner of the 900million bbld field through the deal with Anglo Siberian which held 59percent interest. The company has continued its strategic successes with deep water oil find in the waters of the campos basin off the shore of Brazil in June 2002.

1.8 Limitations of the Study

The research is limited to the nature of the topic as being so broad and constraint to non-possibility of studying all consummated Mergers and Acquisitions in various sectors.

1.9 Definition of Key Terms

1. **Merger and Acquisition** – Consolidation of two companies.
2. **Consolidation** – To bring together (separate parts) into a single or unified whole.
3. **Synergy** – A state in which two or more things work together in a particular fruitful way that produces an effect greater than their individual effects.
4. **Economies of scale** – Reduction of cost per unit resulting from increased production realized through operational efficiencies.
5. **Fiscal policy** – Is the means by government to adjust its spending level and tax rates to monitor and influence nation's economy.
6. **Volatility** – Degree of trading price series overtime.
7. **Reinvestment** – Using the dividend or profits from an investment to buy more of that investment, rather than receiving a cash payment.
8. **Divestment** – Reduction of some kind of asset for financial, ethical or political objectives or scale of existing business by a firm.
9. **Hedge** – Investment to reduce the risk of adverse price movement in an asset.
10. **PIB** – Petroleum Industry Bill

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examined the concept of Merger and Acquisition; the overview of merger and acquisition of companies, reasons for merger and acquisition, economic gains of merger and acquisition, strategies of merger and acquisition, defensive mechanisms or tactics of merger and acquisition, common reasons for merger and acquisition failures, government regulations on merger and acquisition in Nigeria, reviewed related literature, as well as the theoretical framework of the study.

2.2 Overview of Merger and Acquisition of Companies

According to Igweike (2011) merger and acquisition have become a worldwide commercial or business phenomenon. They are popularly employed by investors, especially in the advanced countries of the world to engender large and financially viable companies, which in turn facilitate rapid growth and development of their economies. On the other hand, they are also employed in developing countries like Nigeria, where the unfolding scenario today requires the pooling together of resources for more optimal use in order to ensure survival, profitable growth and economic rationalization etc.

Akinsulire (2006) asserted that the first successful merger in Nigeria was between A.G. Leventis & Co. Ltd. and Leventis Stores Ltd. However, the most celebrated one was that between Lever Brothers Nigeria Ltd. (a quoted company) and Lipton Nigeria Ltd. (a private company) in 1984.

Similarly, a number of companies used merger and acquisition to survive and grow during global financial crisis from 2008 to 2012. During this crisis, some banks merged while others were acquired in order to deleverage failing balance sheet that otherwise may have put them out of business.

The global economy has become increasingly dominated by large companies with the scope of their operations going beyond the national borders of the countries, where they were originally incorporated. This has ultimately resulted in many of these companies becoming global or multinational. The main objective of these multinational companies is to achieve profit maximization by dominating the global market. When a company dominates a market, it is able to maximize profits through increased sales and resort to other sources of growth.

2.3 Merger and Acquisition Defined

The term “Merger and Acquisition” are often used interchangeably in general discussion of business combinations, they are however in strict technical sense different. These two business terms have been defined by various scholars from different perspectives.

Merger

According to Pandey (2004) merger is said to occur when two or more companies combined into one company. One or more companies may merge with an existing company or they may merge to form a new company. In merger, there is complete amalgamation of the assets and liabilities as well as shareholders’ interests and the businesses of the merged companies.

Aborode (2005) saw merger in the light of the definition of Companies and Allied Matters Act (CAMA) 2004 as amended; as an amalgamation of the business undertakings or part thereof of two or more companies into one of the companies or a new company.

Akinsulire (2006) defined merger as the situation where two or more companies combine together to form a larger business organization.

Gaughan (2007) succinctly sees merger as a combination of two or more organizations into a larger organization. He also stated that such actions are commonly voluntary and often results to a new organizational name.

Olowe (2008) defined merger as an amalgamation between two separate companies to form a single company.

Kurfi (2008) also viewed merger as the integration of two or more companies that decide to combine and choose either the name of one of the companies or completely take a new name.

According to Aborode (2005) merger may take two forms, either through absorption or consolidation.

a. Absorption

Absorption is achieved through the combination of the assets and liabilities of two or more companies into an existing company. In a merger through absorption, all the companies except one lose their identities. Even though this form of business combination is legally simple, it requires the approval of the majority shareholders of the companies involved.

b. Consolidation

Consolidation is achieved through the combination of the assets and liabilities of two or more companies into a new company. In a merger through consolidation, all companies are legally dissolved and a new entity is created.

Acquisition

According to Pandey (2004), acquisition is an act of acquiring effective control over assets or management of a company by another company without any combination of businesses.

Aborode (2005) said an acquisition by the definition of Companies and Allied Matters Act (CAMA) 2004 as amended, is the acquisition of enough shares of one company by another such that the acquiring company is placed in a position to exercise control over the affairs of the acquired or target entity. In this regards, the acquired company need not lose its identity.

Akinsulire (2006) defined acquisition as the purchase of controlling shares in another company.

Gaughan (2007) succinctly sees acquisition as the purchase and total takeover of all the property (assets and liabilities) of the purchased institution.

Olowe (2008) defined acquisition as the purchase of controlling interest in one company by another company.

Kurfi (2008) also viewed acquisition as an act of acquiring effective control by one company over the assets and management of another company without necessarily combining the companies.

Thus, in an acquisition, two or more companies may remain independent, separate legal entities, but there may be changes in the control of the companies, such that the company in which controlling interest is acquired becomes a subsidiary of the bigger company. When an acquisition is forced, it is called a hostile takeover but when the management of the acquiring and target companies mutually and willingly agreed to the takeover, it is called a friendly takeover.

In addition, when the shares are closely held by the private company, the acquisition would be by agreement with the shareholders that have majority shares in that company, but where the target company is a publicly held company, the takeover bid takes effect by any of the following means:

- An agreement between the acquirer and the controllers of the target company.
- By purchase of shares on the stock exchanges.
- By means of takeover bid.

Base on the various definitions rendered so far, one can deduce that there is difference between merger and acquisition.

2.4 Types of Merger

Kurfi (2008) identified the major types of merger as follows:

a. Horizontal Merger

This is a combination of two or more companies in the same type of production or distribution or area of business. Horizontal merger is also referred to as replicative merger in

that companies that are in competition with one another would merge to form a single entity to benefit from synergy, economies of scale etc. The combination of two or more banks or two or more textile companies is a very good example of horizontal merger.

b. Vertical Merger

This is a combination of two or more companies involved in the different stages of production or distribution to complement one another. In this type of merger, the companies involved are not in competition with one another but have a buyer-seller relationship. Examples would be the combination of a poultry farm with a poultry feed mill or merging a spinning company and a weaving company. When a company combines with the customer, it is known as forward merger and when it combines with the supplier of material, it is known as a backward merger. Vertical merger is sometimes referred to as complementary merger.

c. Conglomerate Merger

This is a combination of companies engaged in unrelated lines of business activities. The companies involved are not in competition with one another, nor do they have buyer-seller relationship. Example would be the merging of textile firm, Cement Company, Soft Drink Company and book publishing company.

2.5 Reasons for Merger and Acquisition

According to Lawal, K. and Ibrahim, K. (2013), there is a general belief that merger and acquisition are strong strategic decisions for stimulating growth. A number of reasons are attributed to the emergence and increased number of merger and acquisition. The followings are the possible motives behind merger and acquisition:

- To limit the extent and intensity of competition.
- To achieve diversification.
- To overcome the problem of slow growth and profitability.
- To utilize the underutilized market power.
- To establish a transitional bridge head without excessive start up cost to gain to foreign market.
- To utilize the underutilized resources in a way that will enable organizations to achieve set goals and objectives.
- To gain economies of scale and increase income due to cost reduction in operations.

2.6 Economic Gains of Merger and Acquisition

Base on the empirical evidence and experiences of certain companies, Pandey (2004) identified the benefits of merger and acquisition as follows:

a. Accelerating Growth

Accelerating a company's growth, particularly when its internal growth is constrain due to paucity of resources. Internal growth requires that a company should develop its operating facilitations – manufacturing, research, marketing etc., but lack of adequate resources and time needed for internal development may constrain a company's pace of growth and survival. Hence, a company can acquire production facilities as well as other resources from outside through merger or acquisition in order to accelerate its growth.

b. Enhancing Profitability

The combination of two or more companies may result in more than average profitability due to cost reduction and efficient utilization of the resources. This may happen because of:

- ***Economies of scale***

Economies of scale arise when an increase in the volume of production leads to a reduction in the cost of production per unit. This is because with merger or acquisition, fixed costs are distributed over a large volume of production causing the unit cost of production to decline.

Scale effects may also arise from other indivisibilities such as production facilities, management functions and management resources as well. This is because a given function, facility or resources is utilized for a large scale of operations by the combined firms.

- ***Operating Economies***

Operating economies arise because a combination of two or more firms may result in cost reduction due to efficient utilization of resources. In other words, a combined firm may avoid or reduce over-lapping functions and consolidate its management functions such as manufacturing, marketing research and development and thus, reducing operating costs. For example, a combined firm may eliminate the duplication of channels of distribution, or create centralized training center or introduce an integrated planning and control system.

- **Synergy**

Synergy implies a situation where the combined firm is more valuable than the sum of the individual combining firms. It has a special alchemy of one plus one equals to three ($1+1=3$). It also refers to benefit other than those related to economies of scale. Operating economies are one form of synergy benefit. But apart from operating economies, synergy may also arise from enhanced managerial capabilities, creativity, innovativeness, research and development as well as marketing coverage capacity due to the complementary of resources, skills and a widened horizon of opportunities.

- c. Diversification of Risks**

Diversifying the risks of a company, particularly when it acquires those businesses, whose income streams are not correlated. Diversification implies growth through the combination of firms in an unrelated line of business. It results in reduction of total risks through substantial cyclicity of operations. The combination of management and other systems strengthen the capacity of the combined firm to withstand the severity of unforeseen contingencies which could otherwise endanger the survival of the individual companies.

- d. Limiting the Severity of Competition**

Merger and acquisition limits the severity of competition by increasing the company's market power. A merger can increase the market share of the merged firm. This improves the profitability of the firm due to economies of scale. The bargaining power of the firm as regards to labour, suppliers and buyers is also enhanced. The merged firm can exploit technological breakthrough and price wars.

e. Utilization of Tax Shield

When a company with accumulated losses merges with a profit company, it is able to utilize tax shield. A company having losses will not be able to set off against future profit, because it is not a profit making unit. On the other hand, if it merges with a concern of making profit, then the accumulated losses of one unit will be set off against the future profit of the other unit. In this way, the merger will enable the concern to avail tax benefit.

f. Survival Strategy

Corporate restructuring through merger and acquisition is very beneficial in a declining industry, where firms are struggling to stay afloat by ensuring their survival.

g. Financial Benefit

Merger and acquisition also result in financial benefits for firms in the following ways:

- **Eliminating Financial Constraint**

A company may be constrained to grow internally due to shortage of funds; such company can grow externally by acquiring another company through exchange of shares and thus, release the financial constraints.

- **Enhancing Debt Capacity:** This is because two or more companies can bring stability of cash flows which in turns reduces the risk of insolvency and enhances the capacity of the new entity to service large amount of debts.

2.7 Process of Merger and Acquisition

Merger and acquisition process is a great concern for all companies that intend to go for a merger or an acquisition. This is so, because the process of merger and acquisition is the most challenging one, when it comes to corporate restructuring. One wrong decision can actually reverse the effects in an unimaginable manner. It should certainly be followed in a way that a company can gain maximum benefits from the deal. (Wachowicz and Horne, 2005)

The process of merger and acquisition are briefly explained below:

a. Business Valuation

Business valuation includes the assessment of the market value of the target company. In this process, not only the current financial performance of the company is examined but also the estimated future market value is considered. The company which intends to acquire the target firm engages itself in an analysis of the target firm's business history. The products of the firm, its capital requirement, organizational structure, corporate culture etc., are strictly reviewed.

b. Proposal Phase

After complete analysis and review of the target firm's market performance, in this second step, the company sends a proposal for a merger or an acquisition with complete details of the deal. Generally, this proposal is sent through a non – bidding offer document.

c. Exit Plan

When any company decides to sell its operations, it has to undergo the stage of exit plan. The company has to take firm decisions as to when and how to make the exit in an organized and profitable manner. In this process, the management has to evaluate all financial and other business issues like taking a decision of full sale or partial sale along with evaluating various options of reinvestments.

d. Structuring Business Deal

After finalizing the exit plan, the new entity or the takeover company has to take initiatives for marketing and create innovative strategies to enhance business and its credibility. The entire phase emphasize on structuring of the business deal.

e. Stage of Integration

This stage includes both firms coming together with their own parameters. It includes the entire process of preparing the document, signing the agreement and negotiating the deal. It also defines the parameters of the future relationship between the two.

f. Operating The Venture

After signing the agreement, the final stage is operating the venture. This operation is attributed to meet the said pre-defined expectations of all companies involved in the process. The merger and acquisition transaction after the deal includes all the essential measures that work to fulfill the requirements and desires of the companies involved.

2.8 Strategies of Merger and Acquisition

Igweike (2011) succinctly sees a strategy as a method or plan chosen to bring about a desired future. Strategies play an integral role, when it comes to merger and acquisition. A sound strategic decision and procedure is very important to ensure success in the achievement of desired goals and objectives. Every company has different cultures and also follows different strategies to define their merger. Some take experience from the past associations, some take lessons from the associations of their known businesses, and some hear their own voice and move ahead without wise evaluation and examination. Below are some of the essential strategies of merger and acquisition:

- a.** First and foremost is the determination of the business plan drivers. It is very important to convert business strategies to set of drivers or source of motivation to help the merger and acquisition succeed in all possible ways.
- b.** There should be a strong understanding of the intended business market, market share, technological requirements and geographical location of the business. The company should also understand and evaluate all the risks involved and the impact of the business.
- c.** Then, there is also an important need to assess the market by deciding the growth factors through future market opportunities, recent trends, and customer's feedback.
- d.** The integration process should be taken in line with the consent of the management from both companies venturing into the merger or acquisition.
- e.** Restructuring plans and future parameters should be decided with exchange of information from both ends. This involves considering the work culture, employees selection and the working environment as well.

- f. At the end, ensure that all those involved in the merger including management of the target companies, stakeholders, board members, and investors agree on the defined strategies. Once approved, the merger or acquisition can be taken forward to a finalizing deal.

2.9 Defensive Mechanisms or Tactics of Mergers and Acquisitions

Lawal, K. and Ibrahim, K. (2013) stated that every company is potentially opened to takeovers through a tender offer. However, target companies in practice adopt a number of defense mechanism to prevent hostile takeovers. The followings are some of the defense strategies:

a. Divestiture

This is a situation where the target company divest or spins off (creating a subsidiary out of its business) some of its businesses in the form of independent subsidiary company in order to reduce the attractiveness of the company to potential bidders or acquirers.

b. Poison Pills

The target company may issue substantial amount of convertible debentures to its current shareholders to be converted in the future when it faces takeover threat. This automatically increase the voting right of shareholders which will make the task of bidders difficult.

c. Green Mail

The management of the target company may offer the bidder for its shares, at a price higher than the market price. Such incentive prevents the bidder from pursuing the takeover.

d. White Knight

This occurs when management of the target company offers the company to be acquired by a friendly company to prevent hostile takeovers. The aim is to retain the management of the company.

e. Golden Parachute

This refers to a situation where a company offers large compensation to its management teams in the case of takeovers. This increases the cost of acquisition and reduces resistance to take over.

f. Shark Repellants

This refers to an amendment of the company's Article of Association and Memorandum of Association in such a way as to increase the margin of majority votes in an Annual General Meeting required for approving a takeover. This makes a takeover very difficult to potential bidders.

g. Pac Man Defense

This is an anti-takeover device in which the target firm also tries to buy up the acquiring company shares.

h. Lock up Defense

This arises when the target company granted a third party the right to buy the firm's most valued assets (Crown Jewel) in order to discourage the acquiring firm from going ahead with the bid.

2.10 Common Reasons for Merger and Acquisition Failures

Muller (2013) is of the view that merger and acquisition have always kept the interest of investors alive. He also stated that merger may prove to be very beneficial depending on the strategies adopted but it would not be right to say that all merger and acquisition have been successful. Some of the reasons behind merger and acquisition failures are:

a. Inadequate Evaluation of the Target Company

If the acquiring firm did not do its homework properly in the due diligent process, failure is bound to occur. It may overlook important information, such as the tax consequences of the transaction, the cultural differences between the firms, capital structure and all other aspect necessary to meld the two workforces.

b. Large Debts

If firms incurred large amount of debt in order to make the acquisition happen, the likelihood of bankruptcy is increased. The firms' credit ratings may be downgraded which increases the interest costs, and it may preclude investments in important activities such as research and development, human resource training, marketing etc.

c. Integration Difficulties

The corporate cultures of the two might be too different. There may be problems with developing and integrating both financial and control systems. The status of the new acquired firm's executive can be a challenge, and the loss of key personnel could weaken the merged or acquired firm's capabilities and reduce its values.

More insight to the failure of merger and acquisition is found in the highly acclaimed study of McKinsey, a global consultancy. The study concludes that companies often focus too intently on cutting costs following merger while profits suffer. Merging companies can focus on integration and cost – cutting so much that they neglect day-to-day business, thereby prompting nervous customers to flee. This loss revenue momentum is one reason; so many merger and acquisition fail to create value for shareholders (Akpan, 2006).

2.11 Government Regulation of Merger and Acquisition in Nigeria

Merger and acquisition may generate into the exploitation of shareholders, particularly minority shareholders. They may stifle competition and encourage monopoly.

Akinsulire (2011) identified the followings as the regulatory authorities of merger and acquisition in Nigeria.

a. The Securities and Exchange Commission (SEC)

The Securities and Exchange Commission (SEC) is charged with the responsibilities of reviewing, approving and regulating of all forms of business combinations. This is also amplified in companies and Allied Matters Act 1990 (section 591 - 593).

The SEC ensures that merger and acquisition does not restrain competition and create monopoly power. It strives to eliminate imperfections and abuses that are detrimental to the orderly development of the economic and financial system.

b. The Nigerian Stock Exchange (NSE)

The approval of the Nigerian stock exchange (NSE) is required where both or only the acquiring company is listed on the exchange. An application is made to the exchange to admit new shares that may have to be issued to replace those that ought to be cancelled.

c. The Federal Board of Inland Revenue (FBIR)

This relates to tax situation in respect of the value of transferred assets and capital gains tax.

d. The Federal Ministry of Finance (FMF)

In any merger, where foreign shareholders are involved, the Federal Ministry of Finance (FMF) gives dispensation to the foreign shareholders with regards to approval status for the shares held in the acquiring company.

e. The Federal High Court

All merger and acquisition require the approval of the Federal High Court before it is binding on the shareholders.

2.12 Empirical Studies on Mergers and Acquisitions

Robin (2015) asserts that Merger in the industry saw a “decrease in terms of deal value and volume in the first quarter of 2015 compared to the fourth quarter of 2014, as the drop in oil prices continued to impact company’s growth strategies”. PWC said, “While the decrease in deal activity was consistent with first quarter historical trends, corporate deals surpassed asset transactions for the first time since 2010”.

When global crude oil prices almost halved to around \$60/bbl in the past years, slashing company values forcing budget cuts and putting more than \$150 billion of oil and gas exploration project at risk, many small-level companies became at risk for budget by the

mergers. The dressed market presents an opportunity for well-capitalized operators and service companies to enhance their assets and capabilities with strategic acquisitions.

While some investors are taking a wait-and-see-stance, others are more bullish. For example, in April, shell offered to acquire BG Group's entire share capital around \$70.2 billion. The board of both companies has recommended that their respective shareholders endorse the acquisition. Shell stated that the combination would accelerate its growth in global LNG and deep water E & P particularly in Australia and Brazil, and would add around 25% of Shell's proven oil and gas reserves and 20% of its production, each on 2014 basis.

Cenegize(2015) reportedthat:It is clear that the oil price fall is an issue in itself. In 2008, for example, the oil price fell by almost 40% without seriously impacting on the oil & gas sector, no significant change in the M&A activity has resulted. The reason is that oil & gas is fundamentally a long term industry. The key drivers of shareholder value are the economic viability of reserves, production profile as well as exploitation and drilling costs, production hedging. Though this sector is also cyclical, energy price volatility can be misleading and not meaningful as it does not directly impact any long term shareholder value driver

However, the unexpected fall in price by more than 50% over a year does not appear to be short term. Forward price curves and recent paper research by banks and other economic institutions indicate price stabilization below \$50 in 2015 before eventually rising slightly above \$70 by 2017 for Brent, down from \$80 and \$90 respectively as forecasted about a year ago. The failure to properly account for the risks that prompted

the downward movement in oil prices led to sharp market correction between July 2014 and January 2015, with Dow Jones oil & gas index falling by more than being caught by surprise – oil & gas industry company managers also failed to identify these risks. Though it would be unfair to blame managers for the effect of forces out of their control, credit will be given to managers that can profit from this situation.

Mergers & Acquisition activities may emerge from this unexpected new context and, if properly executed, they could prove to be value creating. But if cheap oil is a potential game changer, its impact on the sector can only be assessed in its specific economic and financial context.

David(2014) was of the opinion that for decades American oil & gas were preoccupied with scarcity. But in recent years, the growing realization that huge volumes of oil & natural gas could be effectively extracted from beneath the contiguous 48 states that has reset the deal making priorities of nearly every segment of the energy industry.

Discover of crude oil in all 48 states and lifting of ban on the US Shale has made crude oil abundant and therefore will likely prompt more mergers in the oil and gas sector to reduce wastages on production

“If you go back six years, the U.S. onshore viewed it as very matured with limited upside”, said Stephen. Trauberglobal head of energy banking at Citi group. To the extent there was growth in the U. S., it was in the Gulf of Mexico. But the development of fracking technology and horizontal drilling the reserves that were in the U. S. has been unlocked.

As a number of merger and acquisition in recent months demonstrates, energy company executives say they believe that the shale revolution is here to stay.

“The industry is in the midst of significant transformation as companies position themselves to be able to develop and exploit unconventional resources”, said Robb McCeney, a partner in pricewaterhouseCoopers energy price. The most recent of such deal came in late September, when the German engineering conglomerate Siemens agreed to pay more than \$6billion for Dresser-Rand, a Houston-based maker of equipment used for hydraulicfracturing or fracking. Siemens already produces some products for the oil industry, but, its deal for Dresser-Rand will expand its offerings markedly.

Also Blumental (2014) reviewed china’s economy observing that: China’s accession to the world trade organization in 2001 spurred the country’s continued economic growth and with increased demand for energy and natural resources as an input for export-oriented, often energy-intensive manufacturing as well as fueling the new cars and other products for the urban middle class. Early transactions tended to be acquisitions of oil & gas assets from companies, often one-off transactions and relative to the complex transactions of recent years quite small. The sellers and deal counter parties were often smaller, privately held upstream companies rather than publicly listed global players of similar size to the Chinese SOEs. In few instances international oil companies exercising right of first refusal.

The global economic slowdown that ensued in late 2008 created opportunities for Chinese energy companies with their ready access cash to pursue larger, more complex

deals with a smaller universe of potential buyers and often under pressure to monetize assets. International oil companies now viewed Chinese energy companies as attractive potential buyers for negotiated deals and as strategy joint venture partners.

Deloitte (2013) argues that Business acquisition in the oil and gas industry often includes assets that may affect purchase price allocation and the resulting accounting. Important accounting consideration related to purchase price allocation include understanding the nature of the properties identifying intangible assets in the transaction and accounting for income taxes in a business combination.

Moderated discussions by Paul Horak, Deloitte's U. S. AERs oil and gas audit leader said: The United States continues to be the largest market for M & A activity, with U. S. transactions accounting for approximately 46 percent of global deals. North America seems to be hotspot for M & A activity accounting for about two-third of all transactions.

M & A has since increased especially in the developed world where there are more opportunities like in the US.

However, through the first half of 2013, M & A activity seems to have slowed both in the oil and gas industry and throughout the world. Some cited challenges in accessing capital markets as one of the root causes, while others believe to be a weaker global economic condition. Still others believe that the strong push to complete transactions during the final quarter of 2012 may have affected M & A activity in the first part of 2013

There are three drivers that led to the record asset deal: sustained strength in oil prices reinforced by growing confidence in the economy, large packages of attractive producing assets on the market and low natural gas prices in North America in 2010. Many oil and

gas companies moved to restructure, refocus or expand their portfolio as an improving global economy endangered confidence in steady high prices. National oil companies seize the opportunity to purchase hard assets in a strategic expansion of their global natural resources holdings in addition, He said; continued low North American natural gas prices provided attractive opportunities for well-financed new entrants to invest in shale and tight sand play. At the same time rising equity prices made the pursuit of corporate acquisitions more expensive.

KPMG, 2011 saw that Merger and Acquisitions within the renewable energy has been surged to over 70 percent, showing that M&A has become a major management strategy of firms, not only in general, but also specifically in the renewable energy sector. Acquiring firms enable the acquirers to strengthen their competitiveness in the market

Merger and Acquisition has become the order of the day in a good number of sectors as the case may be, also in the oil & gas sector

Eisenbanchi et al. (2011) categorized M&A in the renewable energy sector that occurred between 2000 to 2009 by energy and size of the acquirer. Financing significant effect in solar energy firms and smaller acquirers.

Large firms acquire smaller ones due to its sufficient fund to prevent it from going extinct

INSEAD 2011 reported that: Philips added that if two firms merge in a field already owned by established firms producing similar products, then nothing new may be produced by the merging firms. However, if the firm is already a competitive product stage, it may be able to merge with a somewhat distinct firm that allows it to produce products that are produced by rival firms.

Mergers of similar firms in an industry are known as horizontal merger. It is basically done to reduce competition.

In February 2014 FBN Holding Plc. acquisition of Oasis insurance Plc. FBN Holdings through its subsidiary- FBN Life Assurance Limited acquired majority stake of 4,630,595 ordinary shares of 0.50kobo each, representing 71.2% of the total issued ordinary share capital of Oasis insurance Plc. The acquisition was effected through the execution of a share sale and purchase agreement with the majority shareholders of Oasis insurance. According to FBN, the acquisition was strategically aimed at diversifying FBN Holdings' business into general insurance service offerings, complement its existing life assurance with a range of general insurance product with a plan to FBN Holdings insurance penetration in Nigeria which will further enhance efficiency and probability.

Diversification is a benefit of Merger & Acquisition deal – FBN Holdings diversified into general insurance services that further enhanced its efficiency and profitability

A major business combined initiated on the July 2014, where shareholders of Lafarge cement WAPCO Nigeria Plc. (Lafarge WAPCO) overwhelming approved the creation of Lafarge Africa Plc., by approving the consolidation of Lafarge's Nigerian and South African assets with Lafarge Africa as a holding company to be listed on the Nigerian stock exchange (NSE). The emerging new holding company, Lafarge Africa, will be the 6th largest firm listed on the NSE in terms of market capitalization put above \$3billion

There is apparently an improved growth in WAPCO Nigeria PLC. due to merger of two companies as it was in the case of Total Nigeria PLC.

Damilare(2015) asserts that; Thee Royal Dutch Shell popularly known for its gasoline stations merged with BG group Plc. a big natural gas specialist, for about \$70 billion cash in stock April 2015. Royal Dutch shell and Britain's BG group mergers is the biggest in the energy industry. According to shell, the merger is expected to create a company with more than 25% more oil and gas reserves, add 20% to its production and allow shell expand its project to East African and Latin America. BG shareholders are also expected to own about 19% of the combined company which will have a market capitalization of about \$240 billion

Merger & Acquisition allows for expansion of business and is expected in the case of Royal Dutch Shell

London news (2015), announced that the oil and gas sector increased uncertain energy policies, geographical complexities cost management and climate change all present significant changes. Thereby increasing cost of operation, which will in turn prompt smaller industries to think of profitable or more effective mergers or to be acquired.

The PIB was passed last year in the Nigerian Senate making policies more stringent and compelling players to abide by it rules and regulations and punishing perpetrators. General insecurity in the Oil regions in the country hinders exploitation thereby limiting the quantity to be exploited and reducing income generation. Income generation is also lost due to illegal bunkering and increased management cost making it a bit difficult for smaller players in the industry to survive on their own. Which makes them go in search of firms to acquire them

Pade 2014 commented on its M&A strategies saying; the CEO, Oando energy Resources Inc., executed its growth strategy by acquiring the Nigerian upstream business of Conocophilipscompany and our continued focus over the near term will be optimizing the performance of the key assets. While the acquisition propelled sizeable components in our production base, we also invested in our legacy asset, which will support further organic production growth in the near future. In the wake of the acquisition we have acted on a number of opportunities to improve our balance sheet including converting debt to equity and, subsequent year end, resulting in our hedging program which contributed \$234million of the \$238million debt reduction in a \$50 per barrel environment.

One of the benefits to be achieved from mergers & acquisition is to improve a company's balance sheet and convert its debt to equity which is also expected in the near future as a result of mergers Oando energy resources Inc.

OIL COUNCIL 2015 reported; with commodities hitting lows for the current decade. Companies becoming even more focused on capital discipline, significant currency movements and increasing financial pressure on certain industry players. 2016 is likely to see a renewed level of M&A activity across the oil & gas sector globally.

There is certainly likelihood of more mergers if the oil price continues to go down or even remain stable. Projects are not carried out unnecessarily and/or currencies are moved only to vital areas in the industry due to increased financial pressure in the industry and the economy

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The collection, analysis and presentation of data are critically for any research study. Therefore, the purpose here is to give analysis of the procedures, methods and techniques available for the collection and analysis of data. Selection of the appropriate techniques for this research and then justifying the selected techniques to be used since the use of appropriate techniques and method makes the research work more reliably objective and acceptable.

3.2 Research Design

Experimental research method would be adopted in order to test formulated hypothesis based on the data collected. Data collected must however, be presented in an orderly and easily understandable manner. This form the basis for the purpose of using table to summarize the data collected.

3.3 Data Required for the Study

The data of the sample companies with view to determine the nature and extend of the relationship that exist among the variable.

1. Gross earnings
2. Profit after tax

3.4 Method of Data Collection

Data were sourced and collected for this research work mainly through the secondary sourced and were obtained from the financial statement of the company in their annual reports for the period under investigation and the Federal Inland Revenue Service publications.

3.5 Population/Sample Size

A times series data between 1993-2013 was used for the data analysis. However the data was divided into two. That is, (1993-2000) represents the pre-merger period and (2001-2013) representing the post-merger period.

3.6 Method of Data Analysis

The following methods were adopted in the course of the data analysis;

a. Reliability Test:

The **cronbach Alpha** test was used to test the reliability of the data as well as the internal consistency of the data. Alpha was developed by Lee Cronbach in 1951 to provide a measure of the internal consistency of a test or scale; it is expressed as a number between 0 and 1. Internal consistency describes the extent to which all the items in a test measure the same concept or construct and hence it is connected to the inter-relatedness of the items within the test. Internal consistency should be determined before a test can be employed for research or examination purposes to ensure validity. In addition, reliability estimates show the amount of measurement error in a test.

b. Test Of Hypothesis:

The test of hypothesis was carried out using the paired t-test. This test was adopted because of the fact that the sample was drawn from the same population and more so, it seeks to establish the statistical significance difference between the pre-merger and post-merger periods of the company under study.

Paired-samples t-test (also referred to as repeated measures) is used when you have only one group of people (or companies, or machines etc.) and you collect data from them on two different occasions, or under two different conditions. Pre-test/post-test experimental designs are an example of the type of situation where this technique is appropriate. Assessment of each person on some continuous measure at Time 1, and then again at Time 2, exposing them to some experimental manipulation or intervention. This approach is used also when you have matched pairs of subjects (i.e. each person is matched with another on specific criteria, such as age, sex). One of the pair is exposed to Intervention 1 and the other is exposed to Intervention 2.

Decision Rule 1

Accept null hypothesis when $p\text{-value} \geq .05$

Reject null hypothesis when $p\text{-value} \leq .05$

Note: With 0.05 being the level of significance

Decision Rule 2

With reference to the t-distribution table, considering the degree of freedom and level of significance, the acceptance regions/range for H_0 is defined. Hence, any calculated t-value that falls into the acceptance region indicates no significant statistical difference (Accept H_0) while t-value outside this region means that there is significant statistical difference between the variables (Reject H_0).

c. Effect Size

There is more to research than just obtaining statistical significance. What the probability values do not reveal is the degree to which the two variables are associated with one another. With large samples, even very small differences between groups can become statistically significant. This does not mean that the difference has any practical or theoretical significance.

One way that one can assess the importance of finding is to calculate the 'effect size' (also known as 'strength of association'). This is a set of statistics which indicates the relative magnitude of the differences between means. In other words, it describes the 'amount of the total variance in the dependent variable that is predictable from knowledge of the levels of the independent variable' (Tabachnick&Fidell, 2001, p. 52). There is a number of different effect size statistics, the most common of such is eta squared. Eta squared represents the proportion of variance of the dependent variable that is explained by the independent variable. Values for eta squared can range from 0 to 1. To interpret the strength of eta squared values the following guidelines can be used (from Cohen, 1988):

.01=small effect;
.06=moderate effect; and
.14=large effect.

Eta squared can be obtained using the following formula:

Eta squared = $\frac{t^2}{t^2 + N - 1}$
where t = t calculated value.
N= sample size.

Summary

This chapter is undoubtedly the main study of our research work simply because it set out the methodology of the study, sources of data, method of data collection and method of data analysis. Such methods will be carefully undertaken with the aim of achieving reliability, validity and general acceptability in the findings and conclusion of the research. The next chapter will present the analysis and interpretation of the data so collected.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is aimed at presenting and analyzing data in line with the various variables covered by the investigation of merger and acquisition: as a growth strategy in the Oil and Gas sector.(Acase study of Total Nigeria PLC).

4.2 Data Presentation and Analysis

The data obtained from the financial statement of the company during the pre-mergers and post mergers experiences were analyzed based on the following;

Reliability Test

Table 1.1

Reliability Statistics

Cronbach's	N	of
Alpha	Items	
.791	6	

Source: SPSS output.

Discussion on result:

From the above result, where Cronbach Alpha shows 0.791 is concluded that the data is reliable and internally consistent using George and Mallery (2003)rule of thumb, 0.791 is considered Acceptable and good

4.3 Test of Hypotheses:

Hypothesis 1: There is no significant difference in Gross Earnings in the pre and post-Merger period.

Table 1.2

	PRE MERGER Gross earnings(#,000)	POST MERGER Gross earnings(#,000)	t	df	Sig.(2 tailed)	Paired Standard Dev.
MEAN	3191571.50	12986690.25	-8.078	7	.0001	3429612.25
S/Dev.	1526633.955	45347161.989				

Source :SPSS Output

Discussion on result:

The table above discussed the performance of Total Nig. Plc in terms of Gross earnings for the pre and post-merger period. It was discovered that the average gross earnings before the merger was #3,191,571,500 while the post-merger period witness an average Gross earnings of #12,986,690,250. Hence, it may be viewed that Total Nig. PLC performance has improved now compared to the pre-merger period with sharp difference in the average Gross Earnings of #9,795,118,750. However, the S/Dev. figure (3429612.25)further explains the variation between these two periods.

The p-value of (.0001) is lower than the significance level of 0.05, This therefore means that H_0 is rejected. This may further be confirmed with reference to the t –table of

distribution at 0.05 level of significance, with 7df. The critical/table value is (2.36). This value is required for rejection or upholding the H_0 at 2-tailed, this means that the acceptance region is between +2.36 and -2.36. Hence, since the calculated $t(-8.078)$ which falls outside the acceptance region, H_0 is therefore rejected which establishes the fact that there is significant difference in Gross Earnings in the pre and post-Merger period. Therefore, this indicates that mergers and acquisition remains a growth strategy for the oil and gas sector.

Test of Association

The test of effect size was done using the Eta square. However, Eta squared can be obtained using the following formula:

$$\text{Eta squared} = \frac{t^2}{t^2 + N - 1}$$

$$\text{therefore, Eta square} = \frac{(-8.078)^2}{(-8.078)^2 + 8 - 1} = \frac{65.254084}{65.254084 + 7} = \frac{65.254084}{72.254084} = 0.9031196631$$

$$\text{Eta square} = 0.90 \text{ or } 90\%$$

The Eta square of (.90) means that there is a statistical significant difference between the pre and post-merger era but that there is a relative large magnitude of the differences between the means.

This therefore, represents the proportion of variance of the dependent (growth of oil and gas sector) variable that is explained by the independent variable (mergers and acquisition). This indeed establishes the fact that mergers and acquisition have larger effect on the growth of the oil and gas sector

Hypothesis II: There is no significant difference in profit after tax in the pre and post-merger period

Table 1.3

	PRE MERGER Profit after tax (#,000)	POST MERGER Profit after tax(#,000)	t	df	Sig.(2 tailed)	Paired Standard Dev.
MEAN	1426050.00	4856158.38	-15.006	7	.0001	646533.508
S/Dev.	875428.445	1397777.812				

Source: SPSS output

Discussions from the result:

From the above result, the average profit after tax of Total NIG.PLC before the merger was #1,426,050,000, however, after the merger, the average profit after tax rose to #4,856,158,380 which indicates a difference of #3,430,108,380. This obviously establishes that there is a huge significant growth comparing the two periods. The paired S/Dev (646533.508) also shows that there is a variation in performance in these periods as well.

Testing the hypothesis using t-test, the p-value from the table is (.0001) which is lower than the .005 level of significance chose for the test. This therefore means that the H_0 is rejected and the alternative hypothesis H_1 is accepted which states that there is a significant difference in profit after tax in the pre and post-merger period. Furthermore,

this could also be verified with reference to the t –table of distribution at 0.05 level of significance, with 7df. The critical/table value is (2.36).This value is required for rejection or upholding the H_0 at 2.tailed, this means that the acceptance region is between +2.36 and -2.36.Hence, since the calculated t (-15.006) which is outside the acceptance region; H_0 is therefore rejected and H_1 accepted.

Test of Association

The test of effect size was done using the Eta square. However, Eta squared can be obtained using the following formula:

$$\text{Eta squared} = \frac{t^2}{t^2 + N - 1}$$

$$\text{Therefore, Eta square} = \frac{(-15.006)^2}{(-15.006)^2 + 8 - 1} = \frac{225.180036}{225.180036 + 7} = \frac{225.180036}{232.180036} = 0.9698509824$$

Eta square = 0.97 or 97%.

The Eta square of (.97) means that there is a relatively wide magnitude of difference in the Profit after tax of Total NIG.PLC. in the pre and post-merger era which is explained by the high figure of 97% obtained using the Eta square.

4.4 Summary of Findings

1. The result of the hypotheses tested shows that the selected companies witnessed improved performance adopting mergers and acquisition as growth strategy .On the overall, it may be concluded that the strategy of Merger and Acquisition as adopted by Total Nig. PLC and ELF Nig. PLC to enhance growth is paying off with the tremendous swell in the Gross earnings and profit declared after tax in the aftermath of the Merger.

2. The study also establishes the fact that there is significant difference in Gross Earnings in the pre and post-Merger period. Therefore, this indicates that mergers and acquisition remains a growth strategy for the oil and gas sector.
3. It also buttressed the fact that mergers and acquisition have larger effect on the growth of the oil and gas sector
4. The study confirms that there exist a significant difference in profit after tax in the pre and post-merger period

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Continuous growth and survival are the ultimate objectives of any organization and M&A is one of the forms of survival strategy. M&A activity is one of many adaptive and adjustment processes impacting firms throughout the world. This is the new dynamism of operating in a world of exploding technologies, moving into the knowledge and information age. Concentration will increase in some industries. It will decline in others. The oil and gas industry has long been in abundant source of merger and acquisition deals. Merger & Acquisition has given investors access to new technologies, diversification integration etc. Merger & Acquisition has also offered companies opportunities to improve operational efficiency, gain economies of scale and other cost synergies which are heavily sought during adverse economic and financial situation. The process of corporation of consolidation created some of the largest global corporation by the Forbes global ranking and as of 2007 all were within the top 25.

This study on mergers and Acquisition as a growth strategy in the oil and gas sector with Total Nigeria Plc as a case study has shown that the strategy of Merger and Acquisition as adopted by Total Nig. PLC and ELF Nig. PLC to enhance growth is paying off with the tremendous swell in the Gross earnings and profit declared after tax in the aftermath of the Merger. Looking at the gross earnings before merger N3,191,571,500 and the post-merger period which witnessed an average gross earnings of N12,98,690,250 which shows a sharp difference in the average Gross Earnings of N9,795,118,750 This therefore ascertains that there is a significant difference in Gross Earnings in the pre and post-

Merger period which makes it an effective growth strategy in the oil and gas sector. More so, the findings of this research effort established that there exist a significant difference in profit after tax in the pre and post-merger period which could be seen in the average profit after tax before mergers which was N1,426,050,000 and the average profit after tax after the mergers rose to N4,856,158,380. This indicates a difference of N3,430,108,380 which is a huge significant growth comparing the two periods.

5.2 Conclusions

Mergers and acquisition have been the prime reasons by which companies around the world have been growing. The inorganic route has been adopted by companies forced by immense competition, need to enter new markets, saturation in domestic markets, thrust to grow big and maximize profits for shareholders. Many researchers have shown significant findings out of their research. A number of studies have been done in various countries across the world to find out whether mergers and acquisitions create maximization of wealth for shareholders. The Nigeria oil and gas industry was not left out from this noble trend; it has recently registered itself in the global list of Merger and Acquisition through the outright purchase of assets from interested parties as well as series of divestment by the international oil companies (IOC's). The divestment according to experts was triggered by a number of factors like security concerns, fiscal policy issues and particularly surrounding the passage of the Petroleum Industry Bill (PIB).

It should be noted based on this research/study that the M&A that took place between Total Nigeria PLC and Elf Ltd. was successful based on the findings from the hypotheses tested shows that it increased gross earnings and profit after tax for the periods under

review; which makes it an effective growth strategy for the oil and gas sector. This effort could be seen in the company extension of its business through a network of over 500 outlets and corporate customers and organization that are served through five designed regions in Nigeria.

5.3 Recommendations

This study therefore recommends that companies in the oil and gas sector should engage in mergers and acquisition so as to tap into economies of large scale production, reduction in tax liability, better utilization of funds to increase profits, diversification of activities for stability and higher profits, achievement of progress and influence in the industry and increased productivity.

It will also go a long way in expansion of businesses in the oil and gas sector which will in turn result in tremendous growth as it was recorded in the case of Total Nigeria Plc and Elf Ltd.; which saw an expansion of its business network over 500 outlets and corporate customers and organization that are served through five designed regions in Nigeria.

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APPENDIXES

S/NO	GROSS PROFIT N 000	PAT N 000
1993	1,007,150	345,941
1994	2,044,203	857,574
1995	3,417,129	1,128,457
1996	2,800,683	837,845
1997	2,905,780	432,261
1998	2,616,786	693,854
1999	5,129,967	1,686,270
2000	5,610,874	1,395,472
2001	7,430,365	2,499,300
2002	7,965,818	2,514,087
2003	11,427,486	4,322,949
2004	9,169,187	2,778,904
2005	15,556,006	3,615,040
2006	16,268,507	2,516,693
2007	16,929,610	3,255,410
2008	19,146,543	4,393,162
2009	21,999,755	3,968,059
2010	21,027,182	5,436,638
2011	22,419,331	3,813,202
2012	25,054,500	4,670,917
2013	27,932,800	5,334,091

Source: Total NIG. PLC. Annual financial report publication

Reliability Statistics

Cronbach's Alpha	N of Items
.791	6

Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair1 PreMerger	3191571.50	8	1526633.955	539746.611
PostMerge	12986690.25	8	4534761.989	1603280.477

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PreMerger–PostMerger	-9795118.750	3429612.250	1212551.040	-12662346.344	-6927891.156	-8.078	7	.000

Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair1 PreMerger2	1426050.00	8	875428.445	309510.695
PostMerger2	4856158.38	8	1397777.812	494189.085

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1: PreMerger2 - PostMerger2	-34301.08375	64653.3508	22858.4114	-39706.23914	-28895.92836	-15.06	7	.000