

**MERGER AND ACQUISITION AS A STRATEGY FOR ENHANCING  
COMPETITIVENESS IN SERVICE DELIVERY**

**BY**

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**SEPTEMBER, 2018**

## **DECLARATION**

I hereby declare that this project has been written by me and it is a report of my research work. It has not been presented in any previous application for Master in Business Administration. All quotations are indicated and sources of information specifically acknowledged by means of references.

Abdulgafaru Lasade

## **CERTIFICATION**

This project entitle “merger and acquisitions as a strategy for enhancing competitiveness in service delivery” meets the regulations governing he award of Master in Business Administration (MBA) of the School of Postgraduate Studies of Nasarawa State University Keffi, Nasarawa State for its contribution to knowledge and literary presentation.

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## **DEDICATION**

This project is dedicated to God Almighty my provider and shield.

## **ACKNOWLEDGEMENTS**

All glory for his sufficient love for me all through my journey in this school and successful completion of my programme:

## TABLE OF CONTENT

Title page	-	-	-	-	-	-	-	-	-	-	-i
Declaration	-	-	-	-	-	-	-	-	-	-	-ii
Certification	-	-	-	-	-	-	-	-	-	-	-iii
Dedication	-	-	-	-	-	-	-	-	-	-	-iv
Acknowledgement	-	-	-	-	-	-	-	-	-	-	-v
Table of Contents	-	-	-	-	-	-	-	-	-	-	-vi
Abstract	-	-	-	-	-	-	-	-	-	-	-ix

### CHAPTER ONE

#### INTRODUCTION

1.1	Background to the Study	-	-	-	-	-	-	-	-	-	-1
1.2	Statement of Problem	-	-	-	-	-	-	-	-	-	2
1.3	Research Questions	-	-	-	-	-	-	-	-	-	-3
1.4	The Objective of the Study	-	-	-	-	-	-	-	-	-	-3
1.5	Research Hypotheses	-	-	-	-	-	-	-	-	-	-4
1.6	The Significance of the Study	--	-	-	-	-	-	-	-	-	4
1.7	Scope of the Study	-	-	-	-	-	-	-	-	-	-4
1.8	Definition of Operational Terms	-	-	-	-	-	-	-	-	-	-4

### CHAPTER TWO

#### LITERATURE REVIEW

2.1	Conceptual framework	-	-	-	-	-	-	-	-	-	-8
2.2.1	History of Merger and Acquisition in Nigeria	-	-	-	-	-	-	-	-	-	-9
2.2.2	Types of Mergers and Acquisitions	-	-	-	-	-	-	-	-	-	-10
2.2.3	Reason for Mergers and Acquisitions	-	-	-	-	-	-	-	-	-	-12
2.2.4	Parties to Business Combination	-	-	-	-	-	-	-	-	-	-16

2.2.5 Financing a Merger	-	-	-	-	-	-	-	-17
2.2.6 Factors Underling Successful Mergers and Acquisition Bids								-18
2.2.7 Procedure for Mergers and Acquisition in Nigeria	-	-						-21
2.2.8 Constraints on Mergers and Acquisition in Nigeria	-	-						-24
2.2.9 Legal Framework of Mergers and Acquisitions in Nigeria								-24
2.2.10 Successful Mergers Approved by the Securities and Exchange Commission (1982-1999)	-	-	-	-	-	-	-	-28
2.3 Empirical Review	-	-	-	-	-	-	-	-30
2.4 Theoretical Framework	-	--	-	-	-	-	-	-34
2.5.1 Neoclassical Theory	-	-	-	-	-	-	-	-34
2.4.3 Value Creation and Relationship	-	-	-	-	-	-	-	-37
2.5 Summary	-	-	-	-	-	-	-	-38

### **CHAPTER THREE**

#### **RESEARCH METHODOLOGY**

3.1 Introduction	-	-	-	-	-	-	-	-39
3.2 Research Design	-	-	-	-	-	-	-	-39
3.3 Population and Sample of the Study								-40
3.4 Method of Data Collection	-	-	-	-	-	-	-	-42
3.5 Method of Data Analysis	-	-	-	-	-	-	-	-42
3.6 Justification of Methods Adopted	-	-	-	-	-	-	-	-43

### **CHAPTER FOUR**

#### **DATA PRESENTATION AND ANALYSIS**

4.1 Introduction	-	-	-	-	-	-	-	-45
4.2 Data Presentation and Analysis	-	-	-	-	-	-	-	-46
4.3 Testing of hypothesis	-	-	-	-	-	-	-	-50
4.4 Discussion of Findings	-	-	-	-	-	-	-	-56

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1	Summary	-	-	-	-	-	-	-	-	-58
5.2	Conclusion	-	-	-	-	-	-	-	-	-59
5.3	Recommendations	-	-	-	-	-	-	-	-	-60
5.4	Areas for Further Research	-	-	-	-	-	-	-	-	-63
	Reference	-	-	-	-	-	-	-	-	- 66
	Appendix	-	-	-	-	-	-	-	-	- 69

## **ABSTRACT**

*This study examined merger and Acquisition as a strategy for Enhancing Competitiveness in Service Delivery. A descriptive survey was undertaken. The population of the study was Unilever Nigeria Plc which had participated in mergers and acquisition. Primary data was collected with the aid of semi-structure questionnaires that were administered by drop-and-pick method. The data pertaining to profile of the respondent and their respective organization was analyzed using content analysis. Data pertaining to the study objectives of the study was conducted using descriptive statistics. Chi-square and correlation statistical finding of the study further show that the following are the factors motivating mergers and acquisitions: acquisition of specific assests; economies of scale; managerial motives; risk reduction; declare in cost of capital; and economic of scope. The findings also indicate that mergers and acquisition is a source of synergy, the cost reduction that occurs as a result of a corporate combination and the ability of a firm to utilize one set of inputs to provide a broader range of products and services.*

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

The global economic meltdown facing the world since 1930s had been directed by world class financial expert as the deepest and longest recession in the post-war period. All the major industrialized nations share the sluggish performance characterized by declining growth rate, high inflation pressure, increasing unemployment rate and the shrinking of world trade with serious adverse consequence on the economics of developing countries.

This development was described by Maxwell J.C. (1980) as a “wild fire which is blazing away our business empire” This makes the business environment sick and impotent. The worst part of this is that it puts businesses on the path of decline both in operational efficiency and performance growth.

For businesses mostly in the financial sectors, report of increased profit and rise in shares and assets are apparent evidence of business success. therefore one is constrained to consider the genuine nature and validity of these reports. taking into consideration that the overall economic activities of a country determines the per capita income as operating below installed or expectation, then there is a problem.

The world is constantly changing likewise the consumer behaviour.

New products technologies, competition and world politics are the dynamics that constantly determine today's business world as business environment is fast changing and becoming more competitive.

Some companies are folding up and others are laying of staff as a result of operational hardship coupled with lack of ability to expand and tremendous decline in profit, one now has every right to say that we are trading on the path of economic doom in spite of growth being reported by some business notably in the financial sector of the economy.

In times like this, (hard times) the need crisis for business concerns to restructure their operations for survival and growth in response to change in dynamic environment. It is against the following background that this work seeks to scan how merger and acquisition can enhance competitiveness in service delivery.

## 1.2 **Statement of Problem**

Recession invariably arouses increasing interest in business failure. The indications are, or seem to be, that such failure is on the increase across the industrialized world. The hardness of environment, which has become more competitive leads to high mortality rate of most firms.

There is also decrease in Gross National Product. As a consequence of the aforementioned problems, there is need for merger and acquisition as a way out. Merger and acquisition still face numerous problems

because many organizations ignorant of what merger and acquisition entail with the result that majority of mergers and acquisition embarked upon failed. Mergers and acquisition can also result in creation of monopoly. In such situation, smaller firms are swallowed up by the major/giant ones. On the other hand the smaller firms could team and gang up into one and also creating monopoly. Foreign domination of business and earlier economic activities could fund avenues in mergers and acquisition in that most multinational corporation (MMCS) could seize this opportunity to forcefully take over local indigenous firm they feel constitute a threat to their interest.

### 1.3 **Research Questions**

- i. To what extend has merger & acquisition increased productivity?
- ii. To what extend has merger and acquisition influenced service delivery?

### 1.4 **The Objective of the Study**

The main objective of this research is to determine the role of merger and acquisition as a strategy for enhancing competitiveness in servicedelivery. otherspecific objectives are

- i. To examine the relationship between merger & acquisition and the increase in productivity.
- ii. To determine the significant relationship between merger and acquisition and service delivery

### 1.5 **Research Hypotheses**

The following hypotheses are generated to give direction to this Study.

H<sub>01</sub> There is no significant relationship between merger and acquisition and increase productivity.

H<sub>02</sub> There is no significant relationship between merger and acquisition and foreign domination.

### 1.6 **The Significance of the Study**

The study is significant because it discusses the role of merger and acquisition as a strategy for enhancing competitiveness in service delivery. The study highlights on the extent of merger and acquisition that is necessary for ensuring efficiency and effectiveness in the organization. The study will be of interest to various corporate organizations that have the need for merger and acquisition.

### 1.7 **Scope of the Study**

Inadequate fund, time and unavailability of data are the major constraint to the study, while the scope is within the confines of Unilever Nigeria Plc.

### 1.8 **Definition of Operational Terms**

Due to the frequency of their use throughout the context of this research, the researcher has gone so far as to define the following terms:

**Merger:**-Hampton (1977.5) defined merger as a combination of two or more businesses in which only one of the companies survives. The other cooperation gives out of existence and the first firm's assets and liabilities are taken over by the surviving co-operation.

**Acquisitions:-**This involves all businesses and corporate organizational and operational devices arrangement, which the ownership and independently operated business are brought under the control of single management.

**Consolidation:-**Denotes a combination of two companies in which both ceases to exist and a new company emerges, This is the union of two or more formerly independent business firms into new third under single ownership. The new firms take over the assets and customers of the constituent firm, which are then dissolved. Unlike merger in which the acquired firms retain its identity, a consolidation involves the liquidation of the old firms, which cease to exist when it takes effect.

**Synergy:-** is a term usually and normally used in the mergertalks or discussions. It refers to a situation where the merger of two or more corporate entities increase the earning prospects of the enlarged group beyond the sum total of their independent earnings add up together.

**Take Over:-** This is the act or process of gaining control of a company by making its shareholders, a general ofThe called Takeover bid, usually with a time-limit for acceptance to buy at a stated price that is higher than the market price, all the shares or at least enough of them to give a controlling interest in the company.

**Absorption:-** occurs when one company or corporation takes over anotherone and the name and other properties of the company cease to exist.

**Holding Company:-** A company is a holding company when it has controllinginterest in one or more other corporations.

**Leverage:** - Is the level of debt financing of a company's assets. A highly levered company which is not able to meet its interest obligations and consequentially is on the verge of collapse, can take over another company to improve its debt/equity ratio.

**Dividend:** - Refers to the share of profit realized by the company after meeting its obligations (i.e. Tax, Creditors, Interest on debt and so on). This is paid to the shareholders in accordance to their holding.

**Shareholders:-** These are the real owners of a business or organization whose investment in the organization (in the form of shares) forms the financial/capital base of the organization. They seek to maximize their investment and minimize their risks always expecting high dividend returns. However, they do not manage or run the company.

**Management:-** These are the team or set of people to whom the task of running the business is left. They are in charge of the control of the making of all decisions concerning courses of action to be taken regards to the organization.

**Employees:-** These are otherwise known as the labour force, human resources or the personnel pool of the organization is in form of economic returns that is salaries and other fringe benefits.

**Strategy:-** Refers to the managing of affairs cleverly, it denotes the applications of a subtle piece of planning designed to gain an end, a tactic, if you will, to achieving an objective.

**Diversification:** - Is the act of an organization going into variegated and different types of business interests or activity other than that which it is involved in. An example a financial organization starting up a pharmaceutical store.

**Share Value or Worth:**- Refers to the worth of each of the equal parts into which a corporation is divided (i.e. shares) on the open market.

**Market Share:-** Refers to the percentage of the market within which an organization's goods and services are sold, that the organization is able to dominate and commandeer.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.2 Conceptual framework

Hampton (1977:5) defined merger as a combination of two or more businesses in which only one of the companies survives. The other co-operation goes out of existence and the first forms asset and liabilities are taken over by the surviving co-operation.

Merger is basically a Unification of previously separate companies into a single corporation. A merger occurs if one or two of the combining companies survive.

For example if company A and company B merged and a new company emerges, it is called a merger. But where company B dies and only A survives it is acquisition.

From the legal point of view, section 590 of the companies and allied matters Decree No. 1990) described mergers as any amalgamation of the undertaking of any part or whole of the interest of two or more companies or corporate bodies. In essence, the expression ‘mergers and acquisition’ described the process of effectively integrating two or more companies. That is companies are fused or merged and the interest/assets of one are assumed or acquired by the other. Acquisition is thus the vehicle for effecting merger. within acquisition may be more specifically associated with take-over” where there is a notion of less voluntariness as where the

shares/assets of a company are taken over or acquired by another company. It is in this later usage that a meaningful distinction could be made can mergers and acquisition (Lateef (1989,7).

In summary one can therefore, say that, in a merger of companies X and Y for instance company X may continue to operation while Y ceases to exist and that the term acquisition is generally used to explain the taking over of the assets, liabilities and shares of one company by the other in the process of the merger.

### **2.2.1 History of Merger and Acquisition in Nigeria**

A cursory review (Patutomi, 2002) of the very limited history of mergers and acquisitions in Nigeria proofs greater from the excellent work done by Gbadegesin Obede in the monograph entitled "A guide to mergers and acquisition case' he recorded dates back to 1957 when John Molt acquired Joe Allen and Co. Ltd.. which had been trading since 1928 John Molt continued to expand by acquisition when it bought MACC in 1963. The body care and cosmetic company becomes a division of John Holt conglomerate. John Molt continued clown that path when it also acquired Mandilas Packaging Company. This later move was aimed at consolidating Molt Pak to boost the group's packaging capacity.

In 1988 the John Molt group acquired John 1-bk investment Ltd. This later acquisition in which an independent division is integrated into the holding company proper or a strategic business unit is given independent status, or sold to another division of the family of

companies constitute the most prominent form of mergers and acquisition in Nigeria. The other dominant pattern in mergers and acquisitions in Nigeria is the combination of firms, which are local subsidiaries of companies that have merged in Europe or North America.

Due to the first phase of indigenization programme in the early 1970's, which entailed the divestment by foreign enterprises of portions of their equity - 40% to Nigerian interest, UAC Nigeria group brought all its independent subsidiaries together as divisions of TJAC Nigeria PLC. Peterson Zochonis and company Limited merged to form PZ Industries PLC. Other much talked about cases of merger and acquisition in the Country includes the Lever brother takeover of Lipton Nig. Ltd. 1984 SCOA/MOSEL merger. It seems clear from the performance of the company that use acquisitions which were mainly debt-equity swaps did not create new growth in the company. UTC's acquisitions of Dorman Long and Arewa Steel were more efforts at consolidation of that sector even when later day experiences show declining performances at UTC .

### **2.2.2 Types of Mergers and Acquisitions**

Merger activity or business combination falls into three classes, which are:

- (a) Horizontal Merger/Acquisition
- (b) Vertical Merger/Acquisition
- (c) Conglomerate merger/Acquisition

a) Horizontal Merger/Acquisition: This is an integration of companies in the same area or line of business here, the company produces similar products or provide identical services. This is sometimes referred to as competitor merger. Example of horizontal merger is merging or amalgamation of two banks, construction firms, bakeries, hotels etc.

b) Vertical merger/Acquisition: This refers to the combination of two or more enterprises in different stages of the production or distribution of the same product. In either words, the two companies have a customer supplier relationship and are engaged in complementary business activity were the product of one company is an essential raw material or spare part of the other, an example here is the integration of a flour mill and. a bakery.

c) Conglomerate Merger\acquisition: This type of merger is found where the combining firms go into unrelated enterprises and market. That is, were the firms neither compete directly with each other have a buyer -seller relationship between them. The major objective in this case is to diversify into widespread activities in order.

to minimize risk and - maximize return. Conglomerate for instance, can be the acquisition of a pharmaceutical company by an Automobile assembly company; also the merging of a bank, bakery and oil refinery to one company. Conglomerate merger may be differentiated into three forms namely:

- (i) Geographic market extension
- (ii) Product extension.
- (iii) Pure conglomerate mergers.

### **2.2.3 Reason for Mergers and Acquisitions.**

Adetunji (1997), there are numerous reasons why business enterprises for mergers and acquisitions all of which are invariably linked to risk and returns.

Principal among the reasons are diversification, operating economics of scale, skills and management enhancement, technological drive, averting business failure, taxation etc. The reasons however are not mutually exclusive despite their complexities. More than one reason is usually involved in the combination. The ultimate purpose according to Van Home (1983) is to increase the market value per share of the firm. These reasons among others are:

- i. *Economics of Scale*: Unity in this situation is not only strength but also wealth. A company, which has surplus capacity, might decide to combine its operations with other company and so be in a position to spread its fixed costs over larger units of production. Depending on its legal form, the combination might necessitate the disposal of some of the assets of the other company thereby generating illiquidity for a more effective and efficient operation. Van Home (1983) believes that economies of scale are best realized in a horizontal or vertical merger do to relatively in activity which can be integrated but a conglomerate merger realizes few operating economies.

- ii. *Diversification*: Another reason for mergers and acquisition is diversification for risk reduction; Being in two different lines of business means that should an economic or political calamity befall an industry, the company can lean on the business; the other industry to compensate This is the ease with conglomerate mergers like the merger of Sheraton Hotels and Towers with I.T.T. (a communication Company). The point here is to spread risk to the extent that the investors in a company are risk averse and concerned with the total risk of the firm. A reduction in risk would have a favourable impact on share price.
- iii. *Growth mid-Size*: Growth through mergers and Acquisitions means more power and prestige and the potential for high salaries and bonuses, *size* is thought to reduce financing costs and may offer bargaining power in negotiating with suppliers. Larger firms enjoy greater access to financial markets and this is in a better position to raise debt and equity capital. Greater financing capability may also be inherent in the merger itself.
- iv. *Leverage*: Leverage is the level of debt financing of a company's assets. A highly levered company which is not able to meet its interest obligations is on the verge of collapse and can take-over another company to improve its debt/equity ratio a Leveraged buy-out the using company borrows funds for the acquisition using the target companies assets as security.

- v. **Earnings per Share:** Maximization of the market price of a company's share is perhaps the major objective of business combination. Although the immediate effect of a combination is the dilution of the earnings per share of the surviving company, the earning per share rises ultimately for the various reasons enunciated above. Therefore, investors are unlikely to withhold their demand for the company's share and cause the market price to slump. On the contrary, demand for the shares is likely to strengthen in expectation of improved earnings per share and consequently the market price is likely to.
  
- vi. **Skill and Managerial Expertise Acquisition:** For a company to achieve a desired output and quality level, it requires employees who possess high technical or managerial skills. Recruiting such multi - skilled multi - talented or multi - disciplined professionals is not easy due to their captives' scarcity. The company can thus enter into combination with another company for that purpose. This is however, not a popl combination. In extreme cases an acquisition may be initiated to replace an insufficient management or force it to sit up.
  
- vii. **Taxation:** Particularly in this country where a loss making company sells its assets, liabilities and operations to another company in the same group to enable the group minimize its tax bill since there is no group tax relief. In the same vein, a privately owned company may also combine with a publicly owned

company' to avoid the deemed distribution provision of the tax law.

- viii. On the other hand, a tax - loss Company might acquire a profitable company in order to use its tax loss, or profitable firm might acquire a tax-loss company.
- ix. 'Note that to take advantage of the loss, the loss company must be operated it cannot be acquired just for the tax loss.
- x. Averting Business Failure: For one reason or the other, either due to external or internal environmental factors a company may suddenly find itself faced with liquidation could not be able to put itself back on its feet. in view of this: Giwa (198k). Chief Executive Officer, Liver Brothers 'Nigeria Plc. now Unilever, stated that:  
  
"mergers and Acquisitions must be seen as an available means of saving companies from serious financial/distress and providing such business With new management and better access to new financial resources. Such companies are thus provided with growth opportunities which they could hardly attain on their own within the same time scale".
- xi. Stick Exchange Quotation: This reason for merging mostly applied o private companies. in such ease, a private company desiring public quotation but being too small and for that reason does not meet the listing requirements of the Nigerian stock

exchange, or vary that its securities would not be eagerly received by investors can interrelate with a publicly quoted company to achieve its purpose or goal.

- xii. *Technology Enhancement*: A company can merge with another, which is considered more advanced technologically or which has the kind of technology the acquiring company require to enhance its operations, improved efficiency, profitability and growth. This becomes necessary where such technology is in accessible to the company yet vital to its growth.
- xiii. *Operating Synergy*: Perhaps the greatest non-financial motive for merger is the synergistic effect. Synergy is said to take place when the whole is greater than the sum of the parts. This would result in the elimination of overlapping functions in production, marketing and engineering capabilities. There is the productive economies of scale, improves technology know-how, rationalization of product range and exploitation of new technology.

#### **2.2.4 Parties to Business Combination**

These parties refer to the interest groups who are directly affected by and are related to the merger and Acquisition of the company Rabinowitz (1989) the philosophy of free enterprise economy is that the members of each party to a merger are the best judges of their

interest. These parties are shareholders, debenture holders. Management and the employees as well as the body to the activity”

**a) Shareholders:**

These are basically the real owners of the company. Their interests lie in seeking to maximize their investment and minimize their risk. They always expect high dividends to be paid on the shares they hold.

**b) Debenture Holders:**

These are the creditors to which the company is indebted. Their interests are always priorities even those of the owners. In a merger, their positions are secured because as the company is combining with another they are the first parties to be considered and settled.

**c) - Management:**

These are the set of people that control and run the business. They make and/or influence all decisions concerning the company. They do not own the company though some directors and managers hold shares in the company. The managers ensure the continuity and growth of the company as this is directly related to their own prosperity. In merger and acquisition they are either the initiators or the executors or both.

**d) Employees:**

The employees are the backbone of an organization and their interests are simple. They seek to ensure the continuity of their employment, growth, and profitability of the company since a progressive company makes for better staying power. The employees are, however, the

strongest in terms of resistance to mergers and acquisitions simply because any combination of business inevitably followed by rationalization retirements termination and retrenchments despite job enhancements.

e) **Regulatory Body:**

The regulatory government authorities have only the best interest of all the parties involved, as well as the interest of socio-economic environment at heart. They are charged with the task of maintaining a sound economic system to the long-run benefit of the country/nation. Mergers that evolve into monopolies or price temperas arc detrimental to the economy as they derive out others from the market and create inflationary pricing situation.

### **2.2.5 Financing a Merger**

The ways of financing the option for mergers and acquisitions are varied as the reasons her initiating the transaction itself Financing the merger and acquisition deal can be done under five (5) main methods, which have been fairly tested in the developed economies and form the basic structure for most mergers and acquisitions transaction.

- (a) Exchange of Shares
- (B) Use of Excess Shares
- (c) Earn out or note to Sellers

(D)Borrowing

(e) Role of Venture Capitalist.

- a) Exchange of Shares: The equity securities of each firm are valued utilizing the nation methods of a typical merger and acquisition. Carefully minded corporations are relying excessively on the Discounted Cash Flow (DCF) technique to analyzed acquisition Based on the relate c worth of each other the shares are then changed. There, the ultimate ratio is a function of bargaining power of each company to the transaction. In some cases, a new class of shares is offered particularly, where the holding company concept is adopted. However, though the exchange of shares coupled with continued direct or indirect equity participation in the acquired company by the seller or its shareholders, there is a tax free business combination for example the merger between Lever Brothers Nigeria Plc. and Lipton did not involve any cash payment through exchange of shares, the transaction was paid for.
- b) Use of Excess Cash: This involves the acquisition of shares with cash that could be sourced from internally generated funds by the acquiring company or through direct bank borrowing. Cash or non-equity transactions are taxable, with the seller having little or no continuity equity participation in saving company.
- c) Earn out or not to Seller: When seller and buyer disagree on growth potential and therefore, sales prices, it is common, globally, to

structure and earn out deal hereby cash or share issued are measured if the earning exceeds agreed levels. Note that the use of capital market instrument is limited only to the level of sophistication of market operators and the recognition of the instrument utilized in the market. Typical examples include:

- i. New Class of Shares.
- ii. Preference Shares.
- iii. Debenture Warrants.

The appropriateness of each instrument depends on the credit worthiness of the issuing company and relative alternativeness of the transaction.

- d) Borrowing: Leverage Financing is becoming an important Form of financing acquisition. This is particularly more relevant the USA where hostile takeover or Tender Offers have received high visibility. A Leverage Buy-out (LBO) is any again operating entity with a greater

LBO becomes popular.

- e) Rule of Venture Capitalist: Though the institutional venture capitalism is not developed in Nigeria, they are in the Forefront of LBOs in Mergers and Acquisitions in the LSA through Limited Partnerships. Their method of financing is usually through “Mezzanine debt (subordinate debts generally with an equity kicker such as warrants, options, etc.) followed by assets shipping” whereby

the underlying assets of the target company are sold off to pay for the debt warrant during the takeover. To take control of the target company, key management staff of the target company, are paid off handsomely in what is known as ‘golden’ hand shake” or golden Parachutes”.

### **2.2.6 Factors Underling Successful Mergers and Acquisition Bids**

For mergers and acquisitions to succeed the following issued are critical.

- i. Human Element: A major issue often over-looked is the human element Successful merge management absolutely requires successful management of thePeople involved. There is usually the need to reduce the number of people. Cost saving through combining redundant tasks is a common goal for merge. The trick is to release the individuals least well equipped to contribute in the new organization and to hold on the best people. Merging two companies with their different policies,
- ii. procedures and culture will create stress for all the people involved. The survivorsfrom both companies will have to deal with new people, new procedures,possiblemore work and the loss of previous co-workers and friends.
- iii. Departmental Perspective: A merge affects different functions differently.

Each function is important to the success of a merger. Merged companies may need to get their systems harmonized in record, time and smooth integration of operations can be critical to the company's new public image.

- iv. **Culture:** Considering cultural differences between companies when contemplating a merger or acquisition is a necessity. For instance, a company might have an autocratic management style and the target might be managed more by committees. Or although a company may have informal dress code and a flexible work schedule, the target company may require business attire and a rigid Workweek. These issues must be addressed before combination of companies is completed. If the cultures are incompatible, the melding of two companies into a profitable whole might not be possible.
- v. **Due Diligence:** Financial statements are only as good as the numbers and management behind them. To determine the true picture of the target company a due diligence review must be performed before a merger or acquisition is completed.
- vi. **Long Term Contracts:** The buyer must consider Long-term contracts and non-completed agreements for key employees and shareholders of the target company. Some companies are viable only if certain key shareholders and employees continue with the company- If this is the case makes every effort to keep key people

through long-term contracts and compensation programs.

*Following from these therefore:*

- i. The mutual needs for the proposed merger or acquisition must be given priority consideration. The basic need is for purposes fostering growth and profitability which would otherwise be difficult and impossible to achieve as separate companies more resources and longer time to accomplish.
- ii. Broader similarities in markets, organizational structure and policies; business with broadly similar policies and organizational structures and market will experience less friction if they propose to merge.  
Synergies: a merger or acquisition is expected
  - a) Provide benefits for exploitation of synergies especially a manufacturing, marketing and distribution and the pooling of management and financial resource together.
  - b) Broaden the scope for training and development of personnel of the combined businesses and provide enhanced opportunities for all levels of employees. The emerging organizational structure would attract and retain managers of higher professional caliber thereby strengthening the manager cadre and making it most cost-effective.
  - c) Results in saving and improved earnings for the shares of the company particularly in the medium to long term, thus preventing overlapping and duplication of assets and responsibilities to serve optimum use of

avoidable resources.

### **2.2.7 Procedure for Mergers and Acquisition in Nigeria**

There are six (6) methods available to a company to accomplish a merger or acquisition under the companies and Allied matters Decree of 1990.

These methods are:

- (1) Private sale agreement
- (2) Voluntary liquidation under section 538
- (3) Scheme of arrangement under sections 539-540.
- (4) Reconstruction and merger arrangement under section 591
- (5) Direct offer under sections 592-593
- (6) Take-over bid under sections 592-593.

However, before any of these methods, once select, can be put into effect, the approval of the SEC, Courts and NSE must be obtained.

### **2.2.8 Constraints on Mergers and Acquisition in Nigeria**

One plain constraint to merger and Acquisition activity is the regulatory environment that does not sanction all mergers. Frank Onwu (1994) is of the opinion that apart from the constraint of regulatory bodies, merger using other exchange ratios, other earning growth rates, and synergistic effects; we could desire many other EPS patterns. Because so many other factors are involved, it is difficult to generalize about post-merger earnings per share.

However, one important generalization should be made. If a firm with

a lower PE ratio and the exchange ratio is based on current market prices then the acquiring firm will obtain an immediate increase in BPS. Conversely, if a low PB ratio company buys a high PB firm, there will be an immediate dilution in BPS.

Nigeria adopts the attitude of wanting to own 100 percent of nothing than one percent of something. Professor Adewunmi's solution is that forced or induced marriages should be contracted in Nigeria to achieve critical mass. Another constraint to merger activity stems from the effect it has on employees.

Professor Harai (1987), globalization downsizing, the pressure to operate ever more profitably and the constant introduction of new technology brings with it a lot of constraints on the employees seen when changes are being well managed, problems can and do arise. However, it has been possible to affect a number of mergers and acquisitions in accordance with the provision of sections 197-199 of the Companies Act, 1968 and other laws which have had a significant role in the issue.

### **2.2.9 Legal Framework of Mergers and Acquisitions in Nigeria**

The Securities and Exchange Commission (SEC) is the apex regulatory body of the capital market. Other vital bodies to a merger include the Nigerian Enterprises Promotion Board (NEPB), Federal Board of Inland Revenue (FIBR), The Nigerian Stock Exchange (NSE) and the court sanction. In the cases of banks however, the Central Bank of

Nigeria (CBN). and the Nigerian Deposit Insurance Corporation (NDIC) are the paramount regulatory bodies along with the others.

- a) **Securities and Exchange Commission:** The Commission was established in 1979 and re-enacted as Decree. No. 29 of 1988 provided the watershed in regulating Mergers and Acquisitions in Nigeria.

Section 6 (2) empowers SEC to approve and regulate mergers, acquisitions and all other forms of business combinations” 8 (2) states “The Commission shall approve any application if and only if the Commission finds that:

- i. Such acquisition whether directly or indirectly, of the whole or any part of the assets of another company, is not likely to cause substantial restraint of competition or tend to create monopoly in any line of business enterprise.
- ii. The use of such shares by voting or granting process or otherwise shall not cause substantial restraints of competition or tend to create monopoly in any line of business enterprise.

Section 8(3) provides exemptions to holding companies acquiring shares solely for the purpose of investment and not for the purpose of using the shares by voting or otherwise to cause or attempt to cause substantial restraint of competition or tend to create monopoly in any line of business enterprise.

Section 8 (4) exempts transactions undertaken under authority given by any Federal Government Agency vested with such statutory powers.

- b) Nigerian Enterprises Promotion Board (NEPB). Where two wholly indigenous companies decide to merge the NEPB would appear to have little or no function. However, in a take-over arrangement including companies which have one percent alien interest the parties are obliged to seek NEPB ruling and directives on the merger.
- c) Nigerian Stock Exchange: in a merger case involving quoted companies especially that of the acquiring company the approval of the shareholders and the clearance and approval of the NSE is required before the issuing of any shares or the exchange of any shares. NSE has to clear that the exchange of shares at the agreed to merge price will not adversely affect the price of other companies shares and the general index of the market.
- d) Federal Board of Inland Revenue: If a merger is made cash or with a debt instrument the transaction is taxable to the shareholders of the acquired company or the company itself. This means that they must recognize any capital gain or stock at the time of the sale. EBIR under the finance and miscellaneous Decree 1998 is required to analyze and levy tax on the capital gains of the shareholders or the company.

e) Courts: The courts have a dual part to play in *mergers*. *Firstly*, companies applying for approval, of SEC to merge are required by the law to file an application with the courts for leave to hold any extraordinary general meeting of shareholders as part of their pre-merger notice. The court has to sanction the scheme of arrangement for the merger for post approval documentation.

A recent development with merger regulation is the promulgation of the new Insurance Decree No. 2 of 1997 which empowers the Nigerian Insurance Commission (NAICON) to regulate mergers, acquisitions and combinations within the insurance sector, though it is a duplication of SEC Decree section 95 of the Insurance Decree sets it above the Company and Allied Matters Decree of 1990.

#### **2.2.10 Successful Mergers Approved by the Securities and Exchange Commission (1982-1999)**

<b>S/N</b>	<b>Acquiring</b>	<b>Acquired Company</b>	<b>Year</b>
1	United Nig. Insurance Comp.	United Nig. Life Insurance Comp	1982
2	A.G Leventis Nig. Plc.	Leventis Stores Ltd	1983
3	Lever Brothers Nig. Plc	Lipton Nig. Ltd.	1984
4	Intra Motor Nig. Plc	West Coast Fisheries Ltd	1985
5	ITI Nig. Plc.	Henein Shipping Mill Ltd	1985
6	Nigeria Match Company Ltd (now assoc. Match Industry Ltd.)	i. United Company of Mg.  ii. Star Match Comp. Ltd  iii. Safa Splints ltd.	1985
7	SCOA Nig. Plc.	Motor Service Engineering Ltd	1986

8	John Holt Plc.	John Holt Investment Ltd	1987
9	Standard Breweries	United Beverages Ltd.	1988
10	Lever Brothers MG Ltd.	Cheese Brough Product Ind.	1988
11	R.T. Briscoe Plc.	Coconut Industries Ltd.	1988
12	John Holt Plc.	Ogbemudia Farms Ltd.	1989
13	Costain West Africa Plc.	Foundation Engineering Ltd.	1989
14	Poly Products Plc.	R.H Plastic Ltd.	1990
15	Prudent Merchant Bank Ltd.	Prudent Finance Ltd.	1990
16	Gas Product Ltd	Gas & Wedding Ltd.	1990
17	Leventis Technical Plc	Sanyo	1991
18	Eastern Breweries Plc.	Continental Breweries Ltd	1991
19	Asra Sea Food	Asra Food Processing Ltd.	1991
20	Nigeria Embroidery Lace Manufacturing Company	Nigeria Synthetic Fabric Ltd.	1992
21	A.G Leventis & Co. Nig. Ltd.	i. Leventis Technical Plc. ii. Leventis Motor Plc.	1992
22	Nigeria Ropes Plc.	Wasco Ropes Ltd.	1993
23	Ratcom Engineering Ltd.	All motors Engineering Ltd.	1993
24	Nig. Breweries Plc.	Diamond Breweries Plc.	1993
25	Liver Brothers Nig. Ltd.	Unilever Nigeria Ltd.	1993
26	Sona Breweries Plc.	Int. beer & Beverage Nig. Ltd.	1995
27	Multichem Nig. Ltd.	Wheonye Int. Enterprises	1995
28	Intercontinental Mech. Bank	Equity Bank	1996
29	Guaranty Trust Bank	Magnum Trust bank	1996
30	SmithlineBeechester Ind.	Sterling Products Nig.	1996
31	PZ Manchester Industries	Thermocool Engineering Ent.	1996
32	Nestle Nig. Plc.	Nestle Foods Nig. Plc.	1996
33	UAC Nig. Plc.	Spring Waters Nig. Plc	1996
34	Nig. Bottling Company Plc.	Sapanda Industries Ltd.	1996
35	Africo Investment Holding Plc	CMIB Toyo Glass Plc.	1996
36	Limca Bottles Plc.	Plateau Bottling Company	1996
37	SCOA Nig. Plc.	Nig. AutomativeCmp. Ltd.	1997
38	Worldwide Health Ltd.	Pfizer Products Plc.	1997

39	Union Bank of Nig. Plc.	Citi-Trust Merchant Bank	1998
40	International Trust Bank Plc.	Graiji Bank of Nig. Ltd.	1998

Source: Securities and Exchange Commission (SEC)

### **2.3 Empirical Review**

in the 19XOs, U.S. firms experienced a decrease in profitability and reacted by increasing their size through M&A in order to survive in the market. A number of economists started investigating motives for M&A. One of the questions they asked was: "What factors make firms more likely to be acquired?" We start the empirical part of the literature review with studies dedicated to developed countries and then proceed with analysis of developing countries.

Hannan, and Rhoades (1987) investigate the motives for firm acquisitions. They estimate the relationship between the probability of firm acquisition and the characteristics of both firm and the market. Considering large sample of 1,046 Texas firms and employing multinomial logit procedure to estimate this relationship authors obtain negative relationship between probabilities of acquisition and capital /asset ratios. They also conclude that firms with operations in urban areas and large market shares are more likely to be acquired. In contrast, firms with low profits and low growth are not found to be attractive targets for acquisitions.

Foracelli, Panetta, and Salleo (1999) study the efficiency motives for mergers and acquisitions in Italy.

Analyzing post-merging period, they argue that in Italy branching was

liberalized in 1990 which implied the rise of number of mergers and acquisitions. The authors distinguish between terms mergers and acquisitions because they believe that they may have distinct motivations and lead to factor results. Multinomial logit is also used in this study. In particular, mergers, that involves significant organizational problems in integrating two independently run firms, might have different goals from acquisitions. which involve only a transfer to control.

Using a relatively small sample, authors test hypothesis that mergers and acquisitions are followed by improvements. They conclude that mergers are driven by strategies aimed at selling more services, while acquisitions can be referred to strategies based on credit management. After an acquisition, the authors discover a long - increase in profitability for acquired firms. They explain this by more efficient monitoring and screening which results in constant decrease in bad loans. The authors also note that mergers appear to affect a change in the financial structure of a bank by decreasing equity and increasing lending.

Rosen, Smart, and Zutter (2005) investigate characteristics that make firms more likely to be acquired as well.

Using sample that includes a group of banks that had an initial public offering between 1981 and 2002 and group of similar firms that did not, the authors run logistic

Regression did not find that institution *size*, returns or assets, equity-to-assets ratio, or Firm age are significantly related to the likelihood of being acquired. In a study by Akhigbe, Madura, and Whyte (2004) that likelihood of acquisitions is examined and logit is used as well.

Authors state that the probability of a bank being acquired is greater if it has lower return on assets, more assets and a higher capital-to-assets ratio. It seems to be the only study that finds the positive relationship between capital levels and likelihood of acquisitions.

Previously, studies that use logit estimation have been discussed. Now let us turn to alternative approaches found in the literature. Other methods can be also found in literature besides logit model. Hannan and Pilloff (2006) go back to the question of acquisition. Those use a large sample of individual banking organizations, observed from 1960 to 2003 and by employing Cox (1972) proportional-hazard duration models. They find that less profitable firms are more likely to be acquired and banks with higher capital asset ratios are less likely to be acquired.

Wheelock and Wilson (2006) use large sample of 4,000 banks observed between 1984 and 1994 to determine likelihood of bank being acquired and likelihood of failing (a competing risk). They also use proportional hazard models with time-varying covariates, estimate cost efficiency and to estimate input and output technical efficiency.

Benston, Hunter, and Wall (1995) develop and estimate a simple model of the price bid and examine the prices bid to acquire target banks in the early to mid-1990s. They conclude that banks would bid more for merger partners that offered potential cash flow enhancements because of earnings diversification, while acquirers would bid more for targets that offered opportunities to increase risk to fail or become too big or important to fail.

One more study which is worth mentioning here is the study by Ogarkova (2007) in which firms that make many acquisitions are considered and price of corporate takeover is examined. Using a sample of 1,345 domestic U.S. M&A deals, the author reports that there are no reliable differences in terms of success paid by multiple acquirers. Heteroscedasticity robust OLS was used to predict premium and success rates were modelled with profit. The last international study we want to mention here is by James and Wier (1997). They also investigate the question of M&A by examining the effect of competition in the market for bank acquisitions on the acquirers stock returns, and conclude that the returns to acquirers are positively related to the number of other potential bidders. The authors use standard event study methodology.

This part is extremely interesting for our study as methodology used in papers on developing countries may be applied to the case of Kenya. Emerging markets have experienced a rapid growth in foreign investments during last 15 years. Such investments improved efficiency and stability of developing countries. The latter can be

classified into 3 groups: Central and Eastern Europe (Bulgaria, Czech Republic, Estonia, Poland, etc.), Emerging Asia (China, Hong Kona, India, KoreaMalaysia, Singapore, Thailand), and Latin America (Argentina. Brazil. Chile. Mexico, Peru, Venezuela). Detailed description of FDI growth into these countries was made by Domanski (2005). A lot of economists were trying to and the reasons that attract foreign investors to developing countries. The study by Clarke, Cull Penn. and Sanchez (2001) focuses on foreign investors' motivations of entering the emerging markets and other problems by Hanne. Ling the following questions: "hat draws foreign banks to a country? whichcan expand abroad? what do foreign banks once they arrive?

## **2.4 Theoretical Framework**

### **2.5.1 Neoclassical Theory**

In modern finance theory (e.g. Marine: 1065). shareholder wealth maximization thatare in with a company's business Strategy is stated as the rational for investment and financing decision made by managers. This means that firms should invest we the sum of the present values of future cash flows exceeds the initial project outlast With M&A, the shareholder with maximization criterion is satisfied from the bidder's perspective when the added \ clue by the acquisition of a target company exceeds the cost of acquisition i.e. the transaction costs and the acquisition premium Likewise, managers of targets would engage in M & A activity only if it results in gains to the target

shareholders.

The result is synergy: positive gains to the bidder and the target (Berkovitch and Narayanan, 1993). However, Bruner (2004) notes that “true synergies create value for shareholders by harvesting benefits from mergers that they would be unable to gain on their own”. Therefore, managers as agents for shareholders should think like shareholders to create value and make a detailed analysis of possible synergy values. From an economic and operational perspective on mergers, synergies can be generated by combining the operational resources of two companies if a strategic fit is present. Costs reduction may be achieved through economies of scale, economies of scope, or reductions in assets (Porter: 1985). Revenue enhancements synergic are envisioned to arise from a sale and marketing point: of view, while M&A also offers an alternative pathway to tangible, intangible and human resources and capabilities (Simmonds, 1990).

Financial synergies arise from value of leveraging M&A activities versus individual activities. This stands in sharp contrast to the early view of Miller and Modigliani (1958), who argued that in a well-functioning efficient market without taxes, informational asymmetries, and default costs no financial synergy can be found because the market value of company does not depend on its capital structure.

However, a firm's capital structure lesions can matter in these assumptions are not true another common cited reason for firms the engaged in M&A is diversification, i.e. a reduction of risk.

Amihud and Lev (1981) and later Black (1989) argue that managers in conglomerate mergers face an “employment risk” because their future employment and earnings potential are highly correlated with the firm’s risk. As a result, risk averse managers may undertake M&A to reduce their employment risk, rather than benefit shareholders, because such risk cannot be diversified in their own portfolio (Weston, Siu, and Johnsoit 2001). In addition, Mueller (1969) developed a growth .maximization model of M&A based on the argument that managers’ bonuses, socialstatus, salary, and promotions are related to the size of the firm. He argues that because of this relationship, managers are more likely to accept a return on the investment that is lower than shareholders requirements. Therefore, managerial hubris can be viewed as an agency problem that arises due to separation of ownership and control and the resulting divergence between the interest and motives of managers (the principles) and shareholders (the agents) (Ran, and Vermaelen. 1998; Jensen and Meckling, 1976).

Whether managers act to maximize their own utility or shareholder’s wealth has been tested empirically in a small number of studies. Lewellen and Rosenfold (1985) studied the stock returns of 191 acquiring firms during the period 1963-1981 and concluded that positive significant relationship between abnormal stock returns from M&A and the percentage of management ownership in the acquiring fine. He found that managers with large personalownership in the firm

were less like to be engaged in M&A that would reduce acquirer's shareholder's wealth. Similarly. Fifth (1991)

Tested the relationship between executive reward and M&A and found that if shareholder value is increased then so are the executive rewards. Contrary, when shareholder a faith is destroyed then executives still seem to gain from. M&A. These handling are interesting because they support the view that managers through M&A activities may seek to utilize their own utility at the expense of shareholders.

### **2.4.3 Value Creation and Relationship**

This section makes a distinction between value creation and redistribution theories.

synergy motive plays a major role in the value creation theories, while agency cost and hubris play a role in the redistribution theory.

Value creation theories: Merger and acquisition make economic sense if the whole is worth more than the sum of its parts, or stated otherwise, if synergy exists. The surplus value of horizontal mergers can be attained by: economies of scale in production and distribution, access to markets.

Phase there are significant improvements in the cash flows compared to other corporations in the industry.

Redistribution theories: A merger makes no sense if the additional

cash flow is lower than the takeover premium and/or is lower than the costs incurred by incarnation. There are two major theories that explain the origin of merger activity, the hubris- and the agency theory. The hubris theory states that management strives for synergy having the goal to maximize profits for shareholders. Unfortunately, managers suffer conceit resulting in less value attained in the form of synergy. From research (Roll, 1986), it seems that synergetic benefits are attained in these mergers. However the pre-calculation of synergy is often too weak to justify the takeover premium.

## **2.5 Summary**

It can be observed from all the relevant literatures reviewed in this chapter, that it is not an overstatement to state that Identity Management will control payroll fraud to its minimum (Nwude, 2003). It can also be seen from the literatures reviewed that payroll fraud just like every other fraud has four way dimension that is. incentive, rationalization. Opportunity capability (Wolf and Hermanson, 2004). It is obvious from the contribution of many scholars that any attempt to payroll fraud will have a far-reaching repercussion on the and the economy as a whole.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

In this chapter, the researcher describes the process used in gathering data, this research as well as the statistical tools used in the presentation and analysis of the data gathered. In carrying out this work, certain methods are used.

This chapter explains in detail the procedure followed in arriving at the inference. Research design is the framework for investigating research problems or in other words refers to method used in investigating data which are to be used in investigating and analyzing a research problem. Data collecting on its own involves arrangement of activities from the individual in library extracting information from volume of materials available as regards research. Take into cognizance the facts that two main forms of data collection exist i.e. the primary and secondary source.

#### **3.2 Research Design**

Research design is the framework for collection and analysis of data. It is the plan, structure and strategy of investigation that guides the researcher in concluding the study. The nature of this study suggested the survey approach.

The survey research method is justified because of its variability of the phenomenon under study being a survey research, data were collected

born the chosen sample of the population through the aid of questionnaires.

This research design was chosen because it ensures that reliable empirical data is obtained to test the relationship that exist between the dependent and independent variables in order to achieve the research objective and test the hypothesis formulated.

Cases of merger and acquisition as a strategy for enhancing competitiveness in servicedelivery can best be studied using this design to generate reliable data that arc analyzed to arrive at reasonable conclusions. It is expected that these conclusions will be of practical application in Unilever Nigeria plc.

### **3.3 Population and Sample of the Study**

The population of the study comprises all the staff of the Unilever plc nationwide with specific reference to Lagos office. The administrative records gave the population size ofthe Lagos office to be one thousand two hundred (1200) staff members. Out of the total (1200) staff of Unilever Nig. plc Lagos branch, 154 are Senior Management Staff, 596 Supervisory staff and 450 junior staff Out of 300 questionnaires administered only 250 respondents filled and returned their questionnaires.

The sample size was determined at 5% error tolerance and 95% degree of confidence using the formula.

$$n = \frac{N}{1 + N (e^2)}$$

Where n = Sample Size  
 N = Population Size  
 e = The Standard error allowed (5%)

Hence n = 1200

$$1 + 1,200 \times (0.05)^2$$

1200

$$1 + 1.200 \times 0.0025$$

$$\frac{1200}{1+34} = \frac{1200}{35} = 300$$

Sample Size (n) =300

Base on the sample size presented above the questionnaire will be distributed in such a way that it will reflect the staff strength of various department. In other words stratified sampling is ideal.

Table 1

Total Sample Population

<b>Department</b>	<b>Number of workers</b>	<b>Percentage of Worker</b>	<b>Number of Questionnaires sent out</b>
Operations	380	31.66	76
Personnel	174	14.5	44
Finance	27.5	22.92	67
Technical	185	15.42	55
Admin	186	15.5	55
Total	1200	100	300

### 3.4 Method of Data Collection

To achieve the stated objectives of the study, primary data were collected in form of questionnaire given to the staff of the organization. This refers to the raw data obtained directly from the source under the study that is individual, organization or defined population with which the researcher is concerned. Also secondary data were collected in form of annual time series data. This refers to data collected from already existing sources that is relevant and related to Merger and Acquisition they include textbooks, journals, newspapers, annual reports.

The approach used in this research is basically on primary source. It ensures that required data are collected and they are accurate. However the primary data used in the study is taken from the staff of Unilever Nigeria Plc.

### 3.5 Method of Data Analysis

The data collected were analyzed using tables and percentages.

*The methods of analysis are:*

- (1) The chi-square.
- (2) Correlation Analysis.
- (1) The chi-square.

The formula for chi-square is given as  $\chi^2 = \sum \frac{(FO - Fe)^2}{Fe}$

Where:

FO = Observe frequency

Fe = expected frequency. -

When the calculated chi- square is greater than the table value, then the null hypothesis should be rejected otherwise it should be accepted.

**(2) The Correlation Analysis:**

This is used to show if there is positive or negative relationship between the two variables .

The co-efficient correlation(r) is calculated as follows:

$$r = \frac{n\{xY - (X)(Y)\}}{N \{x^2 - (\{ Y)^2}$$

Where:

X = Independent variable

V = Dependent variable

**3.6 Justification of Methods Adopted**

Ordinary, data obtained from a need total source have no significant impact or influence until the data are processed and analyzed. The researcher adopts the use of Chi-square and correlation statistical test comes in most handy when analyzing cross tabulations of the survey data. Since crosstab show the frequency and percentage of responses to questions by different segments or categories of respondents (gender, income, profession, etc.), the chi-square test can tell us whether there is a statistical difference between the segments/categories in how they answered the questions.

Chi-square and correlation is used due to the nature of the data to examine differences with categories variables. Thus, to forestall accuracy, reliability, timeliness and to estimate how closely an

observed distribution matches an expected distribution (a “goodness-of-fit” test) in the output or result desired, the simple percentage of analysis is best suitable to analyze the data.

**CHAPTER FOUR**  
**DATA PRESENTATION AND ANALYSIS**

**4.1 Introduction**

This chapter is concerned with the analysis of data collected with the aid of Questionnaires and the interpretation of the data collected and analyzed.

This is done through the use of tables, percentages, chi-square (X<sup>2</sup>) and correlation (r) as the appropriate statistical tools.

Three hundred (300) questionnaires were distributed to Unilever staff, which comprises management staff, supervisory staff, senior staff and junior staff. Out of the 300 questionnaires distributed 250 copies representing 83.33 percent were returned while 50 copies representing 16.67 percent were not returned.

Below is the table representing the number of questionnaires given and the numbers returned.

**TABLE 4.1**

<b>Staff</b>	<b>Questionnaire served</b>	<b>% Served</b>	<b>No. returned</b>	<b>% Returned</b>	<b>No. no returned</b>	<b>% returned</b>
Management	75	25	67	22.23	8	2.67
Supervisory	75	25	60	20	15	5
Senior Staff	80	26.67	70	23.33	10	3.33
Junior Staff	70	23.33	53	17.67	17	5.67
Total	300	100	250	83.33	50	16.67

## 4.2 Data Presentation and Analysis

**TABLE 4.2 Question**

What are the reasons for Merger?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
For economic of scale	5	2
Growth and Expansion	8	3.2
Managerial Efficiency	10	4
Diversification	12	4.8
All of the above	215	86
Total	250	100

From the above. 5 representing 2% indicated Economic of scale. 3.2% representing 8 indicate Growth and Expansion, 10 representing 4% indicated Managerial efficiency, diversification.

**TABLE 4.3 Question 8**

Is there any relationship Between Merger and Acquisition and increased productivity.

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Yes	240	96
No	10	4
Total	250	100

From the table above 240 representing 96% of the respondents said yes while 10 representing 4% said No. this shows that there is relationship between merger and acquisition and increase productivity.

**TABLE 4.4 Question 9.**

Does the term of merger and acquisition include differences in salary benefits and allowances for the employees of both companies?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Yes	225	90
No	25	10
Total	250	100

90% of the respondent agreed that merger and acquisition brings about increase in salary and benefits which forms majority of the respondents. While only 10% said “No”.

**TABLE 4.4 Question 10.**

Merger and Acquisition can bring about foreign domination?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Agree	62	24.8
Disagree	20	8
Strongly Agree	150	60
Strongly Disagree	18	7.2
Total	250	100

From the above 62 representing 24.5% of the respondents said “Agree” 20 representing 8% said “Disagree” 150 representing 60% said “Strongly agree” while 15 representing 7.2% of respondents said strongly disagree. This shows that merger and acquisition can bring about foreign domination.

**TABLE 4.6 Question 11.**

What percentage of the market in your opinion is now controlled by the company leading brand after the merger?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
0% - 20%	20	8
21% - 40%	40	16
41 - 60%	75	30
61% - 100%	135	54
Total	250	100

The above table shows that 135 representing 54% said that 61 - 100% of the market is being controlled by the company’s leading brand after the merger. This shows that there is need for merger 30% of the respondent said 41% - 60%, 16% and 8% said 21% - 40% and 0% - 20% respectively.

**TABLE 4.7 Question 12.**

What is the volume of job openings in the company currently as a result of the merger?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
More	10	4
Less	213	85.2
The same	17	6.8
Total	250	100

From the table above 10 representing 4% said “more” 17 representing 6.8% of the respondent said “The same” 213 representing 85.2% which constitute majority of the respondents said “Less” .This means that merger can result to unemployment.

**TABLE 4.7 Question 13**

How would you rate the company with respect to the efficiency of management and its effectiveness after the merger?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Low	4	1.6%
The same	56	22.4%
High	74	29.6
Very High	116	46.4
Total	250	100

From the table above 1.6% of respondent indicate “Low” 22.4% indicate “The same” 29.6% indicate “High” while 46.4% indicate “Very High”. This shows that the company is very efficient the merger.

**TABLE 4.9 Question 14**

Is there any risk involved in merger and acquisition?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Yes	178	71.2
No	72	28.8
Total	250	100

The above table indicate that 178 representing 71.2% of the respondent said “Yes” which constitute majority of the respondent. This shows that merger involve some risk. While 72 representing 28.8% of the respondents said “No”

**TABLE 4.10 Question 15**

Have the quality of the product manufactured by the company improved after the merger?

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Yes	195	28.4
No	168	67.2
Total	250	100

Table XI shows that quality of products manufactured can improve as a result of merger since 78% of respondent said “Yes” while only 22% said “No”

**TABLE 4.11 Question 16**

Merger and Acquisition Relate.

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Agree	71	28.4
Disagree	168	67.2
Strongly Agree	10	4
Strongly Disagree	1	0.4
Total	250	100

Table 15 shows that Merger and Acquisition relate since 67.2% of the respondent indicates “Strongly agree” 28.4% indicate “Agree” 4% indicate Disagree while only one representing 0.4% of respondent indicate strongly disagree.

### **4.3 Testing of hypothesis**

Here, the data already analyzed in this Chapter will be used in testing the Hypothesis.

This hypothesis will be used to determine whether a change has occurred or not.

### **Hypothesis I**

HO<sub>1</sub> There is no significant relationship between mergers Acquisitions and increase productivity.

H<sub>1</sub> There is a relationship between mergers Acquisitions and increase productivity.

The correlation statistics was used to test Question 8 and 15.

Is there any relationship between merger and acquisition and increase productivity?

### **From Table 4.3**

<b>Option</b>	<b>No. Of Respondents</b>	<b>Percentage</b>
Yes	240	96
No	10	4
Total	250	100

Question 15

Has the quality of the products manufactured by the company improved after the merger?

**From Table 4.10**

Option	No. Of Respondents	Percentage
Yes	240	96
No	10	4
Total	250	100

Taking question 8 as independent variable (X) and question 15 as the dependent variable (Y).

**TABLE 4.12: The Correlation Table.**

	X	Y	XY	X <sup>2</sup>	Y <sup>2</sup>
Yes	24	19	46,80	57,60	38,02
	0	5	0	0	5
No	10	55	550	100	3,025
Tot al	X = 25 0	Y = 25 0	XY = 4735 0	X <sup>2</sup> = 5770 0	Y <sup>2</sup> = 4105 0

The Coefficient of correlation (r) is given as:

$$r = \frac{\sum XY - (\sum X)(\sum Y)}{[\sum X^2 - (\sum X)^2]^{1/2} [\sum Y^2 - (\sum Y)^2]^{1/2}}$$

$$r = \frac{47350 - (250)(250)}{[2(57700) - (62500)]^{1/2} [2(4105) - (625)]^{1/2}}$$

$$\frac{r94700-62500}{(115400-62500)}$$

$$\frac{r32200}{52900}$$

$$r = \frac{32200}{52900} = 0.81$$

Since r is positive then we will, accept the alternative hypothesis which says that there is a relationship between merger and acquisition and increase productivity. Hypothesis 2

HO<sub>2</sub> There is no significant relationship between merger and acquisition and foreign domination.

H<sub>2</sub> There is relationship between merger and acquisition and foreign domination. The Chi-square model was used to test Question 10

### Question 10

Merger and Acquisition can bring about foreign domination.

Option	No. Of Respondents	Percentage
Agree	62	24.8
Disagree	20	8
Strongly Agree	150	60
Strongly Disagree	18	7.2
Total	250	100

Using the chi-square ( $X^2$ ) statistics

Tool for Computation

$$X^2 = \frac{F_o - F_e}{F_e}$$

Where  $F_o$  = frequency observed

$F_e$  = frequency expected

$X^2$  = chi-square

$n$  = number of sample

df:  $(C - 1) (r - 1)$

Where  $C$ : number of columns

$R$ : number of rows

TABLE 4.13 CONTINGENCY TABLE

Opinion	$F_o$	$F_e$	$F_o - F_e$	$(f_o - f_e)^2$	$(f_o - f_e)^2 / f_e$
Agree	62	25	37	1369	54.76
Disagree	20	25	-5	25	1
Strongly Agree	20	25	125	15625	625
Strongly Disagree	18	25	-7	49	1.96

$$X^2_{cal} = 54.7 + 1 + 625 + 1.96 = 682.72$$

Degree of Freedom

Df:  $(4 - 1) (2 - 1)$

$(3) (1)$

df: = 3

At a significant level of 5% and a degree of freedom of 3, the chi-square distribution statistical table value is 7.815.

The table value of 7.815 is less than the computed or calculated value of 682.72.

Therefore, based on the above the null hypothesis is rejected and the alternative hypothesis is accepted.

### **Decision rule**

Since the computed value is greater than the table value then we reject the Null hypothesis ( $H_0$ ) which stated that there is no relationship between merger and acquisition and foreign domination and accept the alternative hypothesis ( $H_i$ ) which toted that there is relationship between merger and acquisition and foreign domination.

From the observation of the test of hypothesis it is clearly depicted that the value of  $X^2_{cal}$  is 632.72 and is greater than the table value of 7.815. Hence we accept the alternative hypothesis which states that there is relationship between merger and acquisition and foreign domination.

## **4.4 Discussion of Findings**

The analysis of the data was carried out with the aid of chi-square and correlation analytical tool of which the result accepts the alternative hypothesis which states that there is a relationship between merger

and acquisition and increase productivity, also there is relationship between merger and acquisition and foreign domination. It was discovered that the reasons for most mergers are Economic of scale, Growth and Expansion, managerial efficiency, Diversification. The analysis carried out also revealed that merger and acquisition is a strategy by enhancing competitiveness in service delivery; the findings also discovered how merger and acquisition has been of help to Unilever Nigeria plc for enhancing competitiveness in service delivery. The analysis further revealed that the term of merger and acquisition include differences in salary benefits and allowances for the employees of both companies. Furthermore, 61% - 100% of the Unilever Nigeria Plc market is now controlled by the new company' leading brand after the merger.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary**

The main focus of this work is to determine the role of merger and acquisition as strategy for enhancing competitive in service delivery. The research main finding as directed by both the objective and research hypothesis is stated below.

Merger and acquisitions can bring about increase in productivity. This is seen in the case of lever Brothers Nigeria PLC which started in 1924 with the production of a few tonnages of laundry soaps but today as a result of merger and acquisition has a total capacity of about 172,000 tons per annum, producing 34 brands of consumer items in about 68 packs sizes.

Merger and Acquisition can help a company develop competitive advantage and ultimately help increase shareholders value. The study found out that there is increase market. Market and increase in technological know, - how as a result of merger and acquisition; this is exhibited in the Lever Brothers Nigeria PLC and Lipton case. Risks involve In Merger and Acquisition. The

study also revealed that there are some risks involved in Merger and acquisition.

These are as follows:

Mergers and Acquisitions may give rise to foreign domination of business and other economy activities in that most multinational corporations (MNCs) could seize this opportunity to forcefully take over local indigenous firms they feel constitute a threat to their interest.

Some staff is laid off as a result of Merger and Acquisition. This can result to unemployment.

Efficient management of people can solve these problems.

## **5.2 Conclusion**

Merger and Acquisition seem to be a viable option for companies in Nigeria within the circumstance of prevalent high interest and exchange rates coupled with poor performance in the corporate sector.

From the study it is now concluded that merger and Acquisition is a viable strategy for enhancing productivity and competitiveness by organizations especially in this era of globalization. Though there are some problems encountered in merger and acquisition which can be solved by successful management of people involved; smooth integration of

operations and considering cultural differences between the two firms.

### **5.3 Recommendations**

Merger and Acquisitions in Nigeria corporate scene is becoming increasingly popular even though it is a recent phenomenon. There is a need for public enlightenment on Mergers and acquisition in the country to enable the general public and particularly employees, management and shareholders of companies to know the effect of such business combinations.

The reasons given by companies for this recent wave of M & As have included cost cutting through economies of scale, strengthening the company's market position. gaining access to new markets, global expansion. gaining a talented workforce, acquiring new knowledge and expertise, gaining a new customer base, and pursuing new technologies. However, although mergers and acquisitions are being aggressively pursued by companies, recent studies have indicated that 60-80% of all mergers are financial failures when measured by their ability to outperform the stock market or to deliver profit increases (Noe, 2002). The sections below present the key factors that are required to ensure a smooth and effective merger process:

Extensive and Regular communication at various levels is crucial during all stages of the merger process, and is the key to

its success. Even when communication is given high priority, the manner in which it is used is often less than ideal. To be effective, the communication process has to be carried out in such a way as to avoid confusion and mixed messages. It needs to be honest and to focus on positive messages. If not, it can encourage rumors that can have a negative impact both within the organization and externally. It is very important for management to communicate clearly and regularly to all employees the implications of the merger, including the planned changes to working practices and organizational processes.

If management is unable to discuss the merger while negotiations are taking place, then it needs to make an effort to do so immediately in the post-merger phase.

The communication process should include stating the merging company's goals and objectives to all employees and keeping them informed of progress during the implementation and integration phase of the merger. The communication process should also encourage two-way feedbacks between management and employees to make employees feel that they are contributing to the solution. By involving people at all levels of the organization. The merging companies are encouraging widespread acceptance of the merger process and reducing feelings of insecurity.

**Effective planning:** Success in mergers and acquisitions correlates directly with the level of planning that goes into them. Careful and early planning has been shown to influence the success of a merger. Plans need to include realistic goals and be reasonable and should cover all the key aspects of an organization including people, systems and organizational processes. They should also focus on ways to align systems, work structures and processes between the merging organizations, and on implementing structures and procedures that will allow the organization to handle the changes brought about by the merger. Effective planning leads the way to a smoother implementation process and maximizes the chances of success of the merging organization.

**Retaining Key People:** The retention of a talented workforce, which is often a major reason behind the decision to merge, should take priority during the merger process and management needs to adopt measures to improve the retention rate of the best people in the merging companies. Truthful and thorough communication with employees can play a significant part in management's retention strategy. If the communication process is performed effectively, it can reduce employees' sense of insecurity and give them a better picture of what the future holds for them. If, however, managers are not honest about the true implications of the merger, they will lose the trust of their

employees, causing them to leave the company. As for the remaining employees, they may no longer feel motivated to produce their best work.

**Managing Cultural Differences:** Companies that are merging need to be aware of cultural differences between them and need to find practical ways of reconciling those differences. Conducting a cultural audit is a useful way of obtaining useful information about the two companies' differing cultures and helps to evaluate differences and similarities in work standards and practices. That information can raise awareness of potential difficulties and issues in the merging process, and allows the merging company to take steps to minimize culture clashes by building an effective communication structure. Part of the communication process should involve bringing together people in both organizations and encouraging them to take part in both social and professional activities together.

**Training and Development:** Training and development should be provided to senior and middle management and should focus on all aspects of the merger process. Such interventions will facilitate more effective leadership on the part of managers, who will have a better understanding of the key issues that arise during the course of a merger.

Training should focus on the implication of the merger for the company, its effects on employees at all levels of the organization

and its impact on working practices and organizational structures. Training should also educate managers on what each stage of the merger process entails for them and for the company as a whole.

Ideally training on M&A issues and activities should take place even if a merger is not being considered, so that managers are prepared in the event of a future merger or acquisition. Training managers on how to communicate M&A implications and issues to the rest of the organization is also required. Managers need to be able to engage employees at all levels of the organization in order to make them feel part of the decision-making process and to cultivate their support.

**Post-Merger Integration Teams:** One way of ensuring that post-merger integration team run smoothly is to set up a post-merger integration team in all the critical areas of the organization, including finance, sales and marketing, human resources, and operations. It is a question of identifying where value is being created, and then making sure you protect it during the integration process. You have to be selective then deciding exactly what to integrate and how quickly. Finally, the government should be able to bring sanity by way of legislation to safeguard upcoming small and medium sized companies from being eaten up by large companies may be

aiming at monopolizing the market in order to control commodity prices and other wrong motives for Mergers.

#### **5.4 Areas for Further Research**

The findings of this study, it will contribute to the existing body of knowledge and form basis for future researchers. The following areas of further research are suggested: whereas the current study focused on the motives for mergers and acquisition, future studies seek to establish the challenges encountered in mergers and acquisition, possible intervention that may be used to address the challenges and the effect of mergers and acquisitions on firm performance.

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## APPENDIX

### QUESTIONNAIRE

#### PERSONAL DATA SECTION A.

***Pease tick US application within the box provided.***

- (1) Sex: male [ ] Female [ ]
- (2) Marital status: Single [ ] Married [ ]
- (3) Age: 22-40 [ ] 41-Above [ ]
- (4) What is your level in an Organization?
- (a) Junior Staff [ ] (c) Operational Staff [ ]
- (b) Senior Staff [ ] (d) Management Staff [ ]
- (5) What is your academic qualification?
- (a) FSLC [ ] (b) OND [ ]
- (c) WASC and its equivalent [ ]
- (d) HND/B.SC [ ] (e) M.SC Above [ ]
- (6) Number of years in service?
- (a) 0-10 years [ ]
- (b) 21 -30years [ ]
- (b) 11-20 'ears (c) 30 years and above [ ]
- (7) What are the reason for Merger?
- (a) For economic of scale [ ]
- (5) Growth and expansion [ ]
- (c) Managerial efficiency [ ]

- (d) Diversification [     ]
- (e) All of the above [     ]
- (8) Is there any relationship between merger and acquisition and increase? (a) Yes [     ] No [     ]
- (9) Does the term of the merger and acquisition include difference in salary? (a) Yes [     ] No [     ]
- (10) Merger and acquisition can bring about foreign domination? (a) agree [     ] (b) Disagree [     ] (c) Strong Agree [     ] (d) Strongly disagree [     ].
- (11) What percentage of the market in your opinion is now controlled by the new company's leading brand after the merger? (a) 0% -20% [     ] (b) 21% - 40% [     ], (c) 41%-60% [     ], (d) 61% - 100% [     ].
- (12) What is the volume of job openings in the company currently as a result of the merger (a) More [     ], (b) Less [     ] (c) The same [     ]
- (13) How would you rate the company with respect to the efficiency of management and its effectiveness after the merger? (a) low [     ], (b) the same [     ], (c) High [     ], (d) Very High [     ].
- (14) Is there any risk involve in merger and acquisition? (a) Yes [     ], (b) No [     ].
- (15) Have the quality of the product manufactured by the company improved after the merger?(a) Yes [     ], (b) No [     ].

(16) Merger and acquisition relate? (a) agree [ ] (b) Disagree [ ] (c) Strong Agree [ ] (d) Strongly disagree [ ].