CROSS CULTURAL PERSPECTIVE OF MERGERS AND ACQUISITIONS:

THE CASE OF GLAXOSMITHKLINE KENYA PLC

BY

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT FOR THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2008

DECLARATION

A) Declaration by the student

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

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b) Declaration by the supervisor

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

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DEDICATION

To my children, Mutheu, Marion and Victoria: my girls, my friends, my confidants.

ACKNOWLEDGEMENT

This project has been accomplished with the encouragement, support and contribution from a number of people whom I am deeply indebted.

I owe special thanks to my family, my husband Kitenga and our children Mutheu, Marion and Viki who encouraged and were patient with me even when my studies quietly ate in to the time meant to be spent with them. My parents, who have always believed in me and encouraged me to pursue my goals, and to my sisters who constantly enquired on how I was coping with my many roles and quickly stepped in to help when the need arose. And of course Tara, our lovely faithful pet, who kept me company as I worked late night after night. Thank you all for believing in me.

To my supervisor, Mr Eliud Mududa for his guidance and insight throughout my research work. He gave me ideas that became extremely useful within the academic scope of this project. I would also like to appreciate my colleagues at GlaxoSmithKline who spend time to complete my questionnaire despite their busy schedules.

Finally, I want to acknowledge members of my Ekklesia for their prayers and encouragement; my classmates who also became my very good friends – Grace, Nancy, Jeckton, Kamanda, Marete, Brenda - for their invaluable support throughout the programme, and to Kinyua, for listening and shaping my many ideas.

But above all, to God, For His provision of finances and His grace, as I went through very hard accounting courses and for practically seeing me through this programme, every step of the way.

LIST OF ABBREVIATIONS

EA	East Africa
GSK	GlaxoSmithKline
GW	Glaxo Welcome
MNC	Multinational Corporation
PWC	PriceWaterhouseCoopers
SB	Smithkline Beecham
UK	United Kingdom

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ABSTRACT

Mergers can be defined as a combination of two or more organizations where all their assets and liabilities are combined to form one organization with a single name and legal entity. Merges therefore, are strategic alliances between two or more companies, where the partners in the alliance seek to add to their competencies by combining their resources with those of other firms with a commitment to reach an agreed goal, while acquisitions occur when one company takes over another in terms of management or ownership. Acquisitions usually take place between big and small countries as well as between big manufacturing companies and small supplying ones, the main aim being guaranteeing the sources of supplying important inputs. Normally, the company being taken over consents to the takeover, however, hostile acquisitions do sometimes take place, where the bigger company takes over the smaller one without its consent.

The prime reason for mergers and acquisitions are to maintain or increase the market share and to increase shareholder value by cutting costs and initiating new, expanded and improved services. Research has shown that between 75-85% of mergers fail due to low productivity, labour unrest, high levels of absenteeism and loss of shareholder value. Further research has shown that mergers fail mostly during integration, and mainly because of improper strategy, culture differences, delays in communications and unclear vision (PR Newswire, 1999).

When mergers occur, one of the biggest challenges still remains how to deal with culture clash emerging from the merging companies. The term "culture clash" has been coined to describe the conflict of two companies' philosophies, styles, values, and missions (Bijilsma-Frankema, 2001). Even in the best of circumstances, mergers can so change the nature, orientation, and character of one or both of the merger partners. Some issues arise from employee's fears over the loss of situational control, the possible of loss of their jobs, the financial obligations associated with the loss of a job. Moving into the realm of the unknown with a new manager and a new team is also disconcerting and anxiety provoking (Mirvis and Mark, 1992).

This case study explored the cross cultural perspectives of mergers and acquisitions, with the aim of determining the role culture plays in the success or otherwise of mergers. The study in particular focused on GlaxoSmithKline (GSK) Kenya, a multinational pharmaceutical company based in Kenya, formed following the merger of SmithKline Beecham and Glaxo Wellcome in December 2000.

The case study depended on primary data collected through questionnaires and therefore made use of the samples of the population making the study cheaper and less time consuming. From a study population of 50 senior and middle managers at GSK, a sample of 12 respondents was taken for the study. Descriptive statistics was used to analyse the quantitative data. Percentages were used to determine respondents' feedback and mean scores were also used to analyse feedback received from the respondents.

The findings from the study showed that culture is a very important element for the success of any merger. Culture is the key to success of a business and a good culture therefore leads to better performance. Elements of organizational culture such as norms, values and believes, management culture and leadership styles are very important for the success of mergers and acquisitions. It also found out that GSK's staff are highly motivated and performance driven. They also take pride in the organizations unique culture evolving from a history of many mergers. The study found that most respondents found the cultural aspect of the 2000 merger to be a success.

CHAPTER ONE

INTRODUCTION

1.1 Nature of Mergers and Acquisitions

Mergers can be defined as a combination of two or more organizations where all their assets and liabilities are combined to form one organization with a single name and legal entity. Merges thus are strategic alliances between two or more companies, where the partners in the alliance seek to add to their competencies by combining their resources with those of other firms with a commitment to reach an agreed goal.

Acquisitions on the other hand occur when one company takes over another in terms of management or ownership. Acquisitions usually take place between big and small countries as well as between big manufacturing companies and small supplying ones, the main aim being guaranteeing the sources of supplying important inputs. Normally, the company being taken over consents to the takeover, however, hostile acquisitions do sometimes take place, where the bigger company takes over the smaller one without its consent.

1.1.1 Merger Categories

Harvey and Newgarden (1996) classified merges classified in three broad categories. Horizontal mergers are mergers between two or more firms in the same industry. Companies in the same line of business often look for various strategies to remain on the competitive edge. Such companies explore strategic alliances, which would grow their business and keep them afloat. Such strategic alliances include horizontal mergers, which have become quite common in the banking industry, financial services sector, telecom industry and in the pharmaceutical industry as is the case of GlaxoSmithKline. In a horizontal merger, the acquisition of a competitor could increase market concentration and increase the likelihood of collusion. The elimination of head-to-head competition between two leading firms may result in unilateral anticompetitive effects.

Vertical mergers represent combinations between firms in which supplier or buyer relationships may exist. Such mergers will occur where a big manufacturing company may form a strategic alliance with the firms, which supplies its raw materials, or does its distribution, mainly driven by the desire to drive down costs, or ensure undisrupted supply of raw materials or supply chain. Vertical mergers are common in the manufacturing industry, given the whole relationship between raw materials, warehousing, manufacturing and distribution.

A vertical merger can harm competition by making it difficult for competitors to gain access to an important component product or to an important channel of distribution. Take the merger of Time Warner, Inc., producers of HBO and other video programming, and Turner Corp., producers of CNN, TBS, and other programming (HBR May 1997). There was concern that Time Warner could refuse to sell popular video programming to competitors of cable TV companies owned or affiliated with Time Warner or Turner or offer to sell the programming at discriminatory rates. That would allow Time Warner-Tuner affiliate cable companies to maintain monopolies against competitors like Direct Broadcast Satellite and new wireless cable technologies. What's more, the Time Warner-Turner affiliates could hurt competition in the production of video programming by refusing to carry programming produced by competitors of both Time Warner and Turner. The merger was however allowed, but prohibited discriminatory access terms at both levels to prevent anticompetitive effects.

The third category of mergers is that of conglomerates. Conglomerate mergers occur among firms in different lines of business. A merger between a bank and a telecom company would be seen as a conglomerate since these are two companies, in different industries, merging for some strategic benefits. Conglomerate mergers often result into big monopolies, which if not well regulated can kill competition and create huge companies which become economic powers in the world.

1.1.2 Benefits and Challenges of Mergers and Acquisitions

Mergers and acquisitions have been a feature of life in the business sector for many years and most do actually benefit consumers as well as competition by allowing firms to operate more efficiently. Some mergers however reduce competition, which in turn, can lead to higher prices, reduced availability of goods or services, lower quality of products, and less innovation. Indeed, some mergers create a concentrated market, while others enable a single firm to raise prices.

One basic objective of mergers and acquisitions is to capture greater share of the market, which the company serves. A merger may make it possible for the company to offer a complete product line for the first time, or it may expand the geographic area in which the company sells its goods. Foreign acquisitions are frequently made for this latter reason. Many companies embark on merger programs to avoid the cyclical effect of a single industry, to minimize the impact of adverse conditions in a particular market, and to be able to participate in new growth areas.

Mergers create economies of scale in which costs of services or production can be reduced. A single distribution system (including the sales force, dealers, retail outlets and transportation facilities), can handle two products having common, or at least similar, markets and distribution methods at a lower unit cost than it can a single product. Similar strategy can be applied on factories and on research. Mergers also are created with a focus of creating financial benefits. The purpose of a merger is often to secure higher earnings per share. Merger also boost company image in the marketplace towards a higher price earnings ratio or to achieve greater financial security and stability. Companies also merge so as to redeploy excess capital.

The business world is becoming increasingly complex. A small enterprise unable to support a staff of specialists or to afford the cost savings available to larger entities through automation may seek refuge in a merger with a larger operation. Similarly, two small companies, neither of which is able to afford these necessities, may join to create an organization of sufficient size to cope with the growing complexity of business life and to compete with larger operations.

Mergers are never without challenges and in some cases mergers or acquisitions have not borne the results expected, (Mace and Montogomery, 1962). Mergers are not cheap as they bring a combination of roles and functions, hence rendering some positions and roles obsolete. This means that excess staff have to be laid off at a cost, and some equipment may have to be disposed off at a loss. These costs must be provided for upfront during the merger whereas financial benefits from merger would only accrue at a later date. Other costs are incurred in securing office premises big enough to accommodate the merged team. All these short-term costs may outweigh any anticipated longer-term gains.

Mergers are quite expensive in terms of time, energy and other resources needed to see them through. During mergers, best employees leave while average performing ones hang on. This happens because talented employees are sure of their competencies and capability and are sure to secure another employment elsewhere. Average performers normally worry about job security and are likely not be proactive in seeking separation during mergers.

Some mergers and acquisitions must be done in accordance with certain legal and governing regulations of respective home countries. Some of these legislations may delay merger process and in such a situation, anxiety may affect consumers and lower company profitability. Such legislations are instituted to ensure that mergers do not create monopolies, which dictate trade practices within a particular industry. In most mergers, there are a reduced number of key positions at top level. Since there is only going to be one Board Chair, one Board, one Chief Executive Officer, and one management team, there are bound to be a number of losers. If the organizations involved are significantly different in size, it may be hard to avoid the feeling that the larger organization is taking over the smaller one.

When mergers occur, one of the biggest challenges still remains how to deal with culture clash emerging from the merger. The term "culture clash" has been coined to describe the conflict of two companies' philosophies, styles, values, and missions (Bijilsma-Frankema, 2001). Even in the best of circumstances, mergers can so change the nature, orientation, and character of one or both of the merger partners. Some issues arise from employee's fears over the loss of situational control, the possible of loss of their jobs, the financial obligations associated with the loss of a job.

Moving into the realm of the unknown with a new manager and a new team is also disconcerting and anxiety provoking (Mirvis and Mark, 1992).

Organization culture is usually visible through various elements such as values; assumptions; narratives; symbols, heroes and rites, ceremonies and rituals. Values represent deep seated personal standards that influence almost every aspect of ones lives including moral judgments, responses to others and commitment to personal and organizational goals. Values are considered the bed-rock of organizational culture and organizations do articulate their values by saying something about their beliefs and philosophy regarding customers, shareholders, quality, employees and work environment. (Reschke and Aldag, 2000). Assumptions on the other hand are unconscious beliefs, perceptions and feelings and may relate to many things including the mission and strategy of the company, specific goals including means to achieve such goals.

Narratives as a key contributor to organizational culture relate to written or spoken accounts which can include stories, legends and myth, and revolves around how the organization culture supports certain themes such as equality, security, diversity, social responsibility and others. Narratives easily linked to heroes, who represent organizations role models through embodiment of character, performance of deeds and highlights and reinforces the values an organization wishes to uphold. Symbols are things that stand for something else ranging from a logo, which influences the customer perspective to the company motto which reinforces the workforce commitment to dress code which suggests the level of formality. Symbols are created intentionally in order to reinforce or signal a change in culture.

Rites, ceremonies and rituals on the other hand are outward signs of what the organization values. They facilitate many important organizational tasks, including common binds, reducing conflict, renewing commitment and managing transitions, how to associate and greet one another, how visitors are received to how a phone conversation should proceed. Such signs are usually ignored during a merge or acquisitions, contributing to a sense of organizational drift. Successful merging of cultures is difficult, traumatic and yet crucial. Individuals and companies with different histories, values, expectations and beliefs as indicated previously are asked to adopt a unified perspective and to serve as a cohesive unit. This is made more difficult as in most mergers there are perceptions of winners and losers as well as fear of uncertainty.

Culture clash is also driven by a number of other factors such as autonomy, performance and education and development orientations. In the case of autonomy, centralised versus decentralised decisions making processes create limitations on peoples freedom to make decisions, manage resources and hence a culture which downplays autonomy would be less accepted in an autonomy set-up. On performance, one culture may focus on what is done while the other may focus on how it is done, creating a conflict between a results oriented process as opposed to a process oriented one. On education and development, both cultures may have different perspectives on the priority of staff development and divergent views on how to best implement this. As much as the solutions of such differences in the new culture may be largely influenced by demands of the competitive market, a systematic approach to resolving such differences and to creating a culture suitable for the new business environment should be put in place to support the organization's competitive strategy.

1.2 GlaxoSmithKline Merger

GlaxoSmithKline (GSK) Plc was formed in 2000, following the merger of SmithKline Beecham (SB) and Glaxo Wellcome (GW). To clearly understand the cultural influences on as a result of this merger, it is critical to understand the history of mergers within the two companies before they came together to form GSK in 2000. In 1989, SmithKline Beckman, a US firm, merged with Beecham, one of the oldest UK drugs companies. Both firms felt threatened as potential takeover targets and had run out of internal options. SmithKline had an aggressive sales force in the US but had failed to replace the income stream of its main drug. Beecham on the other hand had been successful in early research on antibiotics but did not have the mass or competences to become a serious pharmaceutical player. Through the merger they were able to retain their Research & Development activity and their budgets. The merger also brought about a new organisation with international marketing and sales presence. The aim was a friendly merger allowing for "equality of chances" for those involved in the merger.(Bauman, Jackson and Lawrence, HBR 1997)

In 1994, SmithKline Beecham acquired Sterling Health, a move that made SmithKline Beecham the Number 3 Over the Counter Company worldwide and one of the world's largest Healthcare companies. The acquisition also strengthened the company's geographical presence, especially throughout its international region and boosted two key product areas, analgesics and antacids. SmithKline Beecham was registered as Beecham of Kenya Limited in 1974 as a marketing office and started production at Funzi Road, Industrial Area in 1980. In 1989, following the International merger between Beecham Research International and SmithKline & French, SmithKline Beecham Kenya was registered in 1990. This registration brought together three companies at a common site on Likoni Road. These were SmithKline Beecham Consumer Healthcare, Sterling Health and SmithKline Beecham Pharmaceuticals, a non-trading marketing office that was responsible for marketing and distribution of SmithKline Beecham's pharmaceutical products.

Glaxo Wellcome was created in 1995 following takeover of Wellcome by Glaxo, in a £9 billion deal, at that time the largest merger ever in the UK. Glaxo was a small British firm with its origins in the dried milk business and its sales mainly in antibiotics, respiratory drugs and nutritional supplements. Glaxo grew rapidly mainly due to its success in researching and developing innovative medicines, with earnings emerging from a strong presence in Europe and the US. Wellcome foundation, the largest non-profit medical institution in the UK, owned a 40 per cent stake in Glaxo's Zantac and 39 per cent of Wellcome's share capital (CSBS 1998). Zantac, an anti ulcer "block buster" and the world's best selling drug then, resulted in a large part of Glaxo's growth. In Kenya, GlaxoWellcome was first established as Glaxo Allenbury (E.A) Ltd incorporated in 1963. In 1966 a factory was commissioned at Dakar road whereas in 1967 the Wellcome factory was commissioned at Kabete. In 1975 there was a name change to Glaxo (E.A) Ltd and Glaxo and Wellcome merged to form GlaxoWellcome.

GlaxoSmithKline came into being in 2000 as a result of the merger between GlaxoWellcome and SmithKline Beecham, making the company the second largest pharmaceutical company in the world and the largest in Kenya. Situated on an eight-acre pot on Likoni road in Nairobi's Industrial Area, the site houses a factory, administration and marketing offices with a work force of over 300, covering over twelve countries in the region namely Ethiopia, Eritrea, Rwanda, Burundi, Djibouti, Somalia, Uganda, Tanzania, Mauritius, Seychelles and Madagascar. From all these regions, GSK generates an annual turnover of over Ksh. 6 billion.

GSK's principal activities include production of Consume Healthcare products, Sales and Marketing of both locally manufactured and imported pharmaceutical products sourced from other GSK locations. GSK's range of products includes antibiotics, respiratory medicines, vaccines, anti-retrovirals, over the counter medicines such as analgesics, nutritional drinks and oral care products.

GSK mission is "to improve the quality of human life by enabling people to do more, feel better and live longer" a mission most employees find easy to identify with. The staff are highly motivated and performance driven and GSK prides itself in a unique organizational culture evolving from all these historical mergers, but one which has been perfected over time as will be evident from my study.

1.3 Statement of the Problem

The prime reason for mergers and acquisitions are to maintain or increase the market share and to increase shareholder value by cutting costs and initiating new, expanded and improved services. Research has shown that between 75-85% of mergers fail due to low productivity, labour unrest, high levels of absenteeism and loss of shareholder value. (PR Newswire, 1999). Further research by the same group has shown that mergers fail mostly during integration, and mainly due to improper strategy, culture differences, delays in communications and unclear vision

Over 70% of mergers objectives go un met and there is in most mergers a 50% overall drop in productivity in four to eight months of the merger. The BMW Rover merger, which took place in 1994, was unsuccessful mainly because the two companies were seen as cultural icons in their respective countries, as a result, management independence was maintained, and the companies de-merged due to their strong cultural heritage (Booz-Allen & Hamilliton 2001). It is widely recognised that cultural differences between partners of a merger are one of the most common reasons for failure or success in mergers. From researches cited above, it can be alleged that culture plays a major part in the way employees react to new structure, ranging from quick and adaptation to new expectation, to resistance, withdrawal and other forms of unproductive behaviour.

There are a number of studies that have been done on mergers and acquisitions in Kenya (Chesang, 2002; Katuu, 2003; Bansal, 2005). None of these studies have been specific to

GSK. There is however only one study that has been done on GSK (Ng'ang'a, 2004) but this study did not look into the role of culture during the merger. Thus, this study sought to address this gap in literature as concerns the influence of culture on mergers and acquisitions in Kenya.

Based on the foregoing scenarios, this study undertook to determine the role culture plays in the success or otherwise of mergers. The study in particular focused on GlaxoSmithKline (GSK) Kenya, a multinational pharmaceutical company based in Kenya, formed following the merger of SmithKline Beecham and Glaxo Wellcome in December 2000. In particular, this study endeavoured to provide answers to the following key questions:

i) What role does culture play in the success or failure of mergers and acquisitions?
ii) How does this role relate to the case of GlaxoSmithKline Kenya?

1.4 Research Objectives

The objective of this study was to investigate the manner in which cultural differences impact on the functions of an organization during mergers and acquisitions and how such differences can be mitigated.

1.5 Importance of this study

This study is of benefit to any companies exploring possibilities of merger or acquisitions. It will in particular be important to:

i) Managers of various organizations engaging in joint operations as it has highlighted challenges that are characterise such operations.
ii) The investing public such as shareholders who are often consulted prior to such undertakings.
iii) Academics by way of serving as a basis for further studies in the area of mergers and acquisitions.

The study is also useful to any company that has recently merged or made an acquisition as it pointed at various cultural factors, which can lead to better integration and hence faster achievement of merger objectives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Merges as explained earlier refer to coming together of two or more companies, combining their assets and liabilities to form one new company, with new name, legal entity, governing body and mission. Three broad types of mergers may be distinguished. Horizontal mergers are mergers between two or more firms in the same industry. Vertical mergers represent combinations between firms in which supplier or buyer relationships may exist. Conglomerates are mergers between or among firms in different lines of business.

Strategic alliances are cooperative arrangements between two or more companies. The partners in an alliance seek to add to their competencies by combining their resources with those of other firms with a commitment to reach an agreed goal. They tend to be contractual rather than equity arrangements. Acquisitions are a form of joint venture in which one firm takes initiative to acquire another for certain reasons. It usually happens between big and small countries and usually between big manufacturing companies and small supplying ones. Acquisitions in such instances are aimed at guaranteeing the sources of supplying important inputs.

Each merger or potential merger will have its unique features, however, certain key factors are common to most mergers and should always be addressed effectively for the merger to be successful. Such factors include governance and management, staffing, communication, culture, geographical boundaries or coverage, compatibility of systems and common strategy and mission. In governance and management, the merging companies need to consider the need for commitment to merger, form required boards, the need for committed leadership, the need for effective strategic and operation post merger, project management as well as consultations with staff.

Mergers have evolved from the experiences of the first wave, at the turn of the 19^{th} century, which had its greatest impact in the US and was particularly concerned with suppressing competition. The second wave occurred in 1920, through the spread of mass production, and its main aim was to rationalize industries into larger groups enjoying bigger economies of scale. The third wave, which occurred in the 60's was as a result of extended period of international economic growth and was closely linked to the rapid expansion in world trade, which accompanied it (Harvey & Newgarden (1966). One of its characteristics was the fashion for conglomerate mergers, diversification and acquisition strategic groups

Today's global mergers go beyond the simple consolidation of activities in different regions of the world. They could perhaps be best described as the worldwide integration and consolidation of business activities. As a result, many of the transactions, which have occurred in recent years, have significantly modified the fundamentals of competition in the industries concerned.

Successfully managing transitions such as mergers and acquisitions requires considerable commitment from organisations. The research literature provides guidance for managers who are leading such transitions (Moser Illes, 1996). Schweiger and DeNisi (1991) considered the impact of a realistic merger preview, a program of realistic information on employees of an organisation that had just announced a merger. Employers from one plant received the merger preview while those in another plant received only limited information and the following conclusions were drawn: the announcement of the merger was associated with significant increases in global stress, perceived uncertainty, and absenteeism and decreases in job satisfaction, commitment and perceptions of the company's trustworthiness, honesty and caring, and no change in self-reported performance.

2.2 Mergers and Acquisitions as Cooperative Arrangements

Mergers and acquisitions come in different forms as explored earlier in the case of horizontal, vertical and conglomerates. Mergers do also arise as a result of potential competition. This occurs when a company that is planning to enter a market and compete with the acquiring company, or vice versa, and results in the elimination of a potential competitor. Mergers are thus driven by business need and are usually done voluntarily, though hostile acquisitions may sometimes take pale in cases of big and smaller companies.

To a large extend, mergers have been necessitated by the massive costs associated with the development and marketing of products, manufacturing costs and development of new markets. In the case of the pharmaceutical industry for example, health services throughout the world are demanding that drug companies reduce their prices and supply them with the cheapest pharmaceuticals. It is now a common scenario for the National Health Service in Britain to refuse to prescribe a drug because it is too expensive. Rising research and development costs have meant that drug companies have been unable to go it alone and have had to utilize the expertise and resources of other drug companies in order to survive in a cutthroat market.

Mergers are also done as a deliberate way of enhancing market share as well as entry into a certain market. The recent merger between Stanbic and CFC bank was mainly driven by desire of Stanbic bank to increase its market share as well as be listed in the Nairobi Stock Exchange. Though this merger, Stanbic will almost doubled its capital, making it the third largest bank in Kenya, and capitalized on network of merger partner, CFC to reach out to a wider customer base.

With challenges of ever rising cost on research and production, cut throat competition, cost of supply chain, logistics and with globalization, companies have had to seek mutual agreements through mergers and acquisitions, so as to remain relevant and competitive.

2.3 Rationale for Corporate Mergers and Acquisitions

2.3.1 Market Considerations & Economies of Scale

Mergers and acquisitions occur for various reasons. Some of the key reasons include Market Considerations. One frequent objective is to capture greater share of the market, which the company serves. A merger may make it possible for the company to offer a complete product line for the first time, or it may expand the geographic area in which the company sells its goods. Foreign acquisitions are frequently made for this latter reason. Economies of scale is another reason for merger, where single distribution system (including the sales force, dealers, retail outlets and transportation facilities), can handle two products having common, or at least similar, markets and distribution methods at a lower unit cost than it can a single product.

2.3.2 Research and Development Needs

Research and Development cost is becoming an increasingly important element of overhead in almost every field of business and industry. Common laboratories and other

R&D facilities frequently result in a reduction in research cost per unit of production. Many companies embark on merger programs to avoid the cyclical effect of a single industry, to minimize the impact of adverse conditions in a particular market, and to be able to participate in new growth areas. By combining two manufacturing units, weaknesses can often be strengthened, overcapacity eliminated, and overheads reduced. Seasonal problems can often be solved in this way.

2.3.3 Financial Considerations

The purpose of a merger is often to secure higher earnings per share. Merger also boost company image in the marketplace towards a higher price earnings ratio or to achieve greater financial security and stability. Many companies, especially in the insurance industry have millions of dollars in low-yield securities in excess of their reserve requirements. The desire to redeploy such capital often leads to mergers and acquisitions. The single currency has made it easier for US companies - and other European companies - to do business across Europe. In order to protect market share from new competitors, European companies feel they need to grow. In addition, the euro has made t is easier for them to raise the cash to buy other companies.

2.3.4 Resources Capital Considerations

This is most commonly a motive of service organizations. Frequently a merger is undertaken to provide key human capital for an organization weakened through failure to plan ahead for orderly management succession. The business world is becoming increasingly complex. A small enterprise unable to support a staff of specialists or to afford the cost savings available to larger entities through automation may seek refuge in a merger with a larger operation. Similarly, two small companies, neither of which is able to afford these necessities, may join to create an organization of sufficient size to cope with the growing complexity of business life and to compete with larger operations.

2.4 Management problems of Mergers and Acquisitions:

Mergers start with smiles and handshakes, but then there are real costs that are often overlooked. Shareholders are losing out in more than 80% of all cross-border mergers, putting serious doubts on deals with an estimated volume of $2.2 trillion. Research by accountancy and consulting firm KPMG suggests that only 17% of all mergers added value to the combined company, while as many as 53% actually destroyed shareholder value. The remaining 30% of deals made hardly any difference to the performance of the companies involved. The results are in stark contrast to the perceptions by top managers. More than 80% of senior executives involved in mergers believed that their actions had in fact increased value for shareholders. Some of the key reasons why mergers fail are:

2.4.1 Improper managing and strategy:

Simpson (2000) says though top management is intimately involved negotiating the merger transaction, many times their focus shift once the deal is sealed. In reality, the integration phase is the time to focus on the relentless identification and capture value of value, which demands top management involvement. Instead, integration becomes the responsibility of middle management who may not be empowered to make critical decisions. The reason for the gap between perception and reality is that many firms focus too much on the "hard mechanics" of the merger to extract value from an acquisition. Instead managers should concentrate more on "soft" issues like selecting the right management team and resolving misunderstandings.

2.4.2 Human Capital

Transfer of staff to a single set of terms and conditions, following a merger, is often slower than anticipated and requires a clear implementation plan, and possibly incentives. The anxiety generated by change of ownership goes much deeper than the fear of employees losing a pay check. Many key people feel that, that which has made life worthwhile for them is being questioned, and their weekday faith is being threatened. Who they are, and what they are here for, can no longer be taken for granted and they are likely to respond in various ways. Some resign without waiting to determine what will happen, others begin plotting how to achieve personal goals long subdued in the old culture. To overcome some of these challenges, communication throughout the process is important, so are consultations and good and timely communication.

2.4.3 Location

A successful merger does not have to involve co-location. Well thought plans and effective management can help ensure that separate locations are integrated and can fulfil the objectives of the merger. If not well thought through, location can cause communication difficulties in the development of synergies, which in most cases are the objectives of a merger. Wrong location can lead to higher travel costs than necessary, particular thought should therefore be given when selecting the location of the merged company.

2.4.4 Culture Clash

There is increasing evidence that cultural incompatibility is the single largest cause of lack of projected performance, departure of key executives and time-consuming conflicts in the consolidation of the business (Bijilsma-Frankema, 2001). Culture plays an important role in the way employees react to the new structure, ranging from quick adapting and commitment to new expectations to resistance, withdrawal and other forms of unproductive behaviour.

2.5 Determinants of Successful Mergers and Acquisitions

What do successful mergers and acquisitions have that those that fail do not? Companies can ensure that they achieve the benefits they hope for in a merger or acquisition transaction through planning. Integration Planning & Management assists organizations in reducing immense operational and organizational disruptions. This should include pre-merger and post-merger integration planning, and enveloping a clear and focused vision of integration goals.

Successful pre-merger performance supported by a strong organisational culture does not guarantee that the culture can easily be transferred to another organisation; in fact, cultures are not easy to change, especially if they are strong (Cartright and Cooper 1993). The human resource aspects and implications of the merger transaction on the workforce must be planned for. Managing people risks through cultural integration, change management, leadership development, strategic communications, and retention planning are some of the dimensions that managers need to pay attention to. Some organizations undertake cultural audits before a merger; such audits ensure a systematic process is put in place to manage change and reconciliation as would be required.

2.6 Mergers in the Kenyan Context

The local context has not been without mergers. A number of companies in Kenya have been formed through a merger or acquisition. Three types of mergers are common in the country: mergers arising as a result of a new international entrant in the market looking for suitable established partner to acquire or merge with so as to make a faster entry into the market; local multinationals merging as a result of global mergers of parent companies for various reasons and finally mergers of local firms seeking business synergies so as to remain relevant in a globalised business environment.

Recently witnessed merges in the country are that of PriceWaterhouse and Coopers Lybrand who merged in 1998 to form PriceWaterHouseCoopers (PWC), this merger was not a local initiative but arose from decisions made by parent company and were to be implemented worldwide. The 2003 merger of two local companies Apollo Insurance and PanAfric Insurance to form APA Insurance Company is a clear case of locally owned firms merging to create more synergies and remain competitive in a fast growing insurance industry, highly dominated by multinationals. The just concluded merger between Stanbic Bank with CFC bank was driven by the desire of the Standard Chartered Bank of South Africa to own a larger market share of the banking industry in Kenya, raising it from an insignificant small size bank with three branches in Nairobi to a medium sized bank with over ten branches within the capital centre and the third largest bank in Kenya based on its capital.

On Acquisitions, the most recent in the financial sector is the buyout of ABN AMRO local operations by Commercial Bank of Africa as the bank sought to increase its client base. In the early nineties we witnessed the acquisition of Alico Insurance by CFC life, enlarging the services rendered by CFC from just banking to insurance and asset management. Mergers and acquisitions thus are not new to the Kenyan environment and hence the local companies are not spared the challenges that arise from mergers, especially the challenge of managing culture in the new organization. Glaxo Wellcome merged with SmithKline Beecham on 27th December 2000 to complete one of the largest pharmaceutical mergers ever witnessed. This merger gave rise to the world's second largest pharmaceutical company with sales of over $22bn and with the largest share in several therapeutic areas including anti-infectives, Central Nervous System, Respiratory and Vaccines. GSK is a global company with operations in Kenya spanning early eighties. Having been part to the 2000 merger, this is the company I focused on and gathered information on how they handled culture issues during the merger.

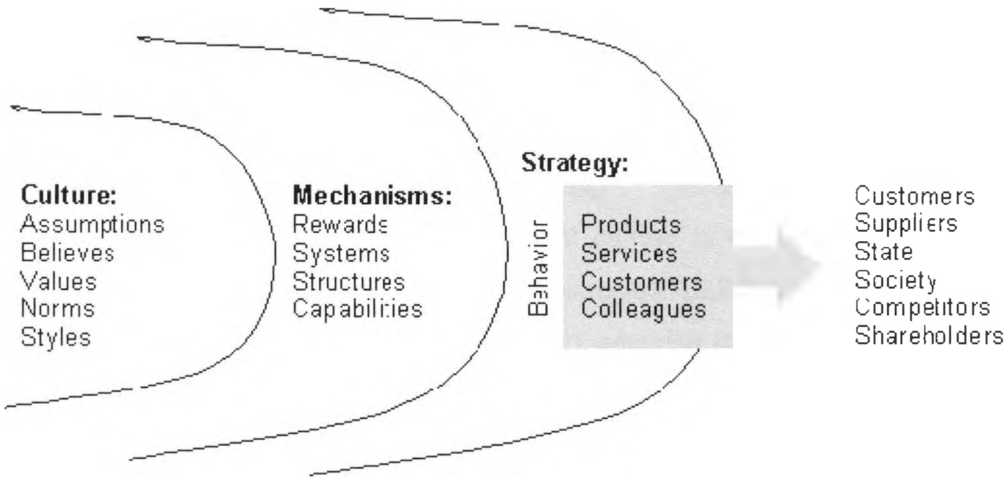
2.7 Organizational Culture Imperative

It is widely recognized that cultural differences between the partners of a merger are one of the most common reasons for failure in mergers. This may happen during pre-merger negotiations or during post-merger integration. Despite all Due Diligence, the two partners of a merger fail to form a new successful unit that is able to exploit all synergies. Often, the term 'corporate culture' is used to describe issues like objectives, personal interests, behaviors etc. Many problems in cooperation and teamwork are blamed to culture. However, in a merger, 'culture' is more than making the people from both partners work together smoothly. The development of a new, shared culture is a critical factor for merger success. It is possible to manage this process in a structured way.

Corporate Culture is embedded deeply in the organization and in the behavior of the people there. It is not necessarily equal to the image the company gives itself in brochures and on the website. Therefore, it is difficult to determine an organization's culture from the outside. Especially in pre-merger negotiations – when time and confidentiality are critical factors while trust still needs to be established – it can be a challenging task to find out if the cultures of the potential partners fit together.

Culture has various perspectives as demonstrated in this figure:

Fig1: The Cultural Onion Skin



(Source: the merger.org)

Corporate culture is determined by a variety of different factors which include, artifacts, management styles, norms, values, believes and assumptions. The concept of culture is best described by the sentence "the way we do things here". There is no one right culture for an organization. There are only cultures that fit more or less to the particular situation of the organization. In practice, several cultures can exist within one organization. This may more often happen in larger, diversified companies, when some divisions / departments start to develop their own ways to do things. Normally, problems of cultural fit will occur in areas around organizational values, management culture and leadership styles, organizational myths and stories, organizational taboos, rituals and cultural symbols

2.8 Importance and Characteristics of Culture in Organizations

Culture is to an organisation what personality is to an individual (Cartright and Cooper, 1993). They suggest that cultures serve as forces that draw organisational members together; creating a sense of cohesion, which when used well can drive growth and success. Organisational or corporate culture refers to the patterns of beliefs, values and learned ways of coping with experience that have developed during the course of an organisation's history and which tend to be manifested in its material acquisition and in the behaviours of its members.

Organisational culture tends to be unique to a particular organisation, composed of an objective and subjective dimension, concerned with tradition and the nature of shared beliefs and expectations about organisational life (Buono et al., 1985, pg 482). They also show another dimension, which characterises culture from a perspective of artefacts in an organisation such as office locations, physical setting and office décor.

Schein (1985) refers to culture as “shared learning”. Hofstede et al. (1990) also notes agreement among researchers that organisational culture is holistic, soft, is difficult to change, has a historical basis and is socially constructed. Building into the notion that an organisation’s culture is a product of successfully adapting to the environment. (Gordon (1991). He further asserts that a change in the environment might necessitate a change in the culture, and goes so far as suggesting that these changes, which include new learning, can also involve the need for new people.

Cultures can change and evolve. But those bedrock tenets that form the foundation of an organisation are much tougher to budge. If merging organisations have similar core values, they may, with effort, be blended. But no amount of wheeling and dealing can bring them together if they are too far apart (Fraclicx and Bolster, 1997)

Within the organization set up, organizational culture consists of shared beliefs, values and assumptions that exists within the organization and which in turn influence the patterns of behaviour that emerges as a result of these norms. Some key characteristics of organizational culture include:

- Culture evolves over time as its base evolves from shared beliefs, values and assumptions
- Shared beliefs, values and assumptions do not mean that people think alike, but rather that there is a uniform exposure to these norms, leading to a common understanding.
- Culture has a strong impact on business performance and employee satisfaction, as a good culture can support innovation, risk and focus on the customer.

From these points, it can be concluded that organizational culture is influenced largely by management and leadership styles where processes of decision-making influence employees' level of empowerment and hence influence interaction towards a specific way of doing things.

Company policies guide management and all employees on how the company manages its employees, ranging from sourcing and selection policies to rewards, development and promotions. How the company adheres to such policies also determines the organizational culture. Boundaries of acceptable thought and behaviour are also set by the company through how guidelines on how people should relate, dress code and address.

Successful pre-merger performance supported by a strong organisational culture does not guarantee that the culture can easily be transferred to another organisation. To inspire people to let go their prevailing attitudes and accustomed norms and accept new ones congruent with the desired post merger, leaders and managers must demonstrate an understanding of what it is like to be an employee during the combination process. Key considerations, which must be made to address cultural issues, include demonstrating clarity and transparency in the following:

Set direction for the new business: The management vision should be clearly defined and articulated so as to give direction to all employees. Business goals, mission, values, policies and processes of the new company should be shared with everyone so as to create a shared understanding for all to pull in one direction.

Structures and organization design: Ensuring that structures are designed from work demands and that there is no bureaucracy to slow down services. Some positions are likely to be rendered redundant due to duplication of roles on merger, clear communication on news structures and process to be used to ensure the right people fill such positions must be communicated early enough, and the process must be seen to be objective. In order to retain key talent, new roles and skill gaps must be identified in good time.

Roles and decision making process and maximising involvement: A fast transition can channel energy and minimise the period of stress, which damages employee productivity. Clear decision-making process must be established, founded on solid information and analysis to avoid bottlenecks at senior and middle level. Involving employees in consultation processes and development of ides creates more ownership at operational level.

Understanding the cultural, emotional and political issues: Empathy for pain of dealing with stress of merger not only demonstrates respect for people and their situation but also indicates that the leadership knows what people have been and are going through. Understanding day to day experiences means knowing what people worry about, what excites them, what frustrates them, and what they are thinking, feeling and need as the integration goes on. This in return generates employee respect for an informed and sensitive leadership.

Communications: Communication plays a critical role to success of mergers. Providing clear, consistent, factual, sympathetic and up to date information in several ways will increase the coping abilities of employees as well as their involvement. The communication plan must share:

- Shared vision, mission, goals and values for the new company
- Nature and progress of the integration process and the anticipated benefits.
- New structure and process of appointing people into new positions and benefits structure
- Clear separation process on those who may not be absorbed by the new company
- Performance measurement processes and reward for good performance to enable employees share in the profits of the new company.

During a merger, managers need to become problem solvers for their employees who may no longer envision or perceive their situation clearly. Employees need to feel that their contributions are important to the organization. Without these feelings of importance, they will only turn inwards, the risk of resistance and sabotage will increase. This is where culture plays a critical role and hence contributes greatly to success of mergers. Corporate culture, though often resistant to change, can indeed be changed with proper communication and management. Objective information sharing can significantly reduce employees stress and increase their effectiveness at work.

2.9 Culture Considerations in Mergers and Acquisitions

According to an AT Kearney research study, it is a problem in many mergers when the stronger partner imposes their culture on the less powerful one. This is done without any evaluation which culture would be the more suitable one for the new organization. This approach may lead to a successful merger and integration quickly in some situations. In other situations, however, this approach will destroy much of the value that was expected to grow from the merger. Especially when both partners are very different, it needs a closer evaluation, which culture will be best for both together. Corporate culture is important as it influences the performance of an organization, since it determines:

- The way the organization tackles problems and questions
- Peoples' attitude to changes
- The way people interact with each other
- The way the organization interacts with stakeholders

A perfect integration (which is rarely achieved in practice) would develop a new culture from both former cultures of the partners. Ideally, this new culture should include the best elements from both organizations. Cultural integration can be classified in ether of the following four areas: Cultural Pluralism; Cultural Blending; Cultural Takeover and Cultural Resistance. When cultural pluralism and cultural blending fail to work, this results to cultural resistance followed by a cultural takeover.

The problem in mergers is that people from very different organizations (and cultures) are expected to work together, to discuss, and to solve complex strategic and operative tasks. It is very difficult to impose a new culture that does not have the acceptance of the people. This perceived attractiveness of cultures can have the impact on the integration process, which will either be through assimilation; integration; alienation or separation.

Recklies (June 2001) developed the following checklist which has been used widely in aiding organizations manage culture during mergers & acquisitions:

i) Develop a strategy for cultural integration during the pre-merger phase and decide if it is wise to go on with the existing cultures or go for an integrated one.

ii) Analyse and describe the existing cultures as differences and common elements of both cultures show up only in direct comparison. This helps in identifying potential cultural barriers.

iii) Decide which role the new culture will play in the merged organization, being sure what you want to achieve.

iv) Establish bridges between the two companies, in order to achieve mutual understanding.

v) Establish basis and mechanisms for the new culture, including supporting systems of rewards and sanctions.

vi) Be patient as people take time to be acquainted to a new cultural reality.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This was a case study of GlaxoSmithKline (GSK) and depended on primary data collected through questionnaires. The study sought to explore, feedback from managers of GlaxoSmithKline, how various perspectives of culture lead to success or otherwise of mergers. The questionnaires were completed by a selected sample from GSK permanent employees at managerial level. It particularly sought views from managers who had been with the organization during the 2000 merger, as well as those who joined around the merger time.

3.2 Population of Study

The population of this study were GSK senior and middle managers who number 50. An unrestricted sample of 25-30% of this population was randomly drawn for purposes of this study.

3.3 Data Collection

The research drew its data from primary sources selected based on the relevance of their duties and length of service with the organization. The respondents represented 30% of the entire GSK management. The sample ensured that there is a clear balance between staff who served in different legacy companies before the merger, as well as those who joined during the merger. Primary data was collected through distribution of questionnaires to the sample group. Questionnaires were circulated via email and responses were returned through a similar mode. Where required, printed copies were circulated as well. A sample questionnaire is attached as appendix II.

3.4 Data Analysis

Data collected was analysed through qualitative analysis. Descriptive statistics was used to analyse the quantitative data. Percentages were used to determine respondents' feedback and mean scores were used to analyse feedback received from staff.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the research. From the study population targets of 15 respondents, 12 respondents responded to the questionnaire, constituting 80% response rate.

4.2 Background Information

Table 4.1 Gender of the respondents

	Frequency	Percent
Male	10	83.3
Female	2	16.7
Total	12	100.0

From table 4.1, the researcher sought to investigate the gender of respondents (employees from GSK at managerial level). From the findings, the researcher found out that the majority of respondents as indicated by 83.3% were males, while 16.7% of the respondents were females. From this information, the researcher also concluded that at GSK there are more males at the managerial level than females.

Table 4.2 Duration of employment in the company

	Frequency	Percent
11-15 years	9	75.0
16-20 years	3	25.0
Total	12	100.0

The study also investigated on the number of years that the respondents have been with the company. From the findings in table 4.2, it was clear that the majority of respondents as shown by 75% had been in the company for 11-15 years, while 25% of the respondents had been with the company for 16-20 years. From this information, the researcher could have confidence in the data collected since all the respondents had been with the company for more than 11 years, which was a clear indication that they were well versed with the cross cultural perspective of mergers and acquisitions at GSK.

Table 4.3 Level of management

	Frequency	Percent
Middle level (D1-2)	8	66.7
Senior management (C grade)	4	33.3
Total	12	100.0

The researcher requested the respondents to state whether they were at middle or senior management level of management. From the findings in table 4.3, the researcher found out that the majority of respondents were middle level (D1-2) managers, while 33.3% were senior managers (C-grade). This also shows clearly the respondents were well versed with the questions and therefore they gave the most relevant responses since as managers they were more conversant with the cross-cultural perspective of mergers and acquisitions in GSK than lower cadre staff.

Table 4.4 Legacy Company

	Frequency	Percent
GlaxoWellcome	6	50.0
SmithKline Beecham	6	50.0
Total	12	100.0

The company that the respondents worked for before the mergers and acquisitions was also investigated in the study. From the findings in table 4.4, 50% of the respondents said that they were working for GlaxoWellcome, while 50% said that they were working for SmithKline Beecham. This information shows that in merging these companies, employees were well distributed in the managerial level in GSK.

4.3 Mergers

Table 4.5 Level of agreement of respondents with the statement in regard to mergers

Statement	Strongly agree	Agree	Disagree	Strongly disagree	Others	Mean
Mergers occur to create monopolies and fight competition	8.3	66.7	25	0	0	2.17
Mergers are driven by need for business expansions	41.7	50	0	0	8.3	1.83
Mergers are driven by globalisation	8.3	83.3	8.3	0	0	2
Companies merge to create economies of scale	58.3	41.7	0	0	0	1.42
Mergers create more efficiency	25	50	16.7	0	8.3	2.17
With mergers, quality of service is assured	0	16.7	50	8.3	25	3.42
Companies merge to deploy idle resources	8.3	16.7	50	8.3	16.7	3.08
Employees are given top priority during mergers	0	33.3	41.7	8.3	16.7	3.08
Company profitability increases upon a merger	0	50	25	0	25	3
Mergers are driven by cost of research and development on new products	25	58.3	16.7	0	0	1.92

The researcher requested the respondents to indicate their level of agreement with the statements in regard to mergers and acquisitions as contained in table 4.3. The findings were then presented using percentages and means to show the level of consensus.

From the findings, the researcher found out that the majority of respondents were in agreement that; mergers occur to create monopolies and fight competition, mergers are driven by need for business expansions, mergers are driven by globalisation, Companies merge to create economies of scale, mergers create more efficiency, and also mergers are driven by cost of research and development on new products. This was because all these statements had a mean score of below 2.5, which in the response scale of 1-4 means that the majority of respondents agreed. The majority of respondents disagreed that with mergers, quality of service is assured, companies merge to deploy idle resources, employees are given top priority during mergers, company profitability increases upon a merger as these variables had a mean score of 3 and above.

Table 4.6 Level of agreement on information during the merger

Statement	Strongly agree	Agree	Disagree	Strongly disagree	Others	Mean	Std dev
I received adequate information on what was going to happen	25	75	0	0	0	1.75	0.452
I clearly understood the implications of the merger process	33.3	58.3	8.3	0	0	1.75	0.622
I received regular updates on what was happening	33.3	66.7	0	0	0	1.67	0.492
As far as I am concerned, the process was smooth	8.3	66.7	16.7	0	8.3	2.33	0.985
I felt uncertain and confused	0	8.3	75	16.7	0	3.08	0.515
I experienced no difference on my work	0	0	75	25	0	3.25	0.452
The values of the organization remained the same	8.3	33.3	33.3	25	0	2.75	0.965
Work procedures and processes remained the same	0	8.3	66.7	25	0	3.17	0.577
Behavioural tendencies have remained the same	0	8.3	91.7	0	0	2.92	0.289

According to table 4.6, the researcher requested the respondents to state their level of agreement in regard to how information was shared during the merger of GlaxoWellcome and SmithKline Beecham in Kenya. The findings were then presented using percentages, means score to show the level of consensus of the responses and standard deviation to show the level of dispersion of the responses from the mean score.

From the findings in this table (4.6), the researcher found out that the majority of respondents agreed that during the merger of GlaxoWellcome and SmithKline Beecham in

Kenya, they received adequate information on what was going to happen, they clearly understood the implications of the merger process and also they received regular updates on what was happening as these variables had a mean score below 2.5 which means that they agreed.

Majority of respondents disagreed that as far as they were concerned, the process was smooth, they felt uncertain and confused, they experienced no difference in their work, that the values of the organization remained the same, work procedures and processes remained the same and also behavioural tendencies have remained the same as these variables had a mean score of 2.5 and above and a standard deviation of less than 1 which means that there was no dispersion in responses from the mean score. This therefore means that after the mergers and acquisitions there were changes in work, values, work procedures and processes and also behavioural tendencies.

4.4 Culture

Table 4.7 After the merger level of agreement with similarities in culture

Statement	Strongly agree	Agree	Disagree	Strongly disagree	After merger	Mean
Both companies had similar cultures	8.3	0	58.3	25	8.3	3.25
One culture was dominant	16.7	41.7	41.7	0	0	2.25
Both companies had similar approach to rewards	8.3	0	75	16.7	0	3
Both companies had similar approach to recruitments	0	25	66.7	8.3	0	2.83
Both companies had similar approach to promotions	0	8.3	50	25	16.7	3.5
Both companies had similar decision making processes	0	0	75	16.7	8.3	3.33

Table 4.7 shows the findings on whether the respondents agreed or disagreed with the similarities in culture. From the findings, it was clear that the majority of respondents disagreed that both companies had a similar culture, they had similar approach to rewards,

recruitments, promotions and also similar decision making processes as these variables had a mean score of above 2.5. Slight majority of respondents agreed that one culture was dominant in both companies as it had a mean score of 2.25.

Table 4.8 Level of agreement with communication process during merger

Statement	Strongly agree	Agree	Disagree	Strongly disagree	Others	Others	Mean
There was clear communication to staff on what was expected	16.7	75	8.3	0	0	0	1.92
Effort was made to communicate new structure in good time	16.7	66.7	8.3	8.3	0	0	2.08
Confirmations to new positions was done fairly and objectively	16.7	66.7	8.3	0	8.3	8.3	2.25
I was clear on the merging company's mission, vision and values were clearly communicated	0	91.7	8.3	0	0	0	2.17
I felt that a new culture was emerging	8.3	66.7	25	0	0	0	2.17

In table 4.8, the researcher sought to investigate on the level of communication process during merger by the respondents. From the findings in the above table, it was clear that majority of respondents were in agreement that there was clear communication to staff on what was expected, effort was made to communicate new structure in good time, confirmations to new positions was done fairly and objectively, and also that there was clarity on the merging company's mission, vision and values were clearly communicated, they felt that a new culture was emerging as all these variables had a mean score below 2.5.

Table 4.9 Perception of elements of organizational culture

	Very typical	Typical	Not typical	Not very typical	Mean
Values	58.3	25	8.3	8.3	1.67
Beliefs	33.3	41.7	16.7	8.3	2
Attitudes	25	58.3	16.7	0	1.92
Behaviour	33.3	41.7	25	0	1.92
Management techniques	33.3	58.3	8.3	0	1.75

According to the respondents' views on the elements of organization culture, the researcher found out from the majority of respondents that values, beliefs, attitudes, behaviour and management techniques were typical in the organization as they had a mean score below 2.5, which, which means that majority of respondents were in agreement.

Table 4.10 Importance of managing culture in the workplace

Statements	Very important	Important	Fairly important	Less important	Mean
Culture is solely the responsibility of management	8.3	25	25	41.7	3
Culture is shaped by employees only	0	25	25	50	3.25
Culture is shaped by both employees and management	91.7	8.3	0	0	1.08
Culture is key to business success	66.7	25	8.3	0	1.42
A good culture leads to better performance	100	0	0	0	1

In table 4.10, the researcher sought to investigate how the respondents perceived the importance of the statements in regard to managing culture at the workplace. From the findings, the researcher found out that both employees and management shape culture, culture is key to business success and a good culture leads to better performance as the majority of respondents found these statements to be important, while majority of respondents disagreed that culture is solely the responsibility of management, and culture is shaped by employees only as majority of respondents did not find these statements to be important in regard to managing culture at work place.

Table 4.11 Importance of the factors influencing culture in organizations

Statement	Very important	Important	Fairly important	Less important	Mean
Communication	100	0	0	0	1
Work environment	75	16.7	8.3	0	1.33
Rewards and benefits	66.7	16.7	16.7	0	1.5
Dress code	8.3	33.3	50	8.3	2.58
Office space and design	16.7	50	25	8.3	2.25
Company policies	58.3	33.3	8.3	0	1.5
Manager's style	50	50	0	0	1.5
Employees attitude	66.7	33.3	0	0	1.33
Company's values	83.3	16.7	0	0	1.17
Company goals	58.3	25	16.7	0	1.58
Parent company	16.7	41.7	33.3	8.3	2.3

Table 4.11 shows the findings on the importance of the factors that influence culture in organizations, where the respondents were required to indicate the level of importance of each factor. From the findings, it was clear that the majority of respondents agreed that communication was the most important factor that influences culture in organizations as all the respondents said that it was very important. Other factors that were important were work environment, rewards and benefits, office space and design, company policies, manager's style, employees attitude, company's values, company goals and parent company as they had a mean score of below 2.5. The only factor that was found by majority of respondents not to be very important was dress code with a mean score of 2.58.

4.12 Respodents feedback on whether GSK merger was a success

	Frequency	Percent
Yes	12	100.0

The study also investigated on whether the respondents considered the GSK merger a success and all the respondents shown by 100% said that they considered merger a success.

Table 4.13 Contribution of culture to success of mergers

Statement	Very important	Important	Fairly important	Less important	Mean
Norms	8.3	66.7	25	0	2.17
Values and believes	58.3	41.7	0	0	1.42
Management culture and leadership styles	66.7	33.3	0	0	1.33
Organizational myths and stories	0	33.3	25	41.7	3.08
Cultural symbols	0	41.7	25	33.3	2.92

Table 4.13, the researcher sought to investigate on how the cultural aspects in the table have contributed to the success of merger. The most important cultural aspects in contributing to the success of merger were found by the researcher to be norms, values and believes, management culture and leadership styles as they had a mean score of 2.17, 1.42 and 1.33 respectively which means that according to the majority of respondents, these aspects were important, while majority of respondents did not find organizational myths and stories and cultural symbols to be important aspects in contributing to the success of merger as they had a mean score of 3.08 and 2.92 respectively.

CHAPTER FIVE

DISCUSSIONS SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusions and recommendations were made. Guided by the objectives in summary, the study shows that the respondents who participated in the study had some reasonable awareness of the cross-cultural perspective of mergers and acquisitions during the GSK merger.

5.2 Discussions

The response rate was good as 80% of the targeted respondents participated. From the research, the study revealed that at GSK there are more males at the managerial level than females as was indicated by 83.3%. It was also clear that all the respondents had been with the company for more than 11 years and the majority of them as indicated by 66.7% were in the middle level (D1-2) of management, which was a clear indication that they were well versed with the cross-cultural perspective of mergers and acquisitions at GSK. The researcher also found out that 50% of the respondents were working for GlaxoWellcome and 50% were working for SmithKline Beecham before the two companies were merged.

The research also revealed that mergers occur to create monopolies and fight competition, need for business expansions and globalisation, to create economies of scale, for more efficiency, and also to reduce the cost of research and development on new products. It was also clear that during the merger of GlaxoWellcome and SmithKline Beecham in Kenya, the employees (respondents) received adequate information on what was going to happen, they clearly understood the implications of the merger process and also they received regular updates on what was happening as far as merging was concerned. It was also found out that there was no similarity in culture of merging companies, there was no similar approach to rewards, recruitments, promotions and also decision-making processes, and according to the majority of respondents, one culture was dominant.

On communication process during merger, the researcher found out that there was clear communication to staff on what was expected, effort was made to communicate new structure in good time, confirmations to new positions was done fairly and objectively, and also that there was clarity on the merging company's mission, vision and values. The respondents felt that a new culture was emerging. The elements of organizational culture, which are values, beliefs, attitudes, and behaviour and management techniques, were also found by the respondents to be very typical in the organization.

In regard to managing culture at the work place, the researcher found out that both employees and management shape culture, culture is the key to business success and also a good culture leads to better performance. The study also revealed the most important factors in influencing culture in the organization to be communication, work environment, rewards and benefits, office space and design, company policies, manager's style, employees' attitude, company's values, company goals and parent company. All the respondents considered the merger a success and that norms, values and believes, management culture and leadership styles were very important cultural aspects in contributing to the success of the merger.

5.3 Conclusions

From the findings in chapter four and discussions in this chapter, it can be concluded that culture is a very important element for the success of any merger. Culture is also key to success of business as a good culture leads to better employee performance hence better overall business performance. Elements of organizational culture such as norms, values and believes and leadership styles are key to success of mergers and acquisitions. Culture does influence employee behaviour, with the deepest significant part of culture being driven by values and assumptions, which in many cases may be hidden or implicit.

Leadership is also critical in shaping an organizations culture. Leaders who motivate and inspire their teams tend to create an organization where staff feel a special bond and ownership, and tend to go an extra mile in their day to day activities to achieve agreed objectives. The study has shown that clear leadership which ensured there was a clear communication process, clear goals , vision and mission, there was purpose and all these factors drove a positive culture during the merger an after. As earlier identified, GSK's staff members are highly motivated and performance driven, they take pride in the organizational culture evolving from the merger. As evidenced in the study, the merger was a success.

5.4 Recommendation for further research

This study focused on the manufacturing sector, with a specific bias to a pharmaceutical industry. There is room for a similar study to be undertaken in other sectors such as the banking industry, financial services sector and telecom industry at local level to find out the cross cultural perspective of mergers and acquisitions in those sectors and how they compare to the manufacturing sector.

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APPENDICES

Appendix I: Introduction letter

20th November 2007

Mwikali Muthiani
C/O MBA office
Faculty of Commerce,
School of Business
University of Nairobi
P.O. BOX 30197
NAIROBI

Dear Respondent,

I am a postgraduate student at the School of Business, University of Nairobi, pursuing a Master's degree in Business Administration. I am undertaking an International Business research project in partial fulfilment of the academic requirement of the MBA degree. The topic I am researching on is on Cross Cultural Perspective of Mergers and Acquisitions: a Case Study of GlaxoSmithKline Kenya Plc.

My supervisor and I request you to take a few minutes to respond to the questions the following. Your responses will be kept confidential and your assistance will be highly appreciated.

Yours faithfully,

Mwikali Muthiani	Eliud O. Mududa
MBA Student	Project Supervisor

Appendix II : Questionnaire

Cross-Cultural Perspectives of Mergers and Acquisitions:

The case study of GlaxoSmithKline Kenya

This research is in partial fulfilment of requirements for a degree in Master of Business Administration from School of Business, University of Nairobi and I will be most grateful if you could kindly complete this questionnaire. The information given here will only be used for purposes of this study and will be treated with utmost confidence.

Tick as appropriate

1. Male ( ) Female ( )

2. **For how long have you been with the company?**

   1-5 years ( )

   6-10 years ( )

   11-15 years ( )

   16-20 years ( )

   Over 20 years ( )

3. **Please tick level of management:**

   i) Middle level (D1-2) ( )

   ii) Senior management (C grade) ( )

4. **If you joined the company before the merger, which company did you work for?**

   (i) Glaxo Wellcome ( ) (ii) SmithKline Beecham ( )

Use the following guideline to answer questions 5- 7:

- 1 to represent strongly agree
- 2 to represent agree
- 3 to represent disagree
- 4 to represent strongly disagree

5. In your opinion, how true are these statements in regard to mergers? If there are some which you consider true but which have not been included, please write them in the space provided for others.

i)	Mergers occur to create monopolies and fight competition	( )
ii)	Mergers are driven by need for business expansions	( )
iii)	Mergers are driven by globalisation	( )
iv)	Companies merge to create economies of scale	( )
v)	Mergers create more efficiency	( )
vi)	With mergers, quality of service is assured	( )
vii)	Companies merge to deploy idle resources	( )
viii)	Employees are given top priority during mergers	( )
ix)	Company profitability increases upon a merger	( )
x)	Mergers are driven by cost of research and development on new products	( )

Others:

6. During the merger of GlaxoWellcome and SmithKline Beecham in Kenya:

i)	I received adequate information on what was going to happen	( )
ii)	I clearly understood the implications of the merger process	( )
iii)	I received regular updates on what was happening	( )
iv)	As far as I am concerned, the process was smooth	( )
v)	I felt uncertain and confused	( )
vi)	I experienced no difference on my work	( )
vii)	The values of the organization remained the same	( )
viii)	Work procedures and processes remained the same	( )
ix)	Behavioural tendencies have remained the same	( )
x)	Management orientation remained the same	( )

7. After the merger of GlaxoWellcome and SmithKline Beecham in Kenya:

a) Similarities in Culture:

i)	Both companies had similar cultures	( )

ii) One culture was dominant ( )

iii) Both companies had similar approach to rewards ( )

iv) Both companies had similar approach to recruitments ( )

iv) Both companies had similar approach to promotions ( )

v) Both companies had similar decision making processes ( )

b) **Communication process during merger:**

i) There was clear communication to staff on what was expected ( )

ii) Effort was made to communicate new structure in good time ( )

iii) Confirmations to new positions was done fairly and objectively ( )

iv) I was clear on the emerging company's mission, vision
And values were clearly communicated ( )

v) I felt that a new culture was emerging ( )

8 a) **In a rating of 1 (very typical) to 4 (not very typical), how do you perceive the following as important elements of organizational culture?**

i) Values ( )

ii) Beliefs ( )

iii) Attitudes ( )

iv) Behaviour ( )

v) Management Techniques ( )

Use a rating of 1 (important) to 4 (less important) to answer the remaining questions:

8 b) **How do you perceive the importance of the following statements in regard to managing culture at work place**?

i) Culture is solely the responsibility of management ( )

ii) Culture is shaped by employees only ( )

ii) Culture is shaped by both employees and management ( )

iv) Culture is key to business success ( )

v) A good culture leads to better performance ( )

9. **In your opinion, how important are the following factors in influencing culture in organizations?**

i)	Communication	( )
ii)	Work environment	( )
iii)	Rewards and benefits	( )
iv)	Dress code	( )
v)	Office space & design	( )
vi)	Company policies	( )
vi)	Manager's style	( )
vii)	Employee attitude	( )
viii)	Company's values	( )
ix)	Company goals	( )
x)	Parent company	( )

Others

10. **Do you consider the merger a success?** Yes ( ) No ( )

If yes, in your own opinion, how important have the following cultural aspects been in contributing to this success?

i)	Norms	( )
ii)	Values and believes	( )
iii)	Management culture and leadership styles	( )
iv)	Organizational myths and stories	( )
v)	Cultural symbols	( )

THANK YOU